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The tortoise wins the race

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ABSTRACT

This critical book review of *Lessons for Turning Crisis into Opportunity: Toyota Under Fire: How Toyota Faced the Challenges of the Recall and the Recession to Come Out Stronger* (Thousand Oaks, 2011, 241 pages) examines how from 2008 through 2010 the perfect storm of occurrences including the recession, recalls, and intense media and U.S. government scrutiny resulted in a series of crises for the Toyota Motor Company. The author comments on how public relations and the framework for crisis communications played (or did not play) a role in Toyota's three phases in dealing with the crisis: reaction, containment and opportunity.

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From 2008 through 2010, the Toyota Motor Company faced a perfect storm of occurrences including the recession, recalls, and intense media and U.S. government scrutiny that resulted in a series of crises for the organization. These occurrences were crises and not issues to be managed because of the “sudden and unexpected loss of revenue” for Toyota (Crandall, Parnell & Spillan, 2010, p. 5). Liker and Ogden’s book *Toyota under Fire* explores the history and culture of the organization alongside the facts, figures, and people’s reactions during the time of the Toyota recalls in a straightforward and thoughtful way.

This business book is structured to provide the reader with a full understanding of Toyota as an organization and how it dealt with its recent crisis. Ángel Cabrera, President of Thunderbird School of Global Management in Glendale, Arizona sets the tone for the book with an insightful foreword about how critical an organization’s values and culture are in being able to deal effectively

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with a crisis.

Neatly within five chapters, the authors have provided an excellent overview of Toyota's organization and business model, along with a full timeline, impact, reaction and outcomes from this crisis. Early on, Liker and Ogden set the stage for Toyota's crisis by first introducing the reader to the Toyota of 2007, "the most admired [and largest] company in the world," (p. 1). They immerse the reader in all that is Toyota, profiling the organization from its earliest beginnings with the steam powered loom in 1896, post World War 2 and the company's first foray into North America to its exponential growth from the 1970's onward. Liker and Ogden also discuss in considerable depth, the cultural foundation of the organization known as "the Toyota way" where continuous improvement (kaizen) and respect for people are considered top priorities. The organization's five core values of spirit of challenge, katizen mind, teamwork, respect, and genchi genbutsu ("decisions made on observed facts rather than hunches, assumptions or perceptions") were instrumental in how Toyota handled the crisis – both with positive and negative outcomes (Liker and Ogden, 2011, p. 14).

While the five years leading up to the 2008 recession were the most profitable in Toyota's history, the corporation had been consistently profitable for over 50 years. At the time of Toyota's crisis all automobile makers were suffering huge profit losses (not just in North America, but around the world). In May 2009, Toyota sales were 40% less than in 2008. Also the U.S. dollar was weaker which had an impact on its income. However, the one thing Toyota had that many others didn't was a stockpile of cash (\$25 to \$40 billion saved during the profitable years, as a conservative measure, which Toyota was often criticized for prior to the recession). Because Toyota had invested in green technologies and had a line-up of small, fuel efficient cars which were already selling, they were also able to shift when the North American demand for trucks and SUVs declined.

The book does a systematic job of documenting the phases of the crisis: one being Toyota's reaction, two with Toyota's containment of the crisis, and three with on how Toyota turned the crisis into an opportunity. By using Crandall, Parnell and Spillan's framework of crisis communications as a standard, Toyota was successful in dealing with its 2008 crisis. Toyota's reactions were particularly notable within the internal landscape because their culture and process intrinsically flow through the sections of landscape survey, strategic planning, crisis management and organizational learning. However Toyota fell down with regard to the external landscape because they did not quickly enough determine: the organization's vulnerability; they did not have strong

working relationships with the media (as seen by the very negative stories written); and did not take swifter action to manage the reaction of their external stakeholders.

Liker and Ogden were able to get authentic and honest accounts from Toyota executives and employees for this book, including Akio Toyoda, the President in Japan, and other senior executives in the manufacturing, sales, customer service and marketing departments of the organization. The authors also include information and insights from auto industry, communication and research experts.

Unfortunately the book did not discuss in any depth the negative customer perceptions of Toyota's handling of the crisis, in particular, the fact many customers felt let down by an organization they believed to care about their individual families. This perception of caring came from the list of awards and accolades about safety, green technology and fuel economy, not really from an understanding of Toyota's organization and culture. During the time of the crisis, the stories about the recalls and accidents including injuries and deaths caused by a "sticky gas pedal," many public relations professionals were likely thinking - where is the voice of Toyota in all of this? This book provided the information to better understand Toyota as an organization and how their culture drives all of their business decisions. However this book did not go into deeper detail concerning Toyota's communications or public relations strategy, only how they handled the crisis in a higher overview along with the various learnings the organization has taken away.

Liker and Ogden pointed out that Toyota consumers were historically thought of as the "end user" of the product and not an integral part of the process known as the Toyota Production System. The authors provided an assessment that Toyota fell down during the crisis because they didn't fully understand the North American marketplace. Primarily because the fact that the consumer is an integral part of the auto manufacturers' process is not inherently part of Toyota's internal structure. While customers are the end user, the creation, design, and marketing of the car are for them, so they need to be considered an important stakeholder. Because Toyota manufacturing is a separate entity from the Toyota dealer network (sales), this gap was identified as a weakness in their system during the crisis and the authors discuss how the organization has taken it as a learning outcome to change going forward.

The authors' opinion on what role and to what extent the media and the U.S. Congress played a critical part in Toyota's crisis is well-documented. For example, the authors noted concern over the journalistic integrity of numerous stories that ran during the crisis which were inflammatory, and factually

inaccurate. Many U.S. papers ran stories based on personal accounts of Toyota acceleration without warrant and when documented evidence was available that Toyota was not at fault, no positive stories or apologies from Congress or the media were released. "The verdict is in. There is no electronic-based cause for unintended high-speed acceleration in Toyotas. Period" said Ray LaHood, Secretary of Transportation of the 10-month, \$1.5 million study completed by NASA and the Highway Transportation Safety Administration on February 8, 2011 (p. xiii).

On the other hand, Toyota definitely could have done more from a public relations and communications management perspective throughout the crisis period by responding in a timely and transparent way. The organization was late (3 months) to realize the impact that negative media would have on its reputation – something that would prove a hard and very expensive lesson to learn. They reacted to the recalls systemically as though they considered it another recall; it was not until Toyota's President Akio Toyoda was hauled in front of the U.S. Congress did the organization's senior management realize the depth and scope of the situation. Akio Toyoda, the President of Toyota then apologized on behalf of the organization, reaffirmed their commitment to quality and safety, and working to correct as many vehicles as possible (85% of the recalled vehicles have been repaired, extremely high by industry standards). The authors point to this as a moment where Toyota finally took action in controlling of this crisis.

Historically, the culture of Toyota was not a formal document or process, it was learned and shared though employees by handing it down through the ranks as most employees spent their entire working careers at the organization. This sense of long-term employment that still holds true in Japan, it is another weakness as the organization grew into a global organization, and in particular from the 1990's on through the 2008 recession where U.S. employees stopped working at an organization for life but changed organizations many times during their working careers. The working landscape changed but the training processes at Toyota were not able to keep up as there were not enough master trainers to impart the culture to all the new employees on a global scale (Liker and Ogden, 2011, p. 11).

From a public relations perspective, the stories Toyota's customers and the general public failed to hear during the crisis or post-crisis was how Toyota treated its employees and suppliers during this difficult time. Those stories would likely have helped Toyota to rebuild their tarnished reputation sooner. The authors discuss in "Response and the Road to Recover" (Chapter Four), that when many organizations were laying off workers, Toyota did not. They

took the opportunity to further train employees and to look for more efficient and effective processes. An employee at Toyota U.S. said “the difference between Toyota and other companies is that instead of forcing us to go on unemployment, they are investing in us, allowing use to sharpen our minds. I don’t think there’s one person out there who does realize what an incredible investment Toyota is making,” (Liker and Ogden, 2011, p. 48). Knowing their suppliers were also facing a tough time, Toyota worked with their suppliers to ensure they would not fail (including paying them sooner). By making the choices based on what was right for these internal and external stakeholders, Toyota strengthened its relationships with their employees and suppliers. Another note that executives, managers through to manufacturing floor employees were all asked to take a pay cut on a sliding scale (starting with executives) until Toyota was profitable again. Liker and Ogden go on to point out that the media either didn’t respond or did so with negative stories to the no layoff policy by Toyota during the recession.

In 2010, Toyota was the number one automaker in world and was bounding back financially from its reputational crisis and the global financial crisis. As an organization it is looking ahead post-recession with its “Global Vision 2020” and appears to have learned from these crises and is willing to work to rebuild their reputation, although it’s too early to tell how the new 2011 crisis of the Japan earthquake will impact this plan. As Akio Toyoda, President of Toyota said “one of the lessons we learned is that safety and peace of mind are two different things. I would say categorically Toyota’s vehicles are safe, but we could have done better in terms of explaining so that people can feel peace of mind,” (Liker and Ogden, 2011, p. 173). Missing from the authors assessment of Toyota’s handling of the crisis was how implementing a long-term and in-depth communications strategy would create two-way discussions with its consumers and strengthen the other business and cultural decisions they have already made. However, the focus on Toyota’s executives coming to terms with taking responsibility, and the belief that as an organization they could have “done a better job of listening to consumers and building trust,” and that “the fault like in not building a stronger base of goodwill,” (p. 216) is a positive start for such a strategy.

While this book does not focus specifically on the role of public relations in the organization, the best communications learning from the book are Liker and Ogden’s four lessons learned from Toyota: (1) your crisis response started yesterday; (2) a culture of responsibility will always beat a culture of finger-pointing; (3) even the best culture develops weaknesses; and (4) globalizing culture means a constant balancing act. Overall, Liker and Ogden have put

put forth an interesting and timely look at how a global company dealt with their crisis and learned from it, while staying true to their mission and vision. While a bit technical in parts, this book is not only a great read, it also provides individuals interested in overall business management a detailed and thoughtful look into one of world's most successful companies, and in particular how organizations can 'turn crisis into an opportunity.'

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