



# Toyota's Obeya Management System

*TOYOTA'S ENGINE FOR LEADERSHIP & OPERATIONAL EXCELLENCE*

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## WHAT WE WILL COVER IN OUR BRIEF TIME TOGETHER

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- The Philosophy behind Toyota Management Approach
- Shop-floor Leadership Roles Ideal Daily Management
- Overview of Toyota Hoshin Management Connection to FMDS
- The Five Missions of Shop-Floor Management
- FMDS, Problem Solving, and Leader Development
- Team Leadership through Three Pillar Management
- FMDS Do's and Don't
- Your Questions



# Understanding Toyota's Management Philosophy



## A Company in Crisis 1950

- Large numbers of employees were laid off due to the worst sales in Toyota's history
- Labor unrest and conflict with management
- Kiichiro Toyota, the Founder of Toyota Motors, resigned and handed over control to Taizo Ishida.
- Toyota had to rebuild mutual trust through one-on-one communication between management and team-members



**Workers rally in front of the former head office**



## Kiichido Challenges Eiji Toyota

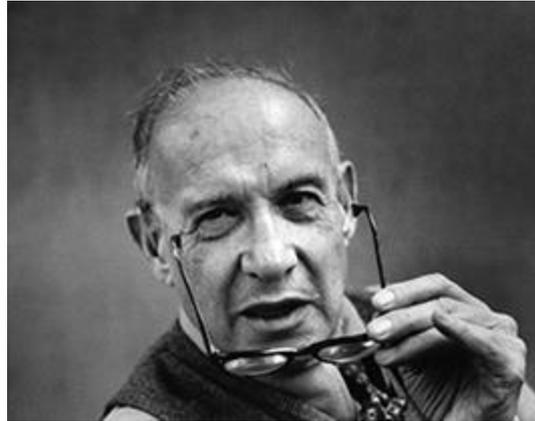
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- During WWII, Kiichiro's JIT Flow production system was completely dismantled by the government
- Following the WWII and prior to the outbreak of the Korean War, Eiji Toyota was brought over from Toyoda Boshoku (Toyoda Automatic Loom Works) to take over and revive the Toyota Motor Manufacturing Corporation
- While working in the machine shop, Eiji recruited Taiichi Ohno to work under him to improve the efficiency of operations in order to meet challenge of productivity.
- Eiji studied the Ford Production System under Henry Ford II around 1950.
- "Bring up Toyota's workers to American Standards of Productivity."  
Kiichiro's
- Taiichi Ohno used Industrial Engineering methods introduced to Japan by Ueno Yoichi and pioneered by Frank and Lillian Gilbreth and to discover that the difference is that Japanese workers and American workers, is that they have too much waste in their work!



## Drucker on Profit

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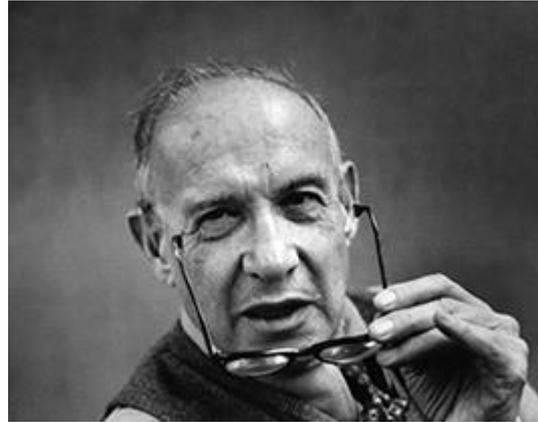
**“The Purpose of a Business is to create a customer.”**

**“A business must make a Profit in order to survive.”**



## Dr. Peter Drucker on Value

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**“A product is not quality or of value because it is hard to make and cost a lot of money. Customers pay only for what is of use to them and gives them value. Nothing Else Constitutes Value!”**



**Jikotei Kanketsu (JKK)**

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# **Customer First; Built-in Quality with Ownership**

**DNA = “Quality Must Be Build-  
in at Every Process”**

**JKK Mandate: Build an Operational Structure  
that Guarantees Quality is Created by  
Every Process**



# The Basic Purpose of Toyota's Management was Formed on the Foundations of TPS, TWI, & TQM

- Because of the devastating events of the 1940's and 50's, for Toyota, survival is their number one priority.

***We are reminded by Dr. W. Edwards Deming that “change is not mandatory and survival is not essential.”***

- 1. The Company:** *Toyota must make a profit in order to continue to exist.* After the post-war bankruptcy, Profitability in order to secure Toyota's survival became a core value in its culture
- 2. The Employees:** Security for the Workforce
- 3. Society:** Contribute to the betterment of the community and country you are located in. Strive to become a “beloved” part of the community
- 4. The Dealers and Customer:** Provide our customer the Highest Quality product, at the lowest possible cost, in the shortest possible time



# Our Strategic Pillars – Culture of Collaboration



**The Voices of Our Stakeholders  
Going Places Together;  
Pursuit of Perfection in Stakeholder Relationships**





## Toyota's Profit Formula

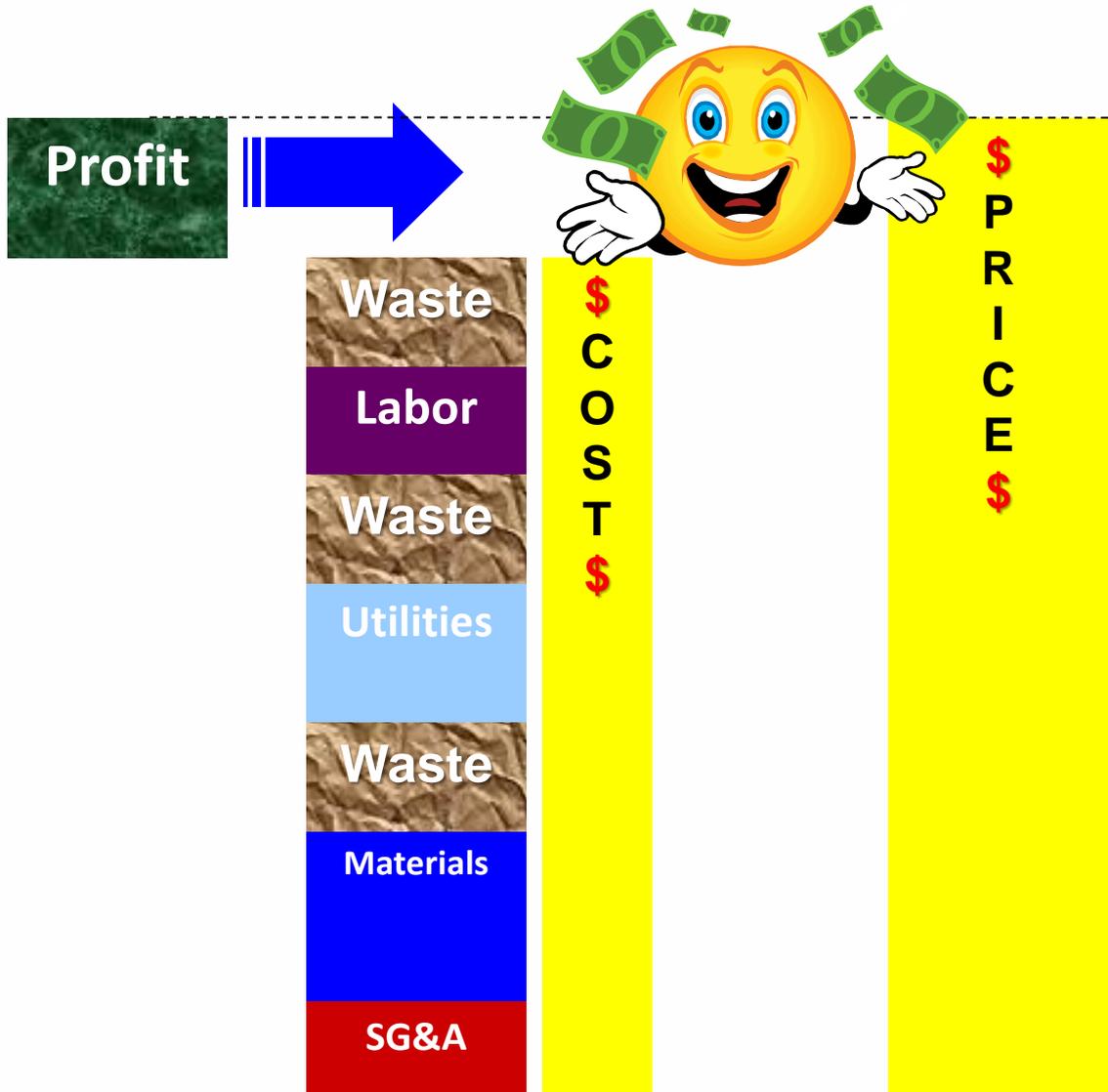
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$$\text{Profit} = (\text{Sales Price} - \text{Cost}) \times \text{Volume}$$

- The sales price of a product is determined by the customer and market. In addition, customers demand yearly price reductions and have come to expect special incentives.
- In order to maintain margins and profits and acquire new customers, we must master this formula.
- If we do not, we will price ourselves out of our market and threaten our survival as a company.



# Cost Plus: Price = Cost of Goods Sold + Profit





**Toyota believes the Waste Elimination is the way to Increase Profit**

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**Toyota believes:**  
**‘Without Waste Reduction there cannot be true cost reduction. Without cost reduction there cannot be a profit increase!’**



# Muda, Muri, Mura

**Muda:** Any form of waste in the

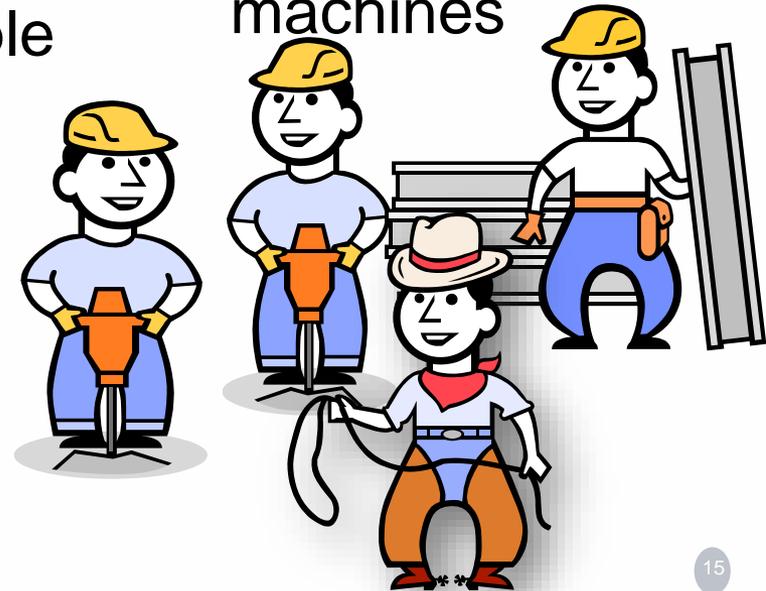


**Rejects**



**Muri:** Unreasonable burden on people or machines!

**Mura:** Uneven or unlevel workloads across people or machines





## The Three Levels of Muda

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The Japanese language has four written alphabets: Romaji (English characters); Hiragana; Katakana; and Kanji.

- **Muda expressed in Hiragana** is considered **work-level** waste and should be eliminated through “point kaizen”
- **Muda expressed in Katakana** is process and **system level** waste and requires root cause investigation and deliberate recurrence prevention countermeasures to eliminate the waste.
- **Muda expressed in Kanji** is **Management Waste**! This is waste created by poor leadership, poor decisions, and poor policies. This form of waste requires deep Hansei and recurrence prevention countermeasures to eliminate this Chief Form of Waste. ***Remember, the shop-floor is a reflection of this form of waste!***



## Waste Reduction is Lead-Time Reduction

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- Toyota defines Lead-time from the time when the customer places the order, this includes production planning, manufacturing, logistics, and receivables processing, and ends when payment is received and posted in Toyota's account.
- Lead-time is made up of two components:
  - **Processing Time** which adds value
  - **Stagnation Time** which adds cost, ties up cash, and erodes customer satisfaction
- Reducing stagnation time is the key to reducing Lead-time



## Ohno on Lead-time Reductions as a Strategy



**Taiichi Ohno, founder of TPS, said it even more succinctly:**

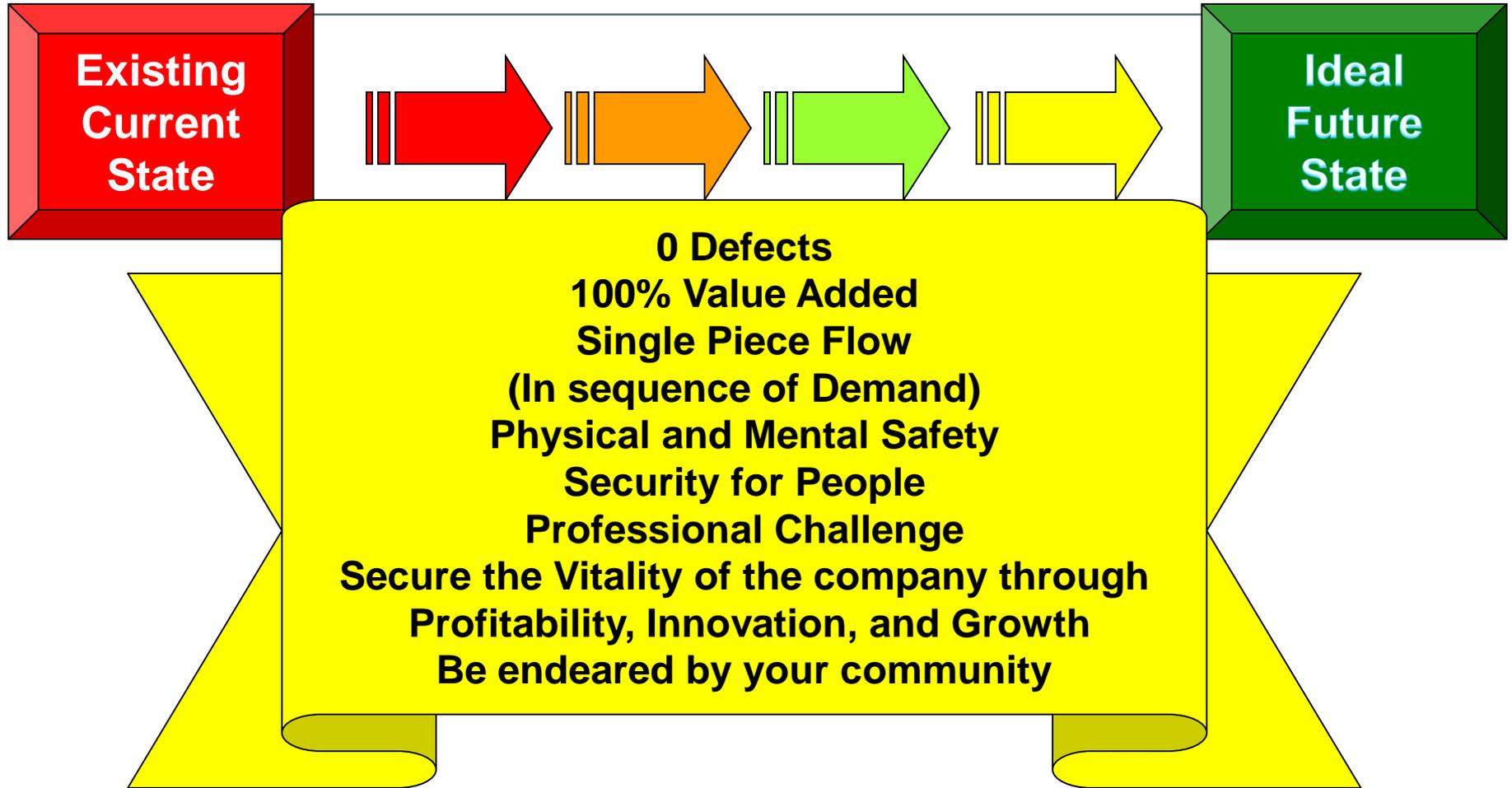
*“All we are doing is looking at the time-line from the moment the customer gives us an order to the point when we collect the cash. And we are reducing that time-line by removing the non-value-added wastes.”*

— Taiichi Ohno, 1988





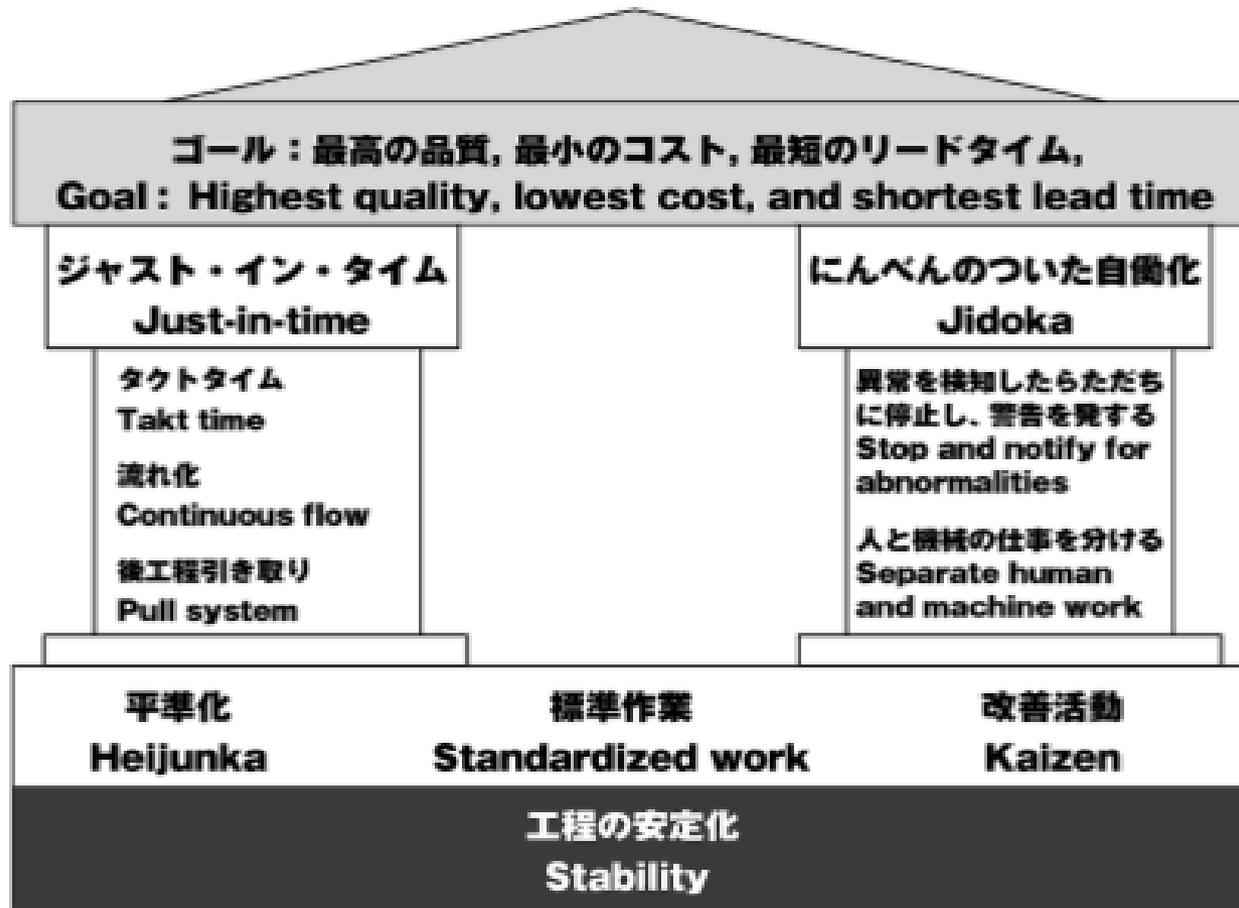
## The Relentless Pursuit of Perfection



**The striving for improvement in this direction, in all organizational activities, is a driving force of Lean - this never changes.**



# TPS – Toyota's Operation System



トヨタ生産方式の基本のイメージ：TPSハウス  
Basic Image of the Toyota Production System: the TPS House



## Learning To See

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In order to eliminate waste, **You need to change how you look at things;** you must develop eyes to see waste.

**You must change the way you think.** Think of how you can “relentlessly” eliminate the waste that you see. Eliminate Muda, Muri, and Mura Completely.

**You must continuously repeat this process, forever and ever, neither tiring nor ceasing.”**

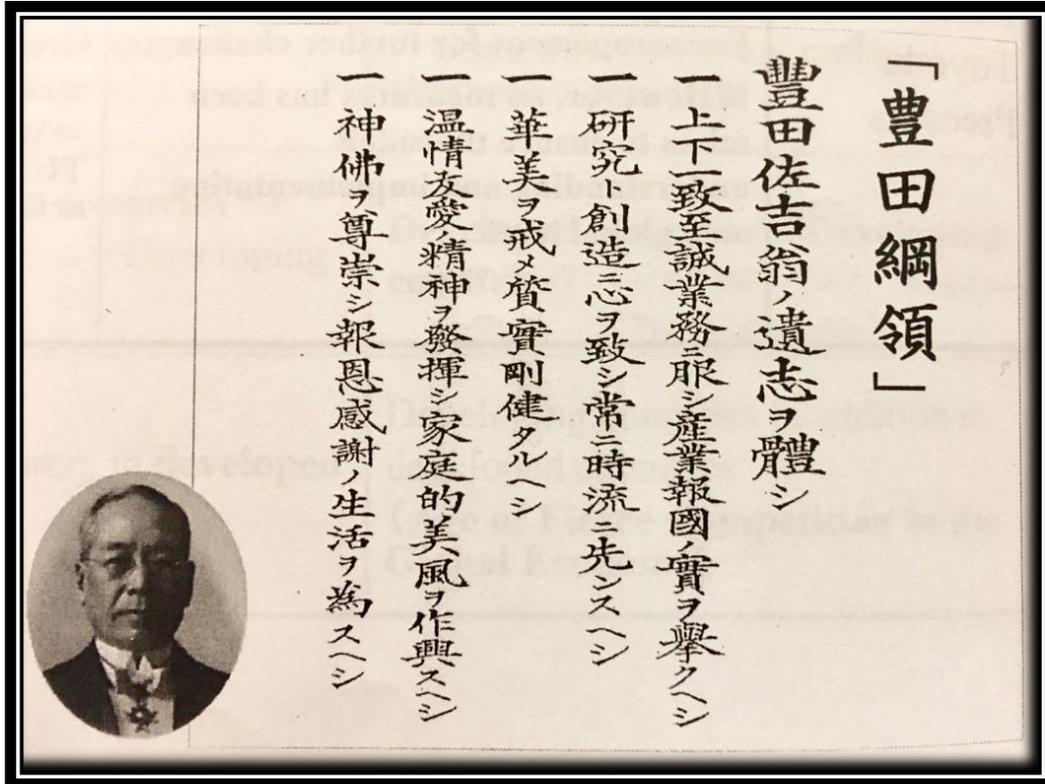


**Taiichi Ohno – Father of the Toyota Production System**





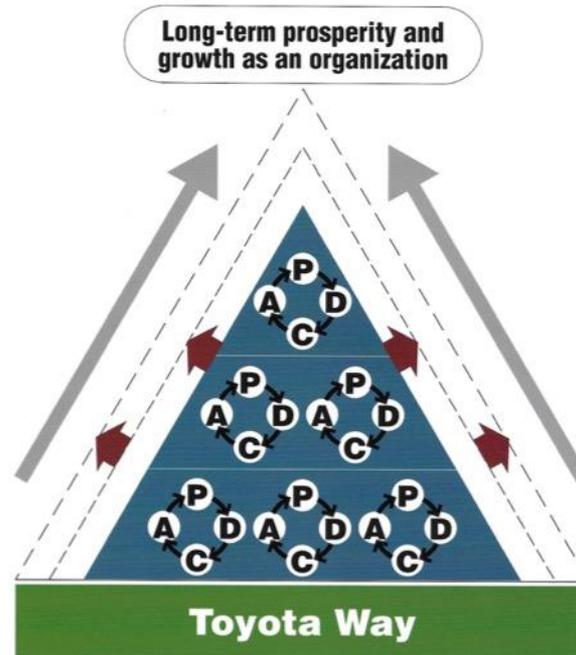
## Founder, Sachichi Toyoda's Five Precepts

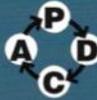
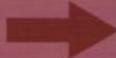


1. Always be faithful to your duties; thereby contributing to the Company and to the overall good.
2. Always be studious and creative, striving to stay ahead of the times.
3. Always be practical and avoid frivolousness.
4. Always strive to build a homelike atmosphere at work that is warm and friendly.
5. Always have respect for God and remember to be grateful at all times.



# The Toyota Way Of Management



<p>Toyota Way</p>	<p><b>Toyota Way</b> <sup>(TW)</sup>            Values of Toyota            ⇒ Basic foundation to all work</p>
	<p><b>Toyota Business Practices</b> <sup>(TBP)</sup>            Action to practice TW            ⇒ Action to realize continuous achievement efficiently for all positions or functions</p>
	<p><b>On the Job Development</b> <sup>(OJD)</sup>            Action to enhance quality of individual TBP            ⇒ Action to make company growth in mid to long-term</p>
	<p><b>Hoshin Kanri</b> <sup>(HK)</sup>            Action to realize company wide TBP            ⇒ Framework to maximize output as an organization</p>



# The "Real" Toyota Way Starts with Our Core Values





## Leading the Toyota Way

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**“Our basic pillars of the Toyota Way is Respect of People and Continuous Improvement and that’s really the foundation we do our daily work from.”**

**Jeff Hurst, Manager, Powertrain, TMMK**



# The Toyota Way and Sakichi's Precepts Redefined at TIEM

## TIEM CORE VALUES

### ① Respect for People

**Associates:** Our associates are our most valuable and appreciable assets.  
**Safety:** Our priority is protecting the safety of our associates and customers.  
**Develop:** It is our responsibility to provide development and growth opportunities for our associates.  
**Diversity:** We believe that diverse backgrounds and perspectives spark innovation.  
**Community:** It is our privilege to be a responsible and active member of our community.

### ② Customer Focused

**Expectations:** It is our passion to exceed our customers' expectations internally and externally.  
**Quality:** We are committed to producing the highest quality products.

### ③ Embrace and Drive Change

**Challenges:** We are never satisfied with the status quo and welcome new challenges.  
**Passion:** We view change positively, and we are passionate about constantly moving forward.

### ④ Teamwork and Family Spirit

**Collaboration:** We believe that success is exponential through collaboration.  
**Atmosphere:** We believe that peoples' best work is cultivated in an atmosphere that is warm and friendly.  
**Humility:** We will always demonstrate humility through our words and our actions.  
**Partnership:** We regard our suppliers as essential members of our team.

### ⑤ Professional Excellence

**Commitment:** It is each associate's pledge to fulfill their duties with excellence.  
**Grow:** We expect that each associate will seek to constantly grow and improve.



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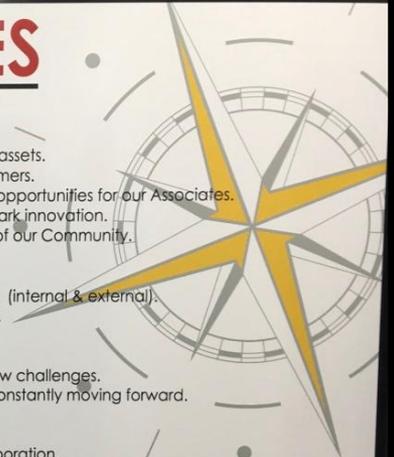
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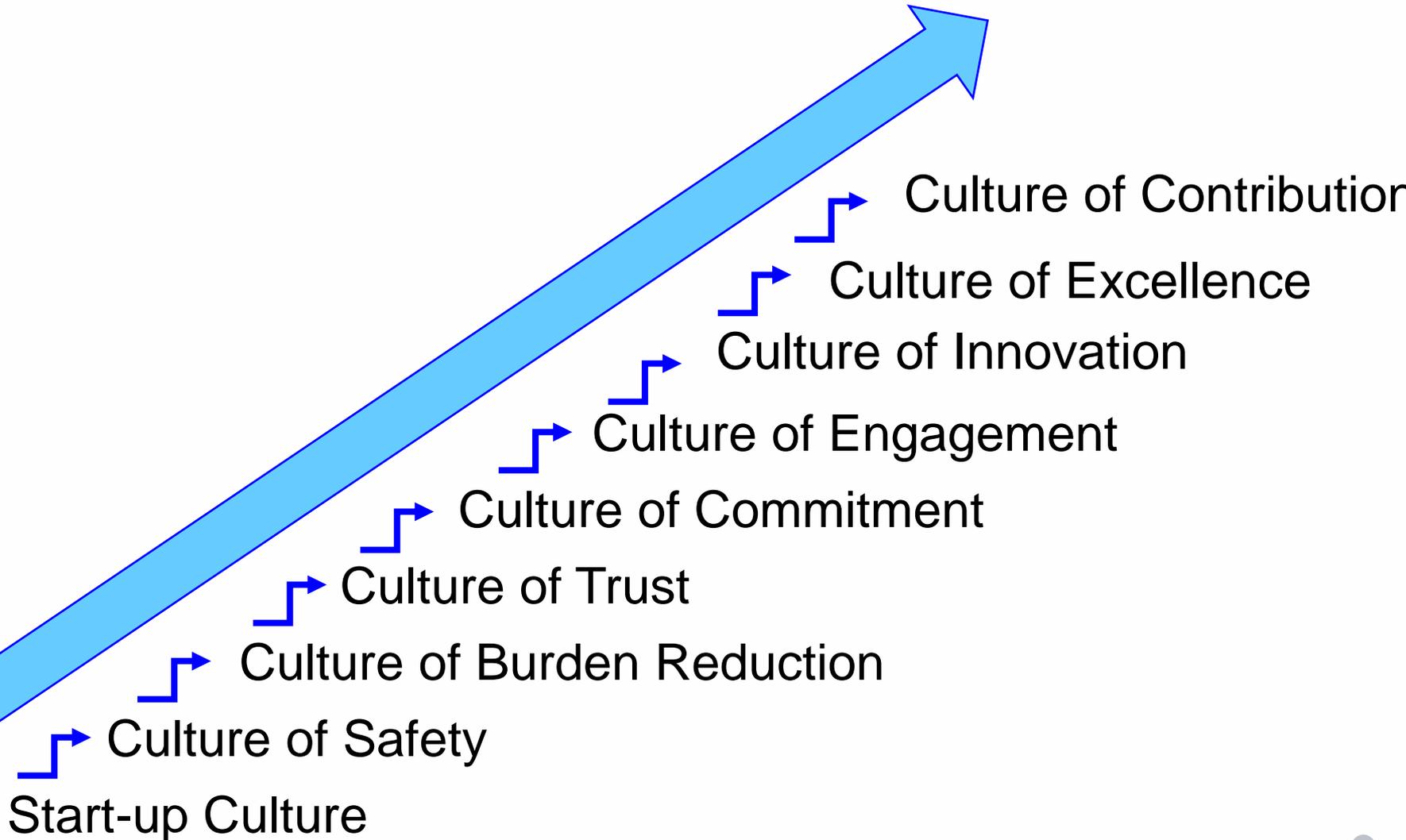


**Now, It's Your  
Turn**





## Use the Obeya System to Build Your Culture





## The Obeya and the Leader's Role in Creating Culture



***“The most important work a leader will ever do, one which cannot be delegated, is to build a sustainable culture of excellence, based on principles.”***

***- Robert Miller  
Principle Advisor, Arches Leadership LLC***



**Thank You. What are Your Questions?**



