SUPPORT OF STAKEHOLDERS IS A KEY TO SUCCESS - A CASE STUDY OF TOYOTA

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ABSTRACT
This paper aims to explore how stakeholders are voluntarily granted influence in corporate decision making and their support has an impact on the growth of organisation with reference to Toyota in Europe. The research finds that stakeholders are granted a voice regarding operational, managerial as well as strategic issues. The power granted to stakeholders varies from non-participation to co-decision making. The majority of engagements found are a combination of low power and low scope of participation, which are limited in their potential to align the views of those inside and outside the corporate boundaries. By seeing an array of different stakeholder governance mechanisms managers can reflect on their own approach to stakeholders and see how other companies use stakeholder engagement for scenario planning and innovation. The paper is the first to empirically analyse Toyota regarding their voluntary stakeholder engagement mechanisms. This design allows the creation of a heuristic for stakeholder governance as well as for identifying clusters.

Keywords: Stakeholders; TOYOTA; Corporate Decision

INTRODUCTION
Toyota activities in Europe, during the vehicle life cycle, have a direct impact on society. Toyota is in the process of setting up in Europe an ongoing dialogue with its employees, the local communities, public authorities and customers. The purpose is to inform them about Toyota environmental performance during the vehicle life cycle and to monitor their requirements and needs.

According to Lehman Brothers, in the eighteenth century we saw 11 banking crises, during the nineteenth century there were 18, and finally in the twentieth century there were 33 financial crises. Extrapolation from that experience suggests that the financial crisis of 2008 could be the first of approximately 60 crises in the twenty-first century. Is it not ironic? The more crises occur, the less it seems we have learned to deal with them. Reflecting on the recurring phenomenon of financial crises Peter Senge (2008) states:

We are all familiar with financial bubbles, the metaphor invented by economic historians to make sense of a recurring puzzle: How is that financial overexpansion and collapse occur time and again, drawing otherwise bright and clever people into ruin? The answer is that during a period of expansion, in effect, two parallel realities develop, one inside the bubble and one outside. Both feel equally real to those who live within them. But the more the bubble grows, the more people are drawn into its powerful reinforcing beliefs, and perceptions.
Eventually, those inside the bubble become so absorbed by their reality that they literally can no longer understand the point of view of those outside. If this observation is right, Senge points to an important governance issue: how to align the world views of those inside and outside the bubble? Ireland has found a legal answer to this question. Theoretical background

Corporate governance is understood as “the system by which companies are directed and controlled” (Cadbury, 2000). The objective of corporate governance has traditionally been conceptualized by agency theory (Williamson, 1975; Jensen and Meckling, 1976) as the maximization of profits for shareholders (Friedman, 1970). An over-emphasis on profit maximization and on share price performance, however, has been found as a root cause of the latest governance crises (Zandstra, 2002; Currall and Epstein, 2003) as well as the current financial crisis of 2007-2008 (Stiglitz, 2009). Viewed from a political perspective (Scherer and Palazzo, 2007; Ulrich, 2008), corporate governance is dependent on the consent given by the governed which in turn refers to democratic principles such as the separation of powers and political debate (Gomez and Korine, 2005). This political view has been taken up by stakeholder theory (Freeman, 1984; Donaldson and Preston, 1995; Letza et al., 2004) arguing that stakeholders are critical for the survival of the organization and they need to be considered in the system by which companies are directed and controlled. Also key proponents of agency theory acknowledge nowadays that stakeholder interests need to be considered in “enlightened” governance arrangements (Jensen, 2001). While some limit their analysis to board governance (e.g. White, 2009), we regard corporate governance as a broader concept involving corporate decision making beyond the board of directors (Letza et al., 2004; Sison, 2008).

OBJECTIVES

1. To see support of stakeholders effect the growth of company
2. To explore how corporate decision are taken keeping stakeholders in mind

Stakeholder Theory

“A stakeholder in an organization is any group or individual who can affect or is affected by the achievement of the organization’s objectives” (Freeman, 1984, p. 46). From the corporate perspective some stakeholders such as employees and customers are critical for corporate survival (Lozano, 2005) as they provide the organization with essential resources (Pfeffer and Salancik, 1978). This line of reasoning is usually referred to as instrumental stakeholder theory and provides a basic rationale for the question of why stakeholder concerns should be considered in the way in which an organization is directed and controlled. Instrumental stakeholder theory holds that the corporation needs to pay attention to only those stakeholders who can affect the value of the firm (Donaldson and Preston, 1995; Mitchell et al., 1997; Jensen, 2001). From an instrumental perspective, stakeholder governance needs to give a voice to powerful stakeholders in order to secure their contribution to the success of the firm. This line of thought usually conceptualizes stakeholder dialogue strategically and is oriented around the needs of the organization such as risk management or the realization of opportunities (Ulrich, 2008).

There are two other perspectives on stakeholder theory: a descriptive and normative view (Donaldson and Preston, 1995; Garriga and Mele, 2004; Lozano, 2005; Ulrich, 2008). The descriptive stakeholder approach identifies and classifies the different constituents of an organization without assigning any value statements regarding the legitimacy of their claims or their power (Lozano, 2005). Normative stakeholder theory goes further and grants stakeholder claims intrinsic value due to the moral rights of any individual affected by corporate conduct (Donaldson and Preston, 1995; Ulrich, 2008). Central questions of normative stakeholder theory consider rights and duties of the actors involved and how a just balance of concerns of different stakeholders can be achieved (Lozano, 2005; Fontrodona and Sison, 2006; Sison, 2008; Ulrich, 2008).

From a normative point of view stakeholders need to be included in corporate governance in order to respect their moral rights. In order to do justice, stakeholder dialogue is not strategic but open and
deliberative coming close to Habermas’ ideal speech situation (Habermas, 1984; Waddock and Smith, 2000). Stakeholder dialogue in this normative view applies a procedural understanding of legitimacy (Palazzo and Scherer, 2006) and a discursive understanding of responsibility (Habermas, 1984; Ulrich, 2008). It follows a political view that “participation of the governed in their government is, in theory, the cornerstone of democracy” (Arnstein, 1969, p. 216). Similar arguments for a normative perspective are brought forward by Mintzberg (1996) as well as Manville and Ober (2003).

RESEARCH METHODOLOGY

As our literature review did not reveal a large number of empirical studies on how corporations voluntarily grant access to corporate decision making for stakeholders, we take a qualitative case study approach.

Involving Employees

Within TMME, a monthly newsletter is published, called “InTeam”. This tool is also used to disseminate environmental information, raise employees awareness and encourage “green behaviour”. Moreover, the Environmental Committee and Environmental Working Groups include members from every division, providing a further tool for internal communications. A variety of communications tools are also used at TMUK’s Burnaston and Deeside plants to disseminate environmental information to employees. These include lunchbox meetings (an opportunity for discussions with management), briefings for all production teams, display boards and the company magazine, T-Mag. This publication is produced quarterly and is distributed to all employees. A regular section on the environment features any relevant projects within the company and environmentally-related Toyota product information. Toyota also has developed a philosophy known as “kaizen”, or continuous improvement. Every team member is trained to look for ways to improve their job. In fact, the assembly line stops for a period every fortnight so that teams can meet to discuss their improvement ideas. Awards are given for good ideas, and their implementation in the areas of environment, cost, quality, safety and workability. Such improvements also give prestige to the initiating team. In 2000, for example, an award was given to a Deeside team for initiating the recycling of aluminium dross (waste material) from the casting process.

Proactive Dialogue with the Community

Community Liaison Committee

Before production began, TMUK sought to build and maintain good relationships with local people and businesses, as well as creating a successful company that will provide long-term stable employment for the local area. Open communication is vital to be a good neighbour. One way TMUK looked to achieve this was to establish a “Community Liaison Committee”. The function of the committee is for site neighbours to meet regularly with Toyota’s senior management to exchange information and discuss issues. The Group includes representatives from the police, fire, ambulance and planning authority, as well as county councillors, local government officials and local parish councillors from the six surrounding villages.

Visitors Tours

TMUK also conducts tours around both its Burnaston and Deeside facilities for employees’ families, neighbours, customers and anybody interested in the plant’s activities. These tours are extremely popular. Customers from as far away as South Africa and Peru have visited the site to see how their cars were produced. After such a site tour there is always time for questions, discussion and feedback with Toyota personnel. In 2000, approximately 4,000 people toured the Burnaston site.

Co-operation with Regulatory Bodies

European, national and regional legislation and technical regulations have a direct impact on Toyota products and on the way it operates its business in Europe. Toyota actively participates in relevant discussions and positively contributes to the debates, sharing its international expertise.
Examples include: end of life vehicles, low sulphur fuels, health effects, block exemption, incentives for environmentally friendly vehicles, etc. In manufacturing, regulation for TMUK is split between the local authorities and the Environment Agency. An open relationship has developed between the Environmental Affairs team and the regulatory authorities leading to a good two-way flow of information. The issues covered include process modifications, licence reviews and compliance of existing licences. TMUK has also worked extensively with various trade organisations to develop programmes and legislation and, as a company, to support local environmental initiatives. For example, TMUK has supported discussions between the SMMT (Society of Motor Manufacturers and Traders) and the DETR (Department of the Environment, Transport and the Regions) about the Climate Change Levy to agree reductions in energy usage by the automotive industry.

**Working Together for the Environment**

NMSCs, through Dealers, are the key link in the chain that connects Toyota to its customers. The principal opportunity for formal environmental information sharing between NMSCs and EACO are the bi-annual European Environmental Meeting. NMSCs are also responsible for disseminating environmental information through their Dealers. In order to facilitate this obligation, NMSCs are in the process of setting up intranet sites in which the environment is a key topic. To recognise NMSCs that have achieved outstanding results, TMME, which oversees sales in Europe, created the Toyota Top Team Award in 1999. The five criteria considered are: Business Performance; Customer Satisfaction; Dealer Delight; Priority Themes; and, new for 2001, Environmental Points. Points are awarded for production of an annual environmental action plan which must contain a comprehensive Dealer waste management system for the whole Dealer network. Additional points are awarded to NMSCs giving special support for the introduction of Prius – implementation of the launch plan, sales performance, network structure and technical support through Dealers.

**Open Dialogue with Public and Customers**

Within Toyota, the Corporate Communications Group plays an active role in ensuring that the environmental aspects of Toyota’s products, technologies and corporate activities are actively communicated to the media and to the public at large. In particular, the press packs for new products or press releases on new technologies, as well as corporate speeches, brochures and leaflets included detailed information on Toyota’s environmental credentials. In the last year, Toyota participated in conferences, exhibitions and meetings on environmental topics. Examples include the 4th World Fuels Conference (Brussels), the CITELEC9 conference (Strasbourg), the International Energy Agency conference (The Hague) on Clean, Low Carbon Vehicles.

**Product information**

In 1999, the European Parliament issued the 99/94/EC Directive on the “Availability of consumer information on fuel economy and CO2 emissions in respect of the marketing of new passenger cars”. This Directive requests that a label on fuel economy is attached or displayed near each new model at the point of sale. Environmental and safety information and specifications of passenger cars are now integrated in the overall Toyota product information. All NMSCs have developed an internet site through which customers can easily contact them for information on products or express their opinion.

**Eco driving courses**

Environmentally friendly driving behaviour can help save fuel and thereby decrease CO2 emissions by up to 10%. In many cases, drivers simply are not aware of these potential savings. Some NMSCs are considering raising awareness and training Toyota vehicle owners to this end. In 2000, following requests from customers, Toyota Sweden pioneered this idea. They set up an agreement with a company providing driving courses to fleet owners - public and private - to include Eco Driving training. Cars equipped with a special device show drivers how their driving-style affects fuel consumption, emissions and the overall cost of driving. The purpose of the training is to increase the
driver’s awareness of the environment and potential economic advantages linked to changes in driving behaviour.

**Focus on Prius**

Prius was the object of an extensive “green communications” campaign. This began in Autumn 2000, in conjunction with the launch of Prius and involved all media and a dedicated internet site was made available for customer consultation. Toyota strongly supported this campaign, mainly aiming at raising customer awareness on the advantages of hybrid technology. As a part of the campaign, the Prius began a 39-day, 10,000 kilometre journey - under the Eco-Mission 2000@Europe banner. The journey was started by the ACP Team, whose mission is to exchange views with people and organisations involved in environmental protection. This pan-European “Eco-Mission” was a hands-on experience for the team, with the world’s first mass-production hybrid car. The Prius was selected for the mission as a working example of the theme: “Progress in harmony with the environment.” The team selected eight countries with sound ecological track records: Belgium, the Netherlands, France, England, Monaco, Italy, Switzerland and Germany. The journeys began in Brussels, on the European “in town without my car” day. Many sites where environmental preservation measures are actively implemented were visited.

**Sustainability Issues**

As stated in the Toyota Earth Charter, Toyota commits to working in co-operation with society and to active participation in social actions. Toyota in Europe has just activated several community programmes concerning environmental issues and it is the objective to expand the scope of support over time.

**Engaging in a Global Effort on Sustainable Mobility**

Mobility is essential to life. There is a deep human need for autonomous, convenient and efficient movement that shrinks distance and saves time. Mobility is also essential to modern, competitive economies, which require the timely and effective flow of goods and services. Today, these mobility needs are met by various modes of transportation. However, the successful satisfaction of these needs has led to growing concerns about the impacts of current modes of transportation on the world’s environment, on the public’s health and safety, and on the quality and patterns of life. These concerns are important influences on the transportation industry’s desire to serve personal and social needs in developed and developing economies. To actively participate in this global discussion on sustainable mobility, Toyota co-initiated - together with Shell and GM – a WBCSD member project on Sustainable Mobility. TMC cochairs the project, whose core team is formed by eleven global automotive and energy companies.

**Support with Local Community Projects in the UK**

In year 2000, TMUK, in line with Toyota commitment to social investment, confirmed its key focus areas as health, education, children and the environment. Since the start of production in 1992 till 1998, Toyota invested £ 1.2 million (approx. € 2 million) in the UK to enhance teaching of science and technology in schools and to encourage industry/education links through the Toyota Science and Technology fund. Additionally, TMUK has contributed over £ 500,000 (€ 0.85 million) to a variety of local community causes around its manufacturing sites. The company’s second major programme, funded together with Toyota UK NMSC, TGB, is a £ 300,000 (€ 0.5 million) national safety education campaign in primary schools targeting 7-11 year olds. Called ‘S’Cool to be Safe’ the programme was launched in 1999 with the aim of teaching children how to assess and to cope with the risks that they face in their everyday lives. Focusing on road safety, the 3-year programme has been recognised by the Prince Michael Road Safety Education and Training Award as an ‘outstanding contribution to road safety’. Toyota contributes to environmental projects in the community. £ 35,000 (€ 60,000) was given to sponsor an education programme with the National Trust in 1997. The project is based at two locations; Snowdonia National Park; and Ilam Hall in Derbyshire. The aim is to teach children about
biodiversity, and respect for the environment. In total, during 2000, £ 135,000 (€ 228,800) was donated to the community by TMUK.

**Providing Support to Environmental Association**

**Projects in France**

On the occasion of the future Valenciennes plant Groundbreaking ceremony in November 1998, Toyota Motor Corporation announced a three-year programme in partnership with the environmental association Nord Nature Chico Mendes. The programme supports the transformation of two former industrial sites in a neglected state, into natural parks. The two sites are located near the town of Valenciennes. The innovative aspect of the project is that children from schools adjacent to the selected sites are involved in the transformation process. Therefore, this is both an environmental education, and a re-forestation programme. The main site is located in Bruay-sur-l’Escaut city and covers 10 hectares. A total of 40,000 trees will be planted before March 2002 and fifteen school classes involved in the project. The donation made by Toyota to support the programme amounts to € 107,000 over three years (1999/2001).

**Toyota Environmental Activities Grant Programme**

Toyota Motor Corporation (TMC) received the United Nations Environment Programme (UNEP) Global 500 Award on World Environment Day 1999. The Global 500 Award recognised TMC for its comprehensive environmental management structure, its release of the world's first mass-produced hybrid vehicle, its responses to ISO14001 certification and active disclosure of its environmental data. To commemorate this award, in 2000, TMC, in co-operation with Toyota Foundation, established an Environmental Activities Grant Programme. The programme will be implemented as a part of TMC's social contribution activities. The grants are awarded to a wide range of organisations, including universities, research facilities and environmental NGOs. The programme is expected to award approximately two million Euro a year in grants over the next three years to promote "social investment for sustainable development." The grants will support the following types of projects both in Japan and overseas:

1. Projects that bring to fruition technology for the promotion of environmental and economic development, and projects that contribute to the social and other systems needed to accommodate such technology.

2. Educational and consciousness-raising activities conducted to raise environmental awareness among the next generation and others who will play an important role in bringing about sustainable development, and to promote and implement environmental protection activities.

In 2000, the Regional Environmental Center for Central and Eastern Europe (REC) submitted a programme idea on supporting environmental education in the countries of Central and Eastern Europe by development and implementation of an innovative multimedia educational package for school children aged between 11 and 15 in seven countries. Under the Environmental Activities Grant Programme, grants have already been provided to the pilot phase of the programme, that commenced in Poland in December 2000, and to the first follow up phase, that will take place in Bulgaria and Hungary in 2002.


**LIMITATIONS AND FURTHER RESEARCH**

One major drawback of our methodology is the limitation of the analysis of corporate reports and, as a consequence, the issue of taking corporate statements in reports as fact. A triangulation with further qualitative data could help to establish a more critical analysis. As a consequence, our analysis does not reveal power categories others call “manipulation” or “therapy” (Arnstein, 1969, p. 216; Foster and Jonker, 2005, p. 51; Burchell and Cook, 2006, p. 167) or even cynical engagements (Burchell and Cook, 2006, p. 162) because such nuances are difficult to detect based on reports; e.g. it remains
questionable if innocent really relied completely on their customers’ opinion when reaching a final decision as to whether their drinks should be sold at McDonald’s. Also DuPont is very clear about the fact that its Biotech advisory board is engineered towards producing pro-biotech results. These examples resonate with Foster and Jonker (2005) reporting that stakeholders are placed on rubberstamp advisory boards in order to “engineer” their support.

Our research did not analyse the way how, in rather technical terms, stakeholder decision making is implemented. In order to prevent this from becoming a purely bureaucratic act, especially when large stakeholder groups are involved, firms should think about web-based decision-making platforms or toolkits as provided by solutions in the domain of open innovation and Web 2.0. Further research should examine how these instruments from the domain of open innovation can be applied to broader decision making and potentially extend to an “open strategy” approach.

CONCLUSION

Based on the procedures performed, we conclude that Toyota in Europe has applied appropriate procedures for the purpose of compiling and validating information from the reporting units for inclusion in the Report. For the two reporting units visited, submitted figures are consistent with the source documentation presented to us. In addition, the information in the Report is consistent with corresponding information presented in the Toyota Motor Corporation Corporate Environmental Report 2001.

We also conclude that Toyota in Europe, in preparing the Report, has started to apply the GRI Sustainability Reporting Guidelines with an incremental approach, applying the Guidelines to company selected environmental information provided in this year’s Report.

REFERENCES