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Abstract

This report will look at how traditional aspects of organisational culture affects structure. Using Schein's model, Hofstede's cultural types, the Cultural Web, Swot and Pestel it will explain how the Toyota's culture influences structure and decision-making. How culture benefits and sometimes restricts effective performance and function.

Introduction

The argument of Mullins and Christy is that culture-the shared norms, beliefs and values that define *how things are done around here*-shapes organisational structures that are key in decision-making, control and motivation. In a global context people from many national backgrounds must be integrated, by culture, into a coherent way of working (Mullins and Christy, 2016).

Toyota is a Japanese global car manufacturer, covering all aspect of production research, marketing and sales operating in over 170 countries and employing a multinational, multicultural workforce.

Organisational Structure

Organisational Structure reflects the system of production where lines of work are organised into teams that are responsible for productivity, safety and quality within their designated areas supported by visual tools and standard procedures (Liker, 2004; Liker and Hoseus, 2008) It must be said that without structure there would be no cohesion, nothing would connect, no lines of responsibility and accountability. In other words, it would be chaos.

Company Structure

The organisation of Toyota uses hierarchal structure that stretches across the globe. Headquarters are based in Japan with regional headquarters and product -based divisions around the world with clear lines of authority (Panmore, 2025b: Business Model Analyst, 2025) . The President is at the top with senior executives and the board in Japan setting out overall strategy and key policies. Beneath this level regional headquarters would have responsibility for manufacturing, sales, productivity and adaptability to local markets (Panmore, 2025b). This makes Toyota's structure a hybrid with centralised direction but with operational decisions becoming more decentralised. Within the various factories the work is divided into lines responsible within their areas for productivity, safety and quality while following standard work procedures. Improvement suggestions would also be expected. The hierarchy reflects national cultural traits of Japan (Hofstede, 1991) For example, in the west an employee could call the director by their first name in a relaxed manner, not in Japan, respect must be shown to those higher in the "pecking order" by using last names. In the west a greeting could be done by shaking hands, in Japan it would be a bow. This is the power dynamic that is apparent in everyday Japanese life. This reflects the need for control and standardisation. Uncertainty is something to be avoided. In the west the "go for it" approach is looked at with admiration, risk-taking is applauded. Not so in Japan where caution is key, "let someone else do it, then we will see"

As a global company, the operations of Toyota are based around the product, market and geographic management groups, with strategic decisions and policies being made at headquarters in Japan.

The **Regional Division** would be responsible for Europe, North America, Japan and other regions. The **Product division** would be responsible for vehicles, parts and accessories. Functional division would be responsible for human resources, legal, information technology, finance and marketing. **Global Operations** would oversee product diversification, market adaption, operational efficiency and product innovation. Board of Directors and Executive

Leadership teams, Product and Functional Divisions would be **Key Elements**. The benefits of this divisional organisational structure are aimed towards strategic focus, efficient decision-making, operational efficiency and local responsiveness. The challenges to this structure would be coordination of operations, adaptability of changing situations in the market and management and handling the complexity of a global entity.

Previously, only the President and top-level executives in Japan could make decisions. This would be what is known as a **hierarchal system** where instructions come from the top. With very little being suggested or implemented by lesser “managers and directors Authorisation from Japan. This meant that ideas and innovation would be limited because of the restrictions of Japanese traditions.

In 2013 Toyota revised its structure by moving away from a centralised **hierarchal** model to the delegation of more authority and responsibility to regional directors and managers throughout the organisation. This was in part a response to product recalls and a strategy was developed to be more competitive in the global market. Each area of operation and their respective teams could now manage and be responsible for quality safety, productivity and workflow, allowing for improvement, collaboration and innovation. With the communication lines open, a role-based, rather than title-based system evolved with the aim of faster decision-making and clearer accountability (Toyota, 2025a) This change to organisational structure ensured that opinions and ideas from outside were properly looked at and, where possible taken on board implemented and incorporated into production and management practices.

With the changes in 2013, Toyota created three divisions that separated geographical regions and product lines into distinct units that allow more focus and a streamlined, specialised approach. The geographic divisions allow Toyota to more effectively tailor strategies to local markets and be more responsive to consumer preferences and regulation conditions. With research and development being a separate entity, innovation becomes more focused and specialised for the various product lines. Technical advancements can be integrated across the product lines of the company where required. The clear lines between divisions help with operational efficiency with clearly defined roles and responsibility leading to faster decision-making

Global hierarchy: Where Japan makes most decisions, but power is given to regional heads. Processes are more decentralised but there is a requirement to report to headquarters.

Product-based divisions: Further changes were made to the structure so that decision-making became more streamlined and production efficiency increased. This became a move

to product-based strategy from function-based strategy. Seven new companies were created who, although able to collaborate with other divisions, had to report to head office.

1. Innovative Research and Development and Engineering Co.
2. Toyota Compact Car Co.
3. CV Company.
4. Power Train Co.
5. Mid-size Vehicle Co.
6. Lexus International Co.
7. Connected Co.

Each company president has full authority, responsibility and accountability to Head Office.

Geographic divisions: In 2016, two more divisions were formed to carry this strategy in nine international regions.

Business Unit Toyota No1 to cover North America, Europe, Africa and Japan.

Business Unit No 2 to cover China, Aisa, Middle East and North Africa, Eat Aisa & Oceania, Latin America & Caribbean

This creates a form of divisional structure that enables Toyota to address the various global markets and product ranges with all its diversity, with centralised control. There is a clear line between geographic regions and product divisions. FourWeekMBA,(2025)

The move to what is called “in house companies” created a more role-based approach rather than a title-based and is designed to make accountability clearer and decision-making faster (Panmore, 2025b:Business Model Analyst, 2025)

Decision-Making

The decision-making process at Toyota is a combination of Japanese traditions and the company's production approach. At the higher levels, important decisions are made through informal consultation to reach agreement before a decision (**nemawashi**) and circulation of written proposals for approval (**ringi**). This is so that a wide range of managers support and understand the final choices (Hofstede, 1991: Liker and Hoseus, 2008). Although support is built, the final decision can be slow compared to production line workers who have the power to halt a production line if they see anything defective or want make to small beneficial changes, making decisions faster at lower levels. With this decentralised authority, frontline

workers are more empowered and are encouraged to propose improvements. This reflects the trust in the staff with the belief that because they are close to the work, they will see problems quickly and be able to make decisions faster.

Types of Culture

Handy's 4 types of culture (Handy, 1978, 2020) list them as:

Power Culture where there is a dominant figure or small group who influences the organisation, found usually in small companies with little bureaucracy, few rules and procedures

Role Culture has clearly defined job descriptions, rules and procedures in keeping with bureaucratic organisations. Its strength comes from and through the specialists within the organisation, such as purchasing, production and finance. The job is more important than the individual. It is the position that holds the power.

Task Culture focuses on problem-solving and project teams. Power is based on expertise and collaboration. The right people and right resources brought together where influence comes from expertise.

Person Culture is where the structure is built around the individual or individuals. If a group of people were to use the same space to form a sales company with a financial expert, a buyer, administration, accountant and salesman, that would become a people culture.

There is however another aspect brought to for regarding Professional Culture (Adisa, T. 2025). Where it is discussed that there is considerable evidence to suggest that professionals within the health system have an Organisational Culture centred around the specific skills of these professionals. The surgeon, the bone specialist, blood specialist, each have their own specific area of expertise, but come together to perform there functions .

Toyota has elements of role culture and task culture. Alongside a Process Culture where efficiency, risk -reduction, planning and consistency are highly valued (Dean and Kennedy, 1982)

Organisational Culture

An organisations' culture are its characteristics and personality, it is the shared beliefs, values and shapes how people are expected to behave, how decisions are made and how work is carried out. It involves the history of the organisation, people past and present, the systems, rituals and communication patterns. And intangible, unwritten forms of behaviour and attitude. For example, people will stay longer than contracted hours, arrive earlier or help in areas not in the job description.

The cultural features of Toyota are, in terms of organisation, helped by **Schein's Three Levels** of culture. **Artefacts, Espoused Values and Basic Assumptions** (Schein, 2010)

Artefacts: These are the visible aspects, the tools and practises such as team meetings, written standards, kanban cards that are basically what to do, doing and done systems alongside work and progress charts, suggestion schemes, reports, and management boards (Liker, 2004; Liker and Hoseus, 2008). These visible signs display an emphasis on transparency, order and employee involvement. There are Andon cords, a quality control device that allows any worker to stop production immediately if they have identified a problem or defect. A system conceived by the Toyota Production System (TPS), it triggers a visual and/or audio alert that summons immediate assistance to resolve the issue at source to prevent any escalation of the problem and to minimise waste.

Espoused Values: The culture of Toyota is expressed through the Toyota way. It is based on two foundations which are respect for people and continuous improvement (Liker, 2004). Respect for people is primarily concerned with employee development, teamwork and long-term relationships with partners. Continuous improvement has principles like **kaizen** (small, ongoing improvements), **challenge** (pursue long-term goals), and **genchi genbutsu** (going to see the real situation) (Liker and Hoseus, 2008; Sosnovskikh, 2016). These values are prevalent in HR policies, company documents, leadership messages and training.

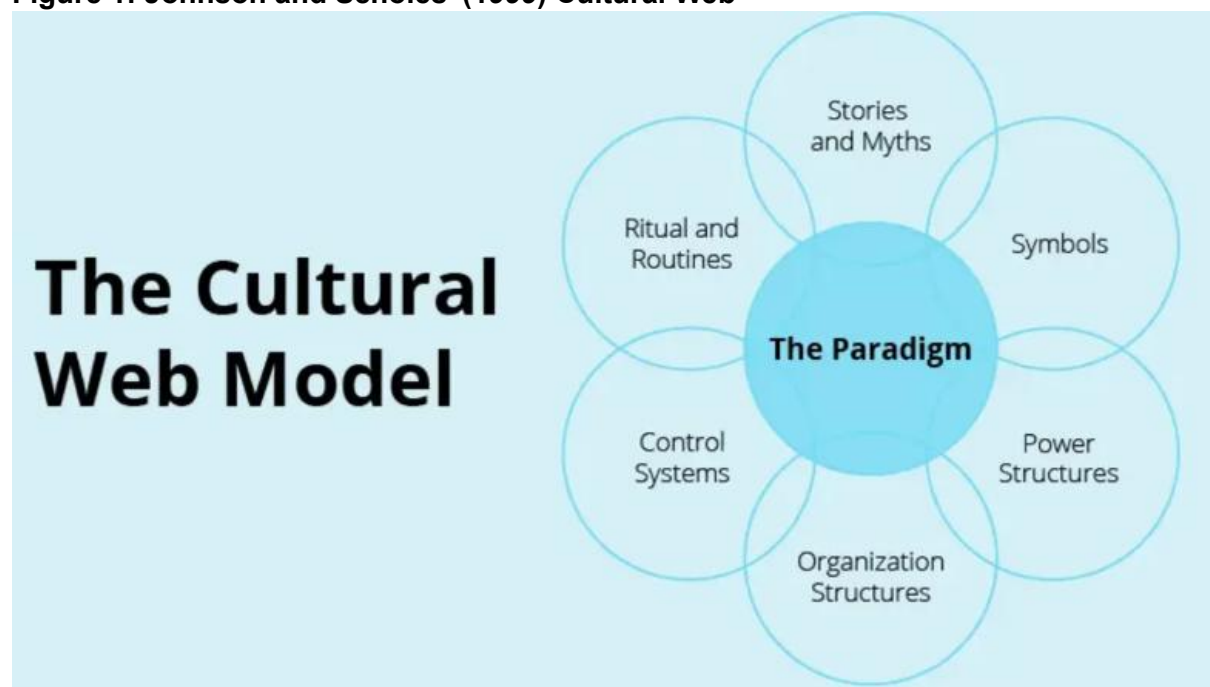
Basic Assumption: Is the belief that product quality, reduction of waste and thinking long-term are essential and that employees and partners should grow together, and problems are learning opportunities (Liker, 2004; Liker and Hoseus, 2008). It is held that quality and waste reduction are non-negotiable to be effectively competitive.

Another view of cultural types is given by Handy, who lists 4 types of organisational culture Toyota has many features of a **role-based** organisational culture, work is organised into clearly defined jobs, rules, procedures and job descriptions alongside formal hierarchy reporting (Handy, 1993, Panmore, 2025b) There are also elements of strong **task** culture with cross-functional development teams, innovation teams and problem-solving groups coming together and focusing on constant improvement (Liker, 2004; Rutgers Business Review 2008). The **power** element of culture, which is the influence of senior executives,

and **person culture**, is the respect for individual expertise, are less dominant but present in the respect for expert engineers and long-standing leaders (Sosnovskikh, 2016)

The Cultural Web model below, (figure1) is used to systematically map the culture of Toyota where areas for change can be identified and give insight how employee engagement and performance is impacted by culture. (Johnson and Scholes, 1992)

Figure 1: Johnson and Scholes' (1999) Cultural Web



Image; (Moodle, 2025)

Stories: Regarding tales of how workers on the front line stopped production due to defects or top executives visiting, reinforce values of responsibility and quality (Liker, 2004)

Rituals and routines: Problem-solving and daily team meetings and reflection sessions (Liker and Hoseus, 2008)

Symbols. The company logo, uniforms and Japanese terms like “genchi genbutsu” reflect a culture of discipline, equality and continual improvement (Sosnovskikh, 2016).

Control Systems: Performance measurements for cost, quality, delivery and safety (Liker, 2008)

Organisational structure: Combined with a formal hierarchy, empowered teams show both trust and control (Panmore, 2025b)

Power Structures: Senior executives in Japan and technical experts have strong influence but must model humility and disciplined -orientated learning and respect of others, the Toyota Way (Quarterdeck, 2025; Johnson et al., 2017).

These elements together form a cultural “**paradigm**” where the organisation sees itself as a learning-orientated, disciplined and people-focused manufacturer.

External Culture

The work on national culture by Hofstede, assists in explaining the Japanese roots of organisational culture where there is high power distance, respect of higher authority and acceptance of hierarchy. This is apparent in the formal chain of command and deference to headquarters (Hofstede, 1991; Sosnovskikh, 2016). High uncertainty avoidance is supported by detailed rules and planning and not taking risks, all reflected in strong formal processes and standardisation (Hofstede, 1991). Toyota’s tendency towards group thinking, long-term orientation, teamwork and long-term employment relationships fit into the Toyota Way.

There is a strong dislike of uncertainty in Japanese culture. Risk is avoided as far as possible. Western culture applauds the risk taker and to “jump in and see” is seen as something to be admired to some extent. As expansion occurred into the west, Toyota combined its formal roots with local practices such as lower power distance where a more informal language and behaviour is used, “good morning, John” instead of “good morning, Mr Tanaka”.

A Pestel analysis will show how external factors affect culture:

Political: Corporate governance regulations have made Toyota increase, safety and decrease emissions. More transparency and stronger compliance (Sosnovskikh, 2016; Toyota, 2025b)

Economic: Global competition and demand need efficiency and cost control, less waste and more productivity (Liker, 2004)

Social: The diversity of the workforce and changing customer expectations particularly in the western markets push Toyota to more open communication and inclusion while balancing traditional hierarchy. (Mullins and Christy, 2016; Quarterdeck, 2016)

Technological: With the shift beyond traditional manufacturing towards electric cars, more incorporated software and autonomous driving, there is the need for more collaboration and faster experimentation (Rutgers Business Review, 2008)

Environmental: Toyota are encouraged to embed environmental targets into its improvement culture because of pressure to improve sustainability and reduce emissions. (Mullins and Christy, 2016; Toyota Industries, 2025)

Legal / Ethical: There are global expectations regarding ethics, data protection and human rights requiring a culture of integrity and openness (Toyota Industries, 2025)

With lower power distance and higher individualism in areas such as Europe and North America, local plants develop hybrid cultures that mix the Toyota way with local expectations of direct feedback and participation (Hofstede, 1991, UKEssays, 2017).

Organisational Culture and Barriers to Effective Function

The culture of Toyota has clear benefits, high quality products, strong employee involvement, low staff turnover and efficient processes compliment effective functioning. However, the cultural traits of respect for hierarchy can discourage employees from challenging decisions, conflict avoidance and the tendency to towards secrecy can inhibit the flow of information, which slows down response to critical situations. The standardisation of processes, the "this is how it's done" style, may limit innovation and creativity. In a fast-moving technological environment risk-avoidance can hinder experimentation.

Organisational Culture and Organisational Performance

The structure of Toyota has a strong impact on performance because it is supported by a strong culture and product conscious philosophy. It supports efficiency and, with continual high performance in cost, reliability and quality, helps them remain competitive on a global scale.

A brief **SWOT** analysis can link culture and performance:

Strengths:

- Strong Culture of continuous improvement and learning
- Disciplined environment,
- Efficiency and high quality through the Toyota Way, low waste
- Employee engagement and retention is strong, respect for each other.
- Strong customer relationships
- Quality, productivity and performance

Weaknesses:

- Rigid routines can slow down innovation outside of core processes.
- Culture of consensus causing delays in decision-making at higher levels.
- Resistance and caution towards change
- High power distance levels combined with centralised decisions are slow

Opportunities:

- Shift towards team-based and task-orientated operations
- Support growth in electric vehicles
- Support innovation through its improvement and learning culture
- Enhance digital and manufacturing processes for sustainability

Threats:

- Competition from other electric vehicle companies
- Disruptions to global supply chains
- Fast changes to customer demand
- Speed of technological advances
- Cross-cultural differences through misunderstanding

Toyotas organisational culture influences and promotes strong performance and productivity but must stay abreast of the market in order to meet challenges of an industry where there is continual technological advancements.

Recommendations

Support multi-cultural learning so managers and plants across the regions, globally, can gain more understanding of each other and their traditional aspects. Which fits into the continuous learning traditions.

Allow teams more license to experiment outside of normal Toyota Production System structures. This would allow for more innovation and design advancements, an advantage in a fast-moving industry.

Promote more collaboration and encourage an environment where employees are not reluctant to speak up and give constructive opinions and feedback, promoting an atmosphere where employees feel safe to do so without fear and apprehension.

Make it clear which decisions are made locally, and which go to higher levels.

Conclusions

One of the most successful operational systems in the world, TPS, has been shaped by the organisational culture of Toyota, built on kaizen, discipline, respect and teamwork. A culture that provides solid strengths, efficiency, quality and long-term strategies. However, there are the challenges such as limited flexibility and slow decision-making. By supporting innovation, modernising cultural practices, multi-cultural learning and increasing cross-

collaboration, Toyota's competitive edge can be maintained in the fast-evolving world of the automotive sector.

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