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Strong leaders, strong cultures: Global management lessons from Toyota and Hyundai

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The 2013 World Economic Forum in Davos, Switzerland, brought together over one thousand corporate executives, fifty heads of state, and three hundred cabinet ministers to discuss world challenges ranging from deficits to competitiveness to deadly diseases. At the conclusion of the conference, an observer from *The Economist* characterized the meeting as having one overriding theme: the importance of developing global leaders—in corporations, nation states, and NGOs. "The two most popular words in the business lexicon today are 'global' and 'leadership.' Put them together and people in suits start to salivate." Indeed, global leadership is both an important topic and a topic about which we understand far less than we pretend.

More has been written about leadership than any other topic in the field of management. Books and articles espouse various theories about how best to lead, while anecdotal experiences by recognized leaders offer personal advice and to-do lists for success. The goal of these efforts, apparently, is to discover the secrets to good leadership and then pass them along to others. While this endeavor may be both challenging and problematic within a single country or region, imagine how much more complicated it can become when we cross national or regional boundaries.

Part of this challenge is conceptual. That is, what is a good leader? U.S. leadership expert Warren Bennis observed that leadership is like beauty; it is difficult to define but people recognize it when they see it. By contrast, Chinese philosopher Lao Tzu observed that good leadership is often both silent and invisible; it succeeds when followers conclude that they, in fact, completed the work themselves. Both of these observations cannot be correct unless we admit to cultural differences at work that help define and shape the nature and quality of successful leadership.

Simply put, what do we really know about leadership as it is operationalized and implemented across cultures? Can we assume, for example, that successful leaders in one country would be equally successful in another? Can successful leadership be exported—or imported? If so, what are the key qualities that constitute these 'global' leaders? If not, what are the contextual, institutional, or situational constraints that might influence their success or failure? This is an empirical issue more than a philosophical one. Hence the question: What can organizational research tell us about systematic variations in national cultures and contexts as they relate to leadership style and the creation of high performance work cultures? In short, does culture make a difference in leadership success?

The present study explores this relationship by comparing leadership style and the creation of supportive organizational cultures in two competitors in the global automobile industry: Toyota Motor Corporation (Japan) and Hyundai Motor Group (South Korea). Results are not intended to be representative of this industry in general. It can easily be argued that leadership practices and organizational cultures in other automobile companies in other countries could be significantly different than the two companies studied here. Such countries have their own unique national cultures to contend with. Still, we believe the access we were provided to these two companies provides a unique perspective and point of comparison of the interrelationships between national and organizational cultures as they relate to leadership effectiveness in two of the world's leading manufacturers. What we discovered is that both companies have discovered distinct but equally successful ways to succeed in the same hostile environment.

CASE STUDY: TOYOTA AND HYUNDAI

Toyota Motor Corporation (including Toyota, Scion, and Lexus brands and suppliers like Denso and Aisin Seiki) and Hyundai

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Motor Group (including Hyundai and Kia brands and suppliers like Mobis and Globis) share much in common; indeed, they have comparable car models in many market segments. Product innovations in this industry are commonplace, as are design and engineering changes. Pressures for sales are relentless. Executive careers are made or lost based on how far or how fast companies move up or down in global rankings. As new entrants enter the field, existing companies are stretched to remain in the running and global rankings continue to evolve as players enter and leave that market. This environment requires a balancing act for managers. On the one hand, companies must continually innovate to remain competitive; on the other hand, they must emphasize planning and operational efficiencies in order to maintain cost controls.

Toyota is significantly larger than Hyundai, with global auto sales approaching 10 million cars and trucks annually, compared to about 7 million for Hyundai and Kia combined. Toyota has 65 manufacturing facilities worldwide employing 320,000 employees; Hyundai-Kia has 35 facilities employing 120,000 employees.

Not unexpectedly, several commonalities can be identified in the two companies, including a strong commitment to quality products and customer satisfaction, a high degree of societal collectivism, high employee commitment, and a strong respect for company leaders. In addition, both companies are actively involved in the 'green' movement, manufacturing hybrid models, emphasizing recycling, and investing in cell and other green technologies. But their approach to leadership and management differs in several important ways.

Toyota's management system is well known, well documented, and often emulated, in both the business media and academic writings. The essence of this management system is captured in the term, the 'Toyota Way.' It is based on 14 key management strategies that can be grouped into four key principles: base management decisions on the company's long-term philosophy; use the 'right' process to achieve the right results; develop the company's human resources; and apply continuous improvement techniques throughout the process. These four strategies coalesce around the twin values of continuous improvement and human resource development. To accomplish this, Toyota focuses on long-term planning and the development of people, products, and systems.

Far less is known about the comparable situation at Hyundai Motor Group, particularly with respect to its approach to the management of operations. What we do know, however, is that it is substantially different. One way to understand this difference is to recall a recent metaphorical observation by an industry analyst comparing the two companies: "If you ask the people at Toyota to make you a chair, they will first develop a plan. They will then develop a coordinated work system to simplify the construction process for the chair. They will gather all the people who will work on the chair and make sure they understand their responsibilities and have the necessary job qualifications. Finally, they will discuss where the chair will be made and what they might need to charge for it. By contrast, if you ask people at Hyundai to make you a chair, they will go and get some wood."

This observation raises two interesting questions: First, is it an accurate depiction of the two companies? And second, if it is accurate, why do we see such differences in the same industry and what are their managerial implications? To answer these two questions, we initiated a comparative case study of the two companies.

Our information for both companies comes from several sources, including almost 200 interviews and discussions with senior corporate executives, divisional managers, HR personnel, employees in geographically dispersed operations, and people outside the corporations who had working knowledge of their processes and practices. Similar interview questions were posed to multiple respondents at each company, and translators were used where helpful. More interviews were conducted at Hyundai than Toyota since less was known about the company. The emergent findings evolved over time as the data collection and discussion process proceeded. Our aim was to develop composite portraits of the two companies in terms of the leadership patterns and organizational cultures. Industry was held constant (i.e., both are global automobile manufacturers). The results form the basis for the findings reported below.

Interpretations of qualitative materials such as interview data carry with them several risks. In particular, there are the twin risks of interviewer bias and interviewee overzealousness (either negatively or positively). That is, it can be relatively easy for researchers to wish for certain results and non objective comments about employers and employees are commonplace. The authors worked to overcome these potential sources of error by triangulating the interview data with published and unpublished information about the two companies. Still, despite these measures, opportunities for interpretative errors still exist, as with any qualitative study.

LEADERSHIP PATTERNS

The principal focus on this study is leadership and organizational culture. In particular, we were interested in the extent to which leadership patterns influence the creation and maintenance of work cultures that reflect the principal core values of the firm, and whether national cultures play a significant role in this relationship. Executives and managers often embody corporate values more than any other aspect of organizations. They both help to create organizational cultures and then reinforce them through their communication with employees, executive actions within the firm, incentive and reward structures, and established management systems. In this regard, significant differences were found between the two firms. We refer to these different leadership styles as *steady state* and *entrepreneurial* for reasons we will explain shortly.

Steady-State Leadership

Toyota's culture is heavily reinforced by the reflective observations and symbolic leadership of its chairman, Akio Toyoda. His message is clear (paraphrased): 'Toyota has succeeded largely because of its steady step-by-step progression and a passion for quality.' The chairman is both highly regarded and highly respected as the 'father' of the company. He represents a symbol of security and stability in a sea of change. Planned visits to various operations by senior executives reinforce a simple message (paraphrased): 'We have earned our industry standing by satisfying customers around the