The Toyota Way
Chapters 7 - 9
January 28, 2014

Chapter 7

Base Your Management Decisions on a Long-Term Philosophy, Even at the Expense of Short-Term Financial Goals

Fundamental Question

Can a modern corporation thrive in a capitalistic world and be profitable while doing the right thing, even if it means that short-term profits are not always the first goal?
Philosophy

• Do the right thing for the company, its employees, the customer, and society as a whole.
  • What does this mean to you?
  • The purpose is so we can invest in the future so we can continue to do this.
  • What does this mean to you?

Do the Right Thing for the Customer

• 1971 Nixon imposed import tax.
  • What was this?
  • Lexus tire story
  • What was this?

• The way you treat the customer when you don't owe them anything, like how you treat somebody who can't fight back — that is the true test of character.

NUMMI

• What was it?
• Why did it happen?
• What were the results?
• What lessons were learned?
• World War II
• Don’t let Business Decisions Undermine Trust and Mutual Respect

• Who does Toyota see as its primary stakeholders?

Long Beach Plant

1. As an American company, contribute to the economic growth of the community and the United States
2. As an independent company, contribute to the stability and well-being of team members.
3. As a Toyota group company, contribute to the overall growth of Toyota by adding value to our customers.

TMMNA Mission Statement

1. Honor the and language and spirit of the law of every nation and undertake fair corporate activities to be a good corporate citizen of the world.
2. Respect the culture and customs of every nation and contribute to economic and social development through corporate activities in the communities.

Toyota Guiding Principles
3. **Dedicate** ourselves to providing clean and safe products and services and to enhancing the quality of life everywhere through all our activities.

4. **Create** and **develop** advanced technologies and provide outstanding products and services that fulfill the needs of customers worldwide.

**Toyota Guiding Principles cont.**

5. **Foster** a corporate culture that enhances individual creativity and teamwork value, while honoring mutual trust and respect between labor and management

6. **Pursue** growth in harmony with the global community through innovative management

**Toyota Guiding Principles cont.**

7. **Work** with business partners in research and creation to achieve stable, long-term growth and mutual benefits, while keeping ourselves open to new partnerships.
• System of Profound Knowledge
• 14 Principles
• Seven Deadly Sins

W. Edwards Deming

What does Deming mean by “constancy of purpose?”

W. Edwards Deming

• What happened at Chrysler?

Culture
Create Continuous Process to Bring Problems to the Surface

Chapter 8

Flow

- Customer order
- Triggers obtaining raw materials for customer’s order
- Raw materials flow to supplier plants – transformed into component parts
- Component parts flow to assembly plant where they are assembled
- Completed order sent to customer

Traditional Mass Production Thinking

- Economies of scale - minimize cost per unit
- Apparent flexibility in scheduling
Lean Thinking

• Line up the processes in the sequence that will produce the customer’s order in the shortest time
• Ideal batch size - 1

Takt Time

• Takt time = rate of customer demand
  = \frac{\text{Customer demand/unit of time}}{\text{Available work time}}

Customer demand = 1000 units/week
Available time = 5 days/week \times 440 \text{ minutes} = 2020 \text{minutes}/week

Takt time = \frac{1000}{2020} = 0.495 \approx 0.5 \text{ minute} = 30 \text{ seconds}

Benefits of One-Piece Flow

1. Builds in quality
2. Creates real flexibility
3. Creates higher productivity
4. Frees up floor space
5. Improves safety
6. Improves morale
7. Reduces cost of inventory
Two Mistakes

- Fake flow
- Backtracking

Use "Pull" Systems to Avoid Overproduction

Chapter 9

- The Toyota Way is not about managing inventory, it is about eliminating it

Toyota's System
Flow where you can, pull where you must.

Explain this.

Toyota's System