A Business Model View on TOYOTA Crisis

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I. Introduction

Toyota Motor Corporation (TOYOTA) had grown to the global No.1 auto company in 2000s. It was the result of competing against General Motors (GM). GM lost the position in the competition with TOYOTA because GM’s business model was not appropriate in the era of high oil prices and high concerns about environment. In contrast TOYOTA got USA market with high fuel efficient cars. USA was the greatest automobile market at the time.

But all of a sudden, TOYOTA fell into a crisis. TOYOTA initiated a series of recalls beginning at the end of 2009. The first two are related with unintended (sudden) acceleration. The first recall was to correct a possibility of incursion of front driver's side floor mat into the foot pedal, on November 2, 2009. It might cause pedal entrapment. The second one was referred to as Sticking Accelerator Pedal. It means that accelerator pedal is mechanically sticking when it got heat. That recall was begun on January 21, 2010. TOYOTA also issued a separate recall for Anti-lock Brake System (ABS) software of hybrid car models in February 2010. These were triggered by a sudden unintended acceleration incident of Toyota Lexus.

Several authors investigated the backgrounds of the recalls. Some of them like Park and Lim (2011) found causes in deficient designs. Others insisted that their management skill could not cope with the rapid growth. Fujimoto (2010) said that TOYOTA’s quality issue is ‘the problem of complexity-capability imbalance.’ It means that TOYOTA’s supply chain management (or design complexity) caused by globalization of production had overgrown compared with TOYOTA’s managing capability. There were assertions, however, that Toyota’s vehicles had no serious problem but the media abetted by lawyers made it worse. The most famous one is Liker and Ogden (2011). It seems like a plot theory. But there are conflicts about the meaning of the Crime/Incident report on Toyota