

# Challenges in Globalization: the Pursuit of Quality and Safety, Contributing to the Environment and Enforcing Compliance

*Environmental journalist Junko Edahiro interviews Toyota Industries Corporation President Tetsuro Toyoda about how the group attempts to fulfill its social responsibilities as its business expands on a global scale.*

## Listening to Customers Directly and Pursuing Quality Across All Business Lines

**Edahiro** I think that there are three key factors for a company to grow. These are “the power of foresight”, “human relations that value diversity” and “the ability to motivate people”. I understand that Toyota Industries will celebrate the 80th anniversary of its foundation this November. Could you tell me what are the driving forces behind your company’s continued growth over so many years?

**Toyoda** To put it simply, I believe that it is honest and serious work of people at Toyota Industries. Of course, the “the power of foresight” that you mention has also been a driving force. Our company started as a manufacturer of automatic looms and has since expanded to include materials handling equipment, automobiles, electronics and other businesses. Our success in diversifying can be attributed to our predecessors’ ability to take on the challenges of entering into new business lines, while keeping in mind the importance of remaining ahead of the times. That success was not based on a speculative spirit of seeking spectacular results quickly. Rather, the underlying factor was their honest work ethic, as they steadily and diligently sought to gain the trust of customers. We believe that our employees today possess that same honest and serious nature and excel at working steadily and diligently toward achieving our objectives. Nevertheless, serious people often tend to become conservative and resistant to change, so I think that our attitude to change should not be referred to as “revolutionary” but rather “evolutionary”.

**Edahiro** Could you describe some of the more important and epoch-making evolutions of recent times?

**Toyoda** One of the biggest would be our takeover of the forklift sales and marketing operations of Toyota Motor Corporation in 2001. Until then, our materials handling equipment business did not have its own sales function, which meant that it had limited opportunities to hear feedback directly from our customers. Since establishing our own sales operations in this area, the distance to our customers has decreased significantly. Prior to that, we had already utilized the Toyota Production System, which views customers as the next step in the production process, but now that we are able to hear the opinions of customers that actually use our products directly, our philosophy of *monozukuri* (making things) has been enhanced immensely. The reorganization of our materials handling equipment

business—one of our core businesses—to enable direct communication with customers could, I believe, be described as a watershed of recent times. Another important defining moment in our recent history would be the acquisition of BT Industries, one of the world’s top warehouse equipment manufacturers in 2000. This acquisition has contributed to the rapid pace of our group globalization.

## Valuing Diversity in Globalization, Safety First and Enforcing Compliance

**Edahiro** What challenges will need to be addressed as you become more globalized?

**Toyoda** We have identified the need to develop united views on quality and quality management within our companies throughout the world. In our materials handling equipment business, the Toyota Materials Handling Group (TMHG), which includes the BT Industries Group, has 11 manufacturing plants worldwide. It has distributors in each region and sells in more than 80 countries. The biggest challenge that we face for the future is how to raise our standards of total quality in all areas of production, sales and service at all locations.



**Edahiro** I heard that last year, under your own direction, the joint development of a new product with an Italian company of BT Industries Group was initiated.

**Toyoda** That’s correct. The aims of that joint development were to make effective use of the respective resources in Europe and Japan and to streamline the development process. As we worked together, we each learned about the differences in our respective ways of thinking and working. We must ensure that we do not condemn such “differences” as being wrong. In fact, the members of the project team thoroughly enjoyed exploring these differences, saying that they each learned a great deal from the other side’s way of doing things. I believe that, through experiences such as this, we will gradually elevate our views on quality and quality management, and thus achieve a common high standard across the entire Toyota Industries Group.

**Edahiro** As your businesses become more and more globalized, and as the company with overall control of the group, your own company must also change, mustn’t it?



Tetsuro Toyoda *President*

Junko Edahiro *Environmental Journalist*

**Toyoda** Certainly, we have seen an increase in the number of departments within the company that have “global” in their title, but I think that, in many ways, it is still just a word. For example, if you look at global companies throughout the world, it is typical for women to occupy positions in management. Here at Toyota Industries, however, we still do not have even one female director, so in that respect, we are far from being able to call ourselves a “global company”.

**Edahiro** That issue of making better use of women has become a major challenge for many Japanese companies in recent years. What are your views on the diversity of the workforce?

**Toyoda** I believe that we must provide women at our company with opportunities to demonstrate their abilities in various levels of the workplace. For example, by placing women on the inspection line, an area that was once dominated by men, we have found that the outflow of in-house defects that went unnoticed and were passed on to the next process has plummeted. When defects are allowed to outflow from our factory, this decreases the level of customer satisfaction and leads to complaints. The contributions by women placed on the inspection line have aided in reducing the number of outflow defects. We expect that women will similarly excel in other jobs and workplaces, including on the management level.



**Edahiro** Speaking of the factory, is safety

at the top of your President’s Guidelines?

**Toyoda** Safety is the most fundamental of fundamentals. In any factory in any country, safety must be the first priority, but the focus on safety may decrease as employees become used to their working environment. The point in time after which workers have learned their jobs and become comfortable in their duties requires special care. Particularly as atypical workers including seasonal contract workers become more prevalent in our factories in Japan, we need to constantly encourage caution amongst our employees. It is for this reason that in my recent statements within the company, I make a point of mentioning “safety, the environment and compliance”.

**Edahiro** What are your views on compliance? Each country or region has different laws and practices, so I imagine that consideration of those variations is necessary?

**Toyoda** Overseas, there are some issues that Japanese people have difficulty noticing. For example, when ordinary Japanese look at people living in the West, the only differences that they can see are the colour of their own skin. They often don’t recognize the extent of the diversity, such as differences in religion, culture or customs. I have been posted overseas myself in the past, and that experience taught me a lot about the difficulties we face in understanding the diversity that exists across our global group. Of course, we provide education and training for staff being posted overseas, but I personally stress to employees that we post overseas that they must

understand not only local laws, but also the religions, cultures and customs of the area in which they are posted.

## Contributing to the Environment – Fulfilling Our Responsibility to People All Over the World

**Edahiro** When talking about corporate social responsibility, one thing that I often ask companies is exactly who do they feel the most responsibility towards?

**Toyoda** Here at Toyota Industries, we feel that, not only do we have a responsibility to those people in whom we have a direct vested interest, but we must also fulfil a responsibility towards people all over the world. For example, the reason that we complied with exhaust gas regulations in our forklifts and engines ahead of the prescribed schedule is that, the impact of our products is that much greater due to our large market share. We take our responsibility as a leading manufacturer extremely seriously.



**Edahiro** So you feel a responsibility not only to the users of your products but also to everyone who may be affected by exhaust gases. What are your views on climate change and global warming?

**Toyoda** In fiscal year 2006, we reached our target of reducing the total CO<sub>2</sub> emissions of our Japanese plants by 5% of levels as of fiscal year 1991, we have continued since then to achieve even greater reductions. In the future, we also expect to apply our know-how in

reducing CO<sub>2</sub> emissions to our other business locations throughout the world. In our “Fourth Environmental Action Plan”, which began in 2006, we have placed a strong emphasis on consolidated environmental management.

**Edahiro** Many companies simply aim to reduce their ratio of CO<sub>2</sub> emissions to revenue or production volume (unit reduction), but this does not actually guarantee that total CO<sub>2</sub> emissions will, in fact, decline. However, Toyota Industries has succeeded in reducing CO<sub>2</sub> emissions even as total production has increased, which is a wonderful achievement. I believe that environmental and quality management systems are all about the ability to motivate people and the implementation of frameworks that bring out people’s individual strengths. What is your view of these issues?

**Toyoda** We have obtained certification in the ISO 9000 series and ISO 14001, but we must not stop at merely maintaining those certifications. As I am always telling our employees, we must use these systems wisely as a means of raising the standard of our quality management and environmental protection systems. In other words, obtaining and maintaining these certifications is not a goal in itself. Instead, we see ISO as a tool to help us to raise the standards of our own management systems. The only way to improve is to continue our steadfast efforts.

## Making Things is About Developing People

**Edahiro** What do you see as your major focus for the future?



In front of the JAT710 Air-Jet Loom

**Toyoda** Definitely the development of our people. This is because our employees' skill levels have not kept up with the company's growth and expansion. For example, thanks to computers, we are now easily able to process quite complex information, but I have noticed some negative effects of this in terms of personnel development.

As an illustration, some people are under the illusion that they can design things well because 3D-CAD creates good looking drawings. Certainly, with 3D-CAD, engineers can draw something quickly and easily, but I get the impression that, as a result, they are gradually losing the ability to develop a three dimensional image in their own head and to give technical consideration to each and every line that they draw. For this reason, I have instructed that, as part of our educational program, each division must be supplied with a drafting table, so that employees can also complete drawings by hand. By using their own hand to complete a drawing, I expect our engineers to obtain a greater appreciation of the basics of their design. Every single line should be drawn after deep deliberation.

**Edahiro** So you value the concept of "going back to basics", no matter what the task. Development of people is also the key to responding to globalization, isn't it?



**Toyoda** I must admit that our people have not always been able to respond sufficiently to the rapid pace at which our business has expanded across the globe. This is despite the fact that we need people who can maximize the benefits from globalization of our business. We can understand others better by knowing ourselves and recognizing diversity between different peoples. It is from this perspective that I want our Japanese employees to learn more about their own culture and history. I think that the basics of globalization is

mutual understanding among different peoples, in addition to language skills of course.

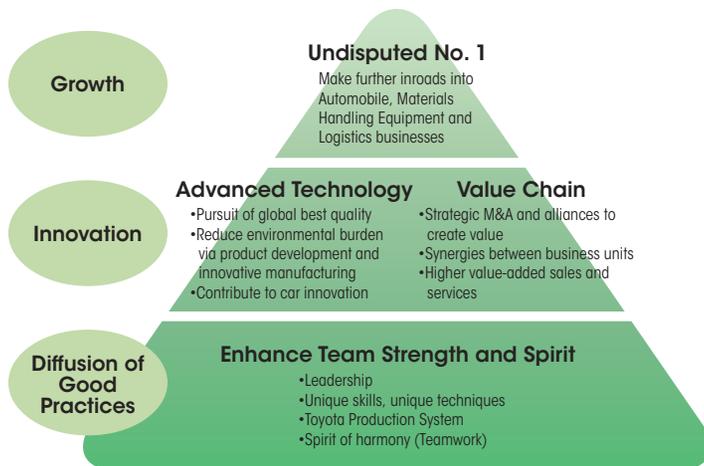
**Edahiro** I also see that you are focusing on the revitalisation of communication within the company as a means of enhancing team strength and spirit.

**Toyoda** As our production volumes increase, it is not easy to constantly strive to improve quality and maintain safety. For this reason, I encourage our employees to meet outside the company environment or work hours occasionally to relax, enjoy themselves and talk to each other in a different setting away from the workplace. I, as President also try to communicate more with our employees. I have informed our senior managers that I come to the office at 7:00 a.m. and also encourage them to report some of the more unpleasant matters and topics to me before 8:00 a.m. Accidents and other issues need to be addressed sooner before they become worse.

**Edahiro** Do you have a message for readers of this report about how the company intends to change in the future and what they can expect of the Toyota Industries Group?

**Toyoda** I would not be so presumptuous as to tell them what to expect of us. Put simply, we expect to build upon our group strengths to ensure that we realize our "Vision 2010". We can do this by pursuing the highest level of quality in our products, while continuing to contribute to the environment. As I said at the beginning, Toyota Industries is a group that has grown, and will continue to grow through a process of evolution, rather than revolution. We expect to continue to work steadily, honestly and diligently to ensure that we realize the goals we have set for ourselves.

## Vision 2010—Uniting Our Group Strengths



### Interviewer: Junko Edahiro

*Simultaneous interpreter, translator and environmental journalist.*

Junko Edahiro has a Master's Degree in Educational Psychology from the University of Tokyo and is a Visiting Associate Professor at Research into Artifacts, the Center for Engineering (RACE) at the same university. She has translated many books, including "Limits to Growth: The 30 Year Update" by Donella Meadows, et al., and has also authored many books herself, including "How to Fix the Earth". In addition to interpreting at international conferences and translating books for publication, she gives lectures and writes articles on environmental issues and provides training and consulting services to companies in areas such as environmental management and environmental communication.

As the co-founder and Co-Chief Executive of Japan for Sustainability (JFS), a non-government organization, she helps to communicate information about Japan's environmental efforts to the world in the English language. With the aim of nurturing the creators of change from a global perspective and building wide-ranging networks of people interested in change, she founded e's Inc. in 2004. In 2005, she established Change Agent, a company that provides skills and solutions for change, including systems thinking.

On 9 September 2005, she delivered a lecture to the employees of Toyota Industries Corporation at "Shines", the company's welfare facility, on the theme of "We Don't Yet Know How Hard We are Trying – The Relationship between Business, Work and the Environment and the Future".