

TOYOTA MOTOR MANUFACTURING NORTH AMERICA, INC. DRIVES GROWTH AND TARGETS US\$7 MILLION ANNUAL PAYBACK BY INVESTING IN ITS PEOPLE

CUSTOMER VIEW

“Our overall focus is not simply on justifying an IT expenditure. It’s all about enabling the corporation by putting the right processes and technology in place to empower our people.”

—Mike Price, General Manager,
Toyota Motor Manufacturing North America, Inc.

When does growth become a problem? For Toyota Motor Manufacturing North America, the issue came in retaining, developing, and expanding the employee and management base fast enough to meet the company’s growing needs.

BACKGROUND

[Toyota Motor Corporation](#) is one of the world’s leading automotive manufacturers and the fourth-largest automaker in North America. Besides its 12 plants and 11 manufacturing subsidiaries and affiliates in Japan, Toyota has 51 manufacturing companies in 26 locations that produce Lexus-, Scion-, and Toyota-brand vehicles and components. Toyota employs 264,000 people worldwide and markets vehicles in more than 140 countries.

As of December 31, 2003, Toyota’s North American operations’ investment is over US\$15.2 billion and, for CY 2003, the company had vehicle production of 1,278,359 units, engine production of 1,112,074 units, and sales of 2,072,190 units. Toyota currently employs over 36,000 people in North America and, when dealers and suppliers are factored in, creates over 190,000 jobs.

[Toyota Motor Manufacturing North America, Inc. \(TMMNA\)](#) serves as the parent company for Toyota’s growing manufacturing activities in North America. TMMNA has 10 manufacturing operations and 2 more under construction, and is expanding its plants in Alabama and West Virginia. TMMNA provides centralized support to Toyota’s North American manufacturing plants in several key areas, such as purchasing, production control, production engineering, quality control, and administration.

CHALLENGE

With Toyota growing globally and TMMNA growing locally, the demand for highly skilled managers and employees, or team members, has been accelerating. The right people are the heart and soul of every organization and TMMNA found it was unable to expand as rapidly as desired due to its inability to develop and retain the necessary management candidates while maintaining an acceptable rate of turnover among its associates.

An exit survey conducted with departing team members revealed that human resource (HR) practices played a part in departures, including a lack of promotional and development opportunities. Although TMMNA depends heavily on information technology (IT) to run many components of its business, the company found that it wasn't making the best use of IT to support its HR processes.

TMMNA determined that it needed to add technology enhancements that would not only improve productivity but also help in the development of its people. The idea was to implement technology-enabled business process changes to improve HR efficiency and move HR from transactional processing to a strategic business partner able to respond quickly to team member needs.

The estimated cost of the desired expansion to TMMNA's HR enterprise resource planning (ERP) system came to US\$7 million. The initiative included upgrading their integrated HR management system and adding software modules that would contribute to hiring, retention, and development of skilled, motivated, and flexible leaders and team members. The plan included standardized processes for recruiting, selection, and placement of team members as well as common development processes for succession management, career paths, career plans, education, and performance appraisals.

The challenge came in justifying the expense to the IT department and to senior management, which would provide and approve the funding for this initiative.

SOLUTION

The Cisco Systems® [Internet Business Solutions Group \(IBSG\)](#) provided consulting to aid TMMNA in aligning the investment in HR technology solution support process changes with specific business challenges. The goal was to add seven software modules targeting performance management, salary planning, succession management, career development, training, labor relations, and position management.

“We knew we needed more efficiencies inside human resources, but struggled with creating the overall business case,” recalls David Burchfield, manager, Human Resource Information Systems (HRIS) and Payroll, TMMNA. “IBSG helped us understand how to align our vision as a company with quantifiable metrics.”

IBSG worked with TMMNA to build both production metrics, which measure the shift from manual to automated processes, and value metrics that define a quantifiable measure of success in terms of achieving the company's business mission and supporting strategies.

IBSG consultants also spent time with HR functional managers so each could understand the strategy, functionality, and potential impact of the new process and system. IBSG and the TMMNA HR team realized that the initiative would require applying change management techniques to reap the full benefits of the technology investment, so gaining buy-in of the management team was a critical success factor.

RESULTS

“Cisco® helped us quantify value metrics that enabled us to tie back into the company mission,” Burchfield says. Although value metrics can show financial return within a year, they typically reflect factors that continue to add shareholder value beyond one year by specifically impacting such things as differentiation, competitive advantage, increased customer satisfaction, and reduced risk.

TMMNA is adopting business process changes IBSG helped create—the metric development process as well as a post-implementation process that the treasurer requested to capture benefits—as ongoing methodologies within the company.

“With Cisco’s help we began to look at the challenge not just from a systems standpoint but from a business standpoint,” adds Leslie Andrews, assistant manager for HRIS, TMMNA. “Common systems and standardized processes will allow for well-planned, accurate, and action-oriented decision making.”

Although most ERP systems and processes usually take four to five years to generate savings, TMMNA anticipates achieving a positive return on its investment in just over one year after complete deployment, an unprecedented accomplishment.

The new HR approach is expected to help retain, develop, and attract the type of people who will help TMMNA meet its growth objectives for years to come. “The overall strengthening of organizational development and growing the company are key elements of our future,” Burchfield notes. “We could potentially grow faster if we brought the right leadership to the table.”

When fully deployed and based on projected metrics, TMMNA expects to reap a US\$7 million yearly payback on its technology investment. But the ROI is only one benefit of this technology-enabled business process investment.

“We want to lead the way in many things,” Burchfield says. “Standardizing HR will help us get there.”

NEXT STEPS

TMMNA received funding for the initial phase of this HR project and, based on current efforts, has now received approval for the next phase, which means rolling it out to eight manufacturing plants in North America. “Eventually this system will touch close to 20,000 team members,” Burchfield says.

The company is now working with IBSG on a comprehensive post-implementation review to evaluate results and make mid-course corrections. “We’re working with various management groups within HR to review progress and ensure continued success in the rollout,” says Andrews.

It’s all part of what is known within Toyota as “kaizen” or the concept of continuous improvement. Improvements and suggestions by team members are the cornerstone of Toyota’s continued success.

FOR FURTHER INFORMATION

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