TOYOTA'S CRISIS: JAPAN'S DECLINE?

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Executive Summary

1. Toyota Motor Company, the number one manufacturer of Japan, is reeling from a global recall of more than 8.5 million cars with faulty pedals, accelerators, and brakes. The sterling reputation of Toyota --- reliability, safety and quality --- is now shattered.

2. A popular view is that Toyota's crisis is also Japan's crisis. Toyota's troubles, many feared, will be perceived internationally as a decline of Japanese manufacturing prowess, damaging the reputation of not only Toyota but also Japan Incorporated.

3. Japan's Minister of Transport Maehara Seiji has criticized Toyota for its slow response to consumer concerns. Other domestic pundits have also lambasted Toyota for being more concerned about corporate profits and market share than the lives and concerns of its consumers.

4. Some Japanese auto experts believe that Toyota's woes are also due to the transformation from simpler mechanical to complex computerized systems (with greater possibility of electronic glitches) for a car. Toyota has also been relying on computer testing than actual road tests to shorten the production cycle of new models to increase sales.

5. Diminished domestic sympathy for Toyota is, in part, due to the company's ruthless firing of temporary workers during the global financial crisis in a country where the norms of lifetime employment and egalitarianism remain strong.

6. Some Japanese also blamed Toyota's US sub-contractor for poor quality pedals in the North American market. The implicit argument is that Toyota vehicles for the Japanese domestic market do not have similar pedal problems because domestic sub-contractors produce better quality parts.

7. Japanese mass magazines have also argued that the US government is now the de facto owner of GM and Chrysler and is putting Toyota down so that its own auto makers can recover and compete for a larger share in the emerging eco-car market.

8. A perception attributes the Toyota bashing to the new Hatoyama government's suspension of a deal to transfer the US marine base in Futenma to Nago in Okinawa as a precondition for relocating eight thousand marines to Guam.

9. Internationally, Toyota has also failed to emphasize on the newly emerging auto markets of China and India. Suzuki has impressively captured at least fifty percent share of India's market, while Nissan is ahead of Toyota in China.

10. Toyota's crisis is in actuality providing a great opportunity for Honda, Nissan, Mazda, Subaru, Mitsubishi and Suzuki to increase their market share. The Suzuki-Volkswagen alliance may well establish itself as number one globally while Mitsubishi is poised to link up with the PSA Peugeot-Citroen group for survival.

11. It is not inconceivable that Toyota will learn its lesson, ride out this storm and remain a global player by making better hybrid and electric cars and emphasizing on emerging markets.