

Book Extreme Toyota

Radical Contradictions That Drive Success at the World's Best Manufacturer

Emi Osono, Norihiko Shimizu and Hiroataka Takeuchi
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Recommendation

Vast numbers of books discuss Toyota, but this one is more than just another paean to how well the firm uses its production system. Emi Osono, Norihiko Shimizu and Hiroataka Takeuchi, working with translator John Kyle Dorton, focus on several different elements of Toyota’s culture. They explain how the company’s leaders diagnose its internal contradictions and use them as a source of energy and a springboard for creativity. Where most corporate leaders see waste and a sad absence of harmonization, Toyota’s executives forge a fresh road through experimentation and continuous improvement. The book offers new ideas to help you assess your organization’s internal contradictions and turn them to your advantage. Despite being originally written in Japanese, and despite the firm’s recalls and woes, this volume reads well and features illustrations that help you understand the concepts behind the words. *BooksInShort* recommends it to businesspeople who are curious about Toyota, its culture and the culture of their own organizations.

Take-Aways

- Use your company’s internal contradictions productively as a force for change instead of trying to eliminate them.
- For example, Toyota’s employees revere the corporation’s heritage and values, but they adapt to current conditions.
- Its leaders manage “expansive” and “integrative” forces to fuel improvement.
- They set impossible goals and make Toyota better by trying to fulfill them.
- Toyota’s programs emphasize action and experimentation and tolerate errors.
- Listen to and learn from your customers; benefit from your knowledge of local needs.
- Communication happens because people connect with one another, not because they have modern systems.
- Rather than cutting underperforming employees, give them new training and prepare them to make real contributions.
- Corporate efficiency is important, but reducing institutional knowledge by firing people who know their jobs and their customers is not the road to improvement.
- The moment you feel you have arrived is the moment your company begins to decline.

Summary

Toyota: Pushing Beyond the Boundaries

Almost all companies, especially large ones, wrestle with internal contradictions, opposing objectives, and paradoxes in operations and culture. The difference between Toyota and nearly all other firms is that its leaders embrace these complexities and consciously exploit their energy to drive improvement. Most companies try to decide which opposite force is better and then push to eliminate the lesser force. For example, traditionally, the design of luxury cars focused on either power or fuel efficiency. Toyota’s management challenged its Lexus design team to incorporate both. Rather than rejecting these manifestly opposing goals, the team used them to achieve something beyond any other luxury car. As a result, they created a powerful brand. Toyota’s executives consciously use contradictions to create challenges that employees must overcome to attain higher goals, surpass conventional expectations and reach for performance levels previously considered impossible.

“[Toyota’s] success contradicts established, successful practice, but in fact, this seeming paradox is key to its success.”

If you dig into Toyota layer by layer in search of the core of its success, you will learn that Toyota’s leaders call upon a mix of “expansive forces” to foster its need to grow, as well as a second set of “integrative forces” to hold the company together and allow its components to communicate and function. These forces are:

Expansive Force One: “Impossible Goals”

Toyota’s managers set goals that seem unattainable because trying to achieve hard objectives can move people to new levels of accomplishment. Impossible goals aren’t just window dressing at Toyota. They are “frame-breakers,” the fuel that leaders use to penetrate complacency and conventional thinking. Extreme goals receive high-level management support even though they may not be feasible. However, surprisingly often, people achieve amazing results pursuing supposedly impossible

objectives. Toyota's managers first put its cars on sale in the U.S. in 1957 even though they understood that their vehicles didn't "quite measure up." Shotaro Kamiya, then head of sales in Japan, knew that the effort would suffer "some setbacks," but that the company's carmakers would learn, improve and eventually succeed. And that is what happened as Toyota's people steadily followed its "PDCA" model: "Plan, Do, Check, Act."

Expansive Force Two: "Experimentation"

Toyota's managers encourage employees to act on what they know to try to make the company better, even if their knowledge is imperfect or incomplete. Making mistakes and encountering obstacles are accepted factors in Toyota's culture. For example, starting in 2002, Toyota's operation in Thailand produced the International Multipurpose Vehicle (IMV), which used a single platform for a sports utility vehicle, minivan or truck. The plan to sell the IMV in 140 markets hit a snag: Meeting each nation's governmental regulations and driving challenges (from sandstorms to floods) bogged down the IMV team and made delay seem inevitable. Rather than avoiding accountability or blaming someone else, Toyota's executive vice president, Akio Toyoda, took responsibility. He allowed the IMV team to continue working without pressure. Toyoda said that even if the effort failed, it offered an opportunity for a great deal of learning. Toyota's management allows failure because it wants people to experiment boldly. If leaders punish failure, people won't take the risks that could move them to new levels of performance.

"At the very instant that we become satisfied, at the very moment we think that the status quo is good enough, that's when we start to decline." [– Toyota President Katsuaki Watanabe]

Toyota employees use an eight-step problem-solving process. They learn to 1) define an issue; 2) divide it into its components; 3) identify goals; 4) determine the reason for the problem; 5) create a "countermeasure"; 6) use it; 7) assess the steps they've used and their outcome; and 8) institutionalize the solution that works. Toyota's leaders encourage employees to experiment and to learn from their mistakes. When staff members want to communicate "the essential information needed to solve a problem," they use the "A3 reporting process," named after the 11-by-17-inch sheet of paper on which they must clearly condense their information. Managers picked the A3 size because it was the biggest sheet that fit the fax machines available at the time.

Expansive Force Three: "Local Customization"

One of Toyota's most profound contradictions is balancing its leaders' goal of making the company efficient globally while simultaneously being alert to local issues in its plants and markets. Because its managers listen to their employees and encourage them to experiment, the workforce is highly motivated to seek solutions to local matters and to pass along what they learn to the whole company. For instance, Toyota's team designed the Scion for young Japanese drivers who liked "tuning" their vehicle, that is, customizing both the look of the car and the way it runs. Although sales managers calculated that this flexibility also would be popular in Germany, the customization market in the U.S. was relatively small. This meant that Toyota's engineers had to come up with more options for the Scion than most of its vehicles provide, in order to offer customization in Japan and Europe, and a complete package in the United States. The company's experts study the local environments where Toyota operates. Then they create products for those markets and use what they've learned around the world.

Integrative Force One: the "Founder's Philosophies"

The core values in Toyota's culture are based on bedrock principles that its founders began teaching at the company's inception and developed over decades. Toyota's people use these ideas each day to clarify their decisions and actions. The corporate culture rests on four axioms published in its *Green Book*, also called *The Toyota Way 2001*:

1. "Tomorrow will be better than today."
2. "Everybody should win."
3. "Customer first, dealers second and manufacturer last."
4. "*Genchi genbutsu*," which means "go and see things for yourself, firsthand."

Integrative Force Two: The "Nerve System" Shares Knowledge via People

How can a company that employs hundreds of thousands of people around the globe and that produces more than nine million cars a year maintain learning as such a vibrant part of its culture? How does that culture foster such quick, pervasive communication? The first skill that the firm's leaders nurture is intense listening. They emphasize face-to-face meetings. They encourage staffers to act as the company's nervous system, and to receive and transmit information with lightning rapidity. Although Toyota's people have modern information systems and communication tools, its leaders know that good machinery cannot replace the person-to-person contact that underlies their communicative culture, which has five main features:

1. "Open and lateral dissemination of know-how."
2. "Freedom to voice contrary opinions."
3. "Frequent face-to-face interaction."
4. "Making tacit knowledge explicit in the Toyota Way."
5. "Formal and informal organizational support mechanisms."

Integrative Force Three: "Up and In" in Human Resources

Most companies have an "up or out" attitude about advancement. You move up or you leave. Toyota's human resources (HR) policies emphasize job security and the ongoing improvement and development of each person's skills and value. Managers rarely push underperformers out the door. Instead, these employees receive new training, varied assignments and opportunities to make real contributions. Toyota's HR managers focus on hiring the right people and keeping them. This up-and-in policy has five traits:

1. An emphasis on permanent employment for all.

2. A focus on continual training and development for every employee.
3. The belief that great teamwork produces real power for the company.
4. A directive that employees should act rather than talk and debate.
5. A decision to use worker evaluations to help people learn rather than to reward or punish them.

Balancing Efficiency and Investment

Toyota’s executives prioritize accumulating resources for long-term success. Most of its competitors focus on returns to shareholders, even if that requires producing income by shedding underperforming businesses and firing people. Whereas shareholder-driven companies dismiss executives who make mistakes, Toyota’s leaders admit their mistakes and encourage employees to take chances and to use errors as opportunities. Toyota’s leaders work to build a culture based on their employees’ knowledge. They emphasize communicating information about the company on many different levels, such as performance, technology, policy development and job improvement. Rather than looking for people to fire to improve financial performance, managers seek staff members who might benefit the company more in new assignments. They consider how the company can adapt to enhance employees’ performance, rather than trying to cram everyone into the same work model. People need time to develop; at Toyota, leaders are willing to give them that time.

Feeling Content Should Make You Nervous

Toyota’s culture has no comfort zone. It emphasizes that the firm must never plateau or rest. In the view of Toyota’s leadership, complacency equals decline. Management wages an unceasing struggle against corporate decline by taking six forceful actions:

1. **Striving to maintain its core culture** – This is not easy in the face of rapid growth.
2. **Keeping employees learning and trying to improve** – This requires resisting the complacency that could naturally follow the company’s long-term success.
3. **Preventing its principles from becoming restrictive** – The firm’s core axioms should not become straitjackets.
4. **Adapting its principles to include insights from around the world** – Toyota is a Japanese company, but its workforce is global, so it needs a broad perspective.
5. **Prioritizing long-term progress over short-term financial gain** – Toyota’s leaders spent little time courting the financial markets as they focused on long-range goals, but global competition now demands that they be more aware of market needs.
6. **Becoming more nimble globally** – Toyota traditionally competed against Japanese, American and European automakers. The rise of Korean and Chinese car companies requires its strategists to be more flexible worldwide.

Toyota’s 10 Contradictions

You can learn from Toyota’s internal contradictions if you harness them as Toyota’s leaders do. They perceive their culture’s contradictions as the source of their ability to move forward innovatively. Managers use these internal contradictions rather than resolving them. Insiders try to stay open to learning from every employee and stakeholder. Toyota’s 10 contradictions (some of which are grouped in pairs) are:

1. **“Impossible goals”** – “Know where reality stands to take on impossibly high goals.”
2. **“Experimentation”** – “Conduct small, interim experiments to realize the occasional big jump.”
3. **“Local customization”** – “Localize to become global.”
4. **“Founders’ philosophies”** – “Cherish the founders’ philosophies to nurture leaders.”
5. **“Founders’ philosophies”** – “Remain incomplete in order to grow.”
6. **“Nerve system”** – Create “an interconnected world through an analog Web in the digital age.”
7. **“Nerve system”** – Give “bad news first to become a good corporate citizen.”
8. **“Up-and-in human resource management”** – “To maximize productivity, don’t let go of people.”
9. **“Up-and-in human resource management”** – “Appeal to human compassion to increase industrial production.”
10. **“Resource base”** – “Say no to shortcuts for long-term gains.”

About the Authors

Hiroataka Takeuchi is a graduate of the University of California at Berkley and co-author with Michael Porter of *Can Japan Compete?* **Emi Osono** is a graduate of George Washington University. **Norihiko Shimizu** is a graduate of Stanford. They all teach at the top-rated Hitotsubashi University Graduate School of International Corporate Strategy.
