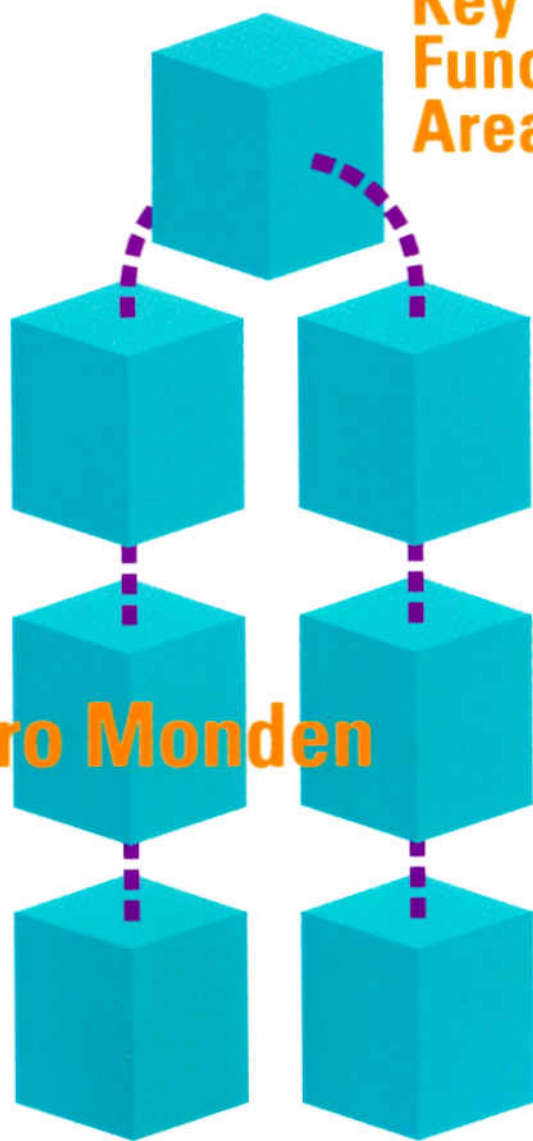


Toyota Management System

Linking
the Seven
Key
Functional
Areas



Yasuhiro Monden

Productivity Press

CLASSICS IN PAPERBACK

The Toyota Management System

*Linking the Seven Key
Functional Areas*

Yasuhiro Monden

Translated by
Bruce Talbot

Productivity  **Press**

Contents

vii	Tables and Figures
xi	Original Publisher's Message
xv	Preface
xix	Introduction • A Unified System of Business Management: The Pursuit of Effectiveness
1	Chapter One • Financial Management System
29	Chapter Two • Target Costing and Kaizen Costing in the Japanese Automobile Industry
53	Chapter Three • Functional Management to Promote Companywide Coordination: Total Quality Control and Total Cost Management
71	Chapter Four • Flat Organizational and Personnel Management
87	Chapter Five • Sales Management System
101	Chapter Six • New Product Development System
131	Chapter Seven • Production Management System: Integration of SIS, CIM, and JIT

173 Chapter Eight • International Production Strategies
of Japanese Automakers

205 Notes

209 Bibliography

215 About the Author

217 Index

Tables and Figures

Table 1-1.	Capital Procurement Trends, 1974-1988	4
Table 1-2.	Shares of Operating Profits and Finance-based Revenues	8
Table 1-3.	Detailed Data Concerning Toyota's Capital Applications	10-11
Table 1-4.	Total Capital Invested in Affiliated Companies	15
Table 1-5.	Capital Demand Statistics (BY74 to BY81)	20-21
Table 1-6.	Capital Demand Statistics (BY82 to BY88)	22-23
Figure 2-1.	The Target Costing System	34-35
Figure 2-2.	General New Product Plan	36
Figure 2-3.	Target Cost Broken into Cost Elements and Functions	38
Figure 2-4.	Target Cost Broken into Parts Elements	40
Figure 2-5.	Summary of the Target Costing Process	41
Figure 2-6.	Objectives Decomposition in Plants	48
Figure 2-7.	Example of Kaizen Cost Decomposition in a Machining Department	49

Figure 2-8.	Example of Kaizen Cost Decomposition in a Stamping Department	50
Table 3-1.	Quality Assurance Summary	56
Table 3-2.	Cost Management Summary	57
Table 3-3.	Summary of Various Functional Managements	59
Figure 3-1.	Framework of Toyota Management Organization (as of 1981)	63
Figure 3-2.	Six Elements of Business Policy at Toyota	66
Figure 3-3.	Toyota Planning and Control System	68
Figure 4-1.	Reforms to Accelerate Decision-making and Cultivate Employee Abilities	73
Figure 4-2.	Reorganization of Middle Management at Toyota	74
Table 5-1.	Sales Forces of Major Japanese Automakers	90
Table 5-2.	Toyota's Sales and Service Network	94-95
Figure 6-1A.	New Product Development Organization	105
Figure 6-1B.	Engineering Division Organization	106-107
Figure 6-2.	Development Schedule	109
Figure 6-3.	The Chief Engineer System Behind New Car Development at Toyota	110
Figure 6-4.	New Model Planning Process	111
Figure 6-5.	Prototype Process Flow	116
Figure 7-1.	TNS: Toyota's Strategic Information System	133
Figure 7-2.	Reception of Ten-day Orders from Dealers	136
Figure 7-3.	Steps from Dealer Orders to Line-off	137
Figure 7-4.	Parts Delivery Table	143
Figure 7-5.	Computer Control Functions in a Multilayered System	148

Figure 7-6.	Process-specific Line Computer Functions	150-151
Figure 7-7.	Magnetic Card	153
Figure 7-8.	Work Instruction Label	157
Figure 7-9.	Work Instruction with Specification Indicator Lamps	158
Figure 7-10.	Overall View of the New ALC System	160-161
Figure 7-11.	Outline of Toyota/ JIT Production System	165
Figure 7-12.	Flow of Two Types of Kanban	167
Table 8-1.	Major Joint-venture Production Between Japanese and Western Automakers	178
Figure 8-1.	Differences Between Contracted Production, Technology Transfer, and OEM Production	184
Table 8-2.	Major Examples of Direct Production Expansion by Japanese Automakers in Europe and North America	185
Figure 8-2.	Current International Industrial Division	190
Figure 8-3.	Development of Manufacturing and Exporting Trends	196

Index

- Acquisition, overseas, 176-77
- Affiliates
 - and capital applications, 16-18, 19
 - overseas, 175, 176-77, 179-82
- Agetsuma, Fumio, 128
- Aisin Seiki, 201
- Alfa Romeo, 176
- Allowable cost, 37
- American Motors Corporation, 176
- Approval sheet system, 75, 77-79
- Artificial intelligence, 154
- Asahi Breweries, 87
- Ashida, Sadajiro, 88
- Assembly Line Control (ALC)
 - system, 132, 156, 159-62
- Assembly process
 - body assembly, 149-52
 - final assembly, 155-56
- Auto body manufacturers, 144
- Autonomation, 170
- Bodek, Norman, xiii
- Bonds
 - corporate, 2, 5-6
 - long-term, 14-15
 - temporary, 14
 - warrant, 2, 6
- Business development office, 83
- Business environment
 - and cost management, 29
 - and decision-making, 71
 - and financial management, 1-2
- Business policy, 64, 67
- Canada, 192-93
- Capital, internal, 5
- Capital applications
 - and affiliated companies, 16-18
 - in bonds and securities, 13-15
 - and capital procurement, 18-19, 24-28
 - in cash and deposits, 12-13, 15
 - and finance-based revenue, 7-8
 - in fixed assets, 9
 - in security portfolio investment, 9, 12
- Capital procurement
 - and capital applications, 18-19, 24-28
 - special features of, 3-6
 - through stock, 2
- Car lines, 122
- Car models, 92-93
 - changing, 93, 96, 118
 - development cycle, 104
 - style, 128-30
- Cash deposits, 12-13
 - time deposits, 15
- "Cash in trust" investment, 13
- Changeover time, 168-69

- Chief engineer, 103, 108, 112, 119-20
 - authority of, 123-25
 - ethics code of, 125-27
 - philosophy of, 127-30
- Chrysler Motor Corporation, 176, 182, 189, 193, 194
- Citroen, 183
- Communication
 - and flat organization, 76
 - and functional management, 69-70
 - in product development, 121
- Computer-aided Design (CAD), 114-15, 117
- Computer-aided Manufacturing (CAM), 114-15, 117, 132
- Computer-aided Planning (CAP), 132
- Computer-aided Testing (CAT), 118-19
- Computer-integrated manufacturing (CIM), 132, 147, 149
- Computers, 158-59
- Contracted production, 179-81
- Corolla, 93
- Corona, 92
- Corporate bonds
 - convertible, 2
 - U.S. dollar-based, 5-6
- "Cost kaizen committee," 43
- Cost management
 - and functional organization, 55, 58, 60
 - See also* Total cost management
- Cost management functional meeting, 63-64
- Costs
 - allowable, 37
 - direct labor, 32, 44
 - overall production, 162
 - variable, 32
- Crown luxury sedan, 92
- Customer feedback, 75
- Cycle time, 169
- Daewoo, 182, 191
- Daihatsu, 155
- Data communications, 131.
 - See also* Strategic Information System (SIS); Toyota Network System (TNS)
- Dealerships
 - competition among, 96-97
 - information network for, 134-35, 136-37, 140-41
 - local ownership of, 97-98
 - organization of, 91-96
 - wholly owned, 98-99
- Debt-free management, 6
- Decision-making, 71, 72-75
- Departmental meeting, 63
- Deposits, negotiable, 12-13
- Depreciation expenses, 3, 5
- Depression, 2
- Design and styling processes, 113-15
- Direct labor costs, 32, 44
- Direct product expansion, 183-86
- Division of industry, 188-89
- Electronic loop, 156
- Emission controls, 3
- Employees
 - communication with, 70
 - cultivating, 37, 50-51, 71-72, 81, 82, 163
 - evaluating, 82-83
 - morale of, 171
 - training, 83-84, 197, 200, 202
- Enlarged functional meeting, 63
- Equity financing, 2
- Expansion
 - in developing countries, 186-87
 - direct product, 183-86
- Expert system, 154
- Export restrictions, 3

- Factory control system, 146-49
 - in body assembly, 149, 152
 - in final assembly, 155-56
 - new ALC system in, 156, 159-62
 - in painting process, 152, 154-55
- Feed-in sequence, 136-39
- Fiat, 176
- Financial management system
 - and business environment, 1-2
 - capital applications in, 7-26
 - capital procurement in, 3-6, 18-26
 - summary of, 26-28
- Financing, equity, 2
- Ford Motor Company, 180, 182, 189, 191, 192
- Ford Ryuhua, 182
- Fuji Seat Company, 155
- Functional management, 53-54
 - advantages of, 69-70
 - and cost management, 55, 58, 60
 - critical considerations for, 67-69
 - departments and functions in, 58, 60
 - organization of, 60-63
 - policies and goals of, 64-67
 - and quality assurance, 54-55
- Functional meeting, 53-54, 61-63, 67, 68, 69, 70
- Functions, 58-60
- Function-specific management, 171
- Fundamental policy, 64

- General Electric Corporation, 31-32
- General Motors Corporation, 176, 178, 183, 189, 191, 192
- Genkakaizen*. *See* Kaizen costing
- Genkakikaku*. *See* Target costing

- Hanazaki, Shikanosuke, 88
- Hanko, 77
- Hasegawa, Tatsuo, 125
- Higashi-Fuji R&D Center, 102-4

- Honda, 98, 179-80, 185, 193, 194, 195, 197
- Hot line, 203
- Hyundai, 189

- ID cards, 159, 162
 - IC-based, 152
 - magnetic, 149
- Improvement activities, 132, 171
- Incentive systems, 82
- Information networks. *See* Strategic Information System (SIS)
- Internal capital, 5
- Internationalization, 173-74.
 - See also* Overseas operations
- Inventory, reducing, 49, 162-63, 164, 171
- Investments
 - in bonds and securities, 13-15
 - in cash and deposits, 12-13, 15
 - external, 2, 7
 - in fixed assets, 9
 - in security portfolios, 7, 9, 12
- Isuzu, 177, 182, 183, 189, 192

- Jaguar, 176
- Jihai, 89, 90
- Job performance, 82-83
- Joint functional meeting, 63
- Joint ventures, 177-79
- Just-in-time (JIT) production, 132
 - and improvement activities, 171
 - and kaizen costing, 47, 49-50
 - and kanban, 164, 166-67
 - objective of, 162-64
 - preconditions for, 168-71

- Kaizen costing
 - definition of, 30
 - and employees, 51
 - features of, 42-44
 - Management by Objectives in, 47, 50

- and standard costing, 42, 52
- target amount in, 45-47
- Kamiya, Shotaro, 88, 90, 91, 97, 119
- Kanagawa Toyota dealership, 96-97
- Kanban, 132, 139-40, 145
 - and improvement activities, 171
 - and JIT, 164, 166-67
- Kanto Auto Works, 147
- Kato, Taneyuki, 88
- Keiretsu*, 16, 92
- Kia, 182
- Kinohbetsu kanri*.
 - See* Functional management
- Kouzei, 193
- Labels, 139
- Labor relations, 197, 199-200, 201-2
- Lamborghini, 176
- Layout improvement, 84
- Lead time
 - delivery, 140
 - manufacturing, 138, 168
- Load smoothing.
 - See* Production leveling
- Local content ratio, 197, 198-99, 200, 201
- Lotus, 176
- Management, functional.
 - See* Functional management
- Management by Objectives (MBO), 44, 47-50
- Management meeting, 61-62
- Manpower, reducing, 164
- Manufacturing, in-house, 101
- Market research, 112-13
- Mark II, 92
- Maserati, 176
- Materials requirement plan (MRP), 135
- Matrix organization, 123-27
- Mazda, 91, 180, 182, 183, 189, 191, 195
- Means functions, 60
- Meetings cost management functional, 63-64
 - departmental, 63
 - enlarged functional, 63
 - functional, 53-54, 61-63
 - joint functional, 63
 - management, 61-62
- Miles, Lawrence D., 31
- Ministry of Transport, 90
- Mitsubishi Motors, 177, 182, 189, 193, 194-95
- Mitsui Bank, 17
- Mixed-flow production, 168
- Morozumi, Takehiko, 102, 104
- Mutual-aid system, 93, 96
- Name stamps, 77
- Nemawashi*, 69
- Nichihai, 89, 90
- Nippon Automobile Distribution Company, 89
- Nippondenso, 17, 201
- Nippon GM, 88
- Nissan Motor Corporation, 180, 185, 191, 192, 194, 195
 - sales strength of, 87, 88-89, 90, 91
- NUMMI, 178, 193, 202
- Objectives decomposition, 47
- Office environment, 84
- Oil crises, 3, 19, 24, 43, 63
- One-piece flow production, 168, 169
- Opel, 183, 189
- Open systems interconnection (OSI), 140-41
- Order entry system, 132
- Organization, flat
 - and approval sheets, 78
 - and decision-making, 72-77
- Original Equipment Manufacturer (OEM) production, 182-83
- Overseas operations, 173, 174-75

- acquisitions, 176-77
 - communication network, 141
 - contracted production, 179-81
 - expansion, 183-87
 - future of, 187-97
 - joint ventures, 177-79
 - OEM production, 182-83
 - problems of, 197-203
 - technology transfer, 181-82
- Painting process, 152, 154-55
- Parts delivery table, 135, 141-44
- Parts manufacturing, 101
- Parts transport, 145
- Performance evaluation, 82-83
- Peugeot, 183
- Plant investment, 9
- Policy, long-term, 64-65
- Product development
 - and cost management, 29, 33-39
- Product development system
 - chief engineer system in, 119-30
 - overview of, 102-8
 - planning process in, 108, 112-13
 - prototype process in, 115-18
 - styling and design processes in, 113-15
 - testing and evaluation in, 118-19
- Production leveling, 132, 135, 168
- Production planning, 39-41
- Production schedule, 132, 134-38
- Product managers, 108
- Product Planning Center, 108, 120
- Profits
 - and kaizen costing, 45
 - long-range, 58, 60
 - retained, 3, 7
 - and target costing, 33
- Prototype process, 115-18
- Pull production, 139, 156, 162, 166
- Purpose functions, 60
- QC Promoting Office, 54
- Qualitative sales strength, 87, 88-91
- Quality assurance, 54-55
 - and functional organization, 54-55, 60
 - and kanban, 170
- Quality management, 163
- Ranks, 80-81
- Recession, 2
- Reorganization
 - and decision-making, 72-77
 - employee response to, 85
- Research and development (R&D), 101, 102-8
- Retained profits, 3, 7
- Revenue, finance-based, 7-8
- Reverse import, 194-95
- Ringi system, 75
- Rover Group, 179-80
- Salaries, 83
- Sales, 45
- Sales management system
 - competition in, 96-97
 - dealership and territory system, 91-96
 - strength of, 87, 88-91
 - use of local capital in, 97-98
 - wholly owned dealerships in, 98-99
- Sanwa Bank, 17
- Saturn, 183
- Seatto, 176
- Securities, short-term, 13-14
- Security portfolio investment, 7, 9, 12
- Sequencing, 154-55, 159
- Shiozawa, Shigeru, 119
- Skills accreditation system, 79-80
- Slogans, 65
- Small-lot production, 168
- South Korea, 181, 182, 189
- Sprinter, 93

- Standard costing, 42
- Standard operations, 169
- Stock issues, 2
- Strategic Information System (SIS)
 - definition of, 131-32
 - in production management, 132, 134.
 - See also* Toyota Network System (TNS)
- Style, 128-30
- Subaru, 177, 183, 192
- Suggestion system, 83
- Sumibe, Ei'ichi, 146
- Suppliers, 104
- Suzuki, 177, 182, 183, 189

- Tahara Plant, 156
- Taiwan, 181, 182, 189
- Target costing
 - definition of, 30
 - features of, 31-33
 - five steps of, 33-41
- Technology transfer, 181-82, 189
- "Ten-point Code of Ethics for Engineers," 125-27
- "The Development Story of the New Line of Toyota Celica Cars," 102
- Three stamp campaign, 77, 78
- Time deposits, 15
- Tokai Bank, 17
- Total cost management
 - and business environment, 29
 - and employees, 50-51
 - kaizen costing in, 30, 42-50, 52
 - target costing in, 30-41, 52
- Toyoda, Kiichiro, 88
- Toyoda Automatic Loom Works, 88
- Toyoda Gosei, 201
- Toyota Motor Company, 25
 - joint ventures, 178, 180, 191
 - overseas operations, 185, 192, 195
 - sales strength, 88-91
- Toyota Motor Credit, 17
- Toyota Motor Sales Company, 25, 88, 99
- Toyota Motor's Development Chief System*, 119
- Toyota Network System (TNS)
 - body manufacturers' network (TNS-B), 144-45
 - dealer network (TNS-D), 134-35, 136-38, 140-41
 - future developments in, 145-46
 - overseas network (TNS-O), 141
 - suppliers' network (TNS-S), 141-44
- Toyota production system, 132.
 - See also* Just-in-time (JIT) production

- United Auto Workers (UAW), 200, 201-2

- Value-added network (VAN), 144
- Value analysis (VA), 43
- Value engineering (VE), 31-32, 43
- Variable costs, 32
- Vista, 93
- Volkswagen, 176, 180, 191
- Volume management, 163
- Volvo, 183

- Warrant bonds, 2, 6
- Waste, eliminating, 162, 164
- Workers. *See* Employees
- Work instruction labels, 155, 156
- World War II, 89