

■ TOYOTA/STRATEGIC SPEED PODCAST NO. 1

Barry Hi, I'm Steve Barry, senior manager of strategic marketing at The Forum Corporation. At Forum, we accelerate our clients' business results by aligning and mobilizing their people around their critical strategies. Over the past 2 years, we've studied what drives speed of execution. When we talk to people about speed, a few questions typically come up almost immediately, and they're questions like, "Well, what about quality and speed? Can you have both?" Many people are also interested in the cultural dimension of speed—do different cultures value speed, or are there different priorities?

So a business example has recently come to light which contained elements of these questions, and that's Toyota. With Toyota's rapid expansion over the past decade, coupled with its recent quality issues, this case provides a rich case example in which to discuss some of these multilayered factors at play when seeking speed of execution. And that's exactly what we're going to do. We're delighted to have three business leaders join us to discuss these topics. Jun Kurihara is senior fellow at Harvard Kennedy School, as well as a Research Director of the Canon Institute for Global Studies. His expertise is in the international political economy and also the globalization strategies of multinational corporations. Jun is also a Japanese national and can provide that perspective as well. Kurihara-san, thank you for joining us today.

Kurihara Thank you.

Barry Dave Eaton is cofounder of Aperian Global, a cross-cultural training and consulting firm, and Dave brings with him many years of deep, multicultural knowledge to today's discussion. Thanks for joining us, Dave.

Eaton Thanks.

Barry And finally, we have Dr. Ed Boswell, Forum's president and CEO. Ed is also co-author of Forum's forthcoming book, *Strategic Speed: Mobilize People, Accelerate Execution*, due to be published on June 1st by Harvard Business Press. Ed, thanks for joining us.

Boswell Delighted.

Barry So what we'd like to do is, over a series of discussions, explore some of these issues around speed, culture, quality, using Toyota as the case example to dive deeper into some of these issues. The end result will be a series of four podcasts. The first one is being focused on speed and quality. The second's going deeper on the issue of kaizen and learning. The third podcast will be about how quickly Toyota is handling these quality issues and how that speed is largely determined by our own culture. And the fourth podcast will dive deeper into the multicultural issues and help leaders who are expanding globally, who rise to the challenges and identify some of those challenges that are inherent in leading a global team. Okay, so let me kick off the discussion today by posing this question to the group. What role did speed play in Toyota's quality problem? Kurihara-san, let's begin with you.

Kurihara Thank you. Actually in general, Japanese sometimes are very notorious for being slow. But at the same time, I would say that Toyota has been the exception at adapting their speed. But rather than GM or Chrysler, they have very speedily adapted to market needs by providing the Prius and establishing local production facilities in Asia, in Europe, and in China. So, they have been very successful. But for this reason, Toyota was defeated by speed itself.

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Barry Can you say a little bit more about what exactly defeated Toyota there?

Kurihara It's the kind of the typical dilemma. In front of the company, the market lies. Expanding, competitors are losing, GM is retreating, Chrysler is retreating. Toyota had a once in a lifetime chance to catch up with GM. They failed the importance of "make haste slowly." They are preoccupied with speed. So that, my friend told me, "Jun. Toyota is right now expanding their production. Any engineer within Toyota can't handle it." So, that's what I mean when I say Toyota was defeated by speed itself.

Barry Ed, what do you think about Jun's comments that Toyota was defeated by speed itself?

Boswell That's a very interesting concept, being defeated by speed itself. Because obviously, speed helped Toyota become a world-class manufacturer, and really take the lead and finally overtake GM. So, when we reflect on speed, it seems that Toyota took our 20th century definition of speed, something we call "First Generation Speed," they took that farther than anyone. And that is a real focus on process, and process improvement, to eliminate waste and cycle time. They have set the standard on that.

In fact, 20 years ago, our company went to Japan on two separate trips to better understand and study what Toyota and other leading Japanese companies were doing. And the thing that impressed us was that kaizen was a mechanism to identify problems or identify opportunities and to pass that information up the hierarchy. In fact, we were told by one Japanese CEO, he talked about the "iceberg of ignorance." And what he was referring to is that when you're on the top of an organization, ordinarily you know just a fraction of what's going on underneath you—the problems, the opportunities—but that continuous improvement and total quality provided a valid method for employees on the line or in the field to highlight issues and then pass them up so that they could be corrected or improved upon. It seems like, that hasn't worked in this situation, here at Toyota. Could you help explain?

Kurihara Actually, I would say that it will be too early to tell if Toyota failed, because as of right now, Toyota is in the middle of adjusting their production system, their supply chain systems, and the way in which they handle the complaints. So, I hope they would successfully adjust it themselves. But at the same time, I heard from a friend working for Toyota that, 20 years ago, Toyota had a tradition. If something was wrong with a car, they decisively stopped the line to check. But right now, they are too busy to stop the line right now. So, in a sense, that is why I told you that Toyota was defeated by speed itself.

Boswell What would you add to this discussion, Dave?

Eaton Well, I think it's interesting to think about the cultural dimensions in play when we think about this feedback loop. It's a very face-saving, group-oriented, collectivist way of passing data—well-researched data, well-documented data through many prototypes and sample size, therefore respecting the hierarchy, the face, and the group orientation of the culture. So no one individual is tied to the mistake. In this case if we find a fault "in the middle of the riverbed," do we stop production to go into emergency kaizen, if you will? Or do we let it go based on profit and other sales pressures that are on the global economy?

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Eaton (cont.) Twenty, thirty years ago, Toyota was so far ahead of the market that they could take their time to go through this kaizen in the silence of their own hallways and their own production facilities without any of us even knowing about it. By the time they released the only version they would release, it was quite perfect. Now when we find that there is a fault with the accelerator, they are in crisis kaizen mode, only the public has been led in to the stage door to observe.

Boswell Interesting. One of the things that we heard again and again in our research was this notion of speed and quality. Obviously, that's what we're talking about today at Toyota. And some people talk about it as two incompatible forces. You can have speed, but you have to sacrifice quality, or you can have quality, and therefore you have to sacrifice speed. And I think our conclusion, after studying many companies around the world that are known for their speed of execution was that they saw that as a false dichotomy, that it wasn't either/or, that they saw it as a dilemma that needed to be managed.

And I'm reminded of a vivid conversation I had a few months ago with the CEO of Vodafone, Vittorio Colao, in London, who was sharing with us that he actually uses speed to drive quality up. And the story he told, or the example, is that for a very large, global company like Vodafone, or it could be Toyota, or it could be—you name the company—that generally, when you launch a new initiative, there are a lot of people involved, a lot of money, the 3-year planning horizons, etcetera, etcetera. And he believed that absolutely the wrong way to get anything done. That what he has chosen to do is to put together small teams, limited resources, very, very high goals, and very, very short timeframes. And I asked him—I said, well why does that work? Why does that drive quality? And his answer was very interesting.

He said, because what it means is those managers working on that project tend to make mistakes, but they make the mistakes quickly. They make small mistakes because they haven't been 3 years in the making of a big mistake. They've been 3 weeks in making a small mistake. And therefore they learn very, very quickly. So, he gave an example of a business that went from zero to three billion in about 18 months. And he said if I had done it the normal way, which is to give them a big office, lots of resources, and lots of money and the 3-year time horizon, we'd still be in the planning phase. Right now, he says, I've got three billion dollars extra on the top line because I gave a very small team a high standard, few resources, and really pushed them to get it done within a 12-month period. And he said, what was interesting is I also had to give them trust. That they were allowed to make mistakes, lots of mistakes, during that period. Just don't make the same mistake twice. Just keep making new mistakes and learn from it. So it was an interesting way of looking at that speed/quality dichotomy that so often seems to work against speed for people.

Barry Thanks, gentlemen, for the discussion. To summarize, Jun put forth his hypothesis that Toyota was defeated by speed itself: By seizing the competitive moment to expand, they got away from their model, "make haste slowly," and are now too busy to stop the line when defects arise. Dave thinks that kaizen worked well when Toyota was so far out in front of the market, but may not be as effective now that many competitors have caught up. And Ed shared a lesson from Vittorio Colao, CEO of Vodafone, about how to manage that dilemma between speed and quality. In our next podcast, we'll go deeper on this issue of kaizen and learning. Thanks for joining.