

USC Marshall

School of Business

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TOYOTA MOTORS

A Case Study in Conflicting Intercultural Communication

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Introduction

In 2005, Lupe Lee bought a brand new Toyota Camry from a local Sunnyvale, California, Toyota dealership and donated her immaculate Camry that she had bought in 1990 to a local charity. Going from an older Camry model to a newer one, it was obvious that Lupe not only liked Camry cars, but she also liked Toyota and its business model. However, this was all about to change on September 9, 2011.

On that day, Lupe was on her way to Berkeley for her niece's wedding. Lupe's daughter was accompanying her, and they were going to stop in Burlingame to pick up Lupe's sister, Rose, at her apartment on their way to Berkeley. They arrived at the sister's apartment early, so Lupe and her daughter went inside.

After visiting for a while, it was finally time to go to the wedding, so Lupe, along with her daughter, sister, and niece, got in the car to head to Berkeley. They had to make a U-turn from where the car was parallel parked to go towards the freeway. Lupe decided to drive onto a nearby garage driveway in order to avoid making a three-point turn. This is where things began to go horribly wrong. As they started up the garage driveway the car began accelerating too fast for comfort. Lupe's sister exclaimed, "Lupe! What are you doing!?! Why are you going so fast!?! Push on the brake!" Lupe had no control of the car; she was terrified. She tried desperately to press the brake, but nothing happened. She quickly realized that the car mat had been lodged under the gas pedal forcing the car to accelerate, making it impossible for her to slow down.

Her Camry crashed through the garage door (see picture below), and Lupe had to think quickly. She knew that if she kept going straight, she could go through the wall into somebody's apartment, which had the potential of resulting in a fatal injury. Seeing her sister's large and sturdy Toyota Land Cruiser parked nearby, Lupe decided the only way to stop her car was to smash into it. She hit the Land Cruiser, pulled on the emergency break, and took the keys out of the ignition. They were finally at rest.



Lupe's car crashes through garage door¹

They got out of the wrecked car trembling and confused as to what had happened. Lupe called the fire department to inspect the garage and a tow truck company to deal with the car. None of them wanted to get anywhere near the car. While they were waiting for the fire department to arrive, Rose mentioned to Lupe about how she had vaguely heard something in the news about Toyotas experiencing unintended acceleration problems. Lupe acknowledged and replied, “Maybe this is the same thing, I don’t know. But all I do know is that I am never going to drive this car or a Toyota car ever again. My old Toyota never had any problems; I thought that they are known for the quality of their cars. But, if more people with Toyotas are having similar problems to what just happened to us, I wonder what has gone wrong with Toyota and why they didn’t let me know.”¹

Company Background

Lupe was not alone in her perception of the quality of Toyota cars. The automaker had become the largest automaker in the world based on the reputation for quality and reliability that it had built over decades. In fact, West Virginia Senator John D. Rockefeller IV said he had “worked very hard to bring a Toyota engine and transmission plant to Buffalo, West Virginia, because [he] knew Toyota was a company built on the philosophy of quality first.”² However, after Lupe’s story and many similar incidents across the country, it became clear that, as Rockefeller noted, “somewhere along the way, public safety took a back seat and corporate profits drove the company’s decisions.”²

In 2000, approximately 8,400 Toyota vehicles were recalled, which accounted for just 0.034% of all cars recalled that year.² By 2010, just a decade later that number had risen to 4,872,583 recalled vehicles – more than any other auto manufacturer that year. This made Toyota responsible for 29.7% of all vehicles recalled that year.²

Toyota’s Internal Problems

According to Toyota’s own president, Akio Toyoda, the company’s traditional priorities – safety first, quality second, and volume third – became confused. “[Toyota] pursued growth over the speed at which we were able to develop our people and our organization,” which “resulted in the safety issues.”³ Internal documents from Toyota seem to back up the president’s statement. In a document from Toyota’s Washington office, Toyota’s stated goals are to “promote Toyota’s agenda,” “protect [Toyota’s] interests,” and “maintain receptive environment to grow [Toyota’s] business.”² Later in the same document, Toyota’s Safety Group calls the negotiated recall of the Camry/ES a “Win for Toyota” because it saved the company over \$100 million.²

This shift in Toyota’s priorities from quality to quantity reveals a problem with Toyota’s internal decision-making process. The decline in quality of Toyota vehicles resulted in safety issues that affected North American consumers.

All decisions regarding recalls, however, were made in Japan. Not even James Lentz, President and Chief Operating Officer of Toyota Motor Sales in North America, had the authority to make decisions related to recalls.⁴ This corporate structure prompted Ray LaHood, US Secretary of

Transportation, to note that “good professional, capable people in North America [are] running the company without the kind of opportunity for decision making.”² LaHood was also worried that for the North American executives, “their issues may not have always been communicated or heard in Japan.”²

In 2006, the disconnect between the North American branches and Japanese headquarters was highlighted by Jim Press, the president of Toyota Motors North America at that time. During a presentation, he gave evidence of the brand’s slipping reputation by showing customer loyalty graphs and excerpts from such publications as the *Detroit News* and the *Associated Press*. He followed with a plea for more open communication between Toyota Motor Corporation and Toyota Motors North America, noting that Toyota Motors North America’s “Regulatory and Public Affairs leaders need to know the current status of TMC’s countermeasures, so [Toyota Motors North America] can develop appropriate messages and protect Toyota’s reputation.”²

The authority that the Japanese office had over the American office and the lack of communication between the two was also mirrored in Toyota’s dealing with the National Highway Traffic Safety Administration (NHTSA). Ray LaHood (US Secretary of Transportation and head of the department that oversees the NHTSA) met several times with (as described by LaHood) “very good professional, capable people” at Toyota Motors North America.² He believed though that the company responded in a timely and effective way only after his visit to Japan to talk to Toyota Motor Corporation President Akio Toyoda.²

Toyota’s slow reaction may stem from cultural differences between Japan and the US. In Japan, the decision-making process is typically longer than in the United States, because Japanese companies like to reach a consensus for action.⁵ In Japan, taking the time to reach a consensus before action shows humbleness and modesty. In America and the West, on the other hand, this seeming lack of time sensitivity may be interpreted as a sign of apathy and indecisiveness. In Japan, companies also have the luxury of operating in a society in which “consumer activism is undeveloped and lawsuits [are] uncommon.”⁵ Therefore, they are sometimes unprepared for and unfamiliar with having to respond quickly to public pressure.

Toyota and the NHTSA

The lack of productive communication within the Toyota Corporation complicated and extended its dealt with the United States government and the NHTSA, which had opened eight separate investigations into sudden unintended acceleration since 2003. One of these investigations (identified as PE04021 by the NHTSA) focused on Lexus vehicles specifically. During this investigation, Toyota responded by challenging the definition of sudden unintended acceleration. They argued that vehicle surges should only include events less than a wide-open throttle event, which appeared to be an attempt to eliminate the two types of incidents that Toyota and Lexus owners were complaining about most: surges that occurred when the brake was pressed, or when the vehicle accelerated unintentionally to high speeds.⁶

Toyota itself experienced an incident of unintended acceleration in April 2003 when a trim panel caught the accelerator pedal of a Sienna undergoing dynamometer testing. Toyota’s response to the NHTSA was that it had reviewed its manufacturing processes and had concluded that this

was an isolated incident that did not necessitate further investigation. Despite this message, Toyota changed the design of trim panel in June of the same year.⁷ It appears that Toyota did not want to admit a problem existed before it had a chance to fixed it.

In March 2007, investigations were initiated into the role of floor mats in Toyota and Lexus sudden unintended acceleration cases. The investigation focused on the use of all-weather floor mats that could slip and get caught under the accelerator pedal of these vehicles. In response to this investigation, Toyota told the NHTSA that they had warned drivers not to stack these mats on top of the original carpets in the vehicles. The NHTSA instead continued the investigation until Toyota initiated a limited floor mat recall months later.⁶

In April 2009, Jeffrey Pepski, a Lexus owner living in Minnesota, submitted a petition to the NHTSA to re-open investigations into the floor mats of Lexus ES350 vehicles when his vehicle experienced sudden unintended acceleration on the freeway, despite having standard carpet mats, not the all-weather mats. In May, Toyota stepped in and attempted to kill the defect petition by responding point by point to the allegations in the report.⁶

Three months after these attempts, the death of Mark Saylor and his family occurred while driving their ES350 in San Diego. Following this incident, "...Toyota began sending letters to owners notifying them of an unspecified upcoming recall to fix the unintended acceleration issue. In the letters Toyota stated that defect did not exist. Soon thereafter, the NHTSA publicly rebuked Toyota, referring to Toyota's information to the public as "inaccurate and misleading."⁷

Toyota also attempted to shut down petitions to the NHTSA by arguing that increased media attention on the sudden unintended acceleration cases was generating unwarranted consumer concern and complaints. In response to petitions against the Toyota Tacoma pickup truck, Toyota responded by saying that the petitioners' arguments that the vehicle was more dangerous than other vehicles were not valid because those other vehicles had not received the same media attention.⁷

In most cases of sudden unintended acceleration, the driver attempted to press the brake pedal to slow the car. In engineering analysis carried out by the NHTSA, it was found that this action actually rendered the brakes useless. This finding went against statements made by Toyota in 2005, which said the brakes would overcome any throttle malfunction. Toyota did not move to implement a brake-to-idle system that would overcome this problem until November 2009, when it suffered serious negative feedback.⁷

During the Senate Commerce Committee hearing on March 2, 2010, Senator John D. Rockefeller IV pointed out that Transportation Secretary Ray LaHood (head of the department that oversees the NHTSA) had testified that Toyota was "safety deaf and didn't respond to [his] concerns until [he] personally called Mr. Toyoda in Japan."²

Public Relations

Toyota seemed to be afraid of experiencing the same outrage from its customers that it had experienced from the government. Their good reputation had been garnered from excellent customer service and top-of-the-line workmanship that resulted in unrivaled reliability. So, in an attempt to protect itself and avoid damaging its pristine reputation, Toyota needed to determine whether it should admit their mistakes publicly or solve the problems quietly.

Toyota's external communication with its customers was questionable regarding the sudden accelerations in vehicles. It issued a statement saying that, "Toyota does not believe that uncontrollable acceleration can occur without the driver applying the accelerator pedal."⁶ In further attempts to discourage belief that Toyota was at fault, the company issued another statement regarding the allegations that the floor mat was the culprit, saying, "No defect exists in vehicles in which the driver's floor mat is compatible with the vehicle and properly secured."⁶

Finally, Toyota did relent by taking a minimal amount of responsibility for the problem. First, they addressed their customers in a letter explaining that the NHTSA had conducted a very thorough investigation and could only conclude that the acceleration problems were only attributable to improper installation of floor mats.⁶ This statement faced resistance very quickly when numerous Toyota owners stepped forward and complained that they too had experienced sudden unintended acceleration, even after they had taken the floor mats out of their vehicles.⁶

After it had become evident that there was more to the problem than Toyota was willing to admit, the company went on the defensive and became very vague with regards to its customer interaction. The president of US sales said, "We know what the problem is. We have the fix. And we're going to take care of our customers."⁶ Toyota did its best to appear strong and in control to its customers; however, the reality was that it had been slow to solve the problem.

Conclusion

After Lupe consulted her insurance company, she was left with devastating news. The insurance company informed her that the floor mat was the cause of the accident, and it was not the malfunctioning of the car. Because of this, Lupe didn't receive insurance compensation. Still traumatized by the accident, she refused to buy another Toyota and opted for a Honda Accord, instead.

Discussion Questions

What are the most pertinent questions that should be asked in order to address the critical issues, main decisions and possible solutions to this case?