

The Question

The following according to Reuters (2010) are milestones leading to the largest recall in Toyota's history:

2000: Toyota launches program known as "Construction of Cost Competitiveness for the 21st Century" with the aim of cutting costs of 180 key car parts by 30 percent, saving nearly \$10 billion by 2005.

February 2004: NHTSA opens a review of electronic throttle control malfunction complaints in the 2002 and 2003 Lexus ES300. The investigation is closed in July 2004 without a defect finding.

February/March 2004: Private Insurer State Farm notifies NHTSA of a worrying trend in claims of unintended acceleration in 2002 and 2003 model year Lexus ES300s and Toyota Camrys.

December, 31, 2004: Toyota vehicles accounted for about 20 percent of all unintended acceleration complaints filed with NHTSA in 2004, up from 4 percent in 2000.

August 2005: NHTSA begins a review of concerns about the electronic throttle and uncontrollable acceleration on 2002-05 model year Camry, Solara and Lexus ES models. The investigation is closed in January 2006 without a defect finding.

September 2006: NHTSA opens an investigation of 2002 to 2006 model year Camrys and Solaras based on complaints of short duration acceleration without pressing the accelerator. The investigation ends without a finding of a defect.

2006: Following a surge in global recalls, Toyota head Katsuaki Watanabe apologizes for "quality glitches." Toyota delays some new models by up to half a year.

March 2007: NHTSA opens an investigation into pedal entrapment concerns in the model year 2007 Lexus ES350. The agency upgrades the investigation in August 2007, two weeks after a fatal crash involving a 2007 Camry.

In September, NHTSA determines floormat entrapment as the cause of the crash and tells Toyota a recall is required. The automaker recalls 55,000 all weather floor mats for the 2007 and 2008 model year Camry and Lexus ES350.

September 2007: Former Toyota attorney Dimitrios Biller signs a severance agreement with the automaker. He claims he found "numerous" cases where the company concealed evidence from the courts and the U.S. government. Toyota "strongly disputes" this claim.

October 2007: Consumer Reports influential vehicle quality survey drops three Toyota vehicles, including a version of the Camry, from its recommended list. The verdict: "After years of sterling reliability, Toyota is showing cracks in its armor."

December 2007: Toyota's U.S. sales for 2007 hit 2.6 million units. It has displaced Ford Motor Co as No. 2 in the U.S. market and is on the cusp of unseating General Motors Co as No. 1 on a global basis.

December 31, 2007: Toyota accounted for 23 percent of all unintended acceleration complaints filed with NHTSA in 2007.

April 2008: NHTSA opens investigation of unwanted acceleration due to a trim panel interference on the 2004 model year Sienna minivan. In January 2009, Toyota recalls 26,501 Sienna minivans to replace floor carpet.

June 2009: Akio Toyoda, 53, grandson of Toyota's founder, is named president, replacing Watanabe, 67. Yoshi Inaba is called out of retirement to head Toyota's U.S. operations.

August 2009: Fatal crash in Santee, California, of a 2009 model year Lexus ES350. Investigators find pedal entrapment by a floormat may have contributed to the crash.

September 2009: NHTSA officials tell Toyota they expect a recall to address possible defects in pedal design in addition to floormats. Toyota tells agency it will recall the pedals.

October 2009: Toyota recalls 3.8 million vehicles in the United States to address the risk that floormats could trap the accelerator pedal in an open position. The recall is expanded in January 2010 to more than 5 million vehicles.

December 15, 2009: NHTSA officials meet Toyota executives in Japan seeking prompt action on safety issues. Toyota commits to improving its responsiveness.

December 31, 2009: Toyota accounted for 33 percent of all unintended acceleration complaints filed with NHTSA in 2009.

January 16, 2010: Toyota informs NHTSA that accelerator pedals made by supplier CTS Corp may have a dangerous "sticking" defect.

January 19: At a meeting in Washington including Inaba and U.S. sales chief Jim Lentz, NHTSA asks Toyota to take prompt action. Hours later Toyota tells NHTSA it will issue a recall.

January 21: Toyota announces recall for about 2.3 million Toyota models to fix sticky pedals.

January 25: NHTSA tells Toyota it must stop selling vehicles that have acknowledged defects even if it does not have a remedy.

January 26: Toyota halts U.S. sales of eight models, including its best-selling Camry and Corolla sedans, and says it will halt production for the first week of February.

January 28: Toyota meets with NHTSA to review its pedal fix. NHTSA says it has no objections to the fix.

January 29: NHTSA opens investigation into CTS pedals. NHTSA asks CTS if it sold pedal to other carmakers and when it discovered reports of problems.

February 2: Toyota reports a 16 percent drop in January U.S. sales. Monthly U.S. sales drop below 100,000 for the first time in more than a decade and Toyota's U.S. market share falls to its lowest level since January 2006.

February 2: NHTSA renews investigation into Toyota's electronic throttle control system. U.S. Transportation Secretary Ray LaHood says, "While Toyota is taking responsible action now, it unfortunately took an enormous effort to get to this point." Toyota says it will cooperate with the probe.

February 3: LaHood warns recalled Toyota owners to stop driving, then withdraws his remarks, saying it was a misstatement. Toyota says it is examining braking complaints about its 2010 model Prius hybrid.

February 4: NHTSA opens investigation into at least 124 consumer complaints about brakes on Toyota Prius hybrids.

February 5: After keeping a low profile for nearly two weeks, President Akio Toyoda appears at a news conference to apologize for safety problems. He announces plans to bring in a task force, including outside analysts to review quality. Toyota considers a recall for Prius braking issue.

February 9: Toyota announces recall of nearly 500,000 new Prius and Lexus-brand hybrid cars globally for braking problems. Akio Toyoda says he may visit the United States in the third week of February.

February 22: Toyota says it received a federal grand jury subpoena from the Southern District of New York for documents related to unintended acceleration in some of its vehicles and the Prius braking system. It also disclosed that the U.S. Securities and Exchange Commission requested documents related to unintended acceleration and subpoenaed documents related to the automaker's disclosure policies and practices.

Reuters (2010) Timeline: Toyota from rise to recall crisis, hearings, Reuters online, <http://uk.reuters.com/article/idUSTRE61M0IT20100223>.

Required:

In light of the above timeline write a report addressed to Toyota's senior management,

- a) evaluating the way Toyota handled the crisis [Maximum words 1000]

Recommended reading:

1. G.V. Johar, M.M. Birk and S.S. Einwiller (2010) 'How to Save a Brand in the Face of a Crisis', published in the MIT Sloan Management Review, Vol. 51 No. 4.
2. Epermanis K, 'Mass Tort Litigation: The case of Merck', CPCU eJournal, May 2008.
3. Use the internet to find more information on how Toyota handled the recall crisis.