

## ■ TOYOTA/STRATEGIC SPEED PODCAST NO. 2

*Barry*

Hello, and welcome to this podcast. My name is Steve Barry, senior manager of strategic marketing for Forum Corporation. This is actually the second podcast in a series of four in which we're discussing the topics of speed, quality, and culture as it relates to Toyota's recent quality issues. In the first podcast, we talked about the dilemma around speed and quality and began to talk about the mistakes and rapid learning in the management of that dilemma.

In this podcast, we'll build on a point that Ed Boswell, Forum's CEO, made in our first podcast. Ed had shared the advice given to him by Vittorio Colao, CEO of Vodafone, who said that how he drives speed is essentially to provide his people with really short timelines, very high goals, and basically trust those people. Enable them to move quickly and without fear of making mistakes. Dave Eaton, co-founder of Aperian Global, a cross-cultural training and consulting firm, will build on that point. And later, we'll also hear from Jun Kurihara, a senior fellow at the Harvard Kennedy School for his thoughts on the matter.

Dave, take it away.

*Eaton*

Just to build on your point, Ed, and a story that came quite a few years ago when Sony was bringing its manufacturing of its flat-panel display unit over to San Diego, it brought its design engineering group—about 16 ex-pats from Japan—over to work alongside the manufacturing folks of San Diego. And I remember the challenges that they faced, even right down to how engineering students are taught to perfect this process that you just described to get to a three billion dollar business like you described for Vodafone. And one of the things that I find interesting is whether or not face is at risk. So in the Vodafone example, with a small group of people, somewhat private, being able to make mistakes in front of people who trust each other, and then to perfect those mistakes or to correct for those mistakes, and kaizen, if you will, just in time, you turn around and you are very intimate with your product and your product life cycle. And therefore, you're able to get to that, quote, perfection, or release, date, sooner. Nobody really knows about those mistakes—outside of that small intimate group. Interestingly enough, the design engineering team from Japan that came over to San Diego had very, very different approaches to how they handled that mistake-ridden process.

For the Japanese, the senior engineer would sit side-by-side with the junior engineer and run 50 prototypes. And during that 50-prototype series, they stuck together, they analyzed each prototype, and they constantly improved as they went through each cycle until the forty-fifth or the fiftieth was near perfect.

Whereas the U.S. engineer, taught by a very different technique school, poly-technique school, found it time wasteful, boring; I'm a senior engineer now, this is not how I want to spend my time, I can be off doing other things to speed up time, right? So I'm going to go away while the junior engineer does the other 49 prototypes. I'll do the first one with him, then I'll walk away. They'll do the next 49 on their own. They'll produce the data, bring it back to me, and we'll analyze the data. But they lack that experiential learning that the senior Japanese and junior engineer had together. And therefore, the end result of product quality, at the end of 50 for the U.S. team and the end of 50 prototypes for the Japanese team, was not close at all. And they point to this notion of small, intimate, saving face, constant kaizen until they get to that release.

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*Boswell* There's some fascinating work being done at the Harvard Business School around organizational learning, and what your example, Dave, reminds me of is a search that's been done in the medical setting, where in a hospital, a new surgical technique might be brought in. It might be new hardware, or again, it might be an actual procedure that's being introduced.

And they've analyzed which surgical teams seem to master the new technique or the new tools faster than others, which teams have better outcomes, that is, the patient survives the surgery or recovers faster—whatever the appropriate measure is.

And it's led them to believe that in large organizations, whether it's Toyota, which we started talking about, or a Sony or a Vodafone, that really the unit of learning, and maybe the core of speed, is the team. It's not the organization, and it's not the individual, but it is a small collection. So it could be this engineering group that you're talking about there at Sony or it could be this small startup group within Vodafone, or some of the production teams at Toyota.

*Kurihara* Actually, the literal meaning of kaizen is incremental improvement. So the word itself has a meaning, it includes the meaning of mistakes. Without mistakes, the people wouldn't learn. So that the kaizen means as a prerequisite, it's okay, you make mistakes. But, as you said, speedily recover. And improve. This is the idea. So that right now, even go back to Toyota. It's their first time for the so-called internationalizing Japanese company, how to handle the case of the complaints coming from the consumers, they are requested to appear in Congress. So, this is the first time for them. Actually, my judgment is they have done quite well. They are very sincere. They tried to open up the information. Of course, that kind of information is very difficult to open up to the field. However, they are doing fine. My concern is how they will learn after their mistakes. This is my first question.

*Barry* Thanks, gentlemen. So in this podcast, we heard that it's that shared context that builds clarity and unity by going through the learning together. Also, the importance of the team to speed and learning is beginning to emerge in our discussion. And the fact that the word mistakes is included in the definition of kaizen. So now our interest turns to how Toyota will recover and learn from this chapter in their history. And that's what we'll talk about in the next podcast, is how Toyota is handling this crisis. Is it fast enough? Thanks for joining.