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# LEAN THOUGHTS

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## Toyota's All-Out Drive to Stay Toyota

*Rapid growth and a generational shift have the company fighting to hold on to its DNA*

The following article was recently published in Business Week. It just echoes what I have been stating that Toyota is struggling with how to improve their TPS with a balance that insures standardization in combination with allowing innovation with rapid velocity of deployment.

Many thanks to Hanif at Kraft who spotted the article and passed it on to me for distribution.

Enjoy ...

How's this for strange? Toyota Motor ([TM](#)), the company that has the rest of the auto industry running scared, is worried. As new hires pour in and top executives approach retirement, the company fears it might lose the culture of frugality, discipline, and constant improvement that has been vital to its success. So management has launched a slew of education initiatives, and even uses a business school in Tokyo to teach Toyota to be, well, more like Toyota. "We are making every effort not to lose our DNA," says Shigeru Hayakawa, president of Toyota Motor North America.

Peek under the hood at Toyota and you start to understand why management is worried. Rapid growth has forced this most Japanese of companies to rely more and more on *gaijin* (foreigners) overseas. Top brass—the ones who transformed a lean upstart into a global powerhouse—are nearing retirement, to be replaced by a generation that has never had a bad day at the office. And in the past three years, Toyota has hired 40,000 workers new to the company's culture. "It isn't an immediate problem; it's like a metabolic disease you don't know you have before it's too late," says Tatsuo Yoshida, an analyst at UBS in Tokyo.

The cure is being applied everywhere from the executive suite to the factory floor. When Steve St. Angelo was hired from General Motors ([GM](#)) in 2005, the executive immediately found himself back on the assembly line for several weeks. It didn't matter that he had spent almost 10 years at a plant in Fremont, Calif., jointly owned by GM and Toyota, where the Toyota Way has been alive and well for decades. The company figured an outsider hired to a management job—a rarity at Toyota—would need schooling in the basics. "They assumed I knew nothing about Toyota's production system," says St. Angelo, who in June was promoted to North American manufacturing boss.

Just in case St. Angelo forgets any of his Toyota training, he has someone watching his back. His retired predecessor, Gary Convis, still gets paid to advise him. That's an idea Toyota imported from Japan, where the company asks retiring engineers to stick around to mentor young employees. The ranks of these old-timers are growing rapidly as the company tries to safeguard its culture. Last year, Toyota rehired 650 of the 1,200 skilled workers eligible for retirement in Japan, and will soon have 3,000 of these folks on its payroll.

Even lifers get the treatment. Randy Pflughaupt has worked at the company since 1982 and this summer was promoted to U.S. marketing chief for the flagship brand. With the promotion, he was handed a stack of books and binders telling him all about the Toyota Way and was packed off to the Toyota Institute in rural Mikkabi, Japan, for a week of indoctrination. "Why does a 25-year veteran go to training? I could take it personally," Pflughaupt jokes. "It's to remind me that I don't have all the answers."

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Where “Lean Thoughts”  
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Although the institute is set in the hills overlooking scenic Lake Hamana, Pflughaupt says he saw only the walls of the hotel and classrooms. All week, President Katsuaki Watanabe, Chairman Fujio Cho, family scion Akio Toyoda, and others told 50 trainees how they built the company. Cho recalled opening Toyota's first U.S. factory—in Georgetown, Ky.—and described how he dug into the community by joining the local Rotary club, eating in diners, and going bowling. The moral: Reading market data at your desk is great, but you have to leave the office to find out what's really going on—a process everyone at the company calls *Genchi Genbutsu*.

#### PROBLEM SOLVING

There's another, more stressful step that growing numbers of newly minted executives must endure: Finding a problem Toyota faces and come up with a solution, which will be presented to Watanabe. Pflughaupt is figuring out how marketers can analyze the effectiveness of different media—print, television, Web—in various regions. In January he'll be graded not just on his solution but on whether he used an eight-step method that's part of the Toyota Way to figure it out. Watanabe has been known to deep-six projects because the problem itself isn't "severe enough." Oh, and the whole answer has to fit on a single 11x17-inch sheet of paper.

In Japan, a management school called Globis instructs white-collar staffers in the company's philosophy. The aim is to apply the same principles that have worked in manufacturing to other areas of the business. One lesson teaches office workers to apply the "five whys"—a tenet of the Toyota Production System that tells engineers to ask continually why a problem is occurring until they can think of no new answers. Toyota "may soon become the No. 1 automaker in the world, but they still have a strong sense of urgency," says Yoshito Hori, chief executive of Globis.

With quality slipping, Toyota has redoubled training for factory hands. The company has long dispatched Japanese workers abroad to teach their overseas colleagues how to build cars. But with 45% of Toyota's production now outside of Japan, it gets harder to find enough Japanese for these training jobs. So the company has recently opened centers in the U.S., Europe, and Asia where it can school roving experts drawn from the global staff. This will help Toyota increase their ranks from today's level of 2,000. In the U.S., these trainers will work with every one of Toyota's 31,000 factory employees, coaching new hires and teaching veterans to better focus on quality.

The Toyota Technical Training Institute outside Bangalore offers an even more intensive program. In August the company opened the \$5.6 million school to teach its principles, car-building skills, and basics like English and history to Indian hires—trying to instill the Toyota Way early in what the company sees as a key market for growth. Toyota built the 21-teacher center because managers believed India's state-run auto engineering institutes are out of date. Says Toyota India boss Atsushi Toyoshima: "Our school can expedite what needs to be taught."

Getting into Toyota Tech is almost as hard as landing a spot in the Ivy League. Toyota winnowed a list of 5,000 applicants to just 64 students for the three-year training program. Before they set foot on the assembly line, they'll spend two years in classes, even learning discipline and personal grooming. (Some Toyota rules: wash your hands before meals; don't drink unboiled water.) One student, 17-year-old Harish Hanumantharayappa, returned to his village for the Hindu New Year on Nov. 8. Clad in his Toyota uniform of beige shirt, gray pants, and a red cap, he is the envy of his childhood friends. Also impressive: Harish has saved \$8 from his monthly stipend of \$38 to give to his mother. Says Harish: "Toyota has given me an opportunity I could never have imagined."

#### LINKS

##### Watanabe's Way

On Toyota's assembly lines, workers who notice problems can pull the "andon cord," which will stop production. The job of executives at Toyota is similar, President Katsuaki Watanabe told the *Harvard Business Review* in July. In a lengthy interview, Watanabe said he wouldn't hesitate to slow Toyota's growth if quality were threatened. "When I drive...I constantly think about when I should apply the accelerator and when I should brake," Watanabe said. "I may not need to brake right now, but if a time comes at Toyota when I need to put my foot on the brake pedal rather than the ac-celerator, I won't hesitate to do so."

Contact me if you need coaching or facilitation help in the areas such as but not limited to; 5S, Value Stream Mapping, Set-up Reduction, Problem Solving or Policy Deployment and Consortium Development



Consortium Event Schedule



Tour Workshop Conference

January	February	March	April	May	June
<p><b>T</b></p> <p>Wednesday 24 <u>Eaton Electrical</u>, contact Joe Fisher, <a href="mailto:JoeRFisher@eaton.com">JoeRFisher@eaton.com</a></p> <p><b>W</b></p> <p>La-Z-Boy Corporate Monroe MI February 14 &amp; 15 <u>Enterprise Value Stream Mapping</u> How to use the VSM tools to map admin processes. Contact Richard Kunst for info. <a href="mailto:Richard.kunst@la-z-boy.com">Richard.kunst@la-z-boy.com</a> Register at <a href="http://www.ame.org">www.ame.org</a></p>	<p><b>T</b></p> <p>Wednesday 14, <u>CFN Precision</u>, contact Paul Kaulback, <a href="mailto:pkaulback@cfm-inc.com">pkaulback@cfm-inc.com</a></p>	<p><b>T</b></p> <p>Wednesday 21, <u>Nestle Waters</u>, contact Mariela Castano <a href="mailto:mcastano@perriergroup.com">mcastano@perriergroup.com</a></p>	<p><b>T</b></p> <p>Wednesday 18, <u>CTS Corp.</u>, contact Bob Garces, <a href="mailto:Bob.Garces@ac.ctscorp.com">Bob.Garces@ac.ctscorp.com</a></p> <p><b>C</b></p> <p>Lean Design &amp; Development Conference Wed 18 to Fri 20 Chicago Contact <a href="http://www.iirusa.com/lean">www.iirusa.com/lean</a></p>	<p><b>T</b></p> <p>Wednesday 16, <u>Stackpole CSD</u>, contact Don Barber <a href="mailto:Don.Barber@stackpole.ca">Don.Barber@stackpole.ca</a></p> <p>Consortium Shareshowcase</p> <p>Saturday 05 <u>CGL Guelph</u>, Contact Cindy Grolleman <a href="mailto:Grolleman@canada.com">Grolleman@canada.com</a> or Dave Deskur <a href="mailto:daved@cglmfg.com">daved@cglmfg.com</a></p>	<p><b>T</b></p> <p>Wednesday 20, <u>Morrison LaMothe</u>, contact Tony Vita <a href="mailto:tvita@morrisonlamthe.com">tvita@morrisonlamthe.com</a></p> <p><b>C</b></p> <p>AME Regional Conference Mon 18 to Thur 21 Edmonton, Alberta Contact <a href="http://www.measureupforsuccess.com">www.measureupforsuccess.com</a></p>
July	August	September	October	November	December
		<p><b>T</b></p> <p>Wednesday 26, <u>Kraft Foods</u>, contact Hanif Jivraj <a href="mailto:hjivraj@Kraft.com">hjivraj@Kraft.com</a></p>	<p><b>T</b></p> <p>Wednesday 10, <u>CGL Manufacturing</u> contact Dave Deskur <a href="mailto:daved@cglmfg.com">daved@cglmfg.com</a></p> <p><b>C</b></p> <p>AME National Conference Mon 29 to Friday Nov 2 Chicago Contact <a href="http://www.ame.org">www.ame.org</a></p>	<p><b>T</b></p> <p>Wednesday 14, <u>Messier-Dowty</u>, contact Mike Smith <a href="mailto:Mike.Smith@Messier-dowty.on.ca">Mike.Smith@Messier-dowty.on.ca</a></p>	<p><b>T</b></p> <p>Wednesday 12, <u>Orenda</u>, contact Brenda McIntosh <a href="mailto:brendamcintosh@orenda.com">brendamcintosh@orenda.com</a></p>