

Toyota Production System
Prof. Rajat Agrawal
Department of Management Studies
Indian Institute of Technology – Roorkee

Module No # 02
Lecture No # 09
Long Term Philosophy

Welcome friends, so, this is the ninth session on this course of Toyota production system. And so far we have developed a very good base to understand the concept of Toyota production system. And now onwards we are going to start a journey of 14 principles of Toyota production system which we have already discussed are coming from the 4 P model of Toyota production system.

In our previous sessions, we discussed about the cultural issues which are required for implementing the Toyota Production System, it is much beyond tools and techniques which are simply required for implementing the Toyota Production System. It requires a organization wide culture for having that kind of approach towards excellence, which can lead you to the world class organization.

Now the foundation of that world class organization foundation of that excellence is based on long term philosophy. And in this session, we are going to discuss about that long term philosophy aspect that, why philosophy is so, important? Why that particular aspect of long term vision is so important for Toyota? And when you have that long term vision, then only these kind of initiatives are going to help you.

If you want to gain some kind of advantage in short term, if you want to have quick return on your investment, then probably you are not at the right place. So, with this idea, we are starting this session that what is the long term philosophy? And how long term philosophy is going to help the organization to achieve the excellence? The particular thing which is very important to understand that we all are living in an era which requires instant gratification.

We are looking for quick results, I do this thing today I invest some money today and tomorrow I should get double of it. So, that is the kind of culture in which we are living at the moment.

(Refer Slide Time: 03:05)

- We live in a world of instant gratification.
- The main focus goes to solving problems in the now and "putting out fires".

Current Envi.
↓
Long term philo.



So, the whole world it is not only me or you everybody is in the process of instant gratification, we want quick return on our actions that is not possible. If we are following the approach of Toyota production system, it believes in continuous improvement, it believes in slow decision making. And therefore, this idea is to be understood that this is not something which gives you some input and immediately you are switching on or off you get the results.

So that is not possible in Toyota production system. But unfortunately, that is how world is we all are having such kind of short sightedness, that we want immediate results for most of our actions. And the second important thing is that most of the time, we are involved in solving our routine problems, not only routine problems, problems which are immediately in our heads and you see different organizations in India, not only in India, but across the globe.

We are always we means the top management of the organization, even the middle management and in some organizations, the lower management also they are always in a firefighting mode, we are always involved most of our energy most of our resources, most of the time, we are involved in solving our regular routine problems only. So, when we are totally exhausted with our daily routine immediate problems, how will I get time for long term thinking.

And therefore, we have very few excellent organizations, we have very few great organizations, I was seeing somewhere that in India, we have so many good institutions, we have so many good organizations, we have so many good hospitals, but we do not have great hospitals, we do not

have great institutions, we do not have great companies, why because most of the time our energy is exhausted in doing our routine firefighting work.

There is no time for us for long term sustainable think and this is how the current environment and I am talking that we need to have a long term philosophy and though in none of the literature related to Toyota this term is there. But now, because many of you are already students of operations management, supply chain management, you can understand that lot of focus is shifting towards sustainability.

How you can have long term existence of your organization? Long term existence of the society? And that is nothing but this very concept of long term philosophy. So, people have coined that term differently, they have given a name of sustainability, but the concept of sustainability and this long term philosophy of Toyota are almost the same concept that we want long term existence of the organization and therefore, the philosophy, the long term vision is the base of entire Toyota structure.

(Refer Slide Time: 07:18)

- ① Have a philosophical sense of purpose that supersedes any short-term decision making.
- ② Work, grow, and align the whole organization toward a common purpose that is bigger than making money.
- ③ Understand your place in the history of the company and work to bring the company to the next level.
- ④ Your philosophical mission is the foundation for all the other principles.

Then why to have a philosophical sense, it is also very important to understand and for that purpose, if you read this slide, it says that have a philosophical sense of purpose that supersedes any short term decision make. If you have a long term philosophical sense of purpose, why are you there? What is the reason of existence of your organization and if you have this concept clarity in your mind, this will help you to supersede any kind of short term decision making.

Otherwise, if that long term goal is not there, if long term philosophy is not clear in your mind, then probably as different waves will come you will have according to those waves, short term activities short term objectives for your organization. So, if you have a philosophical sense of purpose, why are we here and accordingly, right from the childhood to your older ages, you can have a consistent purpose of your activities.

Otherwise, as per the time as per the excellent environment, but you will go into different kinds of short term decision making. So, that is one important thing that why should we have a philosophical sense of purpose. Then the second important thing, why should we have a long term philosophy, work, grow and align the whole organization towards a common purpose that is bigger than making simply money.

The author Liker have mentioned this particular thing that people working in Toyota organizations, whether in Japan or in USA, or at any part of globe, they have a sense of purpose and this sense of purpose is bigger than just earning the salary cheque. And most of the time, unfortunately, you go to many Indian organizations, you will not be able to find what is the purpose of working an employee in the normalization.

For most of the employees they work to earn their wages, they work for getting the monthly salary, but in case of long term philosophy, they were able to generate this kind of sense of purpose that we are not here only to earn money, money will automatically come, but there is a bigger purpose and if I go to the class of motivation of then Maslow's need hierarchy is also similar to this.

That you have some higher level phenomena for your existence and that if you align with the organizational objectives, this is going to create miracle. So, that is the second important thing that if you have a philosophy of your organization, people can align with that philosophy, people can grow with that philosophy and that is the reason that in India, you have some of the spiritual organizations which are having fan following which have the followers in large numbers.

Because those organizations are able to create some sort of sense of their existence. And then people start aligning themselves with the objectives of the organization, people start

understanding the very purpose of their existence and as organizations grow, people also grow in their own intellectual capabilities in their own way. So, that is how the happiness, the learning, the purpose all come together and it gives a much strength to the organization's objective.

The third purpose for having philosophy of a organization is that to understand the place in the history of company and work to bring the company to the next level, I am not simply employee of the organization I am creating some history for the organization whenever somebody after 50 years, 100 years, want to see the progress of this organization, I should be identified as one of the employee of this organization.

I am not one of many, I am creating history for the organization, I am part of that history making activity and when I have this kind of feeling in myself that I am part of that history making, then certainly, I will bring the company to the next level, I will do something I will like to put my creativity, I will like to put my talent with potential. So that with my contribution organization should be able to go to the next level of performance.

So when organization goes to the next level of performance, then only somebody will remember me. So, therefore, I become the part of history of the organization. So, that sense is also possible, because you have a very clear cut philosophy, which is truly imbibed into the organizational level at all the employees. And then the most important thing that this philosophical called understanding this philosophical mission is the foundation for all other principles.

For all remaining 13 principles of Toyota production system, this philosophical understanding of the organization is going to be the base, it is the foundation for rest of the TPS. So, therefore, we need to have a proper philosophical understanding and then we also need to have how to transfer that philosophy of organization which is been developed by the founders or Board of management to each employee of the organization.

And if you see the current corporate governance principles in India, somehow the focus of those corporate governance principles is on this aspect also, that whatever system we have, whatever transparency we want to bring, whatever ethics we want to bring, we should be able to infuse those principles at all levels of the organization. So, with this, we, as just discussed that in his

book, Liker has mentioned that he interviewed large number of Toyota employees in different Toyota plants.

(Refer Slide Time: 15:06)

- According to Liker “ almost all the employees of Toyota has a sense of purpose greater than earning a paycheck.

And everywhere, he found one common thing and that common thing was that all the employees of Toyota has a sense of purpose greater than earning a paycheck. So, everybody was working, and when they are working, they get salary they got monthly wages, but that was just one part of their expectations, but they were having a bigger sense to take Toyota to next level of excellence. How can I contribute what is my contribution in the success of IIT Roorkee? So, I am going to contribute for the success of IIT Roorkee, you are going to contribute for the success of your organization.

So, if I feel that I can contribute, certainly, I will be part of history of IIT Roorkee same thing is there in our organization, across their plants. So, that is very, very important thing, that they were able to develop this kind of employee engagement, they could grow that kind of culture in their organization, and Liker has already mentioned and many other resources are available, where you can read that, how Toyota employees in different cultural settings are having this constancy of purpose that yes, there is a purpose, which is much bigger than simply earning their monthly salary.

(Refer Slide Time: 16:37)

- Generate value for the customer, society, and the economy—it is your starting point.
- Evaluate every function in the company in terms of its ability to achieve this.

Marketing, SCM, HRM, IS, Fin & Acc.

Unity of Direction.

Now, when we are discussing about this philosophy of organization, the long term philosophy of the organization, it is important to see that what it brings? Now, it helps in generating value for the customer, society and the economy. When I am talking off long term philosophy, this is the most important thing and as I was talking of sustainability, it is that only your customer, society, economy that is what we are talking in terms of sustainability.

We need to have profit, we need to think of planet we need to think of people around us. So, when you are generating value for all these different stakeholders, it becomes the starting point for most of the organizations, believing in the long term philosophical aspects and you also evaluate every function in the company in terms of its ability to achieve these value related aspects.

That how these functions for an example, we have functions like marketing, we have function like supply chain management, Human Resource Management, the support system information systems, then finance and accounting. These are the different functions which are there in a company. Now how these different systems are helping in generating values with respect to customer, with respect to society, with respect to your economy, that is giving you the unity of direction.

So, this will help us in achieving the unity of direction and then there will not be any conflict between various functional activities, you will be having a good coherence synergy between

different functions, and then you can also identify that which function is contributing more towards generating value for this customer people as well as your economy.

(Refer Slide Time: 19:04)

- Be responsible.
- Strive to decide your own fate.
- Act with self-reliance and trust in your own abilities.
- Accept responsibility for your conduct and maintain and improve the skills that enable you to produce added value.



It helps you in becoming responsible, when you are having the long term vision, you become responsible, you strive to decide your own fate, because you have a long term planning. So, you cannot say that, because of this competition, because of the short term things, you are not able to perform long term things will always help you to decide your future with yourself. So, you become master of your own destiny, then act with self-reliance and trust in your own ability, it helps you in working with self-reliance and you also develop it feeling of trust on your abilities, what does it mean?

That is many a times we are not sure whether we will be able to achieve this particular thing or not achieved this particular whether these objectives are possible for my organization or not possible for our organization, but with the help of long term vision, you become more self-reliant and you start trusting your abilities. For example, purpose India's mission of particularly ISRO related activities, all space related activities, which are happening in India are result of self-reliance and trusting on our own abilities.

We hardly get carried away because of short term success of other different competing nations and we focused on long term vision that this is the vision mission statement for space activities from Indian organizations. And therefore, today we see that India's space agencies are the most

respectable agencies worldwide. So, this happens and it is quite possible that you become more confident about your own abilities.

Then accept responsibility for your conduct and maintain and improve the skills that enable you to produce added value, you have to create that kind of infrastructure where you can produce added value. And since we have already discussed that we become more responsible so, that means, we need to accept the responsibility of our own conduct, you cannot say that we are not able to produce this desired level of value, because my supplier is not supplying up to the mark.

My other inputs are not up to the mark, I have to take the responsibility of my output and that is also very important aspect of becoming the long term philosophical based organization. Now just to give you an idea that how organizations differ with respect to their philosophical aspects. So, mission statements are the best testimony to understand the organization's philosophical aspects.

(Refer Slide Time: 22:56)

| Toyota Motor Manufacturing North America Mission | Ford Motor Company Mission |
|---|--|
| As an American company, contribute to the economic growth of the community and the United States. | Ford is a worldwide leader in automotive and automotive related products and services as well as in newer industries such as aerospace, communications, and financial services. |
| As an independent company, contribute to the stability and well being of team members. | Our mission is to improve continually our products and services to meet our customer's needs, allowing us to prosper as a business and to provide a reasonable return to our stockholders, the owners of our business. |
| As a Toyota group company, contribute to the overall growth of Toyota by adding value to our customers. | |

So, here we have two organizations, one is obviously, the Toyota and another is very popular name that is the Ford Motor Company. And if we compare the mission statements of these two organizations, you will get large number of insights. Now, if I read the mission statement of Toyota car company, it says that, this is the from the North America organization of Toyota car company. So, it is like an American company.

So, both are the American organizations, but since Toyota comes from the Japanese background, so, if you read the mission statement of Toyota versus the mission statement of Ford you will see that, how these two things are entirely different. Ford is a US born company, Toyota is a Japanese born company, but in mission statement of Toyota, it says as an American company, we need to contribute to the economic growth of the community and the United States.

So, the first important point which Toyota says that, we want to contribute to the economic growth of USA, the second point as an independent company, contribute to the stability and wellbeing of team members. So, it talks off wellbeing of team members, that means, your customers that means, your employees, they are internal team members, they are external team members. So, the second important thing is how we can with stability target the wellbeing of our internal customers as well as external customers, our employees and our consumers.

And third is as a Toyota group company, contribute to the overall growth of Toyota, by adding value to our customers, we need to add value to our customer, we need to give a better experience to our customer. So, as a Toyota group company, we need to see that how we can overall provide additional benefit additional incentive to our customers, so that they have the overall growth.

Now, let us read the mission statement of Ford Motor Company. Now Ford says Ford is a worldwide leader in automotive and automotive related products and services as well as newer industries such as aerospace, communications and financial services. So, Ford says that we are a world leader. So, we wanted to maintain that leadership in all these kinds of industries, which our automotive, automotive component and some new industries like aerospace, communication, etc.

Then, the second statement, which is there, that is, our mission is to improve continually our products and services to meet our customer's needs, allowing us to prosper as a business and to provide a reasonable return to our stockholders, the owners of our business. So, it talks off return to our stockholders, those who have invested in the Ford company, we need to provide a reasonable return to our stockholders, and how this reasonable return will come by fulfilling the requirement of customers.

And by fulfilling the requirement of the customer, we will be able to prosper as a business and when we will prosper as a business, we will provide reasonable return to our stockholders, who are actually the owners of our business. Now, if you see these two statements of Ford and three statements of Toyota, now, the first statement about the mission, the long term philosophy of Toyota is the growth of the society, the economy, where you are, this plant is in USA.

So, it is talking of growth of US economy, because we are there. So we should be able to contribute in the national growth. So not my personal growth, it is the growth of the nation. And you see that nowhere in these three statements they have mentioned of the stockholders, though, Toyota is also a listed company on New York Stock Exchange. They also need to give reasonable returns to their investors.

But in the mission statement, it is nowhere mentioned. Because they feel that if we are able to achieve these three things, it will automatically transfer into the higher profits and higher profit, higher prosperity of business will help in better returns for the stockholders. So, if we simply compare these two statements of Toyota and Ford, we find that Toyota's scope is much bigger, much wider Fords scope, on the other hand, is much narrow.

Because Ford is only talking off its stockholder, it is not talking of this society. And here the starting point is the society it is the nation first. The second important thing is that we want to increase the wellbeing of the members, the customers and the employees. So, they are giving the second importance after the nation. The second importance is for the people, those who are working with us and those who are going to consumer our products.

And then finally, the third objective is that as a part of a group of companies, you should be able to add value to the Toyota, you should be able to contribute towards the journey of excellence of Toyota car company. So, that is how you can understand that how this philosophy of Toyota is being listed here. On the other side, the Ford is showing the supremacy with respect to its leadership in the automobile products and some other new areas.

And it is only talking of the interest of its stockholders through its customers and then business prosperity, it is almost silent about the nation, it is nowhere discussing about the people who are working with the organization. So you can understand that when you have a mission statement

like Toyota's mission statement, it is going to help you long term sustainability you will become a long term sustainable organization which is also the need of current type.

We want economically sustainable organization, we want socially sustainable organization, we want environmentally sustainable organization. And all these things are possible if we follow the approach like Toyota's mission or Toyota's long term philosophy. So with this, we come to end of this session, where we discuss that why a long term philosophy is the base of our all other principles of Toyota Production System thank you very much.