

CASE

Quality Management—Toyota

Toyota—Under-the-Radar Recall Responses

After a bruising series of recalls in 2010, Toyota Motor Corp. has quietly implemented a number of new quality and safety-related reforms to its operations, even as it denies its vehicles are prone to defective parts or engineering flaws. Toyota admits that its number of recalls has increased but insists that it is because the company now tags vehicles even for issues that it had not previously considered problematic as part of its new effort to appease customers. It claims this improvement contrasts with its slow response in the past, which had hurt its reputation.

Executives admit they were lax in instituting companywide programs to police repairs at dealerships and didn't grasp how some car owners were driving their cars in potentially hazardous ways, such as using aftermarket floor mats piled up under the gas pedal. Company engineers never envisioned that kind of problem when they designed and produced cars, and mechanics at dealers didn't bother to report it up the chain of command.

"We had a top-down, bureaucratic system with lots of checklists that weren't taken seriously by regular employees because their hearts weren't in it," said Shinzo Kobuki, a Toyota senior managing director in charge of overseeing advanced research and safety. "Even with our suppliers, we rated their ability to meet strict scheduling deadlines ahead of their ability to meet strict quality and safety guidelines. Now the opposite is true."

Toru Sakuragi, chief executive of SC-Abeam Automotive Consulting, a Tokyo-based automotive research/consulting firm, says Toyota has been caught between a need to cut costs to overcome the strong yen and the need to improve quality to prevent recalls. "They are now pursuing both strategies, but they are essentially at odds with one another," said Mr. Sakuragi. It remains to be seen if Toyota's actions are sufficient to prevent a recurrence of the missteps that tarnished its image as it recalled some 10 million vehicles worldwide. Importantly, the company's soul searching has amounted to a mere slap on the wrist for its senior-most officials, in the form of a 20 percent pay cut for just three months summer 2010. And Toyota denies any culpability for structural defects or systematic cover-ups.

To some extent, the Japanese automaker was vindicated by the announcement by the U.S. National Highway Traffic Safety Board that many of the reported accidents involving Toyota models resulted not from gremlins in electronic control systems, but "pedal misapplication"—or driver error. Yet the company still faces hundreds of lawsuits stemming from unintended acceleration-related accidents, including some from seven major insurers who filed separate but identical complaints in Los Angeles County Superior Court blaming defects in Toyota vehicles for the crashes.

For its part, Toyota says it has found no defects or safety issues with new model cars that have undergone enhanced checks ahead of their debut to the marketplace. In the final stage of its recent Camry review, Toyota concentrated on fine-tuning things such as the level of vibration in the steering wheel to ease perceived quality gaps. These changes forced a delay in the car's debut by several weeks.

New Initiatives

The Japanese automaker has launched, unannounced, several low-profile initiatives, including a global computer database to track vehicle repairs and cut reporting times about customer complaints from months to

days. It also has extended deployment of rapid-response teams to determine the causes of accidents beyond the United States and Japan to other major markets, including China and Europe.

These initiatives include a multimillion-dollar, multilingual computer system staffed by a dedicated unit of 20 employees who compile repair reports from Toyota dealerships worldwide, along with complaints on the Internet and safety concern information gathered by governments; then they mine those data to spot trends. Known internally as TAQIC, or Toyota Advanced Quality Information Center, this system will be made accessible to most employees on an as-needed basis.

The company also has named a managing director to oversee all safety-related issues. This official works on the research and engineering side of the business but collaborates with a separate quality-focused task force. Another initiative involves the so-called Swift Market Analysis Response Teams, known as Smart, set up to troubleshoot in the United States. These are now being rolled out globally in markets such as Europe, India, Southeast Asia, and China at a total annual cost to Toyota of some five billion yen (\$60.4 million). The teams are responsible for tracking down what company insiders dub "S-ketten," a hybrid of an abbreviation for the English word "safety" and the Japanese term for defects. While these troubleshooting squads are new to the United States and other markets, Toyota revealed that it has maintained similar teams in Japan for years as a result of Japanese regulators' demands for quarterly reports following recalls. Since United States authorities didn't require Toyota to isolate the root cause of problems leading to recalls like their Japanese counterparts, the Smart groups weren't deployed outside Japan.

Toyota says the renewed focus on quality and safety will form an early-warning system of sorts to get a handle on potential problems before they can snowball. Toyota assigned 1,000 engineers to spot-check quality, setting up troubleshooting teams in the United States and adding at least four weeks to its new-car development schedules. It also has lowered its bar for requiring recalls.

At a new Toyota group factory opened in northern Japan to export its Yaris subcompacts to the United States and the Middle East, the company stressed its commitment to the highest levels of quality and safety. "We are at ground zero in the sense [that] the things we make here go directly to the customers, so we have a responsibility to get it right from the earliest stage of the manufacturing process," said Atsushi Niimi, executive vice president in charge of production engineering. However, Toyota has not instituted drastic changes to its assembly lines as a result of the recall, even at the new plant in Miyagi, which replaces an older factory in Sagami-hara outside Tokyo. "We haven't done anything radically different in terms of quality checks," said Kenji Kinoshita, an assembly-line production engineer at Miyagi who was seconded from Kanto Auto Works Ltd. "We're just doing our normal everyday work to improve things little by little."

QUESTIONS

1. Develop a diagram that summarizes what Toyota has done in response to its recent quality recall problems. Focus on the changes by functional area (i.e., Management, Product Design, Quality, and Manufacturing).
2. Evaluate the statement in the case made by Toru Sakuragi that "... Toyota has been caught between a need to cut costs to overcome the strong yen and the need to improve quality to prevent recalls," and that "[t]hey are now pursuing both strategies, but they are essentially at odds with one another." Is this a realistic strategy? Do you have suggestions for how the strategy might be improved?
3. Suggest improvements that you feel could be made to Toyota's quality program. Also, what might Toyota do to improve its image to the consumer relative to quality?

Source: Adapted from Chester Dawson and Yoshio Takahashi, "Toyota Makes New Push to Avoid Recalls," *The Wall Street Journal*, February 24, 2011.