



WHAT'S IN A MISSION?

LESSONS FROM TOYOTA

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As described in the first part of this series, James Burke led Johnson and Johnson (J&J) through one of the most significant recalls of all time after the company discovered that certain capsules of Tylenol had been deliberately laced with a deadly poison resulting in the “Chicago Tylenol Murders”. Within a week, the company had recalled all products. Although the move cost Tylenol \$100 million at the outset alone and plummeted the stock, Tylenol rebounded within two months and recovered its entire market share soon after. J&J had followed its corporate mission religiously, but not all organizations have done the same.

Take Toyota, the Japanese motor company whose mission is the following: “We deliver outstanding automotive products and services to our customers, and enrich our community, partners and environment”. It first communicated its core principles of continuous improvement and respect for people in 2001, summarizing them as “The Toyota Way”. As shared on its website, Toyota’s vision is to be the “most respected and admired company” and proclaims four core values: customer first, respect for people, international focus, and continuous improvement and innovation. In addition, Toyota has a Code of Ethics and a set of seven guiding principles. However it is one thing to have a strong credo, but quite another to follow it.

But then Toyota started receiving various reports of sudden, unintended acceleration in its cars – potentially as early as 2002 – which eventually caused a major incident on August 28, 2009, when a family of four was killed in a deadly car accident in their 2009 Lexus. The Toyota-manufactured vehicle began accelerating uncontrollably to speeds of over 100 miles per hour (mph) before hitting another car at the intersection of a dead-end, flipping over the fence, tumbling downwards, and catching fire. The driver was California Highway Patrol officer Mark Saylor who had served for 20 years in the Air Force. He had been driving his daughter to her soccer practice along with his wife and brother-in-law. When the vehicle began accelerating uncontrollably, his wife’s brother called 911 and informed the operator that the car’s accelerator was stuck and that they were approaching an intersection. Disaster ensued.

The recorded 911 call led to an investigation into the source of the crash. It turns out the very same vehicle, which was a rental, had previously been rented by Frank Bernard, who reported having the same unintended acceleration problem. Frank was able to control the vehicle by shifting it into neutral before returning it to the Toyota/Lexus dealership and reporting the problem. Unfortunately, the matter was not resolved.

A two-week investigation revealed that incorrect floor mats were the source of the unintended acceleration, causing interference with the gas pedal. Two weeks later on September 29, 2009, Toyota announced its first recall of 4.2 million vehicles. Owners were instructed to remove the floor mats until dealers could zip tie them appropriately in order to prevent them from interfering with the gas pedal. However it emerged that many cases of unintended, sudden acceleration did not involve floor mats. Nonetheless, Toyota denied these claims and attributed these incidents to driver error or the previously identified problem with the floor mats.

Then on December 26, 2009, a Toyota Avalon was seen going through a stop sign-controlled intersection at over 45 mph before crashing through a fence and flipping upside-down into a pond. All four people in the car were killed and investigators discovered that the car owners had previously removed the floor mats and placed them in the trunk of the vehicle. As further investigations determined, the uncontrolled acceleration was due to problems inherent in the accelerator pedal itself, not merely because of the floor mat issue. On January 21, 2010, Toyota issued an additional recall for 2.3 million vehicles in the U.S. and almost 2 million in Europe and Asia. It then suspended sales five days later.

However in comparison to J&J’s swift response to a batch of contaminated Tylenol, it took Toyota months – perhaps even years – to make the decision to issue the appropriate recall. The National Highway Traffic Safety Administration (NHTSA) reported receiving over 6,200 complaints between 2000 and 2010 of unintended, sudden acceleration in Toyota vehicles. These cases are now linked to 89 deaths and there could be many others that fall outside this time frame. In one instance, a 32-year-old man was wrongfully imprisoned for four years after killing three people when his 1996 Toyota Camry accelerated uncontrollably off an exit ramp of a highway into an intersection. The jury dismissed his plea of innocence when he tried to explain he could not brake or control his car.

For hiding the deadly, uncontrolled acceleration problem and as a result of “blatant misrepresentations” and a “cover up” according to one senior justice official, Toyota was fined \$1.2 billion—the most significant fine ever levied against an auto manufacturer in the United States. This does not include Toyota’s costs of recalling cars and loss of sales, estimated at over \$8 million for each day that sales were halted. Attorney-General Eric Holder reported, “Toyota confronted this public safety emergency as if it was a public relations problem”. The 89 deaths were nearly equivalent to the ones J&J might have suffered had all its poisoned capsules been consumed and it had not acted in a timely manner.

Of the Toyota memos released on this issue, some referred to the “favorable recall outcomes” and savings of “\$100 million” through the recall strategy of mats. These short-term savings now pale in comparison to the billions it cost the company to fix the inevitable.

It is clear that Toyota lost its way, despite its corporate values. In 2004, before the crisis, Dr. Jeffrey Liker published a book entitled *The Toyota Way* that highlighted the four overarching categories that had led Toyota to eventually surpass GM in the US market. These were: adopting a long-term philosophy, employing the right process thus producing the right results, developing people and thus bringing value to the organization, and becoming a learning organization by solving the root problems in every process.

Toyota has consequently begun to return to these principles and re-align its operations with its mission. Since the recalls, Toyota has replaced its top management and invested a significant amount into quality testing. In a recent recall of Takata’s airbags, which has affected many automobile manufacturers, Toyota has been aggressively recalling its vehicles to ensure no lives are endangered and that their brand quality is upheld.

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This article is part 2 of a 2 part series on company mission. [Read part 1](#).

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