

TOYOTA CEOs' Five Main Principles

Toyoda Family Mottos

according to Kiichiro Toyoda
for sustainable corporate evolution

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Translation

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Introduction : What is Toyoda Koryo? And Why Now?

What is Toyoda Koryo?

This booklet has gathered the excerpts of the papers, speeches and interviews impressively and specifically indicating how Toyota CEOs from Toyoda family have committed to thinking and acting in accordance with “Toyoda Koryo”. Toyoda Koryo, a set of Toyoda Family’s five mottos, was assembled on October 30, 1935, by Kiichiro Toyoda, the leading founder of Toyota Motor Corporation.

While Toyoda Koryo consists of five principles, the underlying values can be summed up to the three: Social Contribution, Technology Innovation, and Employee Pride. It explicitly and clearly proposes that Toyota as corporation should be “Social Entity” and not be the property of any stakeholder such as stockholder or founding family or employee corporative.

Social Entity beyond Investors’ Property

The corporate perception that corporation is social entity distinguishes itself from the recently dominating corporate perception that it is investors’ property. The latter penetrated and even flooded into Japan and Japanese corporations under the name of global management standard since the Japanese government’s alleviating foreign investment regulation in 1997.

Originally the perception or even the definition that corporation is investors’ property got dominant in the US through 1970s, especially after Milton Friedman, Nobel Prize laureate in economics, promoted a free market economic system with minimum governmental or social intervention. His promotion supported by both US and British administration has stimulated and enhanced globally so-called monetary capitalism since then.

Corporate Sustainability beyond Shareholder Value Enthusiasm

However, in the 21st century, even in the US or EU societies, arose a new wave of fundamental shift from the investors’ property definition. The new wave aims at creating values for all stakeholders of corporation. Then it consequently further aims at corporation’s sustainable evolution. Symbolic models of the new wave leadership are Unilever CEO Paul Polman’s sustainability management, CSV (Creating Shared Values) concept by Michael Porter who once proposed that corporation should maximize investors’ wealth in the previous century, and the UK government’s introduction of Stewardship Code requesting investors to serve the entire

wealth and evolution of corporations.

Rise and Decline of Shareholder Value Enthusiasm

Why has the new wave arisen? The fundamental goal of the new wave is to solve the stagnation of real economy, especially the stagnation of manufacturing industries in advanced societies. For an example, the US Commerce Department Statistics indicates that the GDP shares of manufacturing industries in the entire US GDP has declined one way by 25% for 16 years from 1997 to 2013.

What would be the causes of the real economy shrinking? One of dominant causes is the excessive pressure by investors and their monetary capital toward manufacturing corporations. It is the pressure to maximize short term profit and profitability. It resulted in the self-consuming cycle of manufacturing corporations sacrificing investment for future and venture innovation for maximizing short term profit to satisfy, with highest priority, investors who can sell their stocks at any time and run away without any management obligation.

The pressure started to increase constantly as the global monetary supply led by the US dollar started to increase one way since Nixon administration's unilateral cancelation of convertibility of the US dollar and gold in 1971. Even now, it keeps breeding itself further by financial and IT technologies. Consequently, the contradictory trend relationship between financial economy and real economy, the former keeps growing while the latter keeps shrinking within advanced societies such as the US and EU, has almost kept fixed for the past half century.

Japanese manufacturing corporations, the major component of Japanese real economy, were not exceptions, since they introduced and accepted at the end of the 20th century, so called the US origin global management standard which declares that corporation's supreme duty is to maximize investors' capital. The real growth of overall manufacturing industries except for Pharmaceutical industry keeps declining for almost 20 years. The trend is indicated by the facts that most of all those corporations have barely maintained their nominal profitability, "Nominal (not Net)" Operational Profit Ratio, only by sacrificing and reducing employee compensation and benefit constantly for more than 15 years until 2016 when Japanese

government requested large corporations to increase employees' compensation and benefit under its economic strategy called Abenomics. Without the adjustment of reducing continuously employees' C&B, "Net" Operation Profit Ratio, the direct indicator of corporation's value-creativity and innovation, of majority of large size manufacturing corporations kept declining for the past 15-year period.

New Frontier of Sustainable Corporate Evolution

Toyota group might not have been an exception of the trend. However, differently from most of other corporations, Toyota Motor Corporation has become the first runner having initiated the shift of its management direction toward creating corporate value to all stakeholders. In the interview in 2016, CEO Akio Toyoda expressed his thought:

– It looks like you are keeping your distance away from the shareholder priority principle.

"I see our shareholders as one of our stakeholders. Some people say that stakeholders are no one else but shareholders, but I don't quite agree with that. Shareholders are 'One of them'. At the end of the day, we are an industry supported by employees, end-users, communities, suppliers and dealers. Stakeholders include all of them." (Source: "Corporate Leaders, Akio Toyoda," an exclusive interview from the Weekly Toyo Keizai published on April 9, 2016)

Toyota's recent annual shareholder meeting held on June 14th, 2018, was different from its historical ones in that Toyota aggressively requested its major shareholders to attend the meeting and provide Toyota management with their opinions and advice. It showed that Toyota respects its shareholders and the communication with them without any change. However, as shown in the above CEO's interview in 2016, Toyota, at the same time, has declared that it will not be engaged any longer in the excessive shareholder value management.

Then, what has made possible Toyota's shift toward sustainability management before it got drowned deeply in the boom of the excessive shareholder value management? One hypothesis is that one of major factors would be its corporate philosophy described in Toyoda Koryo proposing that

corporation should be social entity pursuing Social Contribution, Technology Innovation and Employee Pride.

However, here we face an unavoidable question. While in Japan, there are not a few large corporations who wear the similar mission statement declaring to be social entity, most of them are still unable to get out of the perception of corporation as investors' property or are still struggling with their excessive shareholder value management and with the resulted self-consuming cycle. Then, what would be the difference between Toyota and others?

Whether or Not, Can CEO Commit to Corporate Sustainability?

Then comes up another hypothesis that whether corporations can get out of their self-consuming cycle or not would depend upon whether their top management commits to thinking, acting and actualizing their social entity mission and philosophy with the highest or fundamental priority. As one of verifications of this hypothesis, this booklet tries to find the cases showing the best extent Toyota CEOs from Toyoda family have explored for the ways to realize Toyoda Koryo and committed to its realization and succession. How many CEOs of other large corporations can do the similar level of commitment? How many large corporations can do succeed its corporate philosophy of social entity for more than 80 years?

By sharing cases indicating to what extent Toyota CEOs have committed to its social entity mission, this booklet intends to become a source for readers to think and reflect how the CEO's supreme commitment to be social entity is critical for corporation to get out of the recently dominating self-consuming cycle trend caused by excessive shareholder value management and then for them to generate new energy for sustainable corporate evolution.

September 25, 2018

Tadao Onaka

Prologue: Toyoda Koryo, October 30, 1935

Toyoda Koryo, Five Main Principles of Toyoda, was established by Kiichiro Toyoda, the leading founder of Toyota Motor Corporation on October 30, 1935.

- Always be faithful to your duties, thereby contributing to society and to the overall good.
- Be at the vanguard of the times through endless creativity, inquisitiveness and pursuit of improvement.
- Always be practical and robust, and avoid extravagant and frivolous practice.
- Always strive to build a homelike atmosphere at work, one that is warm and friendly.
- Be reverent, and show gratitude for things great and small in thought and deed.

Principle1

- Always be faithful to your duties, thereby contributing to society and to the overall good.

一、上下一致 至誠業務に服し 産業報国の実を挙ぐべし

Kiichiro Toyoda (The 2nd president of Toyota Motor Corporation, from January 1941 to June 1950)

Agenda for Future Spinning Industry in Japan

(Source: "On the Development of Spinning Industry and Its Contribution to Japan," from Kiichiro Toyoda's autograph letter: "Corpus of Kiichiro Toyoda's Documents" Kazuo Wada, the University of Nagoya Press)

Japan's spinning industry has been extremely developed over the dozens of years. Out of the 700 million Yen worth of raw cotton imported to Japan every year, cotton textiles worth of 500 to 600 million Yen are exported and with the rest, about 200 million Yen, the entire cotton textile market demand in Japan is fulfilled

As the current economic deadlock in Japan will eventually be an obstacle for developing national defense force, to break the deadlock, we must rebuild the economy first.

There is no question that the cotton textile industry is one of the most powerful industries that are expected to enhance the Japanese economy. While the great effort of related parties is one of the reasons why the cotton textile industry has tremendously grown, it is obvious that such national condition has brought further great benefits to the industry. Therefore, people working in the spinning industry must deepen their dedication to the nation.

Establishment of Toyota Motor Corporation

(Source: The 9th issue of "Toyota News" on November 1, 1936, "Toyota is Ready to Move Forward!" Kiichiro Toyoda, "Corpus of Kiichiro Toyoda's Documents," Kazuo Wada, the University of Nagoya Press)

I have devoted my life to automobiles for the past four years and have kept thinking only about them night and day. I am greatly delighted that our company was permitted as an automotive manufacturing company instantly after the official announcement of the implementation of the Automotive Manufacturing Industries Law. However, at the same time, I am given a greater responsibility, where I must think about more automobiles more than before. While an obligation to the country, the responsibility of realizing mass production of automobiles and showing it to the public nation widely as soon as possible, is extremely important and difficult, overcoming the difficulties of the automotive industry would be a great achievement for any people and is the "Man's delight and pride" to me.

Eiji Toyoda (The 5th president of Toyota Motor Corporation, from October 1967 to July 1982, and the chairman from July 1982 to September 1992)

Establishment of Toyota Technological Institute

(Source: Eiji Toyoda's "Ketsudan - Watashi no Rirekisho (Decision - My C.V.)" published by Nikkei Business Books. in November 2000)

While the Toyota Foundation is just an agency to grant research, Toyota Technological Institute was established in April 1981 for the development of people who can contribute to the world and the nation, and for the development of R&D engineers.

In companies, not limited to Toyota, there are many ambitious and talented people who were not able to go to universities for various reasons. What can be done to help them enter universities? One way is for the company to provide with scholarships and admit their administrative leave while they study. However, this is not enough to realize Toyota's way of "People Development" because current school education system overemphasizes intellectual education.

To support young members of the society, who have strong interests in learning, and also help them nurture humanity, I cannot think of any other way but to establish a college by ourselves. If we establish an ideal college, and if the employees who study there go back to their companies to contribute to their business, we can also contribute to the country in the long run. Any of those students' mother companies can also continue to prevent its talented employees from leaving away.

Shoichiro Toyoda (The 6th president of Toyota Motor Corporation, from June 1981 to September 1992, and the chairman from September 1992 to June 1999)

Social Fieldwork

(Source: Shoichiro Toyoda's "Step by Step, with a Belief in the Future" by Nikkei Publishing Inc. July 2015)

Soon after the Second World War, I did many things alongside academic learning. One of them was making fish sausages.

The food supply situation was bad at that time, so Mr. Mitsuo Nishida (former Senior Managing Officer of Toyota Auto Body), who is the older brother of my brother-in-law, Mr. Kaku Nishida (former president of Toyota T&S Construction) established a fish sausage plant in Nagoya under the guidance of Taiyo Fishery (currently Maruha Nichiro Corporation). He was originally an excellent engineer at Aichi Kokuki and was also an assistant professor at Kyoto University. He started the business because the aviation industry was banned by the General Headquarters (GHQ) after the war. For an aviation engineer, creating a fish sausage machine must have been easy.

After that, we decided to move to the port where a lot of fish could be obtained for a cheaper price. I was sent to a manufacturing plant in Wakkanai (Hokkaido) as a junior engineer for a couple of months to create fish sausage machines and to engage myself in processing fish.

Akio Toyoda (The 11th president of Toyota Motor Corporation, from June 2009 to present)

Public Hearing at U.S. House of Representatives

(Source: An exclusive interview from the Weekly Toyo Keizai published on June 24, 2010)

By any reason at the public hearing, my position as a responsible person became extremely clear. I apologized on behalf of the suppliers and dealers of the current, past and future. From that moment, it became clearer that I was the responsible person of Toyota Motor Corporation and Toyota Group without a word because the world got recognizing me that way. It made it easier for me as well as for everyone of Toyota group to conquer the situation in many ways.

Corporate Management for Social Contribution

(Source: Exclusive interview from the Weekly Toyo Keizai published on April 9, 2016)

— *There are several elements in corporate management such as people, goods, money and organizations. I would also like to ask you about money. What do you think about the fact that Toyota's operating profit is currently around three trillion Yen?*

The amount of profit is just a result. External factors, such as exchange rates and natural disasters can also be included in the result as an advantage or a disadvantage. Basically, profit is just a result, not a goal. However, I understand that Toyota is a company that was established to contribute to the society through making cars. So, the best way to contribute to the society is to surely make a profit, maintain employment and pay taxes with that money.

People emphasize profits, but half of these profits are taxes. I am persistent about paying taxes. Since the public hearing I attended as president, the company's unconsolidated annual results were in the red for four years. The company was not able to pay taxes to this region for four years. To be honest, that was the hard time because I was the only president in Toyota history who was not able to pay taxes. It meant that the company was not contributing to the society.

Therefore, I will challenge anything for profits to realize tree-ring growing management, or corporate management for sustainability. No business can make profit from the start. However, if the company has surplus accumulation, it can compete for a while without gaining any profit.

That is why I would like to make profits to a certain extent to use that for the development of people and to plant seeds for the future.

Principle 2

- Be at the vanguard of the times through endless creativity, inquisitiveness and pursuit of improvement.

一、研究と創造に心を致し 常に時流に先んずべし

Kiichiro Toyoda

At the Factory Front for the Improvement of Automatic Loom

(Source: "The Birth of Toyota Spinning Industries – Story about Toyota Spinning Industries –" Kiichiro Toyoda, "Fifty Great Inventors in Japan" published by the Invention Books Publication Society, and the Kazuo Wada edition of "Corpus of Kiichiro Toyoda's Documents" published by the University of Nagoya Press)

— Starting from Warp Suspension Device

My father always told me, "Invention cannot be made easily. Rather than devoting yourself to such thing, you must work hard in the spinning business."

My father said so because despite the many hardships he went through for making inventions, the profit earned directly from that was very little, and switching to the spinning business made our family life financially better.

As he was not familiar with the spinning business, so he hired potential engineers and observed them. But he kept feeling somehow uneasy. The spinning engineers at that time had too much pride in their knowledge and even my father had difficulty managing them. Although I joined the plant after graduating from university, they did not want to teach me anything.

Because I was the plant owner's son, they stayed away from me, and did not even let me touch the machines. My father got worked up over this more than ever and told me to get involved in the spinning business. Luckily, a Western engineer joined and enthusiastically taught me for a year. Once I started learning, I realized that all the things that the engineers were secretly doing all this time were nothing special.

My father was in Shanghai most of the time, so I started designing without telling him. When he got back from Shanghai and found out that I was designing, he got very angry. He wanted me to do the spinning business management and development instead. Then, whenever my father left for Shanghai, Mr. Suzuki said, "Who cares, let's start again." So, we started again. We stopped when we received a telegram saying that he was coming home. As warp suspension device was simple, so we were able to continue to conduct the research without being noticed by my father. We designed many things and made the one that seemed right. We asked the assistant manager of the woven fabric plant to install it into the machine for experiment. Then we were told that while there were times where the loom stopped with the breaking of the thread, but also there were times where it didn't with it. I could not believe it, so I went to check and found that there could be a problem with the machine adjustment. When I pointed that finding to the assistant manager, he insisted that that could not be true because the adjustment standard system had been determined through long years of research at Kanebo, and that he had been operating in accordance with it. I told him, "Please think well. Is Toyota the originator of looms, or is Kanebo? You are working at

Toyota. You should not be saying such things.”

So, I let him change the standard system, in the presence of Mr. Suzuki. Such sense that I acquired unconsciously in the factory floor during my childhood became useful at times like this. This standard system was the secret which the spinning engineers kept to themselves. Occasionally, there were engineers who preciously kept the standard system that had been inherited by their superiors to themselves as their golden rule, even without understanding the theory of it. I was surprised that there were engineers like that in Toyota as well.

Delegating an inspection to the people like this would keep causing terrible failures. I understood why my father told me not to design without more than three years of practical experience.

— My Father’s Approval

It was a hot summer day. I was working hard on my design when I heard a groan behind me. When I turned around to see what it was, I saw my father, back from Shanghai, looking at my design from behind. I panicked but it was too late.

“That design looks pretty interesting. You sure like doing this. Suzuki said he wants to work on the research for automatic looms too, so if you want to do it, you can. But you must never neglect to do the spinning business.”

It felt like the weight was finally off my shoulders. I was permitted to openly work on my research. I pulled out the automatic loom that my father made a long time ago and made three looms exactly the same as my father’s. It took me two years to make 30 workable looms. The looms were also greatly improved during the development period.

Finally, the 30 looms started functioning perfectly. My father was extremely delighted when he saw them after he got back from Shanghai.

Start of Automotive Manufacturing

(Source: “Toyota is ready to move forward!,” Kiichiro Toyoda, The 9th issue of “Toyota News” November 1, 1936: “Corpus of Kiichiro Toyoda’s Documents” Kazuo Wada, The University of Nagoya Press)

— Material Problems

The most important thing for manufacturing automobiles, needless to say, is the materials. Starting the manufacturing of automobiles without solving the material issue is like building a house without constructing a base.

Although Japan’s steel industry is extremely advanced, there is no company that would specifically manufacture materials that are suitable for automobiles. Even if they were kind enough to make a small amount, they would have to sacrifice their operational productivity and profitability in replace to start the business. A huge amount of research will also be required. What kind of material manufacturer would go through all that for our convenience? Even if there was one, it

would be impossible for them to continue their research up to our standards. Engines are to be improved in accordance with the advancement of materials. Materials need to be improved along with the advancement of engines. Manufacturing materials, which is inevitable for engine research, might seem like extra work, but we must specialize in manufacturing materials on our own. No matter how well we manufacture an engine, if suitable materials are not used in appropriate places, its lifetime decreases, its price increases and its performance degrades. If you cannot manufacture materials, you cannot conduct research on automobiles either. It costs two million Yen additionally to manufacture materials, but it is essential for automobiles in current Japan.

However, I was not sure if these materials could be manufactured just by Japanese skills. I figured that it would be faster if I asked Mr. Kotaro Honda, so I went to Sendai to ask him. I was relieved to hear from him that the steel technology for that purpose was already available in Japan and that we did not need to rely on foreign technology. So, I immediately started to prepare for the establishment of a steel mill. When producing economy cars, it is most important to investigate the suitability of the quality of the materials and research low cost but efficient materials. Along with that, it is supremely dangerous to use the manufactured materials without thoroughly inspecting if they satisfy the required specification. Therefore, we need enough inspection room for that. I had a friend, Dr. Yamada, at a technical college, who was familiar with material inspection, so I asked him to create an inspection facility. Thus, we researched materials in the inspection facility with the cooperation of the department of steel manufacturing. While we failed many times, we finally managed in two years to manufacture something that could be practically used.

— Research on Cast Metals

I was confident that I could easily solve the issues on cast metals of automobiles because I had been doing research on cast metals for a long time. People, who visit our company, sometimes ask me what percentage of the cast metals pass the inspection. Usually, cast metals must have a pass rate of around 95%, otherwise they should not be sold.

If any company trying to manufacture automobiles, is in apathetic situation where people must be continuously concerned about the pass rate of cast metals, it should quit the manufacturing of automobiles. I felt that not being able to even manufacture something like cast metals is a disgrace to Toyota, so I greatly encouraged the plant workers to work hard. We have failed numerous times until we became able to finally achieve a 90% pass rate and above by using the molding machine and molding the cylinder with green sand. The reason why we were able to succeed in just over a year was because we had been using molding machines for a long time, and because we used to do difficult manufacturing of thin cast metals for looms using electric ovens. Even with such experiences I had to ruin 500 to 600 cylinders and melted them down. Most workers, if they made 1,000 of the same things, could get used to it and start to make them perfectly. They might be able

to make some good cylinders out of the first several hundred, but to stabilize the possibility of making good cylinders, these good ones also had to be disposed. The issues regarding the materials were roughly solved in such manner.

I thought that in order to regularly select and improve materials, scientific research must be required as well. So I established a research institute that conducted technical research. The steel manufacturing research institute continuously conducted the material's physical and scientific research and retained the extreme interest in how to manufacture the best materials. We also developed the facility for the inspection of external paint and fatty oils.

At last, "Die is cast", the implementation of the Automotive Manufacturing Industries Law has been announced, and there is no going back. Toyota has also entered the global battlefield of automotive industry. There are still some inadequacies, but we just need to push forward from here. I also want to devote all my strengths to meet your expectations.

Invention and Research

(Source: The Kazuo Wada edition of "Corpus of Kiichiro Toyoda's Documents" by the University of Nagoya Press, originally published in the August issue of Volume 6 of "Ryusenkei (Streamline)" in July 1942)

— Where Can We Find Inventions?

When people hear the word of "invention" and "research", many of them feel that they are something extremely noble and that they cannot possibly be achieved. However, if you look at the process of someone's invention, it's not like that at all. If you only looked at the result, it might seem like something far away that it could never be achieved, but to achieve that result, the inventor had to go through the path step by step. Each step of the path is easy to take, but you need effort to complete those all paths.

Some people say that Sakichi Toyoda was extraordinarily smart, but I don't think he was. It's because there were several experiments that seemed silly. If he were smart he would not have conducted them. He conducted every possible experiment that seemed insignificant for someone who had graduated school. At first, I found it slightly absurd, so I challenged him with argument. I used to always win the argument. However, I was told "Argument is one thing. Action is another. Try to do it". So, I did absolutely every little experiment. Throughout these experiments, I realized that I was able to get accurate results faster and was taught many things through actions instead of arguments.

I realized that we can only see a small part in an argument but taking action enables us to see things from all perspectives. We can be right in an argument, but the results can be completely different when action is taken.

From then on, I stopped arguing. My father has taught me that nothing is better than taking

actions like a fool. And he used to always say, “Do not even think about inventing something you haven’t taken action for three years.” More specifically, he said that when you try to modify or invent something that you have no experience in, you will tend to fail when it is performed, despite your confidence.

— What Is the Difference between Invention and Research?

I think that not many people can accurately answer the question, “What is the difference between invention and research?” I, myself, cannot answer that either. However, I have unconsciously learned the following things from many years of involvement in this field.

For example, let’s say that there is a grain of rice on a large table. An ant will eventually find the rice if it carefully and orderly crawled from end to end of the table. I think that this is comparable to research. Also, invention is to make an estimation of where the rice could be and start searching that area first. As for the former, anyone could do it if they made the effort, but the latter is somewhat adventurous and dangerous. However, in order to estimate the location of the rice, you would need a lot of past experiences. In other words, confidence from these experiences is required. You also need to try to thoroughly and carefully search the estimated area.

Needless to say, the level of effort depends on the level of confidence from past experiences. Occasionally, random walker-like inventors emerge, who stretch their imaginations more than their experience and are swayed by desire for fame. This is poisonous for inventions. We should be researchers before inventors. Direction of the research can be found by gradually gaining experiences through research and making a leap to the area after estimating to a certain extent. But if you leap too far, you might pass the rice and miss it. This is the difficult part and is exactly as this saying goes: “Haste makes waste”. Even if the shallowness of leaping and returning repeatedly makes you smile wryly, at the end of the day, you could be achieving the same result as if you were moving ahead step by step. Therefore, people tend to get confused between inventions and research, but great inventors are researchers who have devoted a lot of efforts.

Dream of New Business Development

(Source: The Kazuo Wada and Tsunehiko Yui edition of “Kiichiro Toyoda Biography” published by the University of Nagoya Press)

Kiichiro must have questioned himself about whether to entrust the future of the company to the cotton textile industry and the production of textile machines before he left Japan in autumn, 1929. However, he didn’t have the specific information to daringly decide, nor powerful events that encouraged him to make that decision. Even if he decided to continue producing automatic looms, he needed to prepare a structure for mass production and consider necessary machine tools. Luckily, he had plans to go to the U.S. and England to transfer patent rights of automatic looms, where he looked around for machine tools. But it is hard to imagine that Kiichiro at that time could

give up the cotton textile industry and textile machines and that he could specifically decide to advance into the automotive industry. The purpose of the trip he made from autumn 1929 to spring 1930 was formally an inspection to improve technical capabilities, but for Kiichiro, it was a trip to make his final decision on the shift to a new business. The trip was also, as it turned out, to implement his long-planned idea to shed his wondering.

When Kiichiro returned to Japan in April 1930, he had a completely different business idea from what Risaburo had told his employees. Not only that, but he also had a strong determination that now was the time to jump into an unknown business for the future. Risaburo had the idea that if they were able to overcome the difficulties in the field of looms and spinning machines for the time being, everything would be going to work out. It was natural for him to think so because the primary foundations of Toyota Spinning Industries are all related to textiles. Despite facing a slump for a while, there was nothing wrong with expecting a recovery in such a business that made large profits in the past. On the other hand, after seeing the situation in Oldham and at Platt Brothers, Kiichiro started to question the future of the industry of cotton textile and textile machine production and came home with a determination to grope for a new direction. For Kiichiro who saw how Platt Brothers, a globally famous textile machine manufacturer, was put in a difficult situation within less than only 10 years, the same situation seemed to happen in Toyota seriously and critically sooner or later.

Kiichiro started actions right after returning to Japan. According to Toyota Motor Corporation's senior employees, Kiichiro "established an automotive research institute inside the machine plant of Toyoda Automatic Loom Works and started the investigation on automobiles" around May 1930, a month after his return. However, there are no records on the fact that Kiichiro clearly narrowed down his target to automobiles and started his investigation and research at that point, other than in the hearsay statements or rumors. However, it is clear that Kiichiro started to specifically consider the next business around this time.

Eiji Toyoda

Origin of Toyota Kanban

(Source: Eiji Toyoda's "Ketsudan - Watashi no Rirekisho (Decision - My C.V.)" published by Nikkei Business Books in 2000)

Along with the adoption of metric systems, introduction of an assembly-line operation was decided in Koromo plant. In order to realize them, Kiichiro created a detailed manual. He always had the idea of assembly-line operations in his head even before the establishment of the plant.

In Kariya plant, semi-finished products that were made from cast metals were temporarily put into a warehouse, and then shaved with a machine. As for individual parts, whether they were pistons or any kinds of parts, a slip instructing the number of parts to be made was passed around every morning. After that, workers were instructed to drill holes.

They implemented what is called a lot of production, but Kiichiro's idea was to entirely conduct assembly-line operations. As a result of that, there would be no stocks and a warehouse would become unnecessary. Running stocks would be reduced and no extra money would be wasted. In other words, purchased goods would be sold before the payment for purchase, which means that if this system was established, there would be no need for operating capitals.

Kiichiro's idea of production system can be summarized as "Every day, make what is needed just in the amount needed". To realize this system, there was no other way but to implement assembly-line operations for all processes. "Just-in-Time" is also something Kiichiro came up with at that time, which meant "Don't make extra. Make sure that they are made on time." Although we didn't have Kanban at that time, slips with that day's expected number of productions were passed around every morning. Workers were able to go home early if they produced the determined number of products. If not, they had to work overtime.

How can this idea of assembly-line operation be established within the company? To begin with, we must thoroughly train not only the employees but also especially the people who were equivalent to managers and supervisors. Because this is an epoch-making event, it is important to start off by enlightening the people who had the old-style production system stuck in their heads. The manual Kiichiro developed was 10 centimeters thick and everything about assembly-line operation was written in detail. We gave lectures based on this manual. This is the origin of Toyota Production System.

Shoichiro Toyoda

Kanban System to Overcome the Cost Determined by Market

(Source: "Step by Step, with a Belief in the Future" by Nikkei Publishing Inc. in July 2015)

Before the establishment of Toyota Motor Corporation, my father started setting cost reduction targets and taking measures to achieve those targets based on the concept, "The market decides the cost". He had been setting competitive cost targets and required production volume by specifically calculating the cost from the sales price of General Motors (GM) and Ford in Japan.

However, there were huge differences compared to Western manufacturers at the time, one example being the effect of mass production. That's why he made an attempt to implement the concept of "Make and deliver what is needed, just when it is needed, and just in the amount needed" or in other words, "Just-in-Time" at the newly established Koromo plant (currently, Honsha plant). This new production system was not attributed to cutting cost but to eliminate in-process inventories. This was a "fight against cost" which we all had to think hard and work on until we reached the cost demanded by the market.

Gemba (Field Front) and People Are the Source of Innovation

(Source: Shoichiro Toyoda's "Step by Step, with a Belief in the Future" by Nikkei Publishing Inc. in 2015)

— Gemba Capability by People Development

I have been working on Monozukuri (Manufacturing Anything Valuable) Management based on the five pillars, "Genchi Genbutsu" ("Field Front and Real Product"), "Quality should be built in process (Today's Jikoutei Kanketsu (Complete Quality within Own Process))", "The market decides the cost", "Constant challenge for innovation", and the pillar that is responsible for the above, "People Development".

People development is important when making something. Toyota has been cherishing the concept, "Monozukuri is people development" since the foundation of the company.

The business environment and global competition surrounding the automotive industry have been severe so far, and probably would continue to be severe. We must adapt to the environmental change and win the competitions with the ambition to contribute to the society through Monozukuri.

The method for this is very simple. Always have a global perspective, learn well and work hard. You must push harder than any competitors. This applies not only for automotive industry but for any industry or even sports.

As Japan is not gifted with natural resources, it's no exaggeration to say that people are the only resources for Japan. Monozukuri companies that have supported the development of Japan are required to have a spirit to pursue innovation with human wisdom and technique, in other words,

with technology and skills. If everybody were satisfied with the current situation and forgot about the importance of making an effort for innovation, Japan would not be able to develop the future and would descend to be a third-rate country.

Also, for Monozukuri, we need people learning and working hard in order to win the global competition. Toyota has been regularly developing people through OJT accordingly. It is a repetitive serial cycle that learning through Monozukuri experience and challenging toward higher technology and skill consequently results in producing more valuable goods.

In this process, the sense of accomplishment, joy and excitement is essential. It's an instinct everybody has but cannot be taught by someone else. For instance, when you look at an infant who is absorbed in playing with blocks and clays, you can tell that it's human nature to have fun making things. This sensation does not get lost with age.

The moment when you are thinking hard, sweating and forgetting time for developing something new is very exciting. In addition to that, you will most likely feel the ultimate happiness and excitement when you finish making something after working hard on it, or when your product gives joy or helps the person who use it. That's why you start to want to learn more, work more to make better things.

I think that this is what we call the richness of spirit and heart as a human that cannot be obtained by making money mind alone. Mass media has been talking about the deterioration of Japanese spirit for a long time, but I think that the key to solve it is within Monozukuri that is familiar with us.

Strength of a Monozukuri company can be measured by this "Genba Capability" supported by people development. Toyota's strength exists in this "Genba Capability".

"Nurture Creative People!"

(Source: Shoichiro Toyoda's speech in Nagoya city published in the Nikkei (Japan Economics Newspaper) on July 29, 2017)

Shoichiro Toyoda, Chairman of Toyota Motor Corporation made a speech, "Great Transition Era of Automobiles - Key Is Research and Creation", on July 28th in Nagoya. He pointed out that the automotive industry is "in the midst of a severe R&D competition, and the paradigm is significantly changing" due to the tightening of environmental regulations and the rapid development of telecommunication and artificial intelligence (AI). He appealed the importance of the Genba principle, "Genchi Genbutsu", and People Development.

Mr. Toyoda told an anecdote of Sakichi Toyoda, founder of Toyota Group. Based on his belief that any leader who does challenges toward a higher goal could incubate an atmosphere encouraging people toward realizing their ideas, he proposed a prize of 1 million Yen (at the time) in 1925 and promoted the R&D of a compact, large-capacity storage battery that can even move a plane. Shoichiro Toyoda emphasized that while different types of entities are entering the

automotive industry, “capability to research and create to survive this great transition is critically needed right now more than ever”.

He also mentioned that the numbers of Japanese students who are studying in the U.S. are decreasing, and that the number of citations of English scientific technology papers written in Japan remains less than the one of those written in the U.S. or China. With these indications, he warned that he “feels a sense of crisis that the whole society is being introverted.”

Akio Toyoda

The President's Caliber Is the Company's Caliber

(Source: "Corporate Leaders, Akio Toyoda," an exclusive interview from the Weekly Toyo Keizai published on April 9, 2016)

An OB, my father, told me that a company will never exceed the caliber of its corporate leader. He told me that the growth of corporate leader's caliber stops at any time. I got thrilled as he told me that the company will stop evolving if I won't sustainably grow my capability as corporate leader.

Hearing that from an experienced president, and also my father, I asked myself if I had that much of a caliber and realized that there was no time to indulge myself in self-satisfaction.

Principle 3

- Always be practical and robust, and avoid extravagant and frivolous practice.

一、華美を戒め 質実剛健たるべし

Shoichiro Toyoda

Work Uniform Spirit

(Source: Shoichiro Toyoda's "Step by Step, with a Belief in the Future" by Nikkei publishing Inc. in 2015)

Also, when I was young, my father often mentioned the term "Work Uniform Spirit". He taught me that "No one would follow you if you wore clean work clothes and had clean hands, calling yourself an engineer or a plant director. The duty of an engineer exists only within Genchi Genbutsu (Standing at Factory Floor and Facing Real Product)". I think that as his subordinates watched him dream big, set high goals, get his hands dirty with grease, and practice what he preached, so they were motivated to work hard. People learn and grow through Genchi Genbutsu. This, to this day, is my philosophy.

Akio Toyoda

World's Highest Fuel-Efficiency President

(Source: "Corporate Leaders, Akio Toyoda," an exclusive interview from the Weekly Toyo Keizai published on April 9, 2016)

When a student asked me about my salary, I replied "People say that I'm the highest fuel-efficiency president among all CEO's of the automotive manufacturers in the world, which I am proud of."

Competitive and Uncompromising

(Source: "Corporate Leaders, Akio Toyoda," an exclusive interview with Advisor Nampachi Hayashi of Toyota Motor Corporation, the Weekly Toyo Keizai on April 9, 2016)

I think I was the Section Manager of production at that time. My Division Manager called me and said, "He is going to be assigned to your section. Please be his attendant and show him around." And there was a newly employed Akio Toyoda standing.

I was annoyed because I didn't understand why I had to be the 'guide' for this new employee, who was in his second year. I asked him, "Have you ever been severely yelled at since you joined Toyota?" He replied "No." "How unfortunate. I will make you feel lucky." "Thank you, I'm looking forward to it." This was my first encounter with President Toyoda.

He never mentioned but I think he was aware that he was going to succeed his father's position.

After that, he became my direct subordinate at Production Coordination Division. No matter how many unreasonable demands I made, he would boldly challenge, even if the demands were outside his responsibility and accountability. He could have shut any disobedient person up by revealing his identity as the son of a Toyoda family, but he never did that.

I think Akio didn't like to be treated as the noble son of the Toyoda family. So, I trained him strictly without any hesitation. Just like any heir of a company, he could have just easily given up by crying, "Dad, please remove that annoying supervisor." But he never did.

He used to play field hockey when he was a student, so I believe that he had the guts. He was competitive and uncompromising. Toyota these days hire too many "Straight A" employees who break down easily. But he wasn't like that.

Convey "Passion and Energy," Not "Figures"

(Source: "Corporate Leaders, Akio Toyoda," an exclusive interview from the Weekly Toyo Keizai published on April 9, 2016)

— We often see that you are conveying your "passions" and not "figures" in press conferences.

If you use figures to talk about something, these figures will start walking alone by themselves, and your message will drift away from your passion and energy.

My passion and energy would be more influential if they were conveyed by someone else. The interview I had with Ichiro at the Tokyo Motor Show is a good example. It would be easier for people to understand if he introduced me as “he is going to be up at bat” rather than I would say by myself. In order to expand and deepen the understanding of Toyota, and form a cheer group, I would like people to convey my passion and energy.

I used to only express my thoughts with passion and energy when I became the president, and everyone’s reaction was “What is he talking about?” They didn’t understand because the employees and people outside the company were used to being influenced by figures for a long time. Of course, I am aware of the importance of talking about figures. The level of my responsibility for talking about figures cannot be compared with any of the other former presidents of Toyota. Office workers prioritize figures after all because they are easy to be visualized.

However, I expect that in order to keep up with this rapidly changing world, all employees should be leaders to manage this big company, by taking off the desire to be praised for achieving figures by one boss leader. It is happening only in recent two or three years that people started understanding my thoughts of passion and energy.

— *Why did people, do you think, start understanding that?*

I don’t know that. Actual results achieved could be one of the reasons. But these actual results were not achieved by me. It was achieved by everyone else, and I am here to honor them. I appreciate their efforts.

I never directly mention the word ‘record-high profits’ during any financial statement announcement. I don’t mention it, so the Senior Managing Officers don’t either. We shifted into the company where people would naturally start talking about their thoughts of passion and energy instead of record-high profits. Corporate performance results have followed. We don’t need to bring up topics of number figures because something that is worth being communicated is communicated naturally.

— *It doesn’t mean that you’re disregarding the importance of number figures, right?*

People used to say that the reason why I did not mention them was because I did not understand anything. I put up with that. They also said that I must be stupid. I’d tell them, “Yes I am.” It doesn’t matter because Toyota is existing by the people all working hard and sincerely.

My Feeling on Fashion

(Source: “Corporate Leaders, Akio Toyoda,” an exclusive interview from the Weekly Toyo Keizai published on April 9, 2016)

— *Why did you appear in fashion magazines and Matsuko DX’s TV show?*

I personally don't like appearing in magazines and shows like that. (Laughing)

— *The world probably thinks you do it for attention.*

That's why I don't really like doing it. But the reason why I started appearing in the media is because I am ultimately responsible for Toyota products. I am Chief Branding Officer of 'Lexus' and also a master driver. I can easily deliver a statement as the president, but in order to play these roles, I have to continuously sharpen my sensor for 'Always-Better Car Manufacturer'.

For that purpose, I also learned how to drive a car. I hired an expert, who is retired now, from the Design Division as a tutor, so to speak. He hammered the ways to view designs into my head. It's like explaining to someone, "This statue of Buddha has this kind of aura." He told me that a president should not talk about as such that the smartness of lines of a car. Mr. Naruse, the tutor, also told me that a president should not be talking about silly things, like commenting on the rattling noise of a car. He told me to let employees deal with the lines and colors, and that as a brand holder, the most important thing was to decide whether I like it or not. Then, in order to filter out the good and bad, I must keep my design sense antenna up and cultivate different kinds of senses. I used to practice how to take photographs one time. Thinking about what could be in the frame, and what to show in the background. I feel that this helped me cultivate the senses for design development.

As for my fashion, I was once advised that "Racing suits and business suits are alright, but if a president of a company attends any sports event with fashionable dress, that company will be perceived to be definitely classy." At that time, I used to say, "I don't care, men are supposed to wear work uniforms. Anything is okay as long as it looks good on me. Let me be!", but when I dressed up for the first time to attend an event for Lexus in New York, the media reacted in a completely different way from I ever experienced.

I also dressed up to visit Meiji University to deliver lecture. The image they had before of the president of Toyota was a man who gave out certificate of appreciation and commendation, or who stood on the podium and bossily gave lectures. However, I found that just speaking my mind was not enough for them to think "Wow! He's such a kind man!" because when they saw my outfit, they approached me with a kind of inspired reaction.

I noticed different things in cars during examinations of car designs since I became more concerned about fashion. Just like improving my driving techniques, I feel that I cultivated my sense of art. Interacting with young people, or men and women of all ages outside the company can change the way you see things. These interactions sharpen the sensor for Always-Better Car Manufacturer. Having said that, I did not expect to win an award for most fashionable dresser.

Principle 4

- Always strive to build a homelike atmosphere at work, one that is warm and friendly.

一、温情友愛の精神を発揮し 家庭的美風を作興すべし

Kiichiro Toyoda

Respected and Loved with Genba Principle

(Source: "Cornerstone of Toyota's Business, the Founder, Kiichiro Toyoda's Personality and Company" from Yoshinobu Sato's article in Nikkei Newspaper Publishing in 1994)

Kiichiro walked around and inspected the new plant night and day. He disposed by himself any trash or scrap he found. He also tried hard to make a change in the organization and business management by implementing the field-first principle, such as touching with his own hands to check whenever he saw a contrived manufacturing method. He cherished the Genba and believed that the Genba could be technologically improved only by deeply understanding it.

Kiichiro thought that it was important to instill this Genba-first principle thoroughly into his people. His idea of Genba-first was "If you involve yourself in the Genba diligently, faithfully, sincerely and cooperatively, you will be able to come up with ideas that are only available to those people deeply committed to Genba." In fact, when he guided the engineering staff members, he always instructed them to get in the Genba and know the facts. He developed the members at the Genba with motivating instructions that brought out their capabilities by asking, "Would you come here for a second? What do you think?" or "I don't know how you might feel about it, but try doing it." or sometimes "If you want to do new things at work, do anything. If you don't know how to do something, make your way by consulting with a college professor or else." This was also Kiichiro's way of his leadership that exploited the members' full potential by delegating his authority as much as possible. In this way of entrusting and empowering, Kiichiro found and recognized reliable people.

When coaching and instructing, Kiichiro's attitude toward his subordinates were always quiet and thoughtful, diligent and work-obsessed, and sometimes quite stubborn. However, he kept admired and respected by his subordinates for his humanity and dignity.

The Responsibility of the President

(Source: The Kazuo Wada and Tsunehiko Yui edition of "Kiichiro Toyoda Biography" published by the University of Nagoya Press)

— Resigning The President

Toyota Motor Co., Ltd. was also affected by the inflation control and the unification of exchange rates due to the Dodge Line Policy of Japan Government in 1949. The collection of proceeds was delayed and demands for automobiles decreased. Furthermore, steel prices rose drastically. As a result, financing situation of Toyota Motor Co., Ltd. deteriorated just like the other automotive companies. Eventually in August 1949, the company had to propose a 10 percent reduction of wages and a 50 percent reduction of retirement bonuses. It was clear that the company's financial

performance was significantly deteriorating. Despite several setbacks, in order to overcome this company crisis, the company promised the union that it would not lay off their employees if the union accepted the 10 percent deduction of wages.

When the tension continued between labor and management, it became apparent that the physical condition of Kiichiro, who always had slightly high blood pressure, was getting worse. Also, due to the introduction of the Dodge Line Policy regulations, he must have realized that he still had a long way from achieving the production of globally competitive automobiles, in terms of not only quality but cost as well. Because he had eagerly desired to speedily boost the automotive industry after the war with a feeling of serious urgency, he probably felt almost knocked down. On top of that, the promise that was made with the labor union not to lay off employees was broken due to further financial deterioration. On behalf of Kiichiro, who was ill, the management team that negotiated with the labor union announced the dismissal of 1,600 employees in April 1950. Kiichiro must have felt very sorry for them.

From April 1950, strained negotiation between labor and management continued in Toyota Motor Co., Ltd. The labor union carried out several strikes against the company. There were not many people who knew about the situation of the strikes but luckily an interview of one of the leaders from the labor union was available. During the dispute, according to the interview, the union paid close attention to make sure that the dismissal notices were not sent to the employees. That made sense because if the company sent the notices, it would enlarge the emotional gap between the dismissed employees and the non-dismissed employees and cause a worse effect on the whole dispute. But the company ended up sending out the dismissal notices. Even though Kiichiro was ill and was technically not involved, this must have been a regretful event for him because he had promised the union that he was not going to dismiss any employees in the first place. However, in order to survive at that time, Kiichiro finally understood that the company was in a situation where it had no choice but to plea, "Current Toyota is like a dilapidated ship, so unless someone jumps off into the ocean, it will sink. That is why I need everybody to accept the reduction of employees."

After the dismissal notices were sent out, two representatives of the union decided to visit Kiichiro's home. If you think about it now, it seems strange for the representatives of the union to meet Kiichiro, the CEO of the company, to ask for the withdrawal of the dismissal notice in the midst of the dispute. The company even provided them with a company car to Kiichiro's house. The company and the union at the time shared an ambience that comfortably appreciated these relationships. The two representatives headed to Kiichiro's house in Yagoto. They had a long talk with him for almost two hours, face to face in his drawing room that was not too big. Even though the representatives of the union were virtually prepared for their loss, this personal meeting with Kiichiro was the last ray of hope. They asked for the withdrawal of the dismissal notice, but Kiichiro replied, "I have made a promise before that I was not going to reduce the employees, but now I

have no choice but to do it. If I promised you here, again, that I would not dismiss them, I would have to break the promise twice, and I do not want to do that. Please forgive me.” All his replies to their request at the meeting were to “forgive him”. Kiichiro was confronted to make a tough choice in this dispute.

The resignation of Kiichiro as the president of Toyota Motor Co., Ltd. ended the dispute in June 1950. Kiichiro had to leave the automotive business that he put his soul into. The leader of this dispute said that nothing shocked him more than Kiichiro’s resignation, because even for the people who led the dispute, Toyota was Kiichiro’s founding company with his passion and energy. Even the union members who protested to defend lives respected Kiichiro as an individual. It could be observed in the fact that his statue was set up in front of the entrance of Toyota’s Head Office.

Embracing All as Family

(Source: The Kazuo Wada and Tsunehiko Yui edition of “Kiichiro Toyoda Biography” published by the University of Nagoya Press in 2002)

— Kiichiro Toyoda at Home

Kiichiro, who moved to Tokyo in 1936, had little time to think about his family because he was very busy preparing for the full-fledged manufacturing of automobiles while traveling back and forth between Nagoya and Tokyo. Trips between Tokyo and Nagoya took longer than they do now. “Workaholic” was probably an accurate term for him. However, if you look at his remaining photos, you can surprisingly see that not only he cherished his time with his family, but he also deliberately reserved time with them.

Kiichiro took his wife, Hatako, and his children to his villa every summer holiday. When he lived in Nagoya, he rented a house that faced Mikawa bay near Gamagori and spent the summer with his family. He commuted to Kariya plant of Toyota Boshoku, and Toyota Industries Corporation by train almost every day. Even after he moved to Tokyo, his wife and children stayed in Hakone, near Lake Kawaguchiko and Kamikochi. He stayed with his family for the first several days and returned to work. In the remaining family photos that are said to be taken during the summer holidays, he himself is not shown in almost any of them. We can imagine from these pictures that he was probably the one always taking them. Despite the busyness, he must have deliberately made time to spend with his family.

His family and other relatives lived together at Kiichiro’s house in Tokyo. After graduating from college, Eiji Toyoda, who joined Toyota Industries, moved to Kiichiro’s house in Tokyo and worked at a research institute in Shibaura. Other relatives started to live with them too. They literally lived under the same roof. Eiji, Shoichiro and Tatsuro Toyoda, who each became the president of Toyota later on, all lived together. Living together must have helped them understand and communicate better with each other compared to any executive officers. Risaburo also started to stay over at

Kiichiro's house occasionally. As a result, communication between Risaburo and Kiichiro became more intimate and smoother compared to when they lived in Nagoya.

Eiji Toyoda

The Root of Toyota's Mutual Trust Relationship between Labor and Management: Toyota Disputes

(Source: Eiji Toyoda's "Ketsudan - Watashi no Rirekisho (Decision - My C.V.)" published by Nikkei Business Books in 2000)

When Mr. Nakagawa became the president in 1962, Toyota signed the Joint Declaration of Labor and Management with the union. The labor dispute, where labor and management clashed directly because of the large-scale employee reduction in 1950, ended but we still had small problems even after the dispute. That gradually calmed down and our relationship of mutual trust started to build slowly.

The basis of labor and management is mutual trust. At first, we both doubted each other, but as time went by, mutual trust started to establish among us. The Joint Declaration of Labor and Management was the documented version of this establishment.

It aimed to maintain the mutual trust that we had built over time, not to repeat the same mistakes again, and to have people in the future to maintain the result that we both achieved by making sacrifices. This spirit is still alive even now. We even built a monument for the Joint Declaration of Labor and Management. When you see that it took 10 years to re-establish mutual trust, you would feel the difficulty of rebuilding the split.

Shoichiro Toyoda

Mutual Prosperity of Dealers and Manufacturers

(Source: Shoichiro Toyoda's "Step by Step, with a Belief in the Future" by Nikkei Publishing Inc. in 2015)

My father, who agreed with Mr. Kamiya's philosophy, "Producer's prosperity depends on their dealer's prosperity", made Mr. Kamiya in charge of marketing entirely.

Mr. Kamiya built sales networks with Noboru Yamaguchi from Hinode Motors (currently Aichi Toyota), aiming to establish at least one Toyota dealer for each prefecture, by using local funds and people. Not a few dealers, who sold our competitors' vehicles, were empathized with Mr. Kamiya's philosophy, "User comes first, next are dealers and manufacturers come last", and switched to working with us. After the separation of the Toyota Motor and Toyota Motor Sales in 1950 due to management crisis, Mr. Kamiya, as the president of Toyota Motor Sales, concentrated on expanding the networks for sales and services within and outside of Toyota. He worked extremely hard.

He told me to "go to as many dealers as possible." With his words in mind, I went to as many Toyota and non-Toyota dealers as possible with the Bad News First attitude. One time, when I visited a dealer in the U.S. that sold cars from multiple manufacturers, the owner of the store gave me a skeptical look as if he was asking me "Are you really the president of Toyota?"

Akio Toyoda

For All Stakeholders

(Source: "Corporate Leaders, Akio Toyoda," an exclusive interview from the Weekly Toyo Keizai published on April 9, 2016)

— *It looks like you are keeping your distance away from the shareholder priority principle.*

I see our shareholders as one of our stakeholders. Some people say that stakeholders are no one else but shareholders, but I don't quite agree with that. Shareholders are 'One of them'. At the end of the day, we are an industry supported by employees, end-users, communities, suppliers and dealers. Stakeholders include all of them.

I Was Protected by the People That I Try to Protect

(Source: An exclusive interview from the Weekly Toyo Keizai published on June 24, 2010)

There were hundreds of cameras at the public hearing, and they flashed intensely every time I blinked or looked down. All my answers to the questions were intended for the dealers, end-users, employees and their families, and not necessarily for the members of the assembly only. With my own words, I wanted to tell all of them that I would not attribute the problem to the governmental regulation, end-users, suppliers, or anybody else. I firmly believed that I had to serve as the rear guard of the troop in a losing battle evacuation, and it was an honor.

However, when I faced Toyota employees at the meeting after the public hearing and found them trying to encourage me, I realized that I was actually protected by the people who I was trying to protect, which, embarrassingly, brought me to tears.

Principle 5

- Be reverent, and show gratitude for things great and small in thought and deed.

一、温情友愛の精神を發揮し 家庭的美風を作興すべし

Eiji Toyoda

Believe in Destiny

(Source: Eiji Toyoda's "Ketsudan - Watashi no Rirekisho (Decision - My C.V.)" published by Nikkei Business Books in 2000)

I do not like recollecting the past and saying a lot of things about it. I even intentionally try not to recollect the past. There is no point in dwelling on something that has already happened. My theory of life is that it is better to forget the past and move on.

Mr. Hitoshi Shiio, who was my mathematics and mechanics teacher at former National Eighth High School, taught me that for the first time. He was a son of the succeeding priest of the temple that was related to the burial of Owari-Tokunaga generations, Kenchuuji (in Nagoya). In his mechanics class, he told us repeatedly, "Go ahead and do whatever you think is right or good, for it is the guidance sent from the providence."

It was kind of a chant, and his point was that "If you feel right or good about something, follow your instincts and just do it because you are destined to do it." This could be positive saying not regretting the past.

Akio Toyoda

The Will to Show Gratitude Will Open the Door to the Future

(Source: Nikkei Trendy Net presented by Nikkei Publishing Inc. on December 9, 2016)

When I was about to leave Japan to head to the public hearing, I thought to myself, “Maybe this is a game to make me quit.” I wouldn’t be able to last even a year as a president. Some people might make fun of it. Meantime, I kept asking to myself, “What do I think of myself, though?” and “What do I think of Toyota?”

Then my answer came in. Regardless of whether I was going to stay as the president or not, “I loved Toyota a lot”. I could hardly talk about myself without Toyota. I thought that I, as a president, might end here, but I might be able to actually contribute to Toyota for the first time if I could protect my beloved Toyota.

I have been told that I was just a member of the founding family, spoiled, and inexperienced until now, so I had a feeling that “I was a nuisance for Toyota”. But when I bore the brunt of criticism at the public hearing, I realized that I was finally contributing to the company by being a nuisance. I was rather happy.

I have never met my grandfather (Kiichiro). He passed away when he was 57, so I have never met or spoken to him. But according to my father, my grandfather couldn’t see the good times of Toyota Motor Corporation. He only experienced hardships. I could feel that Kiichiro regretted dying at the age of 57. I will live to report him looking at us the current good days of Toyota.

We are here because his successors overcame many troubles to create Toyota Motor Corporation and Toyota Group that we have now. They went through hardships for the future, for our smiles, so we, as their successors, must sustainably develop the company for our next generations so that they can also benefit from our predecessors.”

Epilogue: Toyoda Koryo and Toyota's Future

Second Generation Founders: Eiji and Two Head Clerks

(Source: "Corporate Leaders, Akio Toyoda: Toyota's 80-Year History" published in the Weekly Toyo Keizai on April 9, 2016)

When Kiichiro passed away in 1952, Toyota's annual production was only 14,000 units. It was Eiji Toyoda, Kiichiro's cousin, who built a foundation to boost the company to the world's number one automotive manufacturer.

When he became president in 1967, he responded to an interview of the media, who were fussily reporting that his appointment to the president was going to restore power back to the Toyoda family since Kiichiro's step back, by saying "I think I am chosen because I am the best person for the position and because my management capability has been proved excellent".

During the time when the company's total monthly production was 5,000 vehicles, he decided to build Motomachi Plant for the dedicated production of 10,000 units of the "Crown" per month. With the "Corolla", he initiated a social wave of motorization and solidified the company's position in the domestic automotive market. He also laid a foundation for internationalization by launching a joint venture with General Motors for local production in the United States.

He gave a huge impact on Toyota until his death at age 100 in 2013, when he still served as an honorary advisor. At his memorial ceremony, Honorary Chairman Shoichiro Toyoda praised his achievements, stating that "He was the greatest contributor to building the foundation of today's development of Toyota Group."

There are two more people outside the Toyoda family who gave impacts on Toyota: Taizo Ishida and Hiroshi Okuda, the current Senior Advisor. As a pinch hitter, Ishida was appointed as the president after Kiichiro stepped down, and so was Hiroshi Okuda when the former president, Tatsuro Toyoda, resigned due to his health problem.

Ishida saved the company from its financial difficulties and developed a sound financial basis, so-called "Toyota Bank".

Hiroshi Okuda, on the other hand, accelerated the stagnant growth of Toyota. Some people criticize that his expansion policy caused the crisis that occurred during the economic downturn precipitated by the Lehman Brothers bankruptcy. However, without this aggressive expansion, Toyota would not have been able to achieve the world's largest sales volume, exceeding 10 million units.

In past days, many Japanese firms, such as Toyota, Matsushita Electric Industrial Co., Ltd. (currently Panasonic Corporation) and Sony, valued their founder's management philosophy. Management that prioritized stakeholder's benefits from a long-term perspective instead of short-term profits was admired as a typical Japanese-style management. However, in the wave of

globalization, such idea was regarded as outdated and was discarded.

Although in such times, Toyota still puts a high value on its founder's philosophy, unlike any other big international companies.

Going Back to Start Line: Future of Toyota and Toyoda

(Source: "Corporate Leaders, Akio Toyoda: Toyota's 80-Year History" published in the Weekly Toyo Keizai on April 9, 2016)

Toyota Group has some facilities that give us a look back on the foundation of Toyota, including the Sakichi Toyoda Memorial House, the Toyota Commemorative Museum of Industry and Technology, which displays changes in technology, from looms to automobiles, and can be reached on foot from Nagoya Station, and the Toyota Kuragaike Commemorative Hall located in Toyota City, which exhibits Kiichiro's life story and Toyota's founding time.

After Toyota Group employees join their companies, they visit these facilities and learn the history in various opportunities. Toyota's DNA is inherited through such experiences.

From the middle of 1990s to the late 2000s due to a wave of globalization that spread from the United States to the world, also Toyota went through unstable times. President Akio Toyoda, who was appointed as the president at the nadir of the global economic recession triggered by the Lehman Brothers bankruptcy, tried to go back to the start line by emphasizing the philosophies of Sakichi and Kiichiro. Having a long-term perspective and aiming at sustainable growth have generated certain outcomes, Toyota is starting to regain its founding strengths.

Some people might think that the purpose of President Toyoda's policy is to strengthen the Toyoda family's dominance in Toyota Group. However, if we looked at it from a different angle, we could see the dynamics that the Toyoda family is incorporated into the system of Toyota Group for the Group to function sustainably and evolutionally.

Of course, they cannot rely on presidents from the Toyoda family forever. To break away from the dependence on the Toyoda family, the founder's philosophy needs to be firmly ingrained in the organization once again.

Is there a future where "Toyota" is not relying on "Toyoda" in President Toyoda's 30-year vision?

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