

**Leadership**

# **Toyota's Problems Start at the Top**

by Joel Kurtzman

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When I was a young consultant, my first (and at the time, only) client was a fledgling Toyota, which had only recently entered the American market in a big way. Back in the mid-1970's, in the wake of the first oil shocks, Toyota was an inspiring company battling for long-term growth and market share in a country that still viewed Japanese products — and the people who made them — with suspicion. To this day, I carry insights with regard to leadership that I learned from Toyota in that period. Toyota could learn a lot from studying its past.

While today's Toyota's leaders may be flailing, in its heyday, the company knew what it stood for. It came from the top. Then, Eiji Toyoda ran the company in strong-willed but humble way. He had tremendous respect for his workers. Because it was relatively small, Toyota licensed a great deal of its technology from other companies. As a result, much of what has been called the Toyota Way was based on the continuous refinement of processes and

products invented by others. This could be infuriating. When I rebuilt the carburetor of my 1975 Corolla, I was dismayed to find that there were five versions of the carburetor for that year, each one slightly better than the last, each with a different parts list. Such a process could have prevented today's problems with gas pedals and brakes.

Toyota's second strength was that Eiji Toyoda allowed leadership to permeate the organization. He listened to his employees and trusted them. He installed suggestion boxes and read what was in them. He gave assembly workers the authority to pull a cord and stop the entire production line if they detected anything that might affect product quality.

Granting that level of authority to assembly workers was unheard of at the time — not just because the rest of the world's car makers didn't think the people putting together their products had enough judgment but because stopping the line was expensive. A delay could back up the entire system, from parts deliveries to putting finished vehicles onto trucks, trains, and ships, and onto dealers' lots. Despite the costs, Toyoda let his workers know they could stop the line.

When I consulted to Toyota it was what I call a Common Purpose organization, in that everybody around the world seemed to know what the company stood for, which, in turn, helped them understand how to do their jobs better. For example, everyone knew that quality was more important than profits, that part of everyone's job was to fix something that went wrong, and that if they had a concern about a product or process they would be heard. They also knew that selling a second car to a customer was more important than the first. Loyalty counted for a lot.

Back then, in all likelihood, someone would have spotted and fixed a problem with an accelerator pedal or braking system

immediately, not after two years and not after it affected more than 2 million cars. Someone would have pulled the cord.

What happened? Some have pointed fingers at the company's suppliers. But Toyota has always been the least vertically integrated of the automobile companies. It was a networked company of autonomous and semi-autonomous suppliers as far back as the 1950s; some have worked with Toyota since its inception. Its managers were adept at managing supplier relationships to make certain everyone understood the company's goals. Much has been written on this point. It's unlikely that Toyota's managers simply forgot what had been widely hailed as one of the company's most important attributes.

Others have suggested Toyota's problems are a result of its size. As the world's largest automobile company, it has grown too big to manage. This is also not likely the case. Toyota did not grow through mergers or acquisitions, it did so organically. This meant that there was nothing new to integrate into the Toyota system and that there were no clashes of corporate cultures. In addition, Toyota became No. 1, not because of a growth spurt, but because its main rivals fell.

Toyota's quality problems run deep, but they are not simply a failure of design, or a retreat from best-in-class manufacturing. They are a failure of leadership. The company recently lost its much-respected head of North America to Chrysler, and also went through a transition at the top in Japan. From my own recent experience with the company, many of the executives I met with felt second guessed by their bosses. Numbers, not people, are in the ascendency and workers have lost respect.

When the spirit of Common Purpose is on the wane in an organization, missteps are sure to follow.

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