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INTRODUCTION

Organisational culture is the collective assumptions, values and behaviour of people within an organisation which shape how they interact and how they make decisions. Mullins and Christy (2016) describe culture as “how things are done around here” and it has an overwhelming impact on organisation processes: leadership, structure, motivation and control. Culture is not only symbolic, so it plays a fundamental role in how organisations work and how they respond to external and internal pressures. Culture has become more important in today's organisations with globalisation, technological disruption and the diversity of people as well as employees.

As organizations come to a global level they have to deal with employees from different cultures yet because of this they need to remain consistent in their values and performance standards. A strong organisational culture can make you feel in sync and stable whereas a weak or fragmented organisational culture can make things inefficient with people and cause conflicts and poor performance. Toyota Motor Corporation is one of the most widely studied examples of a strong organisational culture in practice. The company is globally recognised for its Toyota Production System (TPS) based on principles such as Kaizen (continuous improvement), Jidoka (automation with human intelligence), respect for people, and long-term thinking.

These principles are more than operational methods; they are cultural assumptions that permeate all aspects of the organisation. Toyota is renowned for its high quality, efficient and competitive performance which is based on its culture. However, it has also been criticized for being rather incremental in innovation, especially as it relates to electric vehicles and digital mobility solutions. This makes Toyota an excellent case study for examining whether organisational culture is an enabler or impediment to organisational effectiveness. This report critically examines Toyota's organisational culture under established theories as well. Schein's Model of Organisational Culture is used to gain a sense of cultural depth from artefacts, values and assumptions of organisations. Hofstede's Cultural Dimensions is also employed to understand how national culture impacts organisational behaviour and specifically how Japanese culture shapes organisational behaviour.

Handy's Cultural Typology is also used to categorise Toyota's dominant cultural form. The report also considers how Toyota's culture influences organisational structure and decision-making, how well it helps to adapt to external environmental change and whether it is an enabler or a stumbling block to performance. Finally, it provides evidence-based recommendations that can help Toyota to strengthen its cultural identity in a globalised business environment. Toyota's organisational culture has direct

and visible impact on its structure and decision-making processes. According to Mullins and Christy (2016), culture determines “how things are done” and therefore structural design and managerial control systems are not neutral, but are integrated into culture as organisations are built on common values and assumptions. At Toyota, this is reflected in the Toyota Production System (TPS) that integrates cultural principles into daily operations.

Culture, structure and decision-making at Toyota. Toyota is often a hybrid of hierarchical control and decentralised operational autonomy. The organisation maintains an overarching global hierarchy and strategy, financial control and product development decision making on one hand. On the other hand, the operational decision making is very decentralised (and at the shop floor where employees are trained to find problems and act immediately). This dual structure is consistent with Toyota’s cultural philosophy of continuous improvement (Kaizen) and respect for people. Not only is it a culture of procedures followed but employees are expected to be working to improve the system and collaborate with it. One such example is “andon cord”, where an employee can stop production if a problem is found.

Quality and collective responsibility is more important than speed or output. From the business point of view, this structure is helpful for organisational responsiveness at the operational level but slows strategic decision-making since it is about consensus and evaluation. In light of this it reduces the risk of poor-quality decisions but it may also restrict agility in fast-moving markets like electric vehicles as well as software-driven mobility.

Schein’s Model of Organisational Culture applied to Toyota.

Schein’s (2017) model can be seen as a useful tool to look at Toyota’s culture at three levels: artefacts, values and assumptions. Artefacts (visible organisational structures and behaviours). At Toyota, these are visible practices like:

- Just-in-time production systems
- Andon cords to stop production
- Daily Kaizen meetings
- Standardised work procedures
- Visual management on factory floors

These artefacts represent a highly organized but participative working environment. They are designed to make problems visible and prompt quick corrective action. But artefacts alone do not explain culture; they are surface-level indicators that need to be read in conjunction with deeper values and assumptions.

2. Espoused values (stated strategies and goals). Toyota's values are:

- Continuous improvement (Kaizen)
- Respect for people
- Customer-first thinking
- Long-term organisational thinking
- Elimination of waste (muda)

They are clearly set out in training programs, leadership messages and corporate documentation and are linked; they are an ideological framework that guides employee behaviour across global operations. And while these values are well-known and frequently promoted, their implementation can differ regionally across the board. For example, subsidiaries outside Japan may struggle to fully implement Kaizen due to cultural differences or different management styles.

The core assumptions of Toyota are deeply embedded. The first thing to know about Toyota's culture is that:

- Problems are identified, not hidden
- Employees are capable of contributing to process improvement
- Efficiency and quality are more important than short-term output
- Long-term stability is more valuable than short-term profit maximisation

These assumptions are powerful in part because they are rarely challenged. They shape how employees perceive their roles and how managers interpret performance outcomes. From a critical perspective, this creates a strong and consistent organisational identity but may also reduce flexibility when radical innovation is required.

For instance, Toyota's traditional reliance on incremental improvement has been criticised in the context of rapid technological disruption in the automotive industry. Hofstede's Cultural Dimensions and Toyota. Hofstede's framework helps explain how national culture (Japan) influences Toyota's organisational culture.

1. High uncertainty avoidance.

Japanese culture is fairly good at avoiding uncertainty and so Toyota has a lot of standardisation, processes and risk reduction. This way, production systems are highly structured to minimize variability and defects.

2. Long-term orientation.

Toyota is very much a long-term orientation company, and in this respect is driven by sustainable growth, gradual improvement and investment in quality systems rather than short-term financial outcomes. That is reflected in its cautious approach to technological transitions.

3. Collectivism.

Toyota's culture is very collectivist, based on teamwork, group problem-solving and shared responsibility. Employee performance is important to group work and not on individual recognition of performance, and collaboration is fundamental in order to have great cooperation and the improvement of the team.

4. Power Distance (moderate).

Toyota maintains hierarchical leadership structures but also encourages employee input, especially in operational improvement processes. This creates a moderated power distance where authority exists but is not absolute in day to day problem-solving.

Culture and structure relationship. Toyota's organisational culture is a structured but participative organisational model that ensures efficiency and quality. The integration of cultural values in operations systems provides consistency across the world and also reinforces organisational identity. But that strength can be a limitation. The reliance on consensus and incremental improvement can slow responsiveness in industries where disruptive innovation is needed. Toyota's culture is particularly effective in stable manufacturing environments but it will need to evolve to remain competitive in a rapidly changing technological marketplace. Toyota operates in a very dynamic and uncertain environment, with technological disruption, sustainability challenges, regulatory change, and changing consumer expectations all threatening to force the company to adapt to such external forces. And organisational culture is a major factor in the organisation's understanding and response to these external forces. As Mullins and Christy (2016) posit, culture determines how organisations respond to change by influencing decision making processes, innovation capacity, and the level of internal collaboration.

The external environment (PESTLE analysis applied to Toyota).

Political factors. Toyota operates globally and is therefore exposed to political conditions (trade tariffs, government incentives for electric vehicles (EVs) and geopolitical issues in the supply chain). For example, trade restrictions between major economies can result in higher production costs and component loss in parts sourcing.

Toyota's structured and risk-oriented culture provides compliance and stability in politically sensitive environments but it may reduce flexibility in rapidly changing political situations.

Economic factors.

Inflation, exchange rate movements and rising material prices affect Toyota's profitability and production decisions. Toyota's culture of efficiency, waste reduction (muda) and lean production helps to mitigate cost pressures by maximising operational productivity. However, economic shocks, such as semiconductor shortages, have exposed weaknesses of global supply chain dependency.

Social factors.

As customers become more inclined to go green, digital connectivity, and environmentally friendly, Toyota's reputation for reliability and quality is very strong and strong customer trust with them is a factor to continue to maintain. But more and more companies are wanting to produce faster innovation in technology to keep up with the times and compete with Tesla, changing consumer expectations of how automotive technology and performance are viewed by consumers in terms of the market as well as performance.

Technological factors.

Toyota has one of the most important challenges in technological disruption. Electric vehicles, autonomous driving systems, artificial intelligence and software-defined vehicles all require rapid innovation cycles. Toyota's culture of continuous improvement (Kaizen) will support incremental innovation but has been criticized for its tendency to hold back radical innovation speed. That leads to a tension between stability and disruption.

Legal factors.

Toyota has to comply with ever more stringent emissions regulations, safety requirements and labour laws in many countries. It has a culture of standardisation and process control that allows compliance and reduces legal risk. But highly regulated environments can perpetuate bureaucratic processes and may delay decision-making.

Environmental factors.

Environmental sustainability is now a core expectation for automotive manufacturers. Toyota has spent billions on hybrid technology and hydrogen fuel cells in line with its long-term philosophy. But critics say that it has been slower to move to full battery electric vehicles. So it is environmental pressure that is the cause of innovation and a challenge to Toyota's more incremental nature.

How Toyota's culture promotes adaptation.

Toyota's organisational culture has several mechanisms to help adapt to external change: Kaizen (continuous improvement). Kaizen helps Toyota to be constantly improving at all levels of its organisation. This allows Toyota to respond more gradually to environmental change without losing its operational reliability. Learning orientation. Toyota encourages employees to spot inefficiencies and suggest solutions. This helps develop organisational learning through operational improvement and adaptability.

Long-term thinking.

Toyota is not interested in short-term profits; it is about sustainability and strategic stability. It is through this culture that the organisation can invest in technologies like hybrid systems and hydrogen fuel cells before they become mainstream.

Toyota is a hybrid of standardisation and local adaptation.

Standardised processes and local subsidiaries bring quality consistency and adjust to market conditions. From a theory perspective, this is in line with Senge's idea of learning organisation where continuous feedback loops and collective knowledge increase organisational capacity over time.

3. Adaptation strengths and weaknesses.

Toyota's culture is very adaptive in stable or gradually changing situations, but not so good in difficult, disruptive times.

- High operational resilience in crises (e.g. supply chain shocks)
- Incremental innovation bias (small improvements rather than radical change)
- Slow strategic response to disruptive technologies (full EV transition)
- Consensus-driven decision making can delay innovation
- Risk-averse organisational assumptions.

One example is the criticism that Toyota has been accused of being too slow in moving forward with fully electric vehicles compared to its competitors such as Tesla and BYD. Although Toyota invested heavily in hybrid technology, the global move toward battery

electric vehicles required a much faster strategic transformation than its traditional culture can support.

4. Culture as an enabler or barrier. Toyota's organisational culture can be thought of as an enabler or barrier according to the environment.

Culture as an enabler

Toyota's culture is a key enabler of organisational performance in the following ways: Operational excellence. The Toyota Production System is the best in the world and it is efficient, reduces waste and has the highest quality control system in place. Employee engagement. Employees can help identify problems and contribute to changes in the organisation to increase motivation and ownership. Consistency in all global operations. Cultural alignment is essential for good product quality in international markets. Good brand reputation. Reliability and quality are directly related to cultural discipline and continuous improvement.

Culture as a barrier

But Toyota's culture can also be a barrier: slow innovation cycles. Incremental thinking limits disruptive innovation speed. Risk aversion. Strong emphasis on avoiding failure can reduce experimentation. Decision-making delays. Consensus-based processes may slow responsiveness. Strategic inertia. Success in hybrid technology can potentially delay full commitment to new technologies.

5. Overall critical judgement.

Toyota's organisational culture is best described as a very effective operational enabler with situational limitations in disruptive innovation contexts. It excels in environments that require efficiency, reliability, and continuous improvement but may struggle with rapid technological change. So culture is not necessarily positive or negative, but its effectiveness depends on environmental fit. Toyota's culture in a stable environment greatly enhances performance. In turbulent and disruptive environments, its strengths can become obstacles.

So how does organisational culture impact performance? Toyota's organisational culture has been at the heart of its long-term organisational performance and global competitive position. The company's reputation for high quality, reliable vehicles is deeply rooted in its culture with a strong emphasis on the Toyota Production System (TPS), as well as Kaizen and respect for people and avoiding waste. Toyota's culture, on the operational side, plays a fundamental role; what is the main one we have to think about and see is that Toyota's culture is very good at performance. Toyota is all about standardisation, process discipline and continuous improvement and this is why the organisation is at maximum operational efficiency. This reduces costs and is in line with Toyota's brand as a global leader in automotive manufacturing.

Quality and reliability.

The culture that problems must be discovered and addressed immediately is the basis for a good quality management system. Andon cords, root cause analysis and other tools that help to get the defects to be fixed at the root cause rather than being ignored have helped Toyota build a world-class reputation for reliability. Employee performance and engagement. Toyota's culture promotes employee engagement in problem solving and improvement activities. This drives employee involvement, ownership and motivation; workers are not just doing what they are doing but making organisational decisions. Strategic performance. Toyota's long-term orientation allows for continued investment in hybrid and hydrogen technologies and is a competitive advantage for the long term. But this same cultural strength can also slow responsiveness to disruptive innovation. In addition, Toyota's culture enhances operational excellence, but it is less effective in enabling rapid technological transformation than more agile competitors. This highlights a trade-off between stability and innovation speed.

2. Suggestions for improvement (theory-informed and evidence-based). Toyota's organisational culture is very effective but several improvements can strengthen its adaptability in a rapidly changing global automotive industry.

Recommendation 1: Develop an innovation culture for disruptive technologies.

Toyota needs to create a radical innovation culture along with its Kaizen. Although Kaizen is good for incremental improvements, it is less effective for disruptive innovation like full electrification and autonomous systems.

Theoretical support.

- Senge's Learning Organisation (continuous learning and systems thinking)

- Tushman and O'Reilly's Ambidextrous Organisation Theory (balancing exploitation and exploration) Expected benefit.
- Better ability to compete in rapidly evolving EV and software-driven automotive markets.

Recommendation 2: Improve organisational agility and reduce decision-making delays.

Toyota should streamline its decision-making for strategic innovation projects.

Consensus-driven decision making boosts quality but also slows the response in fast-moving markets. Theoretical support.

- Burns and Stalker's Organic vs Mechanistic Structures
- Agile management practices Expected benefit. Better response to technological disruption and competitor innovation.

Recommendation 3: Expand external collaboration and open innovation.

Toyota must strengthen its partnerships with tech firms, startups, software companies, and so on. Justification. Digital ecosystems are more and more at the center of automotive innovation than internal capability. Theoretical support.

- Open Innovation Theory (Chesbrough)
- Resource Dependence Theory
- Expected benefit. We developed more innovation capabilities and less reliance on internal R&D cycles.

Recommendation 4: More cultural flexibility for global subsidiaries.

Toyota should allow for cultural change in its non-Japanese operations. Justification. Strict cultural standardisation might limit the responsiveness to local market conditions. Theoretical support.

- Hofstede's Cultural Dimensions
- Contingency Theory
- Expected benefit. More responsive to a variety of international markets and customer needs.

Toyota's organisational culture is one of the most influential and well-known examples of cultural effectiveness in global business. Based on Kaizen, respect for people, and

long-term philosophy, the culture has helped Toyota to achieve world-class operational efficiency, quality, and global competitiveness. Schein's model has shown that Toyota's culture is embedded in artefacts, values, and assumptions. Hofstede's cultural dimensions also provide a more detailed understanding of how Japanese national culture shapes Toyota's collectivist, long-term, and process-oriented approach.

Meanwhile, Handy's cultural typology indicates that Toyota's culture is task-oriented and hierarchical and that it is based on organized and structured systems and not on a culture of efficiency. And that culture is not without its limitations, and while it can work well in stable and incremental improvement environments, it can be a barrier in high-speed disruptive innovation environments. In particular, the global transition to electric vehicles and digital mobility puts Toyota's traditional strengths and emerging industry needs in tension with those of the digital generation.

Ultimately, Toyota's organisational culture is a driver of performance but it is weak in highly dynamic business environments. The improvements are intended to maintain Toyota's core cultural strengths and also improve agility, innovation, and external collaboration to support long-term competitiveness.

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