

Organisational Culture and Its Impact on Organisations: Toyota

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1. Introduction

Organisational culture is widely recognised as an important factor influencing how organisations operate and how employees behave within them. In general terms, organisational culture refers to the shared values, beliefs and assumptions that guide behaviour inside an organisation. These shared understandings often develop gradually over time as employees work together and respond to internal and external challenges. According to Edgar Schein, organisational culture can be understood as a pattern of shared assumptions learned by a group as it solves problems of internal integration and external adaptation (Schein, 2010). Once these assumptions become widely accepted, they influence how employees interpret situations and make decisions.

Researchers have often argued that organisational culture can significantly influence organisational performance and employee behaviour (Kotter and Heskett, 1992). A strong culture may help organisations create consistency, improve communication and encourage cooperation among employees (Deal and Kennedy, 2000). However, in some cases strong cultures may also reduce organisational flexibility when companies need to adapt quickly to new environments (Hatch, 2018).

This report focuses on the organisational culture of Toyota, one of the largest automotive manufacturers in the world. Toyota is often studied in management research because of its distinctive management philosophy known as the *Toyota Way*. This philosophy emphasises continuous improvement, long-term thinking and strong respect for employees (Liker, 2004).

The aim of this report is to examine how organisational culture influences Toyota's organisational structure and decision-making processes. The report will apply theoretical frameworks developed by Geert Hofstede, Charles Handy and Schein's model of organisational culture. In addition, the report will examine how Toyota's culture allows the organisation to respond to external pressures such as global competition and technological change.



2. Company Overview

Toyota was founded in 1937 by Kiichiro Toyoda and has grown into one of the largest car manufacturers in the world. Today the company operates in more than 170 countries and produces millions of vehicles each year (Toyota Motor Corporation, 2023).

Toyota has developed a strong reputation for efficiency and product quality. One of the main reasons for this success is the company’s management philosophy known as the *Toyota Way*. According to Liker (2004), the Toyota Way represents a set of principles that guide decision-making and behaviour within the organisation.

Table 1 – Main Principles of the Toyota Way

Principle	Description
Continuous Improvement	Employees constantly improve processes
Respect for People	Employees are encouraged to share ideas
Long-term thinking	Focus on sustainable success
Problem solving	Employees analyse and solve issues together

Toyota is also known for developing the *Toyota Production System (TPS)*, which later became the foundation of **lean production** (Womack, Jones and Roos, 1990). This system focuses on reducing waste, improving efficiency and maintaining high product quality.

Recent news reports also show how Toyota continues to adapt to global challenges. For example, a report by Reuters highlighted Toyota’s increasing investment in hybrid and electric vehicle technology as part of its strategy for future mobility (Reuters, 2023).

3. Theoretical Framework

In order to analyse organisational culture more effectively, several theoretical models can be applied.

One of the most influential frameworks was developed by Edgar Schein. According to Schein (2010), organisational culture exists at three levels: artefacts, espoused values and underlying assumptions. Artefacts represent visible aspects of an organisation such as symbols, rituals and behaviour patterns. Espoused values represent the official values promoted by an organisation. Underlying assumptions represent deeper beliefs that guide behaviour within the organisation.

Another important framework was developed by Geert Hofstede. Hofstede (2001) suggested that national culture influences organisational behaviour. His framework includes dimensions such as power distance, individualism versus collectivism and uncertainty avoidance.

A further perspective was introduced by Charles Handy. Handy (1993) suggested that organisations may develop different cultural structures such as power culture, role culture and task culture. These cultural types influence how authority and responsibility are distributed within organisations. These theoretical models provide useful tools for analysing the organisational culture of companies such as Toyota.

4. Organisational Culture at Toyota

The organisational culture of Toyota has often been described as one of the key reasons behind the company's long-term success (Liker, 2004). However, some researchers suggest that strong organisational cultures may also create limitations if organisations become too resistant to change (Hatch, 2018).

A key element of Toyota's culture is the concept of *Kaizen*, which refers to continuous improvement. Employees are encouraged to identify problems and suggest improvements in everyday work processes. According to Liker (2004), this approach encourages learning and long-term organisational development. Toyota's culture also emphasises teamwork and cooperation. From Hofstede's perspective, Japanese organisations often reflect collectivist cultural values where group harmony and cooperation are important (Hofstede, 2001).

5. Culture and Decision-Making

Organisational culture strongly influences how decisions are made within companies. At Toyota, decision-making often involves consultation and discussion among employees.

Managers frequently collect feedback from different teams before implementing major decisions. This collaborative approach reflects aspects of task culture as described by Handy (1993).

Such decision-making processes may take longer, but they often lead to better understanding of potential risks and solutions (Mullins and Christy, 2016).

6. Culture and the External Environment

Modern organisations operate in dynamic environments characterised by technological innovation and global competition. Toyota has responded to these challenges by focusing on continuous improvement and innovation.

Recent reports from BBC News highlight Toyota's increasing investment in electric vehicle development as global demand for sustainable transportation continues to grow (BBC News, 2024).

However, operating globally requires organisations to balance consistency in organisational values with the need to adapt to different cultural environments (Hofstede, 2001).

7. Culture as a Barrier or Enabler

Organisational culture can function both as a strength and as a limitation. A strong culture may help organisations create consistency and improve cooperation between employees (Kotter and Heskett, 1992).

In the case of Toyota, the culture of continuous improvement and teamwork has helped the company maintain high standards of efficiency and quality (Liker, 2004).

However, strong cultures may sometimes slow down organisational change if employees become too attached to existing practices (Deal and Kennedy, 2000)

8. Recommendations

Toyota should continue encouraging innovation and flexibility in decision-making processes. As the global automotive industry is changing rapidly, organisations must adapt quickly to new technologies and environmental regulations.

Another recommendation would be to strengthen cross-cultural communication within international teams in order to maintain consistency across global operations.

9. Conclusion

This report analysed how organisational culture influences the structure and decision-making processes of Toyota.

The analysis showed that Toyota's culture is strongly influenced by principles such as continuous improvement, teamwork and long-term thinking. These principles are reflected in practices such as Kaizen and the Toyota Production System.

Overall, Toyota's culture appears to function mainly as a strength by encouraging cooperation, learning and innovation. However, organisations must also remain flexible in order to respond to future challenges.

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