

Success always demands a greater effort.

So What Went Wrong At Toyota?

Some commentators are pointing to the recent problems at Toyota and saying that LEAN and the Toyota Production System doesn't work. Stan Gwizdak and Dennis McRae, VPs at Celerant Consulting Americas, strongly disagree.



There can be no doubt whatsoever that LEAN and the Toyota Production System (TPS) works. It reduces variation, waste, complexity and supplier numbers, allowing companies to standardise the products they manufacture.

It has also allowed Toyota to grow and prosper from the early beginnings to the largest car company in the world. Toyota has been benchmarked and many companies globally have adopted the TPS into their own operations. Others have their own production system modeled after Toyota's.

Toyota has an operating model to run their business and everyone from the lowest level in the company to the CEO knows the rules and the game plan. As long as they were sticking

to the game plan, Toyota was able to sustain a very strong quality system.

Where Toyota went wrong was in not following its own playbook.

The 4 areas that drove Toyota off track

As we heard in the recent US Congressional Hearings, Toyota's drive to be No.1 led to the situation the company finds itself in today. In the desire for growth, internal resources and the supply chain were stretched by the opening of so many new plants and locations around the world. Quality and Genchi Genbutsu (Go to the source to get the facts) are hallmarks of the Toyota Production System. These fundamentals are what drove Toyota to become a large respected company, and abandoning them is how things began to go wrong. There were 4 key problem areas:

The Drive to be No.1

In 2002, Toyota set a target to be the No.1 Global Automobile Manufacturing Company in the world, an aggressive goal that required 50% growth. This is the equivalent of Toyota starting up a company the size of Honda Automotive in just 7 years. Because of this focus, Toyota decided to stop their goal of slow and steady growth, which had allowed them to continue to make quality cars and grow market share. This growth stretched their resources and their supply base.

It became harder for them to stay focused on quality when they were growing so fast.

Complacency

Toyota invented the TPS and it was working so well that they felt they didn't need to worry

about being vigilant with their manufacturing processes anymore. They believed that they had all of the answers and took their eye off the ball.

In fact, Katsuaki Watanabe, the former President of Toyota, admitted in 2006 that the company had quality problems. At that time, Watanabe acknowledged that lengthening development times might be necessary. Instead, the company continued its drive for rapid growth.

Top Down Decision Making

Toyota's philosophy of 'Genchi Genbutsu' (Go to the source to get the facts) became harder when there were many levels of management between the decision makers and the problems.

As a result of their rapid growth, manufacturing was taking place all over the world. However,

corporate headquarters in Japan continued to make the decisions at a distance instead of taking input from local 'sources' where the factories were located.

Cost Reduction Pressures

In response to a pressure that all automobile manufactures were feeling Toyota started a programme of buying products manufactured locally to their plants, instead of shipping in all components from Japan.

This created more suppliers and more complexity in the Toyota system. It also put additional strain on the engineering teams and the business as they also were growing at a fast pace.

The Lesson?

As we've seen this play out in the news over

the last several months, it is clear that other factors also contributed to the scale and public fallout of Toyota's difficulties.

No doubt a faster response to customer complaints, more visibility of the CEO and better public relations could have limited the level of damage to the company.

Nevertheless, the problems began in manufacturing, and the lesson other manufacturing companies can learn is that it is vital to be constantly checking that the principles of LEAN are being applied - and that implementing these principles is an ongoing process. ■

The opinions expressed are those of the authors and not necessarily Celerant Consulting.