Toyota Chief Stresses Safe Growth

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TOKYO (AP) — After four tumultuous years bookended by an unprecedented recall crisis and a return to the top of the global auto industry, Akio Toyoda is refashioning Toyota Motor Corp. into a leaner company that's more imbued with the venture spirit of founder Kiichiro Toyoda, his grandfather.

In an exclusive interview with The Associated Press, Toyota's president said he is putting new auto plants on hold for three years and reshaping the automaker's structure to give more autonomy to regional divisions and foreign executives.

During his four years at Toyota's helm, Toyoda has learned the hard way the costs of blindly pursuing growth, a strategy inherited from his predecessor that he ruefully acknowledges got him slammed by a cascade of recalls.

The spectacular recall debacle in the U.S., which began in 2009 and involved millions of vehicles, got him grilled at U.S. Congressional hearings over safety, but also rallied American dealers to his side. Toyoda wept openly during one emotional show of support from Toyota dealers in the U.S. Then in 2011, an earthquake and tsunami in northeastern Japan wiped out auto suppliers and Toyota's vehicle production plunged. Yet the automaker's comeback has been stunning. It sold a record 9.75 million vehicles last year, regaining the crown of world's No. 1 automaker from General Motors Co.

Despite the turnaround, caution lingers.

Whatever growth "a reborn" Toyota pursues must be "sustainable," Toyoda, 56, told AP at Toyota's Tokyo showroom.

"We have to keep improving, getting better and better, not taking for granted that we have recovered," he said.

He was speaking after Wednesday announcing an overhaul of management that was the clearest statement yet of his vision to create a more nimble, transparent and globally-minded company to prevent any recurrence of the mistakes of recent years.

Toyoda said in the interview that the company won't start building any new auto plants through 2015 to keep fixed costs down despite burgeoning sales and what he feels are good prospects for global auto growth. Plants already under way will still be completed.

He said that reflects a decision to focus on growing leaner and making better use of what it already has to boost profitability, not just sales.

"There are some plants that are busy, and some plants that aren't so busy," Toyoda said. It plans to be more flexible about shipping cars from one nation to another, such as the Yaris from Europe to the U.S., to improve factory efficiency.

Among the key leadership moves announced Wednesday was the appointment of American Mark Hogan, an independent consultant and former GM group vice president, as a board director — the first time in Toyota's 76-year history it is appointing board members from outside the company.

Toyota also promoted four non-Japanese managers to oversee regional divisions, which will become more autonomous, including James Lentz, an American who already leads Toyota Motor Sales in the U.S., to head the North American region. Steve St. Angelo, another American, will lead Latin American operations and South African Johan van Zyl will take charge of the African region.

Toyoda said Hogan was someone he trusted, having known him since they worked together more than a decade ago at NUMMI, or New United Motor Manufacturing, a California auto plant jointly run by Toyota and GM.

But personal ties weren't why he was tapped for the post.

"It's his background," Toyoda said. Toyota still has much to learn from GM, a company that was already No. 1 when Toyota was barely born, he said.

The U.S. also remains a critical market for Toyota, one that can continue to grow, and putting Americans to work on the American business, as well as helping lead Toyota globally, was simply common sense, he said.

"It's about timing and depth of communication," said Toyoda, an understated, trim man who is known for being a racing car buff.

"They are the ones who are going to understand it the best, and this need is ever greater for them to contribute to a global Toyota," he said of foreign executives.

It has only been in recent years Toyota has challenged GM's seven-decade reign as top automaker. Toyota had been on what looked like unstoppable go-go growth up to 2007. Then things started going awry.

It collapsed into red ink with the 2008 global financial crisis, and then it got hit with one recall after another, spanning defects in floor mats, gas pedals and brakes, resulting in more than 14 million vehicles being recalled, mostly in the U.S.

The recalls tarnished Toyota's reputation for quality and raised questions about its ability to respond to problems that crop up in its rapidly expanding global empire. Then the tsunami and quake hit in northeastern Japan, in 2011, crippling production.

Despite crawling its way back to the top, Toyota still faces major challenges, such as intense competition not only from U.S. automakers but leaner rivals like Hyundai

of South Korea and Volkswagen of Germany. Toyota's sales are plunging in China, the world's biggest auto market, because of a territorial dispute that has set off anti-Japanese sentiments, rallies and boycotts.

Toyota is expecting an 860 billion yen ($9.2 billion) profit for the fiscal year through March 2013, but its parent operation, centered on its Japan business, is still in the red.

Speculation has been rife Toyota may move more production abroad, where profitability chances are better. Toyota has repeatedly denied such speculation, vowing to keep production of 3 million vehicles in Japan..

Despite his introduction of foreigners in top ranks of management — still a rarity among conservative Japanese companies like Toyota — Toyoda stressed the changes he hopes to spearhead herald a return to Toyota's roots.

The Toyota Way, a production method that empowers each worker for quality control, also encourages employees to be innovative and independent.

Toyota's beginnings were humble.

Kiichiro Toyoda's father Sakichi Toyoda invented the automatic loom in a backyard shed, mainly because he wanted to help his mother, who often was weaving in their home. Those around him, including his carpenter father, thought he was crazy and laughed at him.

When Kiichiro Toyoda wanted to develop cars in 1933, not just keep making the by-then successful looms, people again laughed. Back then, Japan only had imported cars like GMs and Fords.

These days, the founding family has a status akin to legend in Japan. Its haiku-like sayings such as "always be studious and creative," and "always have respect for God," remain mottos at Toyota today.

But Toyoda shrugged them off, saying with a hearty, perhaps a trifle embarrassed laugh, that he didn't have them memorized.

If anything, being a member of the founding family was always tremendous pressure on him, especially while he was growing up in conformist Japan. He was typecast as a spoiled brat, and not evaluated fairly as an individual, he said, and he considered choosing another career.

Since joining Toyota in 1984, Toyoda has worked in NUMMI, headed the China operations and introduced Internet services at Toyota, when such projects were still relatively rare, because of his personal interest in online technology. He holds a law degree from the prestigious Keio University, and an MBA from Babson College in the U.S.

"He kept saying the same thing: We must make better cars. He never waffled. He

was consistent," Takeshi Uchiyamada, promoted to chairman under this week's overhaul, said of Toyoda.

Under Toyoda and Uchiyamada's leadership, Toyota has continued to develop gas-electric hybrids, a technology in which the automaker has led the world.

The company has also introduced flashier edgier design not only in its Lexus luxury models but also its entry-level Corolla subcompact. Toyota raised eyebrows in the Japanese market recently by selling a hot-pink version of its Crown sedan, long seen as targeting the staid establishment.

The most important lesson of recent crises, Toyota said, was that Toyota should not ever grow too big or powerful as to forget the original spirit of making something from nothing. That was partly why he chiseled together the three-year electric-vehicle partnership with California startup Tesla Motors.

"I'm trying to apply the founding family's principles to present-day society, globally, and for the Internet generation," he said.

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