

## REWIRING OLD BUSINESS – CORPORATE VALUE CREATION AT THE HEADQUARTERS OF TOYOTA MOTOR CORPORATION

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### ABSTRACT

*One of the world's largest automotive manufacturers, Toyota Motor Corporation (hereinafter TMC) was starting in 2008 a new journey in innovation, in terms of product, talent and communications through the inauguration of its Corporate Value Development Project (hereinafter CVD). At the dawn of rapid global digitalization and enhanced globalization, CVD was charged by the board of directions with the mission of creating new and meaningful value for the organization to thrive over the next decades. Yet, as of 2008, only 0.2% of TMC's total full time employee population was non Japanese and were hired mainly for communication purposes such as translations, interpretations, coordination with overseas subsidiaries, distributors and regional headquarters. The TMC Technical Center, the global hub of research and development for the organization, was employing only one non-Japanese director as of January 2008. This paper unveils the process of organizational transformation which TMC embarked on and monitors the change in corporate culture and employee mindset that the business went through from January 2008 until the end of the year. It aims to illustrate the impact of the Corporate Value development initiatives on product development, internal and external communications and corporate culture.*

**KEYWORDS:** *creativity, collaboration, corporate, innovation, talent, Toyota, value.*

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### 1. INTRODUCTION

Short for Business Revolution, BR was added to the name of the Corporate Value Development Project (BR CVD) department led by project manager and creative director Tetsuya Kaida in January 2008. Kaida was appointed by the TMC board to set up BR CVD in order to create new platforms and concepts for cars, services, modern talent operations, communications and corporate strategy. The main task of the department was to help revitalize innovation across the company and to support TMC designers, engineers and product developers to devise new products aligned with emerging trends and global market needs.

Founded in 1937 in Aichi Prefecture, TMC has its roots deeply ingrained in the Japanese culture. Starting from a humble beginning in innovation (Model AA - the first ever vehicle produced by Toyota, was a mere reconstruction and merger of two vehicles brought from overseas, a DeSoto Airflow and a Chevrolet Cavalier), Toyota had achieved international accolades in product innovation when the Toyota Prius, the first full hybrid electric vehicle was introduced in 2003.

In 2005, Toyota ranked eighth on the Forbes 2000 list of the World's leading companies, becoming later the number one automobile sales company in the world for the first quarter of 2008. This history of developing world acclaimed products in a homogeneous culture in Aichi in Japan nurtured a large amount of self-centric organizational pride and little interest in social trends and developments taking in other parts of the world. Focused on the internal slogan of "good thinking

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good products", market driven TMC was making hiring Japanese national new graduates straight from Japanese universities, and mid-hiring was practically non-existent for full-time employees, with random exceptions being made for annual contractors and seasonal workers.

By the end of 2007, the TMC Technical Center was one of the most homogeneous divisions within TMC, 100% of the 68,466-employee population consisting of Japanese nationals who had graduated from Japanese academic institutions. A cross-organizational Pulse Survey January 2007 indicated that 96% of R&D employees had never worked with a non-Japanese person, 93% would not speak English, 86% had low confidence in working with a non-Japanese colleague and 68% had never travelled abroad or intended to do so over the following 5 years. For such individuals to change their perspective it was becoming imperative to "make contact" with 'Alien' cultures and loosen up the language and cultural barriers.

The main objective of this research is to illustrate the benefits for businesses to focus on corporate value creation, rather than just on product or service, and to illustrate how meaningful diversity and inclusion initiatives can support and enhance innovation efforts, as was the case of the BR Corporate Value Development Project at Toyota Motor Corporation (1/2007 – 12/2008). This paper also aims to illustrate how efficient communications support cultural alignment, accelerate concept penetration and lead to enhanced employee engagement and cross-cultural creative confidence.

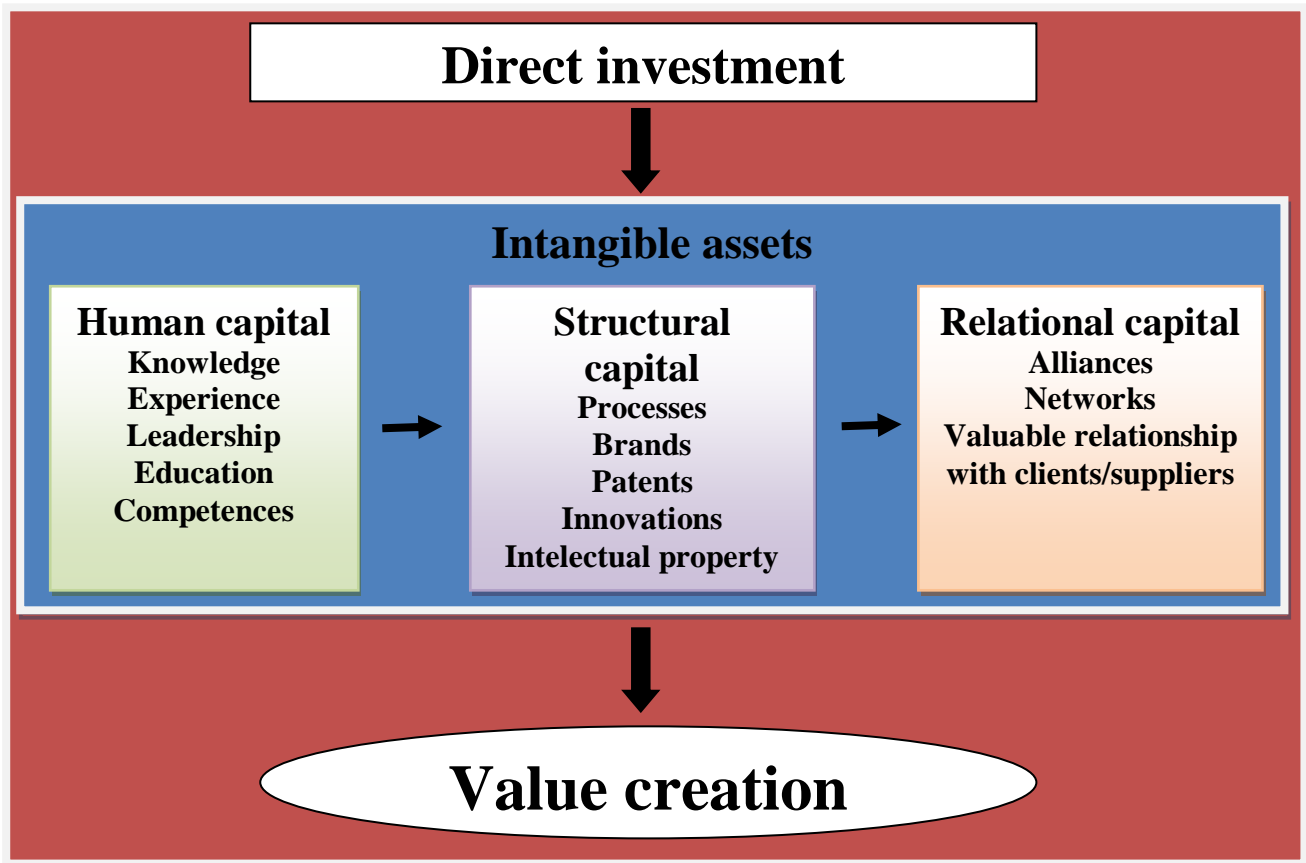
## 2. LITERATURE REVIEW

Value creation has been considered a major objective for businesses. This is because value must be created not only for shareholders but for all stakeholders (Haksever et al., 2004). Gummerus (2013) suggests that superior customer value leads to competitive advantage. However, while several conceptualizations exist over the meaning of "value", no consensus in academia has been arrived at. Hassan (2012) states that value is multi-faceted and not just a matter of price, quality or location. Instead, it is derived from how customers perceive a combination of experiences. There are authors considering that the value created by a company reveals information on its performance (Cicea et al., 2019).

Bititci et al. (2004) identifies both an internal value which comes from a shareholder perspective, and an external value which comes from a customer perspective. Internal value suggests value is derived from profit and is expressed in corporate vision, mission and objectives. External value is that which customers perceive in terms of satisfaction. There is another approach which includes employees' satisfaction as a measure of internal value (in the healthcare field companies) which receives great influence from knowledge management practices, such as: knowledge acquisition, knowledge sharing and knowledge utilization (Popa et al., 2018).

In the last period, most of authors agree that the value creation is increasingly dependent and in close connection with intangible assets (Kaplan & Norton, 2004). Among those intangible assets, we can identify human capital, structural capital and relational capital (Madhani, 2009), which are highly interconnected, in order to generate value creation. At the very base of the process there are direct investments, the only way to enhance the economic development (Cicea et al., 2009) and to promote both intangible and tangible assets, in order to enhance the value creation in every company or economy.

Within this paper, the process of organizational transformation as presented further is not only impacting the value creation of the company, but also the process of product development which is closely related to the innovation process. Practically, innovation precedes the new product development in a company and "is located at the base of new products appearance" (Cicea et al., 2015). The vast literature offers a multitude of approaches on innovation, its complexity being described in accordance to the research field (Szmytkowski, 2005; Griffiths, 2007; Marinescu et al., 2015).



Besides the division into the two categories as presented above, the value creation as process within a company, can be explored from the perspective of corporate and business levels of strategy (Bowman & Ambrosini, 2007), or observed and lined to methods and processes that are tailored to companies' needs (Rohrbeck, 2012).

For the purpose of this paper, we will evaluate value in terms of internal and external value as expressed by Bititci et al. (2004) and as explained above.

### 3. METHODOLOGY

#### 3.1 Research Objects

BR Corporate Value Development Project (Toyota Motor Corporation) 368 employees, 46 TMC Corporate Value Project associates, 16 managers and executives.

#### 3.2 Research Methodology

We conducted research based on an actual business case study. Additionally, the authors of this research engaged in first-hand participant observation of this change management and cultural transformation process. Therefore, we could observe the stages of corporate confusion, the various stages of decision making and the whole procedures of organizational and cultural integration, with the eyes of in-house full-time team members, from the start of the project in January 2007 until the end of 2008 (Yin, 2003). In addition, 388 surveys were undertaken, 6 focus group interviews and 16 direct object interviews comprising of people managers, project owners, chief engineers and corporate executives.

Focus group interviews were used to determine an whether the key concepts and directions were truly universally valid and whether they would be embraced by users outside of Japan. According to Rabiee (2004), focus group interviews have the benefit of generating deeper and richer data through

social interaction than one-to-one interviews. Through the interviews, the team were able to learn about overseas employees' emotions and feelings for the new directions, and suggest issues based on their insider experience and privileged insights (Dishad & Latif, 2013).

### 3.3 Research question

How can Japan-based businesses create corporate value that is relevant for a global population of product and service users?

### 3.4 Case study

From the very beginning, the BR CVD team focused on determining modern corporate values emerging from a series of internal discussions on Japanese Originality. This was in order to discover which cultural elements embraced by the organization was still relevant to the younger generation of associates and future customers.



**Figure 2. Corporate value directions**

*Source:* adapted from Toyota Motor Company (2007)

Schmiedel et al. (2015) suggest that many Business Process Management (BPM) initiatives fail for cultural reasons this is because culture comprises invisible elements that lies beneath the surface and can create future situations of confusion and conflict.

After a series of reiterations, the team agreed on the selection of five key directions for the development of corporate value: So素, Sei静, Do動, Ten転, Wa和. These key directions which can be seen in figure 1 were positioned by the organization as core concepts of building and enhancing corporate values.

In order to determine which elements of Japanese Originality would also be relevant to other cultures and overseas user populations, the team embarked on qualitative research, in the form of focus group interviews and direct interviews carried out through targeted home visits in Bangkok, Bilbao, Bucharest, Chicago and St. Petersburg.

After the key five directions were endorsed by the overseas users, BR CVD shared the global research results with the board of directions and obtained unanimous executive support to proceed with the implementation of these five directions in organizational initiatives. In 2008, BR CVD proceeded to linking these directions with the three main pillars of corporate impact which may be seen in figure 2 namely products, talent and communications.



**Figure 3. Activities derived from corporate values**  
*Source:* adapted from Toyota Motor Company (2007)

The rollout of the five corporate value directions met a high amount of resentment and resistance from internal TMC divisions, such as Product Planning, Overseas Marketing Division and the local Advertising Division.

#### 4. CONCLUSIONS

Modern Technology is able to support organizational transformation in various ways, forms and patterns. This is not a new phenomenon either. Organizations all over the world, and, especially Japan based or Japan originated businesses such as NTT Communications, are constantly exploring modern ways of engaging talent and creating sustainable organizational structures beyond cultural, linguistical and geographical boundaries.

Yamamoto's team of talent operators and organization architects realized that the implementation of modern technology alone, though, does not guarantee the success of global business transformation. It needs to be combined with social engineering efforts and a commitment to developing, nurturing and sustaining a culture of innovation throughout the organization globally.

The following main results could be observed throughout the innovation culture installation process:

1. The involvement of the whole teams of talent operators, organization architects and corporate communicators at an early stage in the process brought a diverse perspective on implementation initiatives and created early engagement and commitment of key players in the business transformation process.
2. Early cross-divisional collaborations enhanced organizational buy-in and created a base for later roll-out initiatives and communications
3. Japan based talent operators can play key innovative roles in developing and deploying corporate culture and value penetration when diversity of thought is engaged at an early stage
4. An early involvement of employees from all sides of the business in the culture dissemination process as well as in the process of on-boarding new technology helps with early acceptance and adoption of this technology throughout the organization.

5. The introduction of digital technology without a clear strategy for implementation intimidates employees and creates confusion in the organization. Oppositely, a phased approach to implementation combined with appropriate training and technological support leads to an early adoption of the new technology and the enhancement of creative confidence throughout the organization.
6. Although the series of organizational architecture development proposals and cultural integration projects were new to the company, projects which were visually engaging and simple to connect with were generating innovative ideas propelled the diversity of thought and aspirations of the participating associates.

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