

# **Toyota Global Traditions One World, One Company A Living History**

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The emergence of Toyota as a global corporation has been an incredible achievement by dedicated men and women who repeatedly overcame enormous odds. The Toyota story is an inspirational tale of a company created by people of great vision, unshakeable character and indomitable courage. It's very much a family saga, steeped in tradition, yet at the same time lighting the path to the future with the knowledge of the past.

## **Humble Beginnings**

The Toyota journey began long ago with a young apprentice carpenter, Sakichi Toyoda, and his burning desire to fulfill his dreams. He was born in 1867 in Yamaguchi, Japan. His father was a carpenter. His mother wove cloth to supplement the family's income. According to Japanese tradition, he was expected to follow in his father's footsteps, but he yearned for something more: to be an inventor.

In the West, the industrial revolution was accelerating. It was a time of enormous creativity and innovation. For Japan's economy to survive, it had to become more competitive, so when his nation put out the call for inventors, Sakichi Toyoda was quick to answer.

As he watched his mother weaving one day, he envisioned his destiny: he would invent a better loom. Against his father's wishes, he began to sketch his ideas and build test looms, leaving little time for carpentry. His hard work was finally rewarded in 1891, at the age of 24, when he patented his first invention, a wooden, manually operated loom.

For the next three years, he spent nearly every waking hour working, continually making improvements. By 1894, he had invented a machine that could wind yarn onto a reel. This breakthrough led to the founding of a profitable company. Three years later, his hard work paid off again when he invented Japan's first automatic loom.

## **Overcoming Adversity**

Although success appeared imminent, the shadow of turmoil soon darkened the horizon. Recession devastated the Japanese economy. Sakichi Toyoda's policy of spending vital operating funds on research and development was blamed for the company's poor financial performance.

In 1910, he was forced to resign from his own company. He lost his factory, his employees, and the rights to many of the machines he had invented. Twenty years of dedication and hard work had reached a dead end. Deeply depressed, he considered giving up. He was finding destiny to be a hard taskmaster.

This experience led Sakichi Toyoda to believe that all inventors must suffer some hardship before they can realize their ambitions. He knew in his heart that everyone should attempt at least one great project in his or her life.

Unsure of his future, Sakichi Toyoda traveled to the United States. He was astounded by the industrial advances he saw there. One item in particular captured his attention and ignited a dream, a new vision: the automobile.

Inspired by his trip, he returned to Japan and formed a new company, Toyoda Spinning and Weaving, to manufacture and sell cloth.

With a steady income, Sakichi was free to once again perfect his fully automatic loom, and to move forward with his dream of building an automobile. Joining him in business was his son, Kiichiro Toyoda, a young engineer fresh out of college. Like his father, Kiichiro was a man of vision. Both possessed iron wills, along with the ability to focus on a single objective. Kiichiro saw his destiny: moving his father's vision forward by manufacturing Japan's first automobile.

Few thought that Sakichi Toyoda's dream of building an automobile would ever come to fruition. They had underestimated him. In 1929, he sold the rights to his fully automatic loom for one million yen, which he offered to his son under one condition: the funds had to be used for research on automobile production. Kiichiro embraced his father's dream and took up the challenge. He began the process by visiting the premier automotive manufacturers in America, just as his father had. He returned to Japan convinced that he could build an automobile.

In a small corner of Toyoda Automatic Loom Works—as the company was now called—with reluctant family approval and funding, Kiichiro Toyoda and his newly assembled team of engineers rolled up their sleeves and, in 1930, embarked on the difficult task of building Japan's first car for the masses. Their spirits ran high, but fate was about to cast a shadow over the birth of their dream.

### **Like Father, Like Son**

On October 30th of that year, Sakichi Toyoda passed away. Kiichiro was now more determined than ever to fulfill his father's vision. He remembered the advice that Sakichi had once given him about overcoming setbacks: "The path to the future is lit by the knowledge of the past."

For the next three years, Kiichiro and his team threw themselves into their work. It was an uphill battle all the way. Their energy and commitment were constantly undermined by their lack of basic technology and experience, along with the halfhearted commitment of Kiichiro's family and company management.

Toyoda Automatic Loom Works established an automotive division in 1933. By the following year, Kiichiro Toyoda's team had developed Japan's first automobile engine. In 1935, they accomplished the astounding feat of creating Toyoda's first prototype automobile, the model A1—conceived, designed and built from scratch in just five years.

The company was once again on the road to success. But this time, instead of looms making cloth, it was a factory manufacturing automobiles. They now had not only a new product, but also a new product name: Toyota. Changing the name from Toyoda to Toyota required fewer brush strokes in Japanese, and the Toyoda family approved of the way the ideogram looked.

The following year marked the birth of Toyota Motor Corporation, which laid the groundwork for decades of industry leadership. The next step was to set up a network of dealerships across Japan.

The model A1 was an instant success and it soon became clear that a larger manufacturing plant was needed. To raise the necessary capital, Kiichiro Toyoda sold shares in a new corporation, Toyota Motor Company Ltd. The plant was built in Koromo, Japan, known today as Toyota City. Toyota Motor Company began with great fanfare and excitement. But their celebration was premature.

### **The Crash**

By the late 1940s, the aftermath of the Great Depression and World War Two had brought Toyota to the brink of bankruptcy and Kiichiro Toyoda was forced to cut workers' pay. Two years later, the company closed two facilities and 1,600 workers were laid off. Debts continued to mount, as auto union workers went on strike and brought production to a halt. In response, Kiichiro Toyoda stepped down. It was only then that the workers realized how precarious the company's financial situation had become. Out of respect for him, many workers voluntarily resigned.

With the aftereffects of the Depression and the war behind them and the Koromo factory once again operating at full capacity, Toyota was back on the road to profitability within a few years. They had lost a lot of ground but they were determined to catch up. They formed a new and independent sales operation, Toyota Motor Sales Company, Ltd. Just as they were gaining momentum, fate would once again intervene.

## **Passing the Torch**

In 1952 their leader and mentor, Kiichiro Toyoda, passed away. Eiji Toyoda, Kiichiro's cousin, took over operations. He had been in charge of manufacturing Toyota's first car. In fact, he was the department's first employee at the new Koromo location, and had been given the task of upgrading the company's automaking technology.

To oversee his plans, he appointed Taiichi Ohno, a section chief at the engine machine shop. Taiichi had begun his career at Toyoda Spinning and Weaving and, like Sakichi Toyoda, had a passion for efficiency.

Improving Toyota's manufacturing capabilities turned out to be an enormous challenge. Taiichi Ohno's research revealed that the company needed to focus on the production line. Although he had been told that American workers, on average, were nine times as productive as their Japanese counterparts, the difference, he discovered, was not in the people but in the process. He concluded that Toyota had to learn to work not harder but smarter.

Together, Eiji Toyoda and Taiichi Ohno scrutinized every operation of the plant. To improve workflow, they set up the machines in the order they were used, thereby increasing productivity. This system, which came to be known as the Toyota Production System, or TPS, paved the way for the company's long term success in the automotive industry.

## **Coming to America**

By the mid 1950s, Toyota was the leading Japanese auto manufacturer. Looking for new horizons, it set its sights on the global marketplace. In 1955, Shotaro Kamiya was President of Toyota Motor Sales Company, Ltd. He had just returned from a visit to the USA, where he found a growing number of small European import cars being driven alongside the large Detroit models. It seemed to him that every American family wanted two vehicles, but could only afford one American car. He felt confident that Toyota could build a more affordable car, and that the time was right for the company to come to America.

The car they would ship to the USA was the Toyopet Crown. The company believed that international success and acceptance was just around the corner.

In 1957, Toyota took the next step in its commitment to the American market by establishing Toyota Motor Sales, USA. Within a year, their first dealership was opened in Hollywood, California. The cars were lined up and ready to sell. They waited for a surge of customers that never came. Less than 300 cars were sold the first year. It was an unmitigated disaster. All their dreams and expectations had given way to failure and frustration.

## **Going Global**

The Toyopet Crown was an appropriate vehicle for the moderate speeds of Japanese roads. But when the Crown was driven on American highways, it lost power, overheated, and used far too much gasoline and oil.

Committed to success in America, Toyota would not give up. Once again, adversity had taught them a valuable lesson. They would need to build a car designed specifically for the American road.

Overseeing this project was Kiichiro Toyoda's eldest son, Shoichiro Toyoda. It was Shoichiro who implemented what would become known as Toyota's Total Quality Control. This was to prove an effective program not only for the USA, but also for other foreign markets. Thus began the first stage of Toyota's transformation into a global company: export market development. In the 1950s, the company began to ship its vehicles not only to the USA, but also to such geographically diverse locations as Brazil, Taiwan, Saudi Arabia, Australia and Thailand.

The company's export strategy was based on the principle of Genchi Genbutsu, meaning go to the source to find the facts that you need to make a correct decision. And so Toyota did extensive research into the needs of consumers in their various export markets. The result was international success and acceptance at last.

## **Crowning Glory**

Replacing the failed Crown for the American market was a car bearing a name that's actually the Spanish word for Crown: Corona. The car's introduction brought Toyota not only financial success, but also accolades. In 1965, Toyota Motor Company was awarded the Deming Application Prize, a prestigious award given each year to the Japanese company with the most successful quality control system.

The OPEC oil embargo of the 1970s boosted the demand for smaller, more fuel-efficient cars. This proved to be a windfall for Toyota, since they were well prepared to respond to the needs of the marketplace.

But soon, another challenge arose. Some countries resisted importing large numbers of cars from foreign manufacturers. They developed localization plans to protect their own auto industries. Foreign manufacturers were required to increase the local content of their vehicles by buying more parts from local suppliers. Toyota met this challenge by beginning to assemble its vehicles overseas, rather than exporting finished products from Japan.

## **Success with TPS**

By the 1980s, Toyota's dedication to research and its commitment to Total Quality Control positioned it to enter the second stage of its development as a global company: large-scale manufacturing in other countries.

In 1984, Toyota opened the New United Motor Manufacturing (NUMMI) factory in California, a joint venture with General Motors. This plant presented a golden opportunity to put the Toyota Production System to the test in the USA. TPS is based on a philosophy of mutual respect and trust between management and employees, along with empowerment of team members. At the time, these were controversial concepts in America, where adversarial, hierarchical relationships had been the norm. NUMMI's ultimate success set the stage for applying TPS worldwide.

Toyota Motor Manufacturing Kentucky (TMMK) started operations in 1988. It was the first American plant entirely owned and operated by Toyota. To this day, TMMK is the company's largest manufacturing facility outside of Japan. That same year, Toyota Motor Manufacturing, Canada (TMMC) began building the Corolla. Today, North America remains the world leader in Toyota vehicle sales. It's also the world's largest automotive market, and arguably the most competitive.

By the end of the 1980s, Toyota was manufacturing and marketing in a wide variety of countries in every major region of the world.

In 1989, Toyota's luxury division, Lexus, was launched. Since that time, Lexus has rewritten the luxury automotive record books for customer satisfaction and quality. Lexus continues to lead the way in innovation and technology for luxury nameplates.

The 1990's began the third stage of Toyota's development. A sharp increase in the value of the yen put Toyota's exports at a price disadvantage. The company responded with a new full-scale globalization business plan that included the transfer of even more production overseas. They reformulated their model lineup plan, developing unique models for particular markets and selecting appropriate vehicles for local production. This was accompanied by a large expansion in Toyota's global marketing, distribution and sales networks.

## **Moving Forward into the 21st Century**

In 2004, Toyota launched a new marque, Scion, designed for youthful customers. Scion owners get the best of both worlds: a high level of standard equipment, plus the ability to personalize or "remix" their vehicles to meet their individual tastes.

Today, Toyota is one of the world's largest automakers. Its various companies have design, engineering, manufacturing, marketing, distribution and sales facilities in over 170 countries, employing tens of thousands of associates. Every day, the company continues moving forward, with innovative products and advanced technology designed to supply "the right vehicle in the right place at the right time," according to the principle of Genchi Genbutsu. Along with its dealers and business partners, Toyota is dedicated to providing the highest level of customer satisfaction everywhere around the globe.

From the creation of its first car in 1936 to today's diverse model lineup, featuring more than eighty vehicles and still growing, the company continues to expand, with groundbreaking and technologically advanced vehicles, developed and perfected at state-of-the-art facilities like Caltex Design Research and Toyota Arizona Proving Ground, stretching around the globe. What started with just a few hundred vehicles sold only in Japan is now a global juggernaut, with worldwide sales approaching ten million units per year.

### **The Toyota Global Vision**

Toyota's hard-earned success can be largely attributed to the company's character, which is defined by its global vision for the 21st century—a vision for moving forward with passion and energy, in order to create a more prosperous world. To achieve this goal, Toyota is committed to providing every customer with the best possible ownership experience and achieving the highest level of customer satisfaction.

Toyota's values and vision reflect the extraordinary type of corporation they seek to be: the most successful and respected automotive company on Earth.

The corporate vision that Toyota is pursuing has several aspects, including:

- Kind to the Earth
- Comfort of Life

"Kind to the Earth" means becoming a leader and a driving force in global regeneration, by developing and implementing the auto industry's most advanced environment-friendly technologies.

For Toyota, the concept of sustainable mobility means making it easier for people everywhere to choose more fuel-efficient, low emission vehicles. The company believes that alternative power and hybrid vehicles will usher in a new eco-friendly era in transportation.

Flex-fuel is just one of several innovative systems that Toyota is developing to take advantage of the rapid diversification of energy and fuel sources. Toyota flex-fuel vehicles are designed to run on a combination of gasoline and ethanol. Toyota's developmental pipeline also includes hydrogen fuel cell vehicles, like the iQ and iMobility.

Toyota's environmental policies also include supporting a global recycling-based society. In both its products and its production processes, the company is committed to wise resource utilization.

It's all part of Toyota's long-term commitment to a clean, green environmental lifestyle.

Toyota's eco-friendly approach has been recognized and awarded. But the real reward is a cleaner environment and a more sustainable planet for us all.

"Comfort of Life" focuses on becoming the global leader in an automobile-based society where people can live in ease, comfort and safety

With more vehicles on the road than ever before, the need for enhanced automotive safety is critical. Toyota has always been at the forefront in developing and implementing innovative safety technologies.

For example, the company pioneered the world's first pre-crash safety system in 2003. It uses millimeter-wave radar and a stereo camera to detect vehicles, pedestrians and obstacles in front of and behind the vehicle, to help avoid accidents.

Another safety innovation is Toyota's Intelligent Transport System, or ITS. This technology is designed to make vehicles "smarter" and more intuitively responsive to driving conditions. It's all part of a continuing dedication to comprehensive vehicle safety.

## **The Toyota Way**

Toyota's commitment to its core values shapes its character. With its emergence as a diversified, global corporate leader, Toyota has established a common set of values, beliefs and business methods that act as the corporation's lifeblood, its DNA. Collectively, they're known as the Toyota Way.

The Toyota Way is the backbone of all Toyota operations. It defines how Toyota associates perform and behave in order to deliver the company's enduring values to customers, shareholders, associates, business partners and the global community.

The Toyota Way is supported by two key pillars that constitute the foundation for all other company values:

- Respect for People
- Continuous Improvement, or Kaizen as it's known in Japanese

“Respect for People” is the company’s pledge to always show respect for others and honor all human rights, with the goal of realizing long-term growth based on mutual trust. As former Toyota President Eiji Toyota (1967-1982) observed, “People are the most important asset of Toyota.”

Embracing the principle of Kaizen—Continuous Improvement—ensures that Toyota will continue to strive for excellence, always moving the benchmark higher, never resting on its laurels, constantly seeking to improve. Toyota believes that there is no “best,” only “better.” The company has always been about becoming rather than arriving, about seeking and pursuing instead of merely being and existing. The pursuit of Kaizen means that excellence is never a destination, but a journey—a journey whose path is, as Sakichi Toyoda once said, “lit by the knowledge of the past.”

It was Toyota Motor Corporation’s Vice Chairman, Katsuaki Watanabe, who pointed out, “The greatest enemy to our ongoing growth and success is complacency.”

The Toyota Way mandates a commitment to customer satisfaction by always putting the customer first, elevating the customer experience, and empowering every Toyota associate to be an ambassador for the Toyota brand.

To promote the Toyota Way, the company has established the Toyota Global Knowledge Center, or GKE. The Center works with Toyota affiliates around the world to educate and spread greater awareness of the Toyota Way.

This forward-thinking approach to improving the world we live in is among the many reasons why Business Week magazine named Toyota the number-one global automotive brand in 2007. That same year, Fortune magazine ranked Toyota as one of the two Most Admired Companies in the World.

### **Global Citizenship**

As part of its commitment to good global citizenship, Toyota has provided much-needed financial and material assistance for victims of natural disasters, including the devastating earthquakes in Pakistan and Indonesia.

Providing relief for the victims of other disasters, such as the Asian Pacific tsunamis and Hurricane Katrina in the USA, illustrates Toyota’s willingness to give back to communities in need worldwide.

Toyota contributes nearly \$40 million annually to non-profit organizations and programs in the USA alone. Toyota's cumulative giving in North America since 1991 now tops \$340 million.

When it comes to corporate support for the arts, education and culture, Toyota sets the bar very high. Based in Japan, the Toyota Foundation is a global grant-giving organization that funds projects in many areas—including the environment, social welfare, education, the arts and culture. Toyota supports such philanthropic initiatives in every global region.

### **One World, One Company**

In every aspect of business, corporate citizenship and global responsibility, Toyota has taken and maintained a leadership role. No other automotive company has received so much acclaim and success or had such a global impact.

The Toyota story is a rich and living legacy, from its humble beginnings as a small Japanese loom company to its ultimate success as a global automotive corporation. From a single idea came the vision for a new way of doing business. What began in just one country has expanded to hundreds of nations around the globe. What was once just one man's dream is today one of the greatest success stories in automotive history.

It all started as a vision that was eventually brought to life by resolve and dedication—a dream carried from generation to generation, and now, the world. The bedrock philosophy, unshakeable values and work ethic that formed Toyota at its origins live on in those who lead the company today. The Toyota vision became reality, thanks to a young man who dared to dream the incredible. The story of Toyota is a living history that continues to inspire and motivate today's dreamers. In the words of Sakichi Toyoda, may your future be lit by the knowledge of the past.