



Leadership and Management Skills for the Workplace

Company: TOYOTA

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▪ 1 Abstract

This report explains how Toyota's organisational culture, based on The Toyota Way, influences its structure, decision-making, and performance. Using Schein's, Hofstede's, and Handy's frameworks, it explores how the values of respect for people and continuous improvement (kaizen) affect Toyota's ability to adapt and work efficiently. The study uses a qualitative analytical method with secondary data and ends with recommendations for improving flexibility, safety, and overall alignment.

▪ 2 Introduction

Mullins and Christy (2016) describe organisational culture as “how things are done around here,” meaning the shared values, beliefs, and behaviours that shape how people work and interact. At Toyota, this culture is linked to The Toyota Way, which is built on two main ideas: respect for people and continuous improvement (kaizen). These values guide the Toyota Production System (TPS), a model that integrates efficiency, quality, and innovation through problem-solving and waste elimination. Toyota's lean structure, team-based decisions, and focus on employee empowerment show a culture where everyone helps improve operations and supports organisational learning.

This report examines how Toyota's culture influences its structure and decision-making. By using Schein's three levels of culture, Hofstede's cultural dimensions, and Handy's cultural types, it identifies the main cultural features of Toyota and how they affect performance. The report also considers how Toyota's culture supports adaptability and strategic alignment in a competitive global market, while recognising cultural issues that may reduce responsiveness or slow innovation. Finally, it assesses the overall effect of Toyota's cultural model on organisational effectiveness, resilience, and long-term success.

▪ 3 Organisational Culture

- **Company Structure and Decision-Making**

Toyota's culture focuses on long-term thinking, respect for people, continuous improvement, and built-in quality. These ideas shape its structure and decisions through teamwork, lean management, shared leadership, and a commitment to operational excellence.

- **Decentralised problem-solving with clear accountability:**

Toyota's structure supports decentralised problem-solving along with clear accountability. Front-line employees can stop production using the andon system to fix problems quickly, showing trust and empowerment.

Improvement tools such as reflection and the PDCA (Plan-Do-Check-Act) cycle promote daily learning and feedback that guide decisions at higher levels. While day-to-day authority is shared to encourage quick action and innovation, strategic decisions stay centralised to keep corporate goals aligned, ensuring efficiency, quality control, and consistency across Toyota's global operations.

- **Systemic integration:**

Toyota's structure shows strong systemic integration, where all parts of the organisation, human resources, supplier networks, engineering, and production work together as one unified system. Each part supports the others, and when one area changes, other areas must also adjust to keep the system balanced. This fit is maintained through cultural norms such as standardised work, mutual trust, and continuous improvement (kaizen), which help teams coordinate smoothly across Toyota's global operations. However, during the (2009-2010 0 recall crisis, some of these connections weakened, and the company drifted from its core cultural practices. This caused problems in communication, oversight, and product quality

management, showing how important these complementarities are for maintaining system alignment.

- **Decision-making style:**

Toyota's decision-making relies on "*nemawashi*", a process where employees discuss ideas from the bottom up and build agreement before leaders make the final decision. This creates shared understanding, strong commitment, and careful problem-solving, which helps Toyota make high-quality, long-term decisions. While this inclusive approach supports harmony and thorough analysis, it can also make the company slower during times of fast technological or market change. Without ways to speed up decision-making when needed, this consensus-based style can lead to delays and reduce Toyota's agility in responding to new competitive and innovation pressures.

In summary Toyota's culture shapes an organisational design built on disciplined processes, empowered employees, and strong links between suppliers and HR systems. Its long-term, consensus-based decision-making supports quality and continuous improvement, but it can also create risks when fast or uncoordinated changes are required, potentially disrupting alignment and reducing the company's ability to react quickly to external or technological challenges

- **4 Types of Culture in Toyota**

To understand how Toyota's values shape its operations, this section identifies and explains the company's organisational culture using three key frameworks: Schein's levels of culture, Hofstede's cultural dimensions, and Handy's cultural typology. These models help show the beliefs, behaviours, and structures that create Toyota's unique organisational identity.

- **Schein's three levels (artefacts, espoused values, basic underlying assumptions)**

Schein's (2010) model provides a helpful way to analyse Toyota's culture by looking at three levels: artefacts, espoused values, and basic underlying assumptions. Together, these levels show how visible actions, shared principles, and deep beliefs work together to support Toyota's culture and long-standing management style.

Artefacts:

Toyota's artefacts show its culture through standardised work processes, visual management tools like kanban and andon boards, and structured routines such as gamba walks and kaizen workshops. These visible practices represent Toyota's values of discipline, transparency, and shared responsibility. By supporting real-time communication, teamwork in problem-solving, and consistent quality standards, they strengthen operational excellence and cultural unity across Toyota's global production and management systems.

Espoused Values:

Toyota's espoused values, described in *The Toyota Way*, focus on continuous improvement, respect for people, customer orientation, and long-term thinking. These values guide leadership actions, teamwork, and decision-making, building a culture based on learning, cooperation, and sustainability. They help ensure that organisational goals match ethical behaviour and long-lasting stakeholder relationships.

Basic Underlying Assumptions:

At the deepest level, Toyota's culture is built on the belief that employees closest to the work are best able to identify and fix problems, that quality must be built into processes instead of checked afterward, and that small, steady improvements create long-term competitive advantage. These basic assumptions shape recruitment, training, and promotion, supporting empowerment, responsibility, and shared commitment to results. They ensure cultural consistency, operational excellence, and ongoing organisational success across Toyota's global operations.

- **Hofstede's National and Cultural Lens (Japan → Toyota)**

Using Hofstede's cultural dimensions helps explain how Japanese values influence Toyota's organisational culture. Japan's strong long-term orientation fits with Toyota's focus on steady improvement, innovation, and long-term planning, shown in its ongoing investment in people and technology. The country's moderate-to-high power distance supports respect for hierarchy and seniority, while still promoting harmony and trust. Japan's strong collectivism also shapes Toyota's emphasis on teamwork, group unity, and consensus-based decision-making. These cultural features appear in practices such as lifetime employment traditions, participatory management, and long-term supplier partnerships. Overall, Hofstede's framework supports Schein's model by showing how Toyota's values and actions connect to wider Japanese cultural norms and society.

- **Handy's Cultural Types**

According to Handy's (1993) typology, Toyota's organisational culture fits mainly with a role culture, supported by strong task-based and team-focused elements. The company's structured hierarchy, clear job roles, and standardised operating procedures reflect a role culture, which brings stability, discipline, and clear accountability to production systems. At the same time, Toyota includes parts of a task culture through kaizen teams, quality circles, and cross-functional groups that work on continuous improvement and innovation. These team structures support problem-solving, creativity, and shared responsibility. Toyota also uses family-like ideas and promotes loyalty, respect, and long-term commitment, showing a blended culture that balances hierarchy with participation and trust. This mix allows Toyota to keep consistent operations while supporting adaptability, employee involvement, and innovation, helping ensure efficiency and responsiveness across global operations.

In conclusion, Schein explains Toyota's deep assumptions and rituals; Hofstede shows the national cultural influences; Handy highlights the

balance between role and task cultures. Together, these frameworks show that Toyota's culture is system-focused, improvement-driven, and people-centred, and these cultural features are deliberately built into its artefacts, routines, and organisational roles.

▪ **5 Organisational Culture and External Environment**

Toyota's organisational culture is essential in helping the company respond to changing global markets and external pressures. Built on The Toyota Way, its cultural values, continuous improvement, respect for people, and long-term thinking, help maintain competitiveness, quality, and innovation. The following dimensions show how Toyota's culture strengthens adaptability and supports organisational learning.

a) Continuous Improvement to Raise Resilience and Efficiency.

Toyota's philosophy of continuous improvement is central to its resilience and strong operations. Built into the Toyota Production System (TPS), kaizen encourages everyone from executives to shop-floor workers to notice inefficiencies, suggest solutions, and take responsibility for improvements. This inclusive method turns problem-solving into an everyday habit, reducing waste and increasing productivity. Ongoing reflection and standardisation help Toyota adjust its processes quickly in response to changing markets, new technologies, and supply chain issues. By focusing on small, steady improvements instead of large, disruptive changes, Toyota maintains cost competitiveness, high product quality, and engaged employees. This approach also supports organisational learning and flexibility, as lessons from local improvements are shared across the world through structured feedback systems. As a result, Toyota's kaizen-based culture not only increases operational resilience but also creates a continuous

cycle of innovation, efficiency, and long-term customer satisfaction (Investopedia, 2023).

b) Learning and Supplier Integration

Toyota's culture of trust, respect, and long-term partnership also extends to its wide supplier network. Grounded in The Toyota Way, this approach turns suppliers into strategic partners rather than simple vendors. Through continuous joint problem-solving, shared training, and mutual development programmes, Toyota and its suppliers learn together in ways that strengthen efficiency and innovation across the whole value chain. This cooperative system often called the Toyota Supplier Partnership Model supports transparency, knowledge sharing, and shared goals. When supply chain disruptions happen, these long-term relationships allow for quick coordination and flexible adjustments to operations. The network functions as an integrated system where improvements spread rapidly across production. As a result, this strong interdependence increases Toyota's agility, scalability, and long-term resilience, allowing it to maintain high performance even during environmental or economic uncertainty (Harvard Business Review, 2022).

c) Strategic Pivoting Within Cultural Frames

Toyota uses its cultural foundations to guide major strategic changes while keeping its identity stable. As the company shifts from a traditional car manufacturer to a broader mobility-focused business, it continues to rely on The Toyota Way, based on continuous improvement and respect for people, as its main guide. These principles help ensure that innovation happens within a familiar cultural structure, allowing employees to support new directions, such as electrification, autonomous technologies, and digital mobility services, without losing their connection to Toyota's core values. By presenting strategic changes as extensions of long-standing cultural beliefs rather than sudden breaks, Toyota strengthens employee alignment, commitment, and trust during transitions. This approach combines stability

with adaptability, allowing the company to pursue technological leadership and sustainability goals while protecting operational excellence and internal unity (Toyota Motor Corporation, 2024).

d) Challenges and Cultural Learning

Although Toyota's culture provides a strong base for adaptability and performance, it also brings challenges when alignment weakens or growth moves faster than established systems. The 2009-2010 recall crisis showed the risks that appear when cultural connections, especially between quality control, supplier coordination, and managerial oversight, break down. During this time, rapid global expansion weakened communication channels and led to a move away from Toyota's core principles of kaizen and respect for people. In response, Toyota carried out major reforms to restore cultural and operational alignment. These actions included appointing senior safety leaders, strengthening quality assurance systems, and improving internal feedback and reporting processes. Importantly, these changes were based on Toyota's learning-focused culture and showed its ability to reflect on mistakes and keep improving. Through these efforts, Toyota rebuilt stakeholder trust, restored product quality, and reaffirmed its commitment to cultural consistency and responsible leadership (SpringerLink, 2021).

In conclusion, Toyota's culture remains a key source of its adaptability and long-term success. By embedding continuous improvement, respect for people, and shared learning into every part of the organisation, Toyota can respond effectively to environmental, technological, and market changes. Although cultural rigidity can sometimes create challenges, its strong values continue to support innovation, quality, and strategic resilience.

▪ 6 Organisational Culture and Barriers to Effective Functioning

Toyota's organisational culture, shaped by *The Toyota Way*, is widely recognised as a leading example of effective management and production. However, while this culture has strongly supported quality, innovation, and long-term success, it can also create barriers when outside pressures require fast change. Understanding this dual nature is important for seeing how cultural strengths can sometimes turn into organisational limitations.

- **Culture as an Enabler:**

Toyota's culture supports high quality, strong employee involvement, and excellent operations. Practices such as kaizen, team-focused problem-solving, and respect for people encourage employees to find inefficiencies, stop defects, and take shared responsibility for results. This culture has helped Toyota achieve world-class manufacturing performance, with consistently high levels of customer satisfaction and product reliability. Its focus on learning, continuous improvement, and long-term thinking also strengthens organisational resilience and adaptability in a competitive global market (Google Books, 2023).

- **Culture as a Barrier:**

Even with these strengths, Toyota's culture can become a barrier when quick strategic action is needed. The heavy focus on consensus-building and internal approval can slow down leadership responses during crises or periods of major technological change. The 2009–10 recall crisis showed this challenge, as Toyota's tightly linked systems and reliance on long-standing HR and supplier practices limited its flexibility. When managers pushed for rapid global expansion without maintaining cultural alignment, weaknesses appeared in quality control that cultural norms alone could not fix. Research indicates that this rigidity, along with strong confidence in internal systems, reduced Toyota's ability to detect and manage new problems quickly (EconStor, 2022).

In summary, Toyota's culture is both a major source of competitive strength and a potential constraint. Its disciplined, people-focused values promote

excellence and continuous learning, but when environmental demands change quickly, these same features can slow responsiveness. Effective leadership must therefore balance cultural stability with the flexibility needed to respond to external change.

▪ 7 Organisational Culture and Performance

Toyota's organisational culture has played a major role in its long-term performance and global competitiveness. The combination of *The Toyota Way* and the Toyota Production System (TPS) has led to clear improvements in efficiency, product quality, and learning across the company. Studies show that Toyota's focus on continuous improvement, respect for people, and group problem-solving supports strong results in reducing defects, improving production flow, and strengthening supplier cooperation. These cultural practices not only raise productivity but also create a highly engaged workforce that is committed to innovation and shared responsibility.

In addition, Toyota's culture of trust and systemic integration spreads through its entire supply chain, supporting consistent quality and reliability worldwide. The company's skill in turning cultural values into performance tools through teamwork, standardisation, and reflection has made Toyota a global model for operational excellence. However, events such as the 2009–10 recall crisis show the risks of cultural misalignment. When fast growth weakened the close connections between HR, supplier relations, and production systems, performance suffered. These situations highlight that although culture can support long-term excellence, it must continually adapt to new environmental and technological pressures (ResearchGate, 2023).

▪ 8 Recommendations

A. Protect Systemic Complementarities:

As Toyota continues to grow and innovate, it should protect the alignment between HR, supplier management, and production systems. Carrying out configurational impact assessments before major strategic changes can help ensure cultural and operational fit remains strong. Using formal TPS-based decision checklists would support managers in reviewing how proposed changes might influence connected systems, helping prevent any weakening of Toyota's cultural coherence (EconStor, 2022).

B. Strengthen Safety-First Cultural Signalling:

To reduce delays caused by consensus-building during crises, Toyota should formalise independent safety review boards with direct access to top management. Building on the post-recall strategy of appointing global safety executives, this approach would make safety a clear cultural and strategic priority. Keeping these structures in place will support trust, transparency, and quick responses across Toyota's global operations (Safety Research & Strategies, Inc., 2022).

C. Accelerate Strategic Learning Loops for Technology Shifts:

To stay competitive in fast-changing areas such as electric vehicles and mobility software, Toyota should create cross-functional "rapid genchi teams." These teams would combine Toyota's traditional problem-solving methods with quicker decision cycles, allowing for experimentation and flexible action. This method balances kaizen-based learning with the need for speed when adapting to new technologies (Toyota Motor Corporation, 2024).

D. Enhance Cultural Translation Across Global Sites:

As Toyota expands into different markets, it is important to protect The Toyota Way while still allowing for local adaptation. Developing clear local adaptation guidelines and offering structured cultural integration training will help avoid both cultural drift and overly rigid standardisation. This ensures that Toyota's core values, respect, teamwork, and continuous improvement, remain consistent worldwide while still fitting local contexts (Toyota Europe, 2023).

Overall, Toyota's culture continues to be a key driver of its performance and resilience. By protecting systemic alignment, strengthening safety values, and supporting agile learning, Toyota can maintain its cultural strengths while improving its ability to adapt to future technological and market changes.

▪ 9 Conclusion

Toyota's organisational culture, based on The Toyota Way and the Toyota Production System (TPS), continues to guide how the company is structured, how decisions are made, and how it maintains strong long-term performance. Using Schein's, Hofstede's, and Handy's frameworks helps show how Toyota's visible practices, stated values, and hidden assumptions link to wider Japanese cultural traits such as working as a group, respect for authority, and planning for the long term. Together, these elements create a disciplined and learning-focused organisation that is able to improve continuously, achieve high operational standards, and stay strong in fast-changing markets.

However, Toyota's culture also has weaknesses. Relying too much on consensus-based decision-making (*nemawashi*) and moving slowly during fast technological or market changes can reduce the company's ability to react quickly. The 2009–10 recall crisis showed how cultural tensions and weaker coordination between HR, suppliers, and production systems reduced the strength of Toyota's quality control. Even so, the company's actions after the crisis—including new safety systems, more openness, and the reaffirming of cultural values—showed that Toyota can learn and adapt.

Toyota's long-term focus on *kaizen*, respect for people, and continuous learning still supports strong employee commitment, innovation, and customer confidence. By keeping its cultural foundations while allowing needed flexibility, Toyota has turned its culture into a living system that can correct itself and respond to new challenges. In the end, its culture continues to be a major strategic advantage—one that, when regularly

strengthened, helps Toyota maintain its global reputation for quality, efficiency, and responsible leadership in a rapidly changing world.

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