

Module Code: LCLM 5005

Module Title: Organisational Culture

Student ID:2227909

Student Name: Cristina Mantu

Executive Summary

This report aims to critically assess the ways the culture of the organisation shapes the decision-making and structure of the company. Toyota has been selected for the conduct of this report about organisational culture and behaviour. Frameworks such as Hofstede's cultural dimensions and Handy's cultural types have been used to analyse Toyota's organisational culture. The influence of the organisational culture on adapting its external environment has been analysed. The concept of organisational culture and its influence on company structure and decision-making have been discussed here. Negative impacts of organisational culture on Toyota's operations have also been presented. Challenges have been identified for the company, and a few recommendations have also been provided in the report.

Introduction

Organisational culture is defined as the shared set of beliefs, values and behaviours that defines the personality of an organisation. Organisational behaviour is considered one of the most complex concepts of general management. The work organisations are becoming complex because of rising globalisation (Mullins and Christy, 2016). Based on the organisational behaviour and management, this report will select an organisation. Toyota will be selected, and the ways organisational culture will help to shape the decision-making and structure of the firm will be assessed. Relevant frameworks will be used to discuss the organisational culture of the company. The ways Toyota is using the influence of organisational culture to adapt to its external environment will be provided. A justification will be provided to answer whether the organisational culture is a barrier to effective functioning in Toyota or not. The impact of the organisational culture on the organisational performance of the selected company will be evaluated along with effective suggestions.

1. Organisational culture and its influence on company structure and decision-making

Organisational culture

Organisational culture refers to the values, behaviours, and beliefs of a company that impact the performance of a business. It can shape the decision-making process of an organisation, help in developing employee engagement strategies, and improve overall business performance (Spicer, 2020). An effective organisational culture can guide a company in determining the most important and least important tasks, and act as the personality of an organisation. Employee relations and customer services can also be influenced by this culture. A strong organisational culture can drive high performance from the employees and help in business growth. It can be identified by the communication styles and behavioural patterns of a company (Williams, 2022).

Company structure

A company structure refers to the framework that determines the distribution of responsibilities and relationships among different departments of a business. In this structure, legal tasks, daily operations, and reporting to a higher authority are also included. The structure can clearly describe individual responsibilities, ensuring a clear communication process from the higher authority to other employees (Guterman, 2023). A company's legal status can also be defined by this, such as partnership, sole proprietorship, individual corporation and others. If a company has a well-defined structure, it can improve the efficiency of its business. This helps to protect the personal assets of owners from business debts (IBM, 2025).

Decision-making process

It is a process of making choices for business development in an organisational structure. In a complex business structure, it includes identifying the problem, collecting information, finding

possible solutions and implementing them. These different steps can be an effective solution for the decision-making process of an organisation (Black, 2023). There are 3 decision categories, such as cross-cutting, big bet and delegated decisions. Big bet decisions may include acquiring other businesses to expand reach and gain a competitive advantage (Sheldon, 2024). Cross-cutting decisions can be risky, as they include redefining the pricing strategy, achieving other targets and others. Delegated decisions are low-risk and can be made by employees to improve accountability and engagement (Mckinsey, 2023).

Organisational culture's influence on company structure

The culture of a company can impacts the structure by influencing communication styles, responsibility division and others. A collaborative culture can offer a flexible structure, and a hierarchical culture shapes a rigid structure. An innovative culture can be built by adaptive team members. Flatter structured companies can empower their employees by providing them with autonomy to make decisions. Hierarchical structure follows the command-and-control approach, and only higher authorities are responsible for decision-making. If a company follows a formal structure, it can apply a clear chain of command. An informal communication culture can lead to a fluid structure that deals with less rigid interaction. Departmental structure encourages a stable culture in a business that can maintain a routine. Organisational culture can influence the structure of a company and help employees to be motivated and contribute to business success (Rebello, 2021).

Organisational culture on decision-making

The organisational culture of a company can influences its decision-making by improving collaboration, encouraging risk-taking and providing solutions. An innovative culture helps employees and other higher authorities make effective decisions. On the other hand, a risk-averse

culture can lead to more conservative choices. Organisational culture can influence the decision-making time as it determines the adaptive nature of employees. Problem-solving approaches of employees can also be impacted by company culture. Innovative culture encourages employees to take risks and drive creative solutions for any problem. Good teamwork and involvement of all members can enhance decision quality. The company's strategic culture can help employees make decisions that are aligned with organisational vision and goals.

2. Identification and analysis of organisational culture

The organisational culture of Toyota is built upon the “Toyota Way” philosophy. This was influenced by Japanese national culture and can be effectively analysed by models. Hofstede cultural dimensions, Edgar Schein’s level of culture and Handy’s cultural types models can be used to analyse the organisational culture of the organisation.

Frameworks for Identifying Organisational Culture

Schein’s Model of Organisational Culture

This model defines the culture of an organisation as three interconnected levels, consisting of artefacts, espoused values, and basic underlying assumptions (Psych Safety, 2023).

Artefacts: These are the tangible and visible elements of the organisation and are easy to observe. However, it is difficult to decipher without understanding the deeper levels. Physical layouts of the workplace, dress codes, and organisational structures are part of this element.

Espoused values: These consist of the organisation’s stated philosophies, values and rules of behaviour that are mentioned in mission statements and company charters.

Basic Underlying Assumptions: These are the deeply embedded and often unconscious beliefs that guide the behaviour. These are the essence of the culture and are the ultimate source of actions and values.

Applying Schein’s Model of Organisational Culture

Artefacts: The visible elements of Toyota’s culture emphasise teamwork by using specific communication tools such as “Andon cords”. It is the visual manifestation of the Toyota Production System that illustrates the interconnectedness of the manufacturing system with “Just-in-Time”. (CCI, 2025).

Espoused Values: The two main pillars of the company are “Continuous Improvement” and “Respect for People (Iva Krasteva, 2024).”

Basic Underlying Assumptions: Quality is paramount is the core assumption of Toyota and waste elimination is a collective responsibility.

Hofstede’s Cultural Dimensions

This is a framework by Geert Hofstede that was created for national culture that can impact behaviour in various social and business contexts. It consists of six dimensions that consist of power distance, individualism vs. collectivism, masculinity vs. femininity, uncertainty avoidance, long-term vs short-term orientation and indulgence vs restraint (Mind Tools, 2025).

Power Distance (PDI): It defines the extent to which less powerful members accept and expect unequal power distribution. High PDI implies a hierarchical structure, and low PDI suggests flatter and more consultative structures.

Individualism vs. Collectivism (IDV): It defines the degree to which individuals are incorporated into groups. Individualistic societies stress personal achievement while collectivistic societies prioritise group welfare and harmony.

Masculinity vs. Femininity (MAS): Masculinity favours assertiveness, achievement and material rewards. Femininity emphasises modesty, cooperation and quality of life (Nickerson, 2025).

Uncertainty Avoidance (UAI): It refers to uncertainty and ambiguity, and high UAI cultures prefer strict rules. Low UAI cultures are more comfortable with unstructured situations and risk-taking.

Long-Term vs. Short-Term Orientation (LTO): The long-term orientation concentrates on the future persistence, while the short-term orientation emphasises the immediate and present gratification.

Applying Hofstede's Dimensions to Toyota

Power Distance: The company exhibits high power distance as compared to Western culture. The “Respect for People” philosophy motivates input from all levels for problem-solving (Croft, 2025).

Collectivism: The firm is collectivistic as it emphasises teamwork and group success. They focus on long-term relationships with suppliers and employees.

Masculinity: The culture scores high on masculinity, and it is evident in its highly competitive nature and concentration on achievement.

Uncertainty Avoidance: Toyota demonstrates very high uncertainty avoidance because of its standardised work procedure and a wide array of rules.

Long-Term Orientation: The firm concentrates on long-term orientation as it focuses on sustained growth and continuous Research and Development (R&D).

Handy’s Cultural Types

This model consists of four main types of organisational culture: power, person, task and power. It was built by Charles Handy to classify the organisational culture into the mentioned types (Freedman, 2025).

Power Culture: It focuses on a few individuals, especially those who radiate from a central figure. Decisions are made quickly, and the success of the organisation often depends on the central leader.

Role Culture: This concentrates on defined roles, procedures and rules of the organisation. It is a stable and predictable element, yet it can be slow to adapt.

Task Culture: This culture concentrates on completing the task and bringing the team together with relevant experience. Power and influence are widely distributed based on expertise, and the culture is flexible and adaptable.

Person Culture: The organisation exists to serve the needs of a person, as the individual is the central point. This is rare in large corporations, yet can be found in professional partnerships.

Applying Handy's Types to Toyota

Role Culture: The company depends on clear descriptions, procedures and strong functional hierarchy (Organimi, 2025). It ensures efficiency and structure that are important for quality-centred manufacturing.

Task Culture: The Company's commitment towards problem-solving and R&D is evident from the task culture aspects.

Power Culture: Decision-making authority is centralised at the top management, which is a feature of power culture. The success of the company depends on its shared values.

Discussion on the Organisational culture of Toyota.

The organisational culture of Toyota is a deeply ingrained system that is built on the core assumptions of collectivism, continuous learning and long-term thinking. These assumptions were manifested in explicit values such as "The Toyota Way" that resulted in a highly effective operational model. It is predominantly a blend of role and task cultures that are influenced heavily by its Japanese national characteristics.

3. Organisational culture and adaptation to the external environment

Toyota adapts to its external environment through its deeply integrated organisational culture that is known as “The Toyota Way”. It is founded on the main crucial pillars, that is, Continuous Improvement and Respect for People (Medium, 2023). This culture fosters a learning organisation that can respond flexibly to market changes, advancement in technology and pressure from competition.

1. Continuous Improvement: It encourages employees to identify the procedures for improving Toyota's work and processes (Shoplogix, 2024). The company follows a decentralised approach that helps it innovate.

Eliminate waste: Cost competitiveness and efficiency are maintained by Toyota by determining and removing inefficiencies.

Enhancing Quality and Flexibility: The firm ensures the practice of “building a culture of shopping to fix problems”. This helps to ensure quality and prevents defects from spreading. It allows for rapid adaptation to the benchmark of quality or for fulfilling the needs of the customer.

Drive Innovation: A perspective of innovation and change has been fostered by Toyota with its ongoing improvements. This helps them to remain competitive in the fast-evolving auto industry sector. The Toyota production system (TPS) is a direct application that helps the company to remain competitive in fluctuating economic conditions and resource scarcity.

2. Respect for People: This pillar involves fostering mutual trust, developing employees' capabilities and building teamwork. It helps the company for external adaptation because it strengthens supplier networks, empowers employees and facilitates organisational learning.

Empower Employees: The employees were given the authority to stop the line of production and suggest improvements. It ensures that people in this company can respond immediately to any issues or changing requirements.

Facilitated Organisational Learning: Encouraging employees to “go and see for yourself”, makes the decision based on firsthand information. This helps Toyota to make informed and rapid decisions to address the external challenges.

Strengthens Supplier Networks: The company treats its suppliers as partners that can challenge them to improve and offers support. It ensures that the entire value chain is robust and can adapt to the emerging demands of the market. The company uses the Andon cord to ensure quality and to address the external demand for reliable and high-quality vehicles.

Example of Adaptation of Toyota towards Electric Vehicles

Toyota’s culture of long-term thinking initially led to the focus on a diverse portfolio that involves hybrid and hydrogen vehicles. However, when the external environment shifted towards rising demand and regulations for “battery electric vehicles”, the firm strategically learned and enabled a strategic adjustment towards this innovation (Audsley, 2025). It has eventually helped them to maintain their fundamental identity and competitive advantage in this sector.

Therefore, the culture of Toyota acts as a dynamic framework that allows for balancing standardised processes. It also ensures efficient processes with the innovative and flexible spirit that is needed to thrive in the highly competitive and evolving external environment.

4. Organisational culture is a barrier to effective functioning in Toyota

Organisational culture of Toyota

Toyota's organisational culture is called "Toyota Way" and it focuses on 2 factors: continuous improvement and respect for people. Their culture promotes a problem-solving attitude, teamwork, and innovation through the Toyota Production System approach. Its employees are guided to follow the standard operating procedures for better customer service. Toyota also provides training and development opportunities to its employees for high-quality work. The respect for people principle of Toyota helps build trust among employees and grow their capabilities. Employees can share creative ideas and implement them in the decision-making process. On the other hand, the continuous improvement principle focuses on enhancing the capabilities of employees. It includes incorporating new approaches for work, identifying new ways to improve business operations and others (Toyota, 2024).

The automobile company provides training to its employees to improve their knowledge and skills. This strategy can help employees find the root cause of any problem and build effective solutions. It also encourages employees to utilise technologies to collect and process data, as it leads to data-driven decisions. These strategies can help the company have the desired outcomes rather than developing any business plan based on guesswork. However, it has some challenges that will be discussed below:

Barriers

The innovative organisational culture of the company has some limitations that negatively impact its business functioning. The automotive company follows a hierarchical structure that only focuses on commanding and controlling. Excessive targets are provided to the employees, and they tend to follow shortcuts to meet those targets on time. This can lead to more problems, and they

cannot find any effective solutions due to poor communication. A weak culture cannot contribute to an effective decision-making process and better serve customers. If employees cannot share their ideas and thoughts within the workplace, they may not find solutions to any problem (Gutterman, 2025).

Excessive secrecy from the higher authorities discourages employees from participating in the decision-making process and working towards the company's vision. It also leads to miscommunication among employees, and customer service may be disrupted. Unrealistic targets for production and sales from higher authorities can create mental pressure on employees. This showcases the negative work environment in Toyota that can be challenging in retaining top talent in the company. This rigid culture of command from one side cannot encourage collaboration or innovation in the organisation (Sevilla, 2023).

5. Impact of organisational culture on the organisational performance of Toyota and recommendations for improvement

Challenges

Toyota faces many challenges in its operations due to a hierarchical organisational structure and a poor culture. They mainly focus on cost-cutting over quality and the rapid expansion of business. This affects their business operations by disrupting supply chain management, increasing competition, and other issues. They are also struggling to serve the market trends and consumer preferences. The “Just-in-Time” production system of Toyota contributes to supply chain disruptions (Toh, 2024). If any of their suppliers face cyber-attacks, their supply process can be impacted. The electric vehicle market is increasing competition for Toyota despite having a hybrid presence. Their brand image was also damaged due to past quality issues in vehicles; consumers may not trust this brand again. A lack of adaptive skills also creates challenges for them; they need to adapt to new technologies for better operations.

Recommendations

Leveraging technologies

Toyota can utilise new technologies such as artificial intelligence to improve its supply chain management. Artificial intelligence (AI) and machine learning technologies can help them to forecast market trends and improve efficiency by reducing waste. Real-time tracking facilities can contribute to checking inventory levels and shipments of raw materials that lead to delivery efficiency. A robotics facility can help them improve productivity by increasing the manufacturing process. They can automate various tasks with this robotics technology and improve supply chain transactions by blockchain (McKinsey and Company, 2025).

Improving leadership

Toyota can develop employee engagement strategies through an effective leadership style. A good leader can promote transparent communication within the workplace that leads to creativity and innovation in the business process. They can provide training to employees to enhance their skills that can benefit the organisation in the long run. Rewarding employees for their better performance can also help to motivate them. Workers may feel valued and heard in the workplace by this recognition and work towards the organisational goal. Satisfied employees can serve customers better and also build a positive image of the company.

Conclusion

This report has discussed organisational culture and its importance. The way it influences the company structure and decision-making process of a business has been presented here. The organisational culture of Toyota has also been discussed in the report using different frameworks. Handy's Cultural Types, Hofstede's Cultural Dimensions and Schein's Model have been applied to Toyota to understand its organisational culture. Toyota is a car manufacturing company, and its organisational culture, that is known as "The Toyota Way", has been discussed here. This company focuses on two dimensions: respect for people and continuous improvement.

However, their organisational culture has some loopholes that affect their overall operations. Toyota follows a hierarchical structure that emphasises control and command, which leads to dissatisfied employees. Excessive targets have been provided to employers, and they cannot perform well due to this pressure. These cultures have created challenges for the company, such as a disruptive supply chain, poor communication, cyberattacks and damaged reputation. A few recommendations have been provided in the report to mitigate those challenges. Toyota can improve its leadership styles to build effective employee engagement strategies for better customer service. They can also leverage technologies to improve their supply chain management.

References

- Audsley, K (2025) *The Secrets Behind Toyota's Iconic Brand Evolution: What Entrepreneurs Can Learn*. [Online] Available at: <https://www.founderli.com/post/the-secrets-behind-toyotas-iconic-brand-evolution-what-entrepreneurs-can-learn#:~:text=Adapt%20to%20Change:%20Toyota's%20ability%20to%20evolve%2C,respondin g%20to%20consumer%20needs%20and%20global%20trends>. [Accessed 31 10 2025].
- Black, K. (2023) *Business statistics: for contemporary decision making*. John Wiley & Sons.
- CCI (2025) *From the Toyota Continuous Improvement System to DOS*. [Online] Available at: <https://ccitracc.com/blog/continuous-improvement-toyota-production-system/> [Accessed 31 10 2025].
- Croft, D (2025) *14 Principles of the Toyota Production System: A Comprehensive Guide*. [Online] Available at: <https://www.learnleansigma.com/lean-manufacturing/14-principles-of-the-toyota-production-system-a-comprehensive-guide/> [Accessed 31 10 2025].
- Freedman, M (2025) *Charles Handy's Management Theory: Power Culture & Modern Organisational Insight*. [Online] Available at: <https://www.business.com/articles/management-theory-of-charles-handy/> [Accessed 31 10 2025].
- Gutterman, A.S. (2023) Designing the organizational structure. *Available at SSRN 4548234*.
- Gutterman, A.S. (2025) Hierarchy Culture: Order Above All. *Available at SSRN*.
- IBM (2025) Company Structures. [Online] Available at: <https://www.ibm.com/docs/en/controller/11.1.0?topic=structures-company> [Accessed 31 10 2025].
- Iva Krasteva (2024) *The Two Pillars of Lean: Embrace the Mindset First!*. [Online] Available at: <https://businessmap.io/blog/lean-pillars> [Accessed 31 10 2025].

McKinsey (2023) What is decision making?. [Online] Available at: <https://www.mckinsey.com/featured-insights/mckinsey-explainers/what-is-decision-making> [Accessed 31 10 2025].

McKinsey and Company (2025) Supply chain management. [Online] Available at: <https://www.mckinsey.com/industries/automotive-and-assembly/our-insights/tech-enabled-business-transformation-the-trillion-dollar-opportunity/what-can-i-do/supply-chain-management> [Accessed 31 10 2025].

Medium (2023) *14 Management Principles (The Toyota Way)*. [Online] Available at: <https://medium.com/@princehaifan007/14-management-principles-the-toyota-way-ce36d655baa3> [Accessed 31 10 2025].

Mind Tools (2025) *Hofstede's Cultural Dimensions in Today's Global Workplace*. [Online] Available at: <https://www.mindtools.com/a1ecvyx/hofstedes-cultural-dimensions> [Accessed 31 10 2025].

Mullins, L., and Christy, G (2016) *Management and Organisational Behaviour (Eleventh ed., Always learning)*.

Nickerson, C (2025) *Hofstede's Cultural Dimensions Theory*. [Online] Available at: <https://www.simplypsychology.org/hofstedes-cultural-dimensions-theory.html> [Accessed 31 10 2025].

Organimi (2025) *Toyota's Organisational Structure*. [Online] Available at: <https://www.organimi.com/organizational-structures/toyota/> [Accessed 31 10 2025].

Psych Safety (2023) *Edgar Schein's Three Layers of Organisational Culture*. [Online] Available at: <https://psychsafety.com/psychological-safety-edgar-scheins-three-layers-of-organisational-culture/> [Accessed 31 10 2025].

Rebello, K. P. (2021) The Impact Of Culture In The Workplace. [Online] Available at: <https://www.forbes.com/councils/forbesbusinessdevelopmentcouncil/2021/12/01/the-impact-of-culture-in-the-workplace/> [Accessed 31 10 2025].

Sevilla, G. (2023) Toyota's factory shutdown exposes the effect of technology loopholes on global production. [Online] Available at: <https://www.emarketer.com/content/toyota-s-factory-shutdown-exposes-effect-of-technology-loopholes-on-global-production> [Accessed 31 10 2025].

Sheldon, R. (2024) decision-making process. [Online] Available at: <https://www.techtarget.com/searchbusinessanalytics/definition/decision-making-process> [Accessed 31 10 2025].

Shoplogix (2024) *Toyota Continuous Improvement (CI): How Does Toyota Handle Their CI?*. [Online] Available at: <https://shoplogix.com/toyota-continuous-improvement/> [Accessed 31 10 2025].

Spicer, A. (2020) Organizational culture and COVID-19. *Journal of management studies*, 57(8), pp.1737-1740.

Toh, M. (2024) Toyota remains world No.1 but its list of problems is growing. [Online] Available at: <https://edition.cnn.com/2024/01/30/business/japan-toyota-world-top-selling-automaker-2023-intl-hnk> [Accessed 31 10 2025].

Toyota (2024) The Toyota Way. [Online] Available at: <https://careers.toyota.com/us/en/culture> [Accessed 31 10 2025].

Williams, P. (2022) Organisational culture: definitions, distinctions and functions. In *Handbook of research methods for organisational culture* (pp. 5-22). Edward Elgar Publishing.