

## Running on Empty: Toyota and the Disappearing Credibility

Posted: 21 Feb 2010 08:33 PM PST



**By Roger Witherspoon**

As Jerry Meyers sees it, the senior management of Toyota would love to do the right things for the company, for their customers, and for the regulatory agencies – if only they had a clue as what the right course of action was.

“What they should do is easy,” said Meyers, the former CEO of American Motors, the Detroit auto company which produced Jeeps and small Rambler sedans, and openly mocked the “gas guzzlers” of the Big Three until it was bought by Chrysler in 1987. “Every crisis management expert will tell you to be transparent. You have to be quick, get the bad news out, get it all out, bury it and move ahead. That’s what every crisis management expert will tell you.

“But back at the ranch, it’s a lot more difficult than that. It assumes perfect knowledge. It assumes you know what is wrong – or very close to it – and you know what to do about it and you can, in fact, get it done. None of that is ever assured or, in the real world, are clear and crisp and easy for management to get their arms around. But they have evidently run into something that is so puzzling that they don’t quite know what is wrong, and they don’t know quite what to do, and they don’t know if they can do it even if they did know what needed to be done.”

Finding the right path will be difficult for Toyota which is being tugged in several directions. The National Highway Traffic Safety Administration (NHTSA) yesterday launched its fifth, separate, simultaneous investigation into possible procedural, technical, and criminal violations by the giant car company in its handling of four different problems throughout the Toyota fleet. The latest investigation is into the manner in which Toyota handled complaints that the power steering failed in some 2009 – 2010 Matrix and Corolla models.

The investigation launched Thursday came two days after NHTSA announced it is seeking documents from Toyota to determine when the company learned of problems with accelerator pedals that either stuck in one position, preventing the car from slowing down, or inexplicably increased accelerated. Under federal law, companies selling cars in this country have to notify NHTSA within five days of discovering a safety defect, and

then launch a recall. Failure to do so could result in fines of up to \$16.4 million, the maximum permitted under the statute. The probe looks into the timelines involved in three Toyota recalls of some 8 million vehicles and the production line shut down of several models affected by accelerator, steering, and brake problems.

The defect investigation, said a NHTSA spokeswoman, is conducted in two parts: a preliminary evaluation and an engineering analysis. The four month evaluation determines if Toyota properly looked into and categorized consumer complaints. If the evaluation finds there may be a safety issue, the inquiry moves into the engineering phase in which NHTSA conducts its own engineering tests to determine the scope of the problem and its danger to the motoring public.

This is a departure from the agency's past relations with the Japanese automaker. Previous investigations have relied on Toyota's assertion that acceleration problems result from mechanical issues, primarily sticking pedals and shifting floor mats.

It is also an unusual microscope for a company which has the fourth least number of complaints – after the Smart ForTwo, Mercedes, and Audi –out of the 40,000 filed monthly with the federal transportation agency

In addition, at least three congressional committees have announced they will hold hearings into Toyota's actions in handling the various technical problems, and the oversight provided by NHTSA. The regulatory agency has come under the Congressional microscope because during the Bush administration, safety complaints about Toyotas were essentially left to the company to resolve.

But a company can only resolve issues if it really knows what it is doing and is open to the possibility that its core engineering expertise might be flawed.

"They built a public perception of a firm that paid great attention to detail, very high quality, and very customer conscious," said Meyers, now a professor of management and organization in the Ross School of Business at the University of Michigan. "That's all crumbling down now.

"They are fast building a reputation over the last 90 days of being slow, inept, opaque, and insensitive. That's a reputation they built in 90 days, which is overcoming, for the moment, the reputation of the last 30 years."

Meyers, as a former auto industry CEO, has more than a little sympathy with his counterpart at Toyota since the company, in his view, makes great cars. "I drive a Lexus ES 350," said Meyres, a lanky six footer. "It's the finest car ever made."

From Toyota's perspective, the current spate of problems are not systemic – they just happen to be coming to a head all at once. John Hanson, Toyota's national manager for environmental safety and quality communications, the pedal problems forcing the first two recalls were separate matters.

"We are in a climate where the term unwanted acceleration is very broad, with the media reports about all manner of situations where vehicles are out of control," Hanson stated.

The pedal entrapment by the loose floor mats "did involve high speed injuries and death," he said. That was different from the sticking pedals, he said, "though they are often, unfortunately melded together. Both recalls involve the accelerator pedal, but for different reasons and with different results."



Toyota is even more frustrated with its latest recall of Prius models with brakes that appear to temporarily fail when the car hits a pothole or goes over a rough stretch of road.

In reality, said Hanson, the anti-lock braking system and its accompanying, electronic stability and traction control system “is functioning as it was designed, but appears it is more aggressive than previous generations with regards to predicting the pending loss of traction.”

In essence, Toyota has designed a braking system whose computer brain can decide to overrule the driver and refuse to apply brakes as ordered when the driver hits the brake pedal. That does not, he said, mean the car has a loss of brake control. But the control is in the silicon network of the computer chip, not the foot of the motorist.

“The new 2010 has the ability to look further ahead when it compares what your foot is telling the pedal to do and what it senses between the road and the tires,” Hanson explained. “The computer makes a decision early in the cycle as to what is best when the tire goes over a bumpy road or pot hole and is unweighted.

“The computer compares that with what the driver would do – such as tap the brakes – and is saying ‘I don’t think I want to give it that much brake pressure because if I do I will lose traction’. So it ignores the brake instruction and maintains control as it deems best. That scares people because they don’t know what it is doing.”

The electronic brain in the car, which can overrule the living one behind the wheel, is part of an ongoing effort to develop smart cars approaching the nearly-human Audi ferrying Will Smith in the science fiction movie “*I Robot*.” Toyota already has systems with dashboard cameras trained on the driver’s pupils that sound alarms if the computer feels the driver is drifting off to sleep. Its high end Lexus sedan will already park itself, and the cars warn drivers when they are veering out of their lane – a useful feature during rainstorms at night when dotted lines are difficult to see.

To the company, then, engineered safety systems are not a threat, even if they can make motorists uncomfortable.

But confidence in its engineering prowess hurts Toyota when changes are made and motorists are not alerted. The latest recall, involving the steering in the Matrix and popular Corolla compact sedan, was deemed significant enough that Toyota altered the system on new cars being produced – but did not alert existing owners to a potential problem. But that is part of the insular atmosphere at Toyota and over confidence in their technological ability.

“From their point of view,” said Jeff Liker, Professor of industrial and operations engineering at the University of Michigan, “if they determine that a problem is not a safety issue, but it’s a drivability or customer satisfaction issue, then they are not under any obligation to tell the public.

“Part of the disagreement between people on the outside who are now critics of Toyota, and people on the inside who are engineers is that the people on the outside think there are safety issues and the people inside Toyota do not.”

Liker, who has studied Toyota for the past 25 years and is the author of “Toyota Culture: the Heart and Soul of the Toyota Way”, said once the firm’s engineers determine a problem is not a safety issue, the company will make a “running change” at the factory but see no need to go public and mention the complaints or the remedy. Toyota is not alone in that regard.

“The Ford Fusion Hybrid had a brake hesitation problem,” said Liker, “and they did not recall the vehicle. They put out a technical service bulletin and told the dealers that if somebody comes in with a complaint, this is what you should do.

“The only reason Toyota had a recall was because of all the political pressure. They are under a microscope and everything looks negative. And NHTSA is under pressure because they are accused of being too soft on Toyota.”

With Toyota, the public perception is that their judgment is faulty when it comes to deciding what is or is not a safety issue. “In the case where somebody clearly crashed and clearly it is because of the vehicle, that is a clear cut safety issue,” said Liker. “But there was a GM study covering a 10 year period which found that in 98% of the cases where there is an accelerator accident it is because of driver error. People think they have a foot on the brake when they actually have it on the accelerator.”

Still, Toyota could have avoided the crisis if it assumed the worst and acted on the possibility that its engineering systems were faulty, rather than insist that the accident victims were to blame. And that is where their public image crashed.

Toyota was caught, said Liker, between insisting that the problems lay with mechanical systems or inattentive drivers, or stating that they sold unsafe cars. “At that point, it was a no-win situation for them.”

Meyers, who headed American Motors when its flagship Ambassador sedans had runaway accelerators triggered by faulty cruise commands, said Toyota’s public image will continue to be battered until their multiple technical problems are solved.

“They can’t figure it out,” said Meyers. “The only thing they should be doing is getting at the root cause of the sudden acceleration and nail it. Once it’s nailed, do a fix, then tell the world that you found it, we are going to fix it immediately and irrevocably, and resources are incidental. They are probably digging like crazy to find it.”