

Case Incident 1

Innovation—and Continuity—at Toyota

If you ask experts in organizational innovation about Toyota, you'll often see a bemused expression on their faces. Toyota is a bit hard to figure, innovation wise.

On the one hand, the company has been one of the most successful corporations in the world for a generation. It is now the world's largest car company and shows no signs of giving up that title anytime soon. It must be doing *something* innovative to continue to thrive when business conditions, consumer preferences, government regulation, and global competition continue to change, sometimes rather dramatically.

Toyota also produced the first, and to date the only, successful mass-produced hybrid car, the Prius. Other companies have attempted to follow suit, only to find their entries coming up short in expert ratings, new car sales, and resale value.

On the other hand, Toyota's products are widely thought to be more "liked than loved," and its cars are often criticized for being imitations rather than innovations. The company is notorious for its "stodgy and bureaucratic" structure, for the fact that all its senior executives are Japanese males, and for its worshipping of the past (a bust of the company's founder, Kiichiro Toyoda, appears in the lobby, and in its 74-year history only three individuals outside the Toyoda family have led it). These hardly seem the hallmarks of an innovative, transformational organization.

So is Toyota an innovative company, or not?

The answer depends on how you define innovation. Judged by the innovations in its products, notwithstanding the Prius (which, despite its success, still amounts to a small percentage of Toyota's sales), we would not deem it a particularly innovative organization. However, when we defined an innovative culture elsewhere in this text, we emphasized two points. First, it is not judged only by an organization's products. Production, service, marketing, and other business processes are less observable to the outsider but are arguably more important to sustained success. Second, innovation can be incremental. Is a company that loudly reinvents itself every 10 years really more innovative than one that makes steady, incremental changes more or less continuously?

It's clear that on both these points—innovation as process as well as product, and lasting incremental innovation—Toyota excels. Toyota has made numerous workplace innovations, including the *andon* cord—whereby any worker can halt the production line when he or she sees a problem—and its focus on lean and nimble manufacturing processes that allow it to switch the vehicle being manufactured in nearly every plant within days. On the second point, *kaizen* manufacturing—a method of continuous improvement—is nearly synonymous with Toyota. As one expert commented, "Instead of trying to throw long touchdown passes, Toyota moves down the field by means of short and steady gains."

Studies consistently show that most efforts at organizational transformation fail and are abandoned. Perhaps if more companies thought about innovation the Toyota way—in terms of process rather than product and of slow and continuous improvement rather than radical change—they'd be more likely to realize the innovations, and organizational success, they wish to achieve.

Questions

1. Would you consider Toyota to be an innovative organization? Why or why not?
Answer: Most students should see Toyota as innovative because of its continuous improvement philosophy toward processes. The constant improvement of how things are done with focus on reducing expenses and improving product are an innovation technique all companies should aspire to.
2. Do you think Toyota's potentially inbred leadership hinders, or explains, its successes?
Answer: It most likely explains the company's successes. The internal promotion of managers ensures a strong organizational culture based on continuous improvement is basic to the organization's operations. The longevity of managers ensures a long-history understanding of the company and who it is. These strengths ensure consistent, incremental change for the better.
3. In 2009, Toyota reported a loss for the first time in its history. Do you think that given its culture it will have more problems dealing with the loss than other automakers?
Answer: Yes, report of loss for the first time is likely a very difficult psychological effect on Toyota. But, it is positioned to respond to the situation well. See http://www.businessweek.com/globalbiz/content/may2009/gb2009058_991777.htm?chan=top+news_top+news+index+-+temp_news+%2B+analysis for insight.
4. The new president of Toyota, Akio Toyoda (grandson of the founder), has said, "Everyone says Toyota is the best company in the world, but the consumer doesn't care about the world. They care if we are the best in town." What do you think he means by that?
Answer: Toyoda understands his customers. The customer doesn't care about global positioning or competitiveness, he or she cares only that the car they buy is reliable, attractive, effective, and efficient. The customer's concern is his or her pocketbook, not Toyota's.

Source: Based on M. Graban, "Toyota Leaders Get a Lecture from a Toyoda," *Manufacturing Business Technology* (June 28, 2009), www.mbtmag.com; M. Maynard, "At Toyota, a Giant Strives to Show Agility," *New York Times* (February 22, 2008), pp. B1, C4; and J. Surowiecki, "The Open Secret of Success," *The New Yorker* (May 12, 2008), p. 48.

Case Incident 2

The Rise of Extreme Jobs

Before Barbara Agoglia left her job at American Express, she was spending 13 hours a day working and commuting. She also had to be available via cell phone 24/7. The last straw came when she didn't have time to wait with her school-age son at his bus stop. Carolyn Buck also has an extreme job. She usually works more than 60 hours a week for Ernst & Young and often has to travel to India and China.

Agoglia and Buck are not alone. Most U.S. adults are working more hours than ever, but one group in particular stands out: those with extreme jobs—people who spend more than half their time working and commuting to and from work. More than 1.7 million people consider their jobs *too* extreme, according to a recent study.

What accounts for the rise in extreme jobs? It's not entirely clear, but the usual suspects of globalization, technology, and competitiveness are high on everyone's lists.

As extreme as Agoglia and Buck's jobs may seem, U.S. workers may have it comparatively easy. Most surveys indicate extreme jobs are worse in developing countries. A 2006 *Harvard Business Review* study of managers in 33 global companies indicated that, compared to U.S. managers, managers in developing countries were more than twice as likely to have extreme jobs.

For those who hold extreme jobs, personal life often takes a back seat. Forty-four percent take fewer than 10 vacation days per year. Many individuals with extreme jobs see society changing into a "winner takes all" mode, where those who are willing to go the extra mile will reap a disproportionate share of the intrinsic and extrinsic rewards.

Why do people take extreme jobs (or allow their jobs to become extreme)? A 2006 study suggested that, for both men and women, the number one reason for working long, stressful hours is not pay. Rather, it's the rush they get from doing stimulating or challenging work. As one Asian manager said, "Building this business in markets where no one has done anything like this before is enormously exciting. And important. We've built distribution centers that are vital to China's growth—they contribute to the overall prospects of our economy."

Although this sounds good, the situation is more complicated when you ask holders of extreme jobs about what their jobs cost them. Among them, 66 percent of men and 77 percent of women say their job interferes with their ability to maintain a home. For those with extreme jobs who have children, 65 percent of men and 33 percent of women say it keeps them from having a relationship with their children. And 46 percent of male and female extreme jobholders say their jobs interfere with having a strong relationship with their spouse. About half the members of each group say it interferes with their sex life. "I can't even fathom having a boyfriend," says one extreme jobholder. Another, Chris Cicchinelli, was so concerned about being out of touch with work during his honeymoon that he got a satellite phone. Even that didn't help. He ended up cutting his 10-day honeymoon to 5 days. "I had major anxiety," he said.

Questions

1. Do you think you will ever have an extreme job? Are you sure? Explain.
Answer: This is totally subjective based on the individual student.
2. Why do you think the number of extreme jobs has risen?
Answer: Extreme jobs have risen due to the intense global competition, the newer technology, downsizing resulting in one person doing 2 and 3 jobs, etc.
3. Do you think organizations should encourage extreme jobs, discourage them, or completely leave them to an employee's discretion?
Answer: Organizations can prosper with extreme jobs unless health issues become prevalent. Employees' sacrifice of their personal life has its own consequences, particularly with children. Health issues such as anxiety and depression in the U.S. have risen substantially.
4. Why do you think people take extreme jobs in the first place?
Answer: People will accept extreme jobs for the money, power, and/or prestige. As the article mentions, pay is not the only motivator; people like the challenge and the rush that they receive while contributing to the economy.

Why do you think people take extreme jobs in the first place? *Sources:* Based on T. Weiss, "How Extreme Is Your Job?" *Forbes* (February 1, 2007), p. 1; S. A. Hewlett and C. B. Luce, "Extreme Jobs," *Harvard Business Review*, December 2006, pp. 49-58; and S. Armour, "Hi, I'm Joan, and I'm a Workaholic," *USA Today*, May 23, 2007, pp. 1B, 2B.

Instructor's Choice

Applying the Concepts

At present, the number two carmaker in the world is Toyota. Of all the carmakers that could challenge Toyota and its position, few would have predicted that a very serious challenge may come from Korea (Hyundai). At one time Hyundai was the joke of the auto world. Today, Hyundai excels at quality (it now matches Toyota and Honda), R&D (it has opened design shops in the United States, Europe, and Asia and spends \$5.4 billion on R&D), globalization (exports are now 60% of its business and plans to produce at least 5 million cars annually by the end of the decade), and scale (Hyundai purchased rival Kia and is now able to offer better prices to distributors and customers). Under the leadership of its management and design team, Hyundai's changes in structure and strategy have propelled it into the limelight. All in the industry predict that Hyundai's new car (the new Sonata) will be a serious Camry fighter and real winner internationally where quality and styling are very important. If Hyundai can prove itself in industry sales tests, it will mark the first time that a serious threat to Japan's dominance in the mid-car family car line will be challenged.

- Using a search engine of your own choosing, go to the Hyundai Web site (see www.hyundai.com) and review the information on this rising automobile manufacturing super star. List five facts that you find that support the contention that the company has adopted a change management attitude.
- Using a search engine of your own choosing find secondary information that analyzes Hyundai. After reading the information, characterize the company, indicate change processes that you see at work, and make a prediction as to the company's success in the future.

Instructor's Discussion

To familiarize yourself with Hyundai, review "Building a 'Camry Fighter'" in *BusinessWeek*, September 6, 2004, pp. 62–63. The students will also find a great deal of information on the company Web site. Students should also review the Web sites of competitors Toyota and Honda. An interesting way to discuss this exercise is to divide the class into car groups and have each competitive group outline a change strategy to beat the other competitors. Teams can gain enough information to complete their task by reviewing industry Web sites.



EXPLORING OB TOPICS ON THE WORLD WIDE WEB

Search Engines are our navigational tool to explore the WWW. Some commonly used search engines are:

www.goto.com

www.google.com

www.excite.com

www.lycos.com

www.hotbot.com

www.bing.com

1. What would be your strategy if you were called upon to be a “change agent” for your organization? How would you begin, gather information, and create buy-in for your ideas? Go to FastCompany’s Web site where they feature an article on this topic at: <http://www.fastcompany.com/online/05/changetips.html>. Even more interesting, read several of the reader responses linked at the bottom of the page. Write a short reaction paper on why you think there is such a difference from the article’s perspective vs. the readers’ comments. What OB strategies would you use as change agents to address some of those readers’ concerns?
2. Resistance to change is a concern when making organizational changes—but as we read in the text—to be expected. Read about the Theory of Constraints (TOC) model used by some organizations to better know where resistance is and how to develop a strategy for addressing it. Visit: <http://www.focusedperformance.com/articles/resistance.html> to find an article on TOC and how to take advantage of resistance. Print and bring to class for further discussion.
3. Write a two-page paper on Knowledge Management. It can be a general paper, or you can choose to focus on different aspects of KM, such as the challenges of such a system or how KM enhances organizational effectiveness or innovation. For an overview on Knowledge Management, go to: <http://www.outsights.com/systems/kmgmt/kmgmt.htm> as a place to start. Don’t hesitate to do your own search—there are many, many interesting sites on this topic.