

■ TOYOTA/STRATEGIC SPEED PODCAST NO. 3

Barry Thanks for joining this podcast on strategic speed. I'm Steve Barry, senior manager of strategic marketing at The Forum Corporation. In our previous podcast, Harvard scholar Jun Kurihara shared his initial thoughts on how Toyota has handled their quality issues. Which is, overall, he feels they have handled it quite well. In this podcast, we'll go a little bit deeper on that issue to talk about was it fast enough or was it too fast? Ed Boswell, CEO of The Forum Corporation, will kick off the podcast by building on Jun Kurihara's thought on Toyota's handling of the crisis and comparing it to Johnson & Johnson's handling of the Tylenol case. And Jun Kurihara and cross-cultural expert Dave Eaton will provide other examples and also break down the cultural aspects regarding speed in responding to such crises. Ed, take it away.

Boswell Thanks, Steve. A lot of us here in the U.S. think about a crisis that happened several decades ago when Johnson & Johnson had a crisis with the Tylenol scare. We never did figure out what really happened then, but that's often pointed to as an example of crisis management that was done well. You read about the CEO of Johnson & Johnson at the time taking control of the situation, immediately going public with the problem, being very aggressive in terms of taking product off the shelves, more than even what the government was requiring.

And so there seemed to be this—I'm going to call it sort of a cowboy reaction—where you have the single individual calling the shots and appearing to be the hero by taking all the blame and also all the praise for fixing the problem. And it seems to me that even if Toyota is doing all the right things now as you said, and doing well, from your perspective, they're constantly being compared to how other companies—particularly American companies—would handle something like this. And I'm just wondering if, again, speed, culture, and all of that is playing a role here.

Kurihara The culture plays a part when it comes to the style of apology. At the same time, actually even in Japan right now, there is a very interesting case juxtaposing the Johnson & Johnson case and Toyota. There are lots of businesspeople talking about it. But I remember the Toshiba case in 1984 or 85. Toshiba Machine Tool company sold a very sophisticated machine tool to the Soviet Union. The [tool enabled the] Soviet Union's navy to reduce the sound of the submarines. This is a violation of the COCOM. At that time, it was the fault of Toshiba Machine—a small, tiny, tiny subsidiary. But at that time, the president and chairman immediately resigned. This is a best behavior within the Japanese culture. Apologize, setting aside right or wrong. It showed sincerity.

Even in Toyota's case, its President and CEO, Akio Toyoda, attended Babson College and spent many years in New York so that he knows how to behave in the United States. But at the same time, he is a chairman and president in Japan. So that, his entourage tells him, "This is not the case. The president should be reserved." I think the president of Toyota was in sort of a dilemma between adjusting Japanese culture or American culture. So, I don't want to harshly criticize Toyota's case. This is a good thing—a lesson for Toyota.

■ TOYOTA/STRATEGIC SPEED PODCAST NO. 3 (CONT.)

Eaton So I'm fascinated with the Johnson & Johnson comparison to Toyota, and I've just been a consumer on the outside. And I will say that I think their inability to stand up, take responsibility, come out forthrightly, and say I'm sorry, and I'm not sure how it happened, I'm not sure what is happening, but I promise to lead the effort to get to the bottom of this and fix it. And as information is available, I will be forthcoming. That cowboy metaphor you used for the Tylenol example is really without any risk, without any face loss. In fact, we reward that kind of honesty in the U.S. culture. And in Japan, as Jun was saying, I almost feel like even though he might've wanted to be that disclosing and that comfortable with the mistake and exposing face, perhaps there were individuals advising that pulled him back into more of a "we don't know what's going on, we will look into it." And until they had an answer, it's quite common in these cross-cultural moments to not give any answer, until you have a finite answer. And we've seen that around the world where individuals and senior leaders will not give the bad news for fear of disrupting the wah, or the harmony, of that situation, be it Japan or India or China or parts of Latin America or the Middle East. Whereas we reward in the U.S. any information, any humility, any ownership of the problem—"I will get to the bottom of this" is all rewarded.

Boswell Well, this is so interesting. Just a few months ago, our President of the United States was criticized, I remember one weekend, for not coming out and addressing an issue for, I don't know, 3 or 4 days. And that's in a culture that does reward this kind of openness and whatnot. But we actually don't even care what the leader, the business or political leader, seems to say. It's just, are they out in front of people and the press and in front of a microphone saying something?

Eaton That's right.

Barry And you're saying many other—maybe most other cultures—it's exactly the opposite. You wait until you have a satisfactory, finite answer.

Eaton Well, if you think of the perfectionist model, where "I'm not going to speak until I have a perfect answer." And I think that's what held back Toyota in part, although I have no idea what the advice was. But from a consumer and a citizen, it felt like the information was not forthcoming soon enough, transparently enough, fast enough for our taste. That doesn't mean that he would've had to do the same correction of errors and disclosed information or semi-information in Japan, or even other parts of Asia. But for my mind, in the West, absence of news means that you're withholding information or that you're not aware of the problem and you're not addressing the problem. And that's why we always favor that kind of forthrightness.

Boswell Right. Well, as we were writing this book, one of the things that hit us was that how people think about speed really does vary from one part of the world to another. Jun, you said something about—what was a wonderful phrase—make haste slowly. There's just an entirely different mental model, if I can use that word, in some parts of the world about speed. So we measure speed as, does the president or CEO come out within hours and start saying, "Don't know what the answer is, but I'll find it." Whereas in other cultures, that would be the worst thing to do because for them, speed means how fast can you get to the perfect answer. And if that takes 2 days, or 2 weeks, or 2 months, you wait for the perfect answer.

■ TOYOTA/STRATEGIC SPEED PODCAST NO. 3 (CONT.)

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So it's interesting that in this global economy, we're going to see, I believe, with more and more concepts like speed, like apologies, we will see these kinds of dilemmas, that political and business leaders are willing to face because they're not speaking to one nation or one culture. They're speaking to multiple nations, multiple cultures at the same time. And it's going to be very difficult as Mr. Toyoda has found over the past month or so.

Kurihara

Actually, one significant difference between Japan and United States, I would point out the number of lawyers. Japanese people won't go to a courthouse because, in Japan, to complain in public is not good behavior. So that even at court, judge recommends negotiation between the two parties, rather than giving a sentence. So that, actually, the Japanese hate to speak out.

But then at the same time, I refer to other cases. When it comes to the Tylenol case, there are lots of similar cases in Japan. When there is food poisoning, or something like that. In that case, quick action is needed. So that even in Japan, there are lots of similarities. But one thing, if I may add, if the majority of people would respect a quick response or quick appearance, their leaders or executive should behave in that way. But if majority of people are right in the middle of building what the right response is, what might come from the company, it is too early. So that the timing depends on the circumstances or the audiences.

Barry

Thank you, gentlemen, for that discussion. So we hear that, regarding the speed with which a leader comes out and deals with a crisis like the one Toyota has, cultures across the world have different takes on how quickly a leader should respond and how can you speedily execute a global strategy when you have global teams, cross-cultural teams, what are some of the issues there?

And certainly, it will be a dilemma to be managed going forward as more and more companies span the globe. And that will actually be the topic of our next and final podcast, and how can you speedily execute a global strategy when you have global teams, cross-cultural teams? What are some of the issues there? Thanks for joining.