

How Toyota engineered its own downfall



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Weirdly, Akio Toyoda, scion of the Toyota family, summed it up rather well. "Believe me, Toyota's car is safety," the chief executive of Japan's most iconic company said. "But we will try to increase our product better."

It would normally be unforgivable to mock someone's difficulties in English. But the fact that Mr Toyoda, who earned an MBA in the US, had not been drilled in a word-perfect English apology says much about Toyota's sub-quality response to its recall crisis. In Japan, the apology, like *ikebana* and *haiku*, is an art form. Yet as recently as last Friday, when the Toyota chief made his tangled *mea culpa*, the company was still failing to address the concerns of its customers, 70 per cent of whom live outside Japan.

Watching Toyota's slow-motion pile-up is like witnessing the sequel to Japan Inc's own car crash in 1990

when an economic model, hailed as invincible by management gurus, plunged over a cliff. Then, as now, an obsession with market share led companies to expand too rapidly. Now, as then, legendary business practices – in Toyota's case its just-in-time processes and its *kaizen* philosophy of continuous improvement – had hidden flaws.

Yet the comparison between Japan's overreach and Toyota's current difficulties is not entirely fair. Japan Inc never did become Number One. Toyota, on the other hand, really did win. It put two of its biggest US rivals – General Motors and Chrysler – out of business. In 2008, it sold more cars than GM, making it the world's biggest and most profitable carmaker. But for the largesse of the US taxpayer, Toyota, together with a handful of Japanese and Korean rivals, would have the mass car market practically to itself.

US fears of economic decline will make a bad situation worse. The postponement of this week's congressional hearings into the recall is but a snowy reprieve. Later this month, Toyota will face a public grilling aimed at revealing when it became aware of safety issues and whether it covered them up. Lawyers are already honing their closing

statements for what will be a clutch (no pun intended) of class action suits. Ray LaHood, transportation secretary, set the tone. "My advice to anyone who owns one of these vehicles is to stop driving it," he said, adding ominously: "We are not finished with Toyota yet."

The fact that Toyota has now had to recall its latest-model Prius hybrid, largely built and sold in Japan, undermines "anti-Japanese"

conspiracy theories. These hold that the owners of Toyota's American rivals (aka the US government) have an incentive to exaggerate safety concerns. Still, car experts have been taken aback by the ferocity of attacks. "The venom in the rhetoric is quite stunning," says Paul Newton, a motor industry analyst at IHS Global Insight. "I rather fancy the fact that they surpassed GM in 2008 and are seen to be hurting

proper American companies is part of the issue. This is an opportunity to give Toyota a bit of a kicking."

Toyota, which employs 34,000 people in US plants, has been pretty successful in portraying itself as an American company. But in times of economic distress, there is only so much a Rising Sun company can do to wrap itself in the Stars and Stripes.

There is no denying Toyota has brought much upon its own head. Though recalls are not uncommon, the fact that Toyota let cars go out with faulty accelerators and brakes suggests something is seriously awry. After all, starting and stopping are fairly integral parts of the motoring experience. The inevitable post mortem may well discover that Toyota's quickfire expansion and its almost manic drive to pare the cost of supplies and labour (much of it casual) have compromised quality.

Yet more unforgivable still is the way Toyota has handled the crisis. Its marketing machine has obfuscated for years, refusing to acknowledge that Toyota cars might be at fault. (By some accounts, dodgy acceleration came to light as early as 2002.) Rather than admitting the problem early, Toyota tried to lay the blame on anything or anyone – floor mats, suppliers, even drivers.

The engineers who run the company from Nagoya, spiritual home of Japan's *monozukuri* (making things) culture, have simply been unable to comprehend that their cars could be less than perfect.

Toyota's PR fiasco neared its climax at the World Economic Forum in Davos when Mr Toyoda, fleeing the attention of a television crew, made his escape – in an Audi. Then came last week's disastrous press conference. Now, the company has drawn a line in the sand. Mr Toyoda began the fightback with a well-scripted apology – in Japanese and in English. In a contribution to The Washington Post, he said he would personally take control of quality-control issues. He pointed out that 80 per cent of Toyota cars sold in the US over the past two decades were still on the road. Few would bet against a Toyota comeback.

Still, in the article, Mr Toyoda boasted that two weeks ago he halted production of eight models by

pulling the so-called *andon* cord, a quality-control device with which every Toyota worker can stop production. What he did not say was that he should have pulled the cord months, if not years, ago.

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