



MODULE NAME: Organisational Culture

MODULE CODE: LCLM5005_LON

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Assessment 1
Individual Report

12th of March

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Executive Summary

Organisational culture plays an important role in shaping how companies operate, make decisions, and respond to challenges in the external environment. In multinational organisations, culture also influences how employees collaborate and how management systems are structured. This report analyses the organisational culture of Toyota and evaluates how culture affects its structure, decision-making processes, and overall organisational performance.

The report applies several established frameworks used in organisational behaviour literature to identify and analyse Toyota's culture. These include the models developed by Edgar H. Schein, Geert Hofstede, Gerry Johnson and Kevan Scholes, Charles Handy, and Terrence Deal and Allan Kennedy. These frameworks allow a deeper understanding of how cultural values influence behaviour, organisational systems, and management practices.

The analysis suggests that Toyota's culture is strongly influenced by principles such as continuous improvement, teamwork, and long-term thinking. These cultural values shape decision-making processes and support operational efficiency within the organisation. At the same time, the report also highlights that strong cultural traditions may sometimes slow decision-making or limit rapid organisational change.

Overall, the findings indicate that Toyota's organisational culture functions mainly as an enabler of performance by supporting quality improvement, innovation, and strong employee commitment. However, some adjustments may be necessary to improve flexibility in an increasingly competitive global automotive industry.

Introduction

Organisational culture is considered one of the most important factors influencing the behaviour and performance of organisations. It represents the shared values, beliefs, and assumptions that guide how employees interact, make decisions, and approach their work (Mullins and Christy, 2016). Culture is often described as "the way things are done around here", meaning that it shapes everyday behaviour within organisations and influences management practices and organisational outcomes.

In global organisations, the influence of culture becomes even more significant. Companies operating in international markets must manage employees from

different national backgrounds, professional experiences, and social contexts. As a result, organisational culture plays a key role in creating alignment between employees and organisational goals (Alvesson, 2022). A strong organisational culture can support collaboration, innovation, and effective decision-making, while weak or conflicting cultural values may create inefficiencies or internal conflicts.

One organisation that is frequently studied in relation to organisational culture is Toyota Motor Corporation. Toyota is one of the largest automobile manufacturers in the world and is widely recognised for its strong management philosophy and operational practices. The company's success is often associated with the Toyota Production System, which emphasises continuous improvement, teamwork, and respect for people (Liker, 2021). These principles are deeply embedded in the organisation's culture and influence how employees approach problem solving and decision-making.

Understanding Toyota's organisational culture is particularly relevant in the context of increasing global competition and technological change in the automotive industry. As companies face pressure to innovate and respond quickly to market changes, organisational culture can either support adaptation or create resistance to change (Schein and Schein, 2019).

The aim of this report is to critically evaluate how organisational culture influences the structure, decision-making processes, and performance of Toyota. Several theoretical frameworks are used to analyse the organisation's culture, including Schein's three levels of organisational culture, Hofstede's cultural dimensions, Johnson and Scholes' cultural web, Handy's four types of culture, and Deal and Kennedy's corporate culture model. By applying these frameworks, the report seeks to identify the dominant cultural characteristics within Toyota and assess how culture affects its ability to operate effectively in a dynamic global environment.

Organisational culture and its influence on structure and decision-making at Toyota (Marketing Research)

Organisational culture has a direct influence on how companies organise their internal structures and how decisions are made at different levels of management. In large multinational organisations, culture can shape communication patterns,

authority distribution, and employee participation in decision-making processes (Alvesson, 2022). In the case of Toyota, culture is strongly connected to the way the company manages its operations and organisational structure.

Toyota is widely known for its management philosophy that prioritises continuous improvement and operational efficiency. Much of the company's organisational structure has been developed to support these principles. The Toyota Production System, which is the foundation of the company's operational model, emphasises teamwork, employee involvement and problem solving at different levels of the organisation (Liker, 2021). This approach creates a structure where employees are encouraged to identify problems and contribute to improvements rather than relying only on top management decisions.

One important aspect of Toyota's organisational culture is the emphasis on collective decision-making. In Japanese management practices, decisions are often made through a process that encourages discussion and consensus among employees before final approval from senior management. This practice, commonly referred to as "nemawashi", allows different stakeholders to share their perspectives and contribute to the decision-making process. As a result, decisions may take longer to reach but they often receive stronger support during implementation because employees have already participated in the discussion (Meyer, 2023).

Another principle that reflects Toyota's cultural influence on decision-making is the idea of "genchi genbutsu", which means going directly to the source of the problem in order to understand it better. Instead of relying only on reports or data, managers are encouraged to observe the situation in the workplace and interact with employees who are directly involved in the process. This practice reflects the company's belief that effective decisions require a deep understanding of operational realities and employee experience (Liker, 2021).

These cultural principles also influence the company's organisational structure. Rather than relying on rigid hierarchies, Toyota tends to operate with team-based structures where responsibility is shared among employees. Production teams often work closely with supervisors and engineers to identify operational improvements and maintain high quality standards. This structure encourages collaboration and

knowledge sharing between departments, which supports continuous improvement across the organisation (Schein and Schein, 2019).

At the same time, the strong cultural emphasis on consensus and careful decision-making can also create some limitations. In fast-changing industries such as the automotive sector, companies sometimes need to respond quickly to technological developments or competitive pressures. The process of building consensus among multiple stakeholders may slow down strategic decisions in situations where rapid responses are necessary (Alvesson, 2022). For example, some analysts have argued that traditional automotive companies, including Toyota, initially responded more cautiously to the rapid growth of electric vehicle manufacturers compared with newer companies in the industry.

Despite these challenges, Toyota's organisational culture has generally supported stable long-term growth and operational excellence. By encouraging employee participation, problem solving and continuous learning, the company has developed systems that allow improvements to emerge from different levels of the organisation rather than only from top management. This approach has contributed to Toyota's reputation for reliability, efficiency and high-quality production standards.

Identifying Toyota's organisational culture using Schein's three levels of organisational culture

To better understand the culture of Toyota, this report applies the framework developed by Edgar H. Schein. Schein's model is widely used in organisational behaviour research to analyse how culture operates at different levels within organisations. According to Schein (2019), organisational culture can be understood through three interconnected levels: artefacts, espoused values, and basic underlying assumptions. These levels move from the visible aspects of culture to the deeper beliefs that guide behaviour within an organisation.

This framework is particularly useful for analysing large multinational organisations such as Toyota because it allows researchers to examine both visible organisational practices and the deeper values that influence employee behaviour. In this section, the three levels of Schein's model are applied to analyse the cultural characteristics of Toyota using academic literature and industry information sources. In addition to

academic sources, information about the company's practices and management approach was also consulted through the MarketLine database available through the Advantage MarketLine platform, which provides industry reports and company profiles frequently used in business research.

Artefacts

The first level of Schein's model refers to artefacts. These represent the visible and observable elements of organisational culture, such as organisational structures, processes, behaviours and physical symbols that can be easily identified by people outside the organisation (Schein and Schein, 2019). Artefacts do not always fully explain the deeper meaning of culture, but they provide important clues about how the organisation operates.

In the case of Toyota, one of the most visible artefacts of its organisational culture is the Toyota Production System, which has become one of the most influential manufacturing systems in the world. The system integrates production practices, management principles and employee participation to support efficiency and quality improvement across the organisation. Toyota Production System focuses on eliminating waste, improving processes and ensuring that employees contribute to operational improvements (Liker, 2021).

Another visible element of Toyota's culture is the emphasis on teamwork and continuous improvement within production teams. Employees are encouraged to participate in problem solving and process improvements through practices such as kaizen, which refers to small and continuous improvements in everyday work processes. This approach encourages workers at all organisational levels to contribute ideas that can improve efficiency and quality (Meyer, 2025).

Information available through the Advantage MarketLine database also highlights that Toyota's management system places strong emphasis on operational discipline, standardised processes and collaborative problem solving within teams. MarketLine company profiles describe how these operational routines are integrated into Toyota's global production network and are supported by strong training programs for employees across international subsidiaries (MarketLine, 2024).

Espoused values

The second level of Schein's model refers to espoused values. These are the strategies, philosophies and officially stated principles that organisations claim to follow. Espoused values influence organisational goals and guide the behaviour expected from employees (Schein and Schein, 2019).

At Toyota, the most well-known representation of the company's values is the concept known as "The Toyota Way". This philosophy was formally documented in 2001 and is built around two central pillars: continuous improvement and respect for people. These principles guide the company's approach to leadership, employee development and operational management.

Continuous improvement reflects the belief that organisational processes should always be refined and improved over time. Instead of relying only on major innovations, Toyota encourages employees to continuously identify small improvements that collectively enhance organisational performance. Respect for people emphasises collaboration, mutual trust and the development of employee capabilities across the organisation (Liker, 2021).

These values are visible in several organisational practices within Toyota. Employees are expected to identify operational problems and contribute ideas for improvement, and managers often act as mentors who support employee development rather than simply enforcing authority. According to organisational culture analysis of Toyota, teamwork and learning are considered essential elements of the company's management philosophy and contribute to its ability to maintain high quality standards and operational efficiency (Meyer, 2025).

Basic underlying assumptions

The deepest level of Schein's model refers to basic underlying assumptions. These represent the unconscious beliefs and taken-for-granted ideas that shape how individuals perceive organisational reality. Because these assumptions are deeply embedded in the organisation, employees often follow them automatically without questioning them (Schein and Schein, 2019).

In Toyota's case, one important underlying assumption is the belief that long-term organisational success depends on developing people and improving processes

continuously. This assumption explains why the company invests heavily in employee training and encourages learning through everyday work practices. Rather than focusing only on short-term results, Toyota traditionally emphasises stability, reliability and gradual improvement.

Another underlying assumption within Toyota is the idea that problems should be viewed as opportunities for learning and improvement. In many organisations, operational problems are often hidden or ignored to avoid criticism. However, Toyota encourages employees to openly identify problems so that they can be analysed and corrected. This mindset reflects the belief that transparency and learning are essential for maintaining quality and operational excellence.

Industry analysis available through the Advantage MarketLine platform also indicates that Toyota's management philosophy emphasises long-term strategic thinking and operational discipline as key factors supporting the company's global competitiveness. These deeper assumptions influence how the organisation approaches innovation, risk management and strategic planning across its international operations (MarketLine, 2024).

Culture and adaptation to external environmental influences

Organisations operate in environments that are constantly changing due to economic conditions, technological development and increasing global competition. For this reason, organisational culture can play an important role in helping companies respond to external pressures and adapt their strategies over time. A strong culture may support adaptation by encouraging learning and cooperation, while a rigid culture may create resistance to change (Mullins and Christy, 2016).

In the case of Toyota, organisational culture has historically supported the company's ability to adapt to changes in the automotive industry. The cultural principles that emphasise continuous improvement and learning encourage employees to constantly analyse processes and identify opportunities for improvement. According to Mullins and Christy (2016), organisations that promote learning and open communication are often better prepared to respond to environmental challenges because employees are more willing to share information and propose solutions.

One example of this adaptive capability can be seen in Toyota's approach to operational efficiency and product development. The company has developed systems that allow production teams to identify inefficiencies and suggest improvements on a continuous basis. These improvements may appear small at an individual level, but when implemented across the organisation they can produce significant operational benefits. This process reflects the cultural belief that long-term success is achieved through consistent improvement rather than through occasional major changes.

The automotive industry has experienced significant changes in recent years, including growing demand for environmentally sustainable technologies, digital innovation and increasing competition from new global manufacturers. In this context, Toyota has continued to invest in research and development and has expanded its focus on environmentally friendly vehicles and new mobility solutions. While technological innovation is influenced by many strategic decisions, organisational culture also plays an important role by encouraging experimentation, learning and long-term planning.

However, the same cultural characteristics that support stability and quality can sometimes create limitations when rapid change is required. Mullins and Christy (2016) explain that strong organisational cultures may create deeply embedded routines that employees become accustomed to following. When external conditions change quickly, these routines may make it more difficult for organisations to adjust their strategies immediately. In large organisations, cultural traditions may also reinforce cautious decision-making, which can slow responses to new competitive threats.

In the case of Toyota, the emphasis on careful analysis and consensus in decision-making may occasionally reduce the speed at which the organisation responds to sudden changes in the market. While this approach often results in well-considered decisions and strong implementation, it may create challenges in industries where innovation cycles are becoming increasingly fast.

Despite these potential limitations, Toyota's organisational culture has generally contributed to the company's ability to remain competitive over a long period of time. By encouraging continuous improvement, collaboration and organisational learning,

the company has created internal systems that support gradual adaptation to external pressures. As Mullins and Christy (2016) suggest, organisations that combine strong cultural values with the ability to learn and evolve are more likely to maintain long-term organisational effectiveness.

Organisational culture as a barrier

Organisational culture can influence how effectively a company operates. A strong culture may support coordination, employee motivation and long-term performance, but it may also create limitations if values become too rigid. According to Mullins and Christy (2016), organisational culture shapes behaviour and organisational practices, which means it can act either as an enabler or as a barrier to effective functioning.

In the case of Toyota, organisational culture mainly acts as an enabling factor. One important reason for this is the company's strong emphasis on continuous improvement. Employees are encouraged to identify problems and suggest improvements to work processes, which supports learning and operational efficiency. Mullins and Christy (2016) explain that organisations that promote employee involvement and open communication often achieve higher levels of commitment and performance.

Another positive aspect of Toyota's culture is the importance placed on teamwork and cooperation. Employees are expected to work collaboratively when solving problems or improving production processes. This culture of collaboration supports effective communication and helps maintain consistent quality standards across different departments and production sites.

However, some elements of Toyota's culture may also create challenges. Decision-making often involves consultation and consensus among different organisational levels. While this approach can improve the quality of decisions, it may also slow responses when rapid change is required. In industries where innovation and technology are evolving quickly, slower decision processes can become a disadvantage.

Overall, Toyota's organisational culture functions mainly as an enabler of organisational effectiveness. The emphasis on learning, collaboration and long-term thinking supports stability and high performance. Nevertheless, the organisation

must continue adapting its practices to ensure that cultural traditions do not limit flexibility in a rapidly changing industry.

Impacts and recommendations

The analysis presented in this report indicates that organisational culture plays a central role in shaping the management practices and organisational behaviour of Toyota Motor Corporation. Through the application of Schein's three levels of organisational culture, it becomes clear that the company's visible practices, organisational values and underlying assumptions are closely aligned with principles such as continuous improvement, collaboration and long-term thinking. These cultural characteristics have contributed significantly to Toyota's operational efficiency and global reputation.

At the same time, the evaluation also suggests that maintaining a strong and consistent organisational culture requires continuous adjustment. Cultural values that support stability and quality can also reduce organisational flexibility if they discourage experimentation or delay decision-making processes. In industries experiencing rapid technological change, organisations must balance cultural stability with the ability to innovate and adapt quickly.

For this reason, several improvements could strengthen the positive impact of Toyota's organisational culture in the future. First, the organisation could further encourage faster decision-making in situations that require rapid responses to technological developments or competitive pressures. While consensus and consultation remain valuable practices, greater flexibility in strategic decision processes may allow the organisation to respond more effectively to emerging opportunities.

Second, Toyota could continue strengthening cross-functional collaboration in areas related to innovation and new technologies. Encouraging employees from different departments to work together on research and development initiatives may help generate new ideas and support the company's ability to remain competitive in a changing automotive industry.

Finally, maintaining strong investment in employee development and organisational learning will remain essential. Training programmes that encourage critical thinking,

creativity and adaptability can help ensure that Toyota's cultural values continue supporting innovation rather than limiting it.

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