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Toyota falls short of its high expectations Recalls have forced the carmaker back to basics, report David Ibison and James Mackintosh

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Abstract

Shinichi Sasaki, president and chief executive of Toyota in Europe and a former head of quality for the group, says new factories outside Japan and rapid recruitment of new staff at home have hurt the "built-in quality" culture. He points to the widely- watched JD Power measure of quality and customer satisfaction, as well as the recalls, as prompting "very serious concern" at the top of Toyota.

Toyota's main suppliers - all of which are reaping record profits from Toyota's success - are hurrying to build extra production capacity to meet demand. But with Toyota expected to announce a plan later this year to increase global automobile production by 900,000 units to more than 9.2m units in 2006 - a level that should allow it to pass GM - the pressure on suppliers is likely to increase, the company says.

Even dealerships are affected by the campaign. Toyota has merged its quality assurance and service divisions in an attempt to spot problems earlier by getting feedback from repairmen. The aim is not just to top JD Power's ranking: Toyota wants a clear lead over rivals so it can boast of its quality as it becomes the world's biggest carmaker.

Full Text

Toyota Motor's top executives are growing increasingly concerned that the frantic pace of growth at the Japanese carmaker - which could become the world's largest next year - is hurting its reputation for quality.

The carmaker is running a "back to basics" campaign after its image was tarnished by a series of recalls of vehicles for repair, even as it prepares for a final push to take the coveted number one position from General Motors, the troubled US carmaker.

Shinichi Sasaki, president and chief executive of Toyota in Europe and a former head of quality for the group, says new factories outside Japan and rapid recruitment of new staff at home have hurt the "built-in quality" culture. He points to the widely- watched JD Power measure of quality and customer satisfaction, as well as the recalls, as prompting "very serious concern" at the top of Toyota.

"Competitors are catching up with Toyota in their JD Power scores," he tells the Financial Times. "In some areas, especially Europe, our score is not good enough for our expectations."

Toyota has lost its position as the top mass-market brand in the JD Power table to Buick, the GM brand, although Toyota's Lexus premium badge remains the overall best-rated.

The recalls in recent weeks have put a spotlight on this small but significant slip in quality. Last month Toyota announced a recall of 1.27m cars in Japan - its biggest ever - followed within weeks by another recall of 246,592 vehicles in Japan and the possible recall of a further 1.05m globally. Last May it recalled 790,000 pick-up trucks in the US. It has also recalled 160,000 Prius hybrid cars worldwide - particularly humiliating as the petrol/ electric cars are regarded as a symbol of the company's technical prowess.

The company said record production levels had put its suppliers under pressure. "When you are making more vehicles, everyone has to work harder and faster," Toyota says. It admits faults have crept in: "Some are design defects, some are manufacturing defects."

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In this environment, Toyota could be forced into making further recalls. So is the company sacrificing quality in its drive to become number one?

It would be a sin Japan's manufacturers have committed in the past. In the bubble years of the 1970s and 1980s, the country's car manufacturers sacrificed profitability, and eventually quality, to secure market share - a move that prompted an outbreak of anti-Japanese sentiment in the US and restrictions on car exports to Europe.

The recalls this time have another explanation. Toyota is suffering, says Mr Sasaki, because less experienced workers and new factories take time to adopt the company's culture of quality.

But there are more fundamental problems affecting all manufacturers. These include increased sharing of components across a number of models, which increases the impact of otherwise minor problems, and a stricter regulatory environment.

"The more parts you share, the more it magnifies the mistake," says Kurt Sanger, auto analyst at Macquarie Securities in Tokyo.

Toyota is setting up special centres in Britain and the US to drive home the message that quality should be "built in", not imposed by post-production inspection and checks. These centres mirror the Global Production Centre in Toyota City in Japan, which opened two years ago.

The company is also trying to explain better the complex "Mast" internal audit system, established five years ago to ensure quality is at the heart of design, engineering and other non-production processes.

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