TOYOTA

HRM Failures

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EXECUTIVE SUMMARY

Toyota Company is considered to be one of the largest automobile manufacturers in the auto industry worldwide. In 2010, Toyota had to face several issues in its production and designing department that led it to recall around nine million of their vehicles due to faults in designing and mechanical failures. It became apparent that human resource department at Toyota had not been working efficiently due to which such problems manifested and resulted into manufacturing failures. Weak human resource practices caused the failures in Toyota Corporations including employee errors, ineffective rewards and recognition system, training processes, hiring procedures, performance management process, corporate culture failure, weak retention policies, absence of risk assessment and inappropriate leadership development programs. Toyota's leaders knew about the mechanical failures way before releasing the automobiles in the market, yet no corrective action was taken to minimize the risk of failure. With such a strong training and development model, Toyota still faced various training and development issues that led to recall of several automobiles by Toyota in 2010. It is due to the huge gap between what is taught to people during training and development sessions and what they apply in a practical scenario. Toyota is recommended to redesign its human resource practices for achieving the organizational culture in which the workers are more dedicated towards adhering to principles that are mentioned in Toyota Way. Counseling, mentoring and coaching should be followed for effectively training and developing the human resource at Toyota. A system of open communication and quick circulation of the information can also allow the company to take corrective measures at the right time instead of camouflaging it.

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BACKGROUND OF TOYOTA

Toyota Company is considered to be one of the largest automobile manufacturers in the auto industry worldwide. It was founded by Kiichiro Toyoda in 1937. Toyota sells vehicles in more than 170 countries and employs around 320,808 people worldwide (Toyota UK, 2017). It's "Lean Manufacturing" and "Just in Time" production has been reflected in its management philosophy. Toyota's headquarters are situated in Aichi, Japan (Toyota UK, 2017). It is the first automobile manufacturer that produce more than 10 million cars in a given year.

RECENT DOWNFALL OF TOYOTA

In 2010, Toyota had to face several issues in its production and designing department that led it to recall around nine million of their vehicles due to faults in designing and mechanical failures (Hunter, 2010). Furthermore, the poor and inefficient handling of the issue damaged the brand reputation of Toyota that translated into decreased revenues to its lowest points experienced in more than a decade (Hunter, 2010). Toyota's production system is the talk of the town, yet a very little research and debate has been found on the people who make these production systems work especially, the line workers and the supervisors. According to Sullivan (2010), the current predicament of Toyota is due to poorly designed practices and the weakest execution of human resource practices.

HRM ISSUES AT TOYOTA

Before the recalling episode of Toyota cars, the quality of Toyota vehicles used to set the standard for the whole manufacturing industry including the large corporations worldwide. Following the recalling of automobiles event, many of the large corporations were left bewildered as to how such incident could happen for a company like Toyota. The three continuous episodes of recalling the cars due to mechanical and designing failures, it was evident for the management to look for the loopholes in the whole production system (Sullivan, 2010). It became apparent that human resource department at Toyota had not been working efficiently due to which such problems manifested and resulted into manufacturing failures.

Weak human resource practices caused the failures in Toyota Corporations including employee errors, ineffective rewards and recognition system, training processes, hiring procedures, performance management process, corporate culture failure, weak retention policies, absence of risk assessment and inappropriate leadership development programs. Swanson (2010) stated that as per estimates of Business Week Toyota lost

$155 million of its revenue in first week of recalling the automobiles while nearly $30 billion had been lost in terms of stock valuation. The long term impact of this issue could have hurt Toyota in terms of costing hundreds of billions of dollars.

According to Sullivan (2010), Toyota's leaders knew about the mechanical failures way before releasing the automobiles in the market, yet no corrective action was taken to minimize the risk of failure. It could be due to the weak rewarding system in which the managers were rewarded disproportionately due to which managers were least bothered to identify and deal with the problems (Sullivan, 2010). Instead, it is believed that as Toyota rewarded its managers on basis of curbing down costs instead of maintaining high quality of products, so this made managers to be least bothered about solving the defects as far as low cost was maintained. Similarly, lack of training and development and poor performance monitoring system allowed such problem to cause a huge loss to Toyota in 2010 (Hunter, 2010).

Ferguson (2010) stated that in such situations like Toyota in which the employees fail to perform in an intended manner, the investigators and supervisors must look for the human error that could've been caused due to external factors like lack of adequate information, lack of job training, weak rewarding system, lack of high quality inputs and ineffective processes.

TRAINING AND DEVELOPMENT IMPORTANCE

Salas (2012) defined training and development as the acquisition and sharpening of the skills of employees that are required for carrying various tasks and functions. It also tend to develop the capabilities of the employees and an organizational culture where the superior subordinate relationship and team work contribute to organization wealth and pride of employees. Wan (2001) believes that the greatest asset of a business enterprise is the human resource. In order to develop creativity, sense of responsibility and affirmative attitude, educational and various training programs at the organization as a part of on-job training can be offered by the organizations. Providing the training to the workers can enhance their skills and develop a full sense of fulfillment (Wan, 2001). In order to increase the commitment level of the employees as well as improving the quality of performance, the senior management team has to look at the important role that training and development plays.

Training has become an important tool of the human resource management as it controls the attrition rate and helps in motivating the employees for let them achieve their professional as well as personal goals (Wan, 2001). This sense of achievement is then translated into high level of job satisfaction. Training and development helps the organizations to optimize the utilization of whole human resource that can further aid the employees for

achieving organizational goals and the individual goals. Development of the employees provide them with opportunities to develop their technical as well as behavioral skills in an organization that help them in attaining their personal goals (Ahmad & Yusof, 2010).

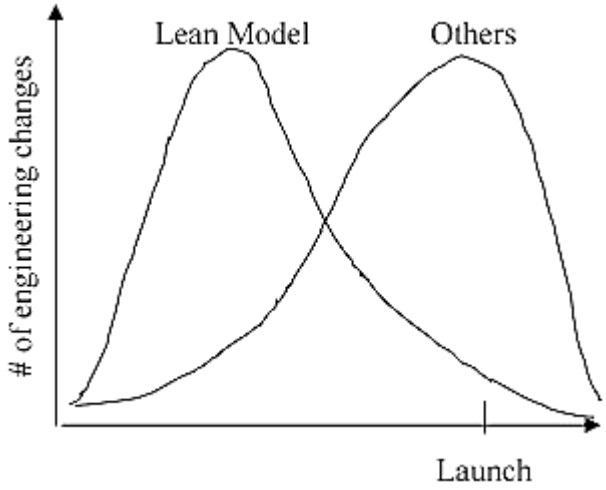
In order to create learning culture, it is imperative for the organizations to facilitate training and development programs for its workforce. By choosing the right kind of training and development programs, the companies and businesses can ensure that the employees possess the right skills for business. Stavrou et al. (2005) highlighted the importance of training and development programs in cross-cultural contexts and suggested that in order to grow, the companies must invest in its training programs for human resource development. Vinesh (2014) discussed three main approaches to training and development i.e. proactive approach, reactive approach and active learning approach. Under reactive approach, training is given in classrooms and are usually delivered in bricks and mortar structures. However, the proactive approach focuses on the development of competencies. Whereas, the active learning approach allows the workers and trainees to play a leading role in learning through exploring the issues and dealing with situation problems themselves (Vinesh, 2014).

In automobile sector, training and development plays a very critical role. With advent of more sophisticated technological process, a higher degree of understand and technical skills of human resource is required more than ever in automobile sector (McCullum, 2012). Changes in product development as well as assembly procedures now required higher level of flexibility and the team work that can constantly evolve. According to Yue (2012), an outstanding performance in automobile sector in China was experienced between 2007 and 2010 when the automobile graduates and trainees performed outstandingly following completion of collaborative training approach. Since, automobile sector is people based industry where the end product is manufactured through collaboration and unified efforts of workforce, so any lack of skill could cause the whole business structure to fall (Yue, 2012).

TRAINING AND DEVELOPMENT AT TOYOTA AND ITS INEFFECTIVENESS

As identified above that the whole purpose of training is to ensure that the employees have right set of skills and the capabilities that match the job requirement and that help them to handle all situations they may encounter. Toyota has been following a four step cycle i.e. plan, do, check and act (PDCA) (Lodgaard & Aasland, 2011). It is considered to be a continuous improvement tool that evolves around the testing of training programs, detailed analysis of its outcomes and its integration into the system (see figure below).

By following a PDCA procedure, firms can easily decrease the engineering changes after launching its products. This has been confirmed by the Toyota's implementation of PDCA in its process development as it has successfully decreased the engineering changes post launch of its vehicles (see figure below).



PDCA allowed Toyota to carry a lean manufacturing process. According to Lodgaard and Aasland (2011), Toyota uses PDCA model as a part of their culture and utilize it for solving the problems while ensuring the fact based solutions and removing barriers to enhanced productivity. PDCA has emerged out to be strength of Toyota's product development system.

With such a strong training and development model, Toyota still faced various training and development issues that led to recall of several automobiles by Toyota in 2010. It is due to the huge gap between what is taught to people during training and development sessions and what they apply in a practical scenario (Sullivan, 2010). Due to improper training of personnel, the issue of defective manufacturing occurred. According to Sullivan (2010), Toyota experienced unfettered growth in recent years due to which it was unable to cope up with its training and development programs to train the growing number of workers at the organization. The workforce employed at Toyota at time of issue had lacking knowledge and skills to perform the required job functions at optimum levels.

Apart from improper training, Toyota also failed considerably to supervise the newly hired employees due to increase in recruitment procedures. It is imperative to ensure that right number of workers are employed with right skills and capabilities for supervising those who work for the corporation.

COMPARISON WITH BEST TRAINING AND DEVELOPMENT POLICIES

Overtime, automobile manufacturing sector has embraced several models or work management over time. For instance, TATA motors has been using in-house training system through reactive approach in which training is given in classrooms with 30-35 number of participants (Tata Motors, 2017). Similarly, Nissan Motor Corporation follow an active learning approach in which training is done through giving case studies, targeted leadership training and cross-functional team structuring. Similarly, at Ford Motors, training and development is done through employee engagement, enabling systems and technology, leadership development and experienced leader programs (Nissan Motors, 2017). The leading automobile manufacturers are constantly investing in institutes for training their laborers to deal with challenging situations while removing obstacles in smooth communication system.

At Ford Motors, a learning culture is promoted in which the employees tend to learn new things and adapt to changes. A “blended learning” program at Ford Motors is a true depiction of modern day training systems in which a combination of classroom learning, self-study, relationship building and hands-on experience is taught (Ford Motors, 2015). Ford Motors follows a blend of active and reactive learning approaches in which the combination of classroom learning, experiential learning, task forces, coaching, mentoring, special projects, team “lunch and learn” events and social networking are promoted. At Ford Motors, these blended techniques allow the organization to foster functional and technical excellence while encouraging teamwork that results in enhanced ability to deliver the overall results (Ford Motors, 2015).

RECOMMENDATIONS

Toyota, despite of following a PDCA process, lacked to focus on the last two components i.e. check and act. In a multinational like Toyota, the workers should've been trained to avoid the discounting or ignoring of the negative external safety information. Furthermore, proper training to work in groups and follow a "groupthink" should've been promoted.

Toyota is recommended to redesign its human resource practices for achieving the organizational culture in which the workers are more dedicated towards adhering to principles that are mentioned in Toyota Way. Counseling, mentoring and coaching should be followed for effectively training and developing the human resource at Toyota. A system of open communication and quick circulation of the information can also allow the company to take corrective measures at the right time instead of camouflaging it (Tannenbaum, 1991).

Furthermore, rewarding the managers and workers for the quality of automobiles engineered can also enhance the quality and reduce the likelihood of defects. A reward system in which the employees who work effectively and who maintain excellent communication system are rewarded for their efforts, can enhance the productivity and reduce the risk of malfunctions (Chiu, 2002). Such a rewarding system would also ensure that any complaint encountered by employees at Toyota would be dealt with immediately and be communicated to the concerned people for corrective actions to be taken. Since, the recalling of eight of the Toyota models in 2010 involved an allegation that leaders knew about the defects but refrained from taking corrective measures, so enhancing rewards system and communication system would ensure a positive behavior that would curb out the negative reinforcement and ignorance of serious issues like this to occur again.

Toyota is required to follow reinforcement strategies to ensure that there is minimum gap between theoretical training sessions and real life scenarios. The reinforcement strategies must also ensure that all the employees are dedicated and there is no communication failure within an organization. According to Amos et al. (2009), reinforcement strategy is a motivational tool in an organization that utilizes the positive or negative re-inforcers for motivating the people in order to enhance their performance.

CONCLUSION

Toyota, being an international company must ensure that its reputation is maintained across the world. Such recalls like in 2010 that arose mainly due to inappropriate human resource practices, can result in negative goodwill for the organization as it did. Hence, it is imperative for Toyota to ensure that all of its human resource practices are effective enough to help the organizations for achieving its objectives and goals.

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