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TOYOTA TO UNVEIL BUV IN INDONESIA

Named the Toyota Kijang

TOKYO—Toyota Motor Co., Ltd., and Toyota Motor Sales Co., Ltd., announced today that the Toyota BUV (Basic Utility Vehicle) will be introduced to the Indonesian market in late June through P.T. Toyota-Astra Motor, the Toyota importer and distributor in Indonesia.

The BUV was introduced to the Philippine market last December. In Indonesia it will be called the Toyota Kijang. "Kijang" in Indonesian means "deer."

Prior to putting the Toyota Kijang on sale, Toyota-Astra Motor will display it at the Jakarta Fair starting on June 11.

The Kijang was developed in order to meet demands relating to the Indonesian government's industrialization policies and Indonesia's increasingly diversified transportation requirements.

In the development process of the Kijang, four main points were kept in mind:

1. To contribute to Indonesia's socio-economic development;
2. To create job opportunities through local assembly operations and higher local content, and to raise the level of industrial technology in Indonesia;
3. To provide a means of transport that is low-priced and functional; and
4. To provide a means of transport with multi-use possibilities for a wide range of customers.

Final assembly of the Kijang will be done by P.T. Multi-Astra, assembler of Toyota motor vehicles in Indonesia. Although the engine, transmission, chassis and other parts will be supplied from Japan, the cab, deck, frame and many other parts will be produced by P.T. Toyota-Mobilindo, a joint venture established in Indonesia last December for the production of auto parts. The Toyota Kijang will use batteries, tires and many other items made in Indonesia.

The basic model of the Kijang will be a low-side pickup with a carrying capacity of 855 kilograms. However, the Kijang is designed so that various decks may be fitted to it to meet particular customer requirements.

The initial sales target for the Toyota Kijang is 200 units monthly.

Leading in the Toyota Way: A Lifelong Journey



TOYOTA KIJANG

JUNE '77

Genchi genbutsu [go and see the actual situation] means imagining what you are observing is your own job, rather than somebody else's problem, and making efforts to improve it. Job titles are unimportant. In the end, the people who know the gembu [where the actual work is done] are the most respected.

—Akio Toyoda, president, Toyota Motor Corporation, 2009

Perhaps the most difficult task in any book on leadership is defining leadership. To use the famous adage, we may not be able to describe leadership, but we know it when we see it. With that in mind, rather than attempting a semantic definition of leadership to kick off this book, let us tell you two stories of leadership to demonstrate what it is and what it is not at Toyota.

What Is Toyota Way Leadership?

In 1970, at the direction of the legendary Toyota research and development executive Masayuki Kato, a young section manager in the overseas sales division named Akira Yokoi was assigned to take over the fledgling Toyota operation in Indonesia. The prior manager for Indonesia had become ill, and Yokoi was unexpectedly pushed into action to assume his duties. Indonesia had just emerged from a civil war, and its economy was profoundly damaged. Toyota had made a commitment to the country to help it rebuild and industrialize. Yokoi's orders from Kato did not include specific targets for sales or profitability, but rather were to "always do what is best for Indonesia."

Yokoi began his time in Indonesia with a tour of the country to "grasp the actual situation," as he later wrote in his memoirs. He was deeply discouraged when he saw the barely functional roads and destroyed bridges: ferries were used to cross most of the rivers that he encountered. Yokoi's 150-mile trip took 14 hours. There were no shops open or places to eat; passersby wore rags. In this environment, he was somehow supposed to sell cars.

Yokoi's challenge was all the greater because of Indonesia's industrial policy. The government wanted complete production done in Indonesia, not just final assembly of kits sent from Japan. Yokoi and his team managed to build a plant and introduced four models: large trucks and Land Cruisers for use in construction, the Hi-Ace van for rural areas, and the Corolla for (relatively) wealthy urbanites.

Things seemed to be going well until January 15, 1974, when there was an outbreak of riots in Jakarta, mostly among the poor. The rioters treated Toyota just like every other international company in Indonesia: as an object of wrath. In fact, Toyota's Jakarta headquarters was set on fire. Yokoi thought deeply about this and concluded that the problem didn't lie with the nature of the Indonesian people or the failure of the government to contain the riots; it was that Toyota wasn't connected to the vast majority of the Indonesian population. "Toyota needs to promote understanding about our activities among the poor," he wrote. More than understanding, the poor who were the majority of the country needed to see tangible benefits from Toyota if the perception was going to change. Yokoi became convinced that Toyota needed to build a product for the poor. Of course, there were huge challenges to such a plan, not least of which was how to design a car that Toyota could sell at a profit, but at a price low enough to appeal to, as we would say now, the base of the pyramid.

Selling to the poor meant producing extremely low-cost cars, which was impossible given Indonesia's industrial policy. Indonesia, like most developing countries at the

time, charged very high tariffs on imported industrial goods in the mistaken belief that this would help develop local industry. Corolla parts were taxed at 125 percent. Toyota could build the cars internally, but the tariffs made it impossible for Yokoi to get the parts and supplies from Japan that he would need at an affordable price. Yokoi realized he badly needed a lawmaker in Jakarta to act as Toyota's champion. Fortunately, from assignments in Thailand and Malaysia, he had learned the importance of developing direct ties with lawmakers, and early on he had worked hard to develop a relationship with the minister of industry, who was responsible for automobile policy. The minister wanted to help and said he could win approval to waive the import tariffs if Toyota built a car with 70 percent local content that cost one-third the price of the Corolla.

With this daunting vision, Yokoi returned to Japan to sell the idea and encountered great resistance, largely because of the small projected sales volumes. One sympathetic Toyota leader suggested that Yokoi pursue a multi-platform model, so that a car, a van, and a pickup truck could all be built on it, thus increasing the volume at a reasonable cost. This would make it far more likely that production could eventually be profitable. With this starting point, Yokoi looked for other cost-reduction ideas. For example, he studied die making and learned that costs for boxy cars are lower than those for cars with curves. So Yokoi insisted on a boxy design. Even that was not enough, and he finally arrived at the radical idea of removing the glass from the rear doors and substituting clear vinyl covers instead. Based on all this, his final calculations showed that the project could be viable.

He then had to sell his ideas within Toyota in Japan. Many executives objected to making what they perceived as a substandard vehicle. Afraid that it could "damage the brand," Toyota Engineering refused to supply engines or transmissions. Yokoi turned for support to his executive sponsor, Kato, and got it. Kato, who had been closely following everything that Yokoi had been doing in Indonesia through regular calls and meetings in Tokyo, built consensus in Japan to supply the needed components. The Kijang went on the market in 1977. Starting out at low volumes that were not profitable, over the years it became the bestselling vehicle in Indonesia and paved the way for Toyota to become the dominant foreign player in that market. It was dubbed "the people's car," and one million were sold over 25 years.

Around the same time as Yokoi's project in Indonesia, a young manufacturing manager at Ford Motor Company named Gary Convis was confronting the quality problems that were endemic in the U.S. automotive industry in the 1970s. Quickly rising through the ranks of Quality Control, Convis had been assigned to iron out quality problems with a two-door Lincoln that was about to be launched.

As one example, a large interior panel between the trunk and the backseats was connected to the car's steel exterior with a Velcro fastener that was not always in the right spot. The result of the mismatch was that the interior panel often came loose. To repair the problem after the cars had come off the line, the rear seats had to be removed, the panel trim cover removed, and the Velcro reinstalled in the proper location (which was quite difficult to get right after the car was built). In total, fixing the problem with the interior panel took about one half-hour per side. With hundreds of cars rolling off the line each day, many of them with interior panel problems, that wasn't a trivial amount of time or effort.

Today it can be hard to remember what the U.S. automotive industry was like in the 1960s and 1970s. Quality was abysmal. Labor-management relationships were characterized by mutual distrust. Well into the 1980s, the attitude of management toward workers at GM and Ford was that they were lazy and would cut corners every chance they got. Managers watched the line workers like hawks, always assumed the worst, and placed constant pressure on production lines to simply turn out parts. The workers, in turn, had no incentive to do their best for their bosses or their company; the punitive atmosphere killed any desire they might have had to put in a discretionary best effort based on personal motivation and commitment to high-quality work. Even the threat of punishment was baseless, since union rules built out of distrust made disciplining workers a daunting task. In any case, management wouldn't turn off a production line no matter how many mistakes were made or how poor the quality was, because the only metric that mattered was the number of vehicles produced.

Convis traced the source of the problem with the Lincoln's interior panel to the trim shop. He reviewed the details of the Velcro installation and made sure that the workers were properly trained and that the right tools were available. He then announced that any more defects that came out of that area would lead to the line stopping—a threat that few people, if any, took seriously.

About a week later, Convis made good on his threat, stopping the line because of more mistakes with the Velcro fasteners. When the head of production heard about it, he came to Convis's office, yelling, "Why'd you shut the line down?" Convis explained the situation and asserted that the line would stay down until the problem was fixed. The production head responded by kicking Convis's wastebasket through a plate glass window and storming out. It took 45 minutes to get the problem solved and the line running again. Ultimately, Convis won the battle with the production head, and almost all the repair work from this source was eliminated. As a result, the quality control department gained more power in the plant.

Both of these stories would seem to demonstrate leadership. Yokoi stepped up to a daunting challenge; through innovation, building relationships, persuasion, and resolve, he overcame it. In the second example, Convis stood up for what was “right” and faced down tremendous institutional pressure. In fact, in lean terms, he “pulled the andon cord” and stopped the line. Many readers who are involved in driving lean and quality concepts at their firms may immediately identify with Convis, recalling very similar situations that they have lived through. So it may come as a surprise that within Toyota, these two stories would be viewed quite differently. While Yokoi’s story would be perceived as exemplifying Toyota leadership, Convis’s would be seen as a disaster—a failure of leadership, in fact.

Comparing Traditional to Toyota Leadership

Now, a Toyota leader wouldn’t blame Convis for the disaster in this story. In fact, stories like this from Convis’s experience at Ford, and earlier at GM, are what got Convis hired at NUMMI (New United Motor Manufacturing Inc., a joint venture of Toyota and General Motors in California). But Convis’s “leadership” in this instance illustrates the chasm between what has been traditionally considered leadership in many Western companies and what is considered leadership at Toyota.

Excerpt From

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Jeffrey K. Liker & Gary L. Convis

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