

It's not stopping...

More recalls deliver further blows to Toyota's battered reputation.

ANNOUNCING the latest recall of Toyota vehicles, Akio Toyoda, the company's chief executive, invoked the principle of *genchi genbutsu*, an integral part of the car company's production system. It urges managers to experience problems for themselves rather than relying on reports and then attempting a fix one or two steps removed. On Tuesday February 9th Toyota said that it would recall over 400,000 Prius and other hybrid vehicles worldwide to address problems with their brakes. Later Mr Toyoda promised that he will shortly visit America, the car company's largest market, where he will see the damage to Toyota's reputation for himself. Finding a fix is another matter entirely.

Recalling another few hundred thousand cars may seem to be only a moderate additional problem for a company that has already shocked customers with the recall of more than 8m vehicles worldwide. On its own the recall of new Priuses, some Lexus models and other hybrids would not have caused the company much anxiety. But coming on top of the recall of cars with accelerator pedals that can jam open, another over brake pedals that sometimes refuse to operate is dreadful. Even before the latest news Toyota put the cost of the recalls at \$2 billion. The adverse publicity has hit sales in America, which plummeted by 16% in January compared with the year before. Its shares have fallen by some 20% since the recalls were announced last month.

After announcing the earlier recalls Toyota made the unprecedented move of shutting production at six plants in North America and withdrawing from sale several models while it figured out what had gone wrong with its accelerator pedal. This delivered a pounding to Toyota's image as a maker of reliable—though somewhat dull—cars. Now the Prius has been dragged into the mire. It is the world's best selling hybrid car and Japan's most popular new car of all. Around half of the cars affected by this recall are Priuses in Japan. This will undoubtedly do no good for a company that is attempting to maintain its lead in hybrid cars as competitors line up to launch competing green models.

Toyota's hybrid technology is under suspicion. The system that recharges batteries using the brakes has failed in a small number of cases leaving drivers temporarily unable to stop. On top of which the Lexus brand, Toyota's range-topping and profitable luxury cars, has also been tainted by the recall, though only a few hybrid models are affected.

The charge sheet against the company lengthens daily too. Not only are its suspect cars dealing a blow to Toyota's public image but so is its reaction to the problems. America's transport secretary, Ray LaHood, claimed that Toyota was pushed into making the recalls and press reports maintain that the customers have been complaining about the accelerator problem for several years before Toyota acted.

On Tuesday Japan's transport minister, Seiji Maehara, gave a public dressing down to Mr Toyoda for failing to act swiftly enough in recalling faulty vehicles. Mr Toyoda had made his apologies for his company's shortcoming on Friday. But keen students of Japan's ritualised acts of obeisance noted that while he apologised and accepted responsibility for the firm's failings he did not bow deeply in shame.

Toyota faces further scrutiny on Wednesday when its North American boss, Yoshimi Inaba, is set to testify before a congressional committee over the affair. It is unclear whether public recrimination and close-up scrutiny will help or hinder Toyota's rehabilitation. Some may doubt whether it can recover fully at all. Toyota probably faces an avalanche of class-action lawsuits in America which will prolong the adverse publicity. What is clear for Toyota and other

companies that may find themselves in a similar position is that swift and decisive action may be painful but less agonising than letting a problem boil over and then attempting to clear up afterwards.

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