

Views of the Top Japanese Automaker

Interview with Toyoda Tatsuro, president of Toyota Motor Corporation, by Suetsune Takashi, managing editor of the *Journal of Japanese Trade & Industry*.

The Toyota Motor Corporation was founded in 1937 by the Toyoda family. Toyoda Tatsuro is a grandson of Toyoda Sakichi, the inventor of the first automatic spinning machine in Japan. This innovation laid the foundation for the establishment of the Toyota Automatic Spinning Machine Factory, later to become the Toyota Motor Corporation.

Mr. Toyoda began his career at Toyota Motor Sales Company not as an executive, but as an ordinary employee after graduating from the faculty of engineering at Tokyo University. It took him 21 years to become a member of the board of directors and last September he assumed the post of president of the giant motor company.

The *Journal* interviewed him on the 10th of June in his Tokyo office.

Question: *How would you characterize the market situation of the automobile industry today?*

Answer: Like other automobile makers, Toyota is also suffering from market stagnation. The strong demand we witnessed in this country during the bubble economy does not exist today. But I believe steady demand will return as, when you look at the population, there is still ample room for growth. The number of automobiles in Japan stands roughly at 60 million against a population of 120 million. I am also optimistic about overseas markets, namely the American, European and Asian.

In the United States, I think, Toyota has already established itself. The joint venture with General Motors Corp. is going along very well. We are enlarging the plant in Kentucky and the plant near Toronto in Canada is also increasing production. In North America there are approximately 1,100 Toyota dealers, surpassing the total number of dealers for the other Japanese competitors collectively. In Europe, because of European Community market quotas and the fact that we entered the European market a bit later than other Japanese automobile makers, our sales are around 400,000 units as of today. But, in the U.K. at the end of last year a new plant with the capacity of 100,000 units began production, which means we are steadily gaining parity with other Japanese competitors.

Contrary to the stalemate in the American and European markets, the Asian market is brisk, especially in Taiwan and Thailand. Since the

market in Asia is rather small, even a rapid increase in demand cannot offset the loss in the other markets. But the prospects are promising.

Q: *Do you intend to shift to overseas manufacturing in the future?*

A: Not necessarily. Certainly most of the production growth we'll see in the near future is going to come from our overseas operations, many of which are already expanding. However, this doesn't necessarily mean that domestic production will decrease. In the overseas markets there is still a strong demand for finished cars.

Q: *Compared with other Japanese automobile makers, Toyota is said to have been rather cautious about starting operations in China. Is this true?*

A: I don't think we have been cautious. In Shenyang we are assisting in the manufacturing of buses by offering technology. Daihatsu of the Toyota Group is manufacturing passenger cars in Tienchin. These two activities will be the nuclei for our future expansion. Unfortunately, political and economic prospects in China are somewhat uncertain. In this sense all Japanese car manufacturers share the same assessment. However, China is a country with a tremendous population and no one should underestimate the country as a potential, giant economy. In the 21st century China will surely be a colossal market.

Q: *Is there a better way to solve trade conflicts which revolve around Japan's car exports to the U.S. rather than so-called voluntary ceilings?*

A: Toyota has never been engaged in the blind business of recklessly increasing exports to any market. We have been trying to increase sales in such a way that would reasonably meet the demand and the needs of the market and the society. We have been particularly attentive to customer services. I don't know whether voluntary ceilings is the correct answer or the right terminology. We only have to be sincere and thoughtful in our efforts to increase sales, so that it will contribute to the economy of the society as well.

Q: *You were the first president of NUMMI (New United Motor Manufacturing, Inc.), a joint venture with GM. How did it work?*

A: The joint venture started when automobile manufacturers in the U.S. were looking for a way out of a difficult situation. We became familiar with GM and we had something to offer them. They wanted to try our production system in manufacturing smaller cars. We, too, learned

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many things from the joint venture. We learned how to get along with trade unions in America, how to purchase parts and how to sell in America. The lessons we learned were all very useful when we later moved into the U.S. market alone. Our system was the right one.

Q: Would you elaborate on your system?

A: It is called TPS, Toyota Production System. The system is built on two basic principles. One is the so-called "just-in-time" operation. According to this principle, for example, there is always an adequate supply of parts at an appropriate time, neither time nor inventories are wasted. The other principle can be called "man-handled automation." The assembly lines are constantly watched to locate defective parts and dispose of them. We introduced this Toyota system into the assembly lines at NUMMI.

I would like to mention an additional factor which is indispensable for assembly lines and for manufacturing excellent products—a good rela-

tionship between labor and management. Assembly lines do not function well without adequate human care. Our labor force is grouped into six or seven people, each with a foreman who is practically a floor manager. We also introduced this system in the United States.

Q: How do you explain to your American or European counterparts about keiretsu and what they call the special relationship with suppliers?

A: Seventy percent or more of the parts we use on our assembly lines come from outside suppliers. In order to keep the quality at a high level, a good relationship with suppliers is very important. For example, we have to share information on technology. The relationship should be stable based on mutual trust. I think this is also true for manufacturers overseas. But we are not closed to new suppliers, we are ready to deal with them whenever their products are of high quality. The same can be said about the market. I don't think the Japanese market is closed to foreign cars. I can assure assistance to foreign manufacturers who want to sell their cars on the Japanese market if the cars are attractive to Japanese consumers.

Q: You are regarded as an advocate of "economic symbiosis." Is the theory applicable also to the automobile industry?

A: Competition is the basis for any business activity and the auto industry is no exception. But internationally carmakers have many common problems, such as protection of the environment, energy saving, safety measures and so on. We can tackle these problems collectively, sharing information and developing new technology.

In addition, we have to be a contributing member of the world community. For this purpose Toyota established a fund in 1989 and has been spending 1% of its annual profits in such fields as education, culture, international exchange and environment.

Q: What do you think of the future of automobiles as a means of transportation?

A: We have problems with roads and highways. We have problems with energy, environment and many other things. But I am convinced automobiles will remain as a highly useful and convenient means of door-to-door transportation. For long distance transportation of bulky goods we have ships, trains and aircraft. But they cannot substitute for cars. The automobile can coexist with other means of transportation.

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Toyota Motor Corp. President Toyoda Tatsuro