

Toyota's "Fractured" Corporate Structure and Business Unit "Fiefdoms"

As journalists begin to peel the layers of Toyota's recall issues back; new insights from former insiders and current experts are being revealed. Did Toyota become overly comfortable with its past successes, and has it gotten too big to effectively identify and communicate potential issues before they become costly mistakes? It is beginning to look like Toyota's current corporate structure is inherently flawed. I have been scanning the news coming out of Toyota's congressional hearings, and have come across several articles that include insights from former Toyota insiders that shed new light on the company's problems.

In a *Logistics Magazine* article, Joel Sutherland, Managing Director of the Center for Value Chain Research, who was, at one time, the highest-ranking American at Denso, Toyota's largest supplier, made two comments that seem to reflect a "we can't fail" attitude. First, Sutherland said, "You can't take your eye off the ball when it comes to quality. You can't blink. And, unfortunately, I think that's what happened here." Followed by, "In this case, it looks like somebody failed to ensure the quality was there throughout the process. They assumed it was there. They assumed that, because it was a Toyota-engineered product, the specs were right, and nothing would go wrong."

If accurate, those comments indicate a blind belief in the brand based on past performance, and perhaps a tendency toward resting on one's laurels – dangerous attitudes to be sure.

Yesterday, the Los Angeles Times ran an article with more disturbing information from past Toyota insiders. John Jula, a former Engineering Manager at Toyota's technical center in Ann Arbor, Michigan, said, "You know the joke that every bank branch has a president -- well, every Toyota facility has a president, and one can't tell another what to do."

Ralph Vartabedian and Ken Bensinger, who authored the Los Angeles Times article, referred to Toyota's overall corporate structure as "fractured" and its business units as "fiefdoms," and Robert Bea, a UC Berkeley professor who is studying the Toyota situation in a graduate-level engineering class, said, "The cultural and organizational problems affecting Toyota are similar to those that allowed NASA and the Army Corps of Engineers to ignore structural issues leading to the Columbia space shuttle and Hurricane Katrina disasters." Bea went on to say, "It's what I call arrogance, indolence and ignorance. With those three, you have an explosive combination."

And finally, the article also referenced Diane Vaughan, a Columbia University professor who has studied the "normalization of deviance," and found some startling results – specifically, "that NASA had slowly come to believe that safety anomalies in the shuttle were 'normal,' because they had not caused an accident in the past."

Toyota's executive management, it seems, got a little too comfortable with the company's success and consequently came to believe that it could not fail.

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