

CASE 4.1 HOW TO WIN FRIENDS AND INFLUENCE PEOPLE

Instructor Notes

To understand why Toyota has embarked upon manufacturing its vehicles in the United States, it is necessary to go back to the 1970s. At that time, Japanese imports started to gain popularity, and American automakers coped with the situation by laying off workers. There was a great deal of Japan-bashing, and political pressure was mounting. Japan was forced to agree to voluntary quotas.

To ease political pressure and also to overcome the quota problem, Toyota began experimenting with FDI in the United States. To minimize its investment risks, Toyota decided to form a joint venture with GM. The NUMMI joint venture has taught Toyota that it could produce high-quality vehicles in the United States and that it could work with labor unions.

To shed its image as a foreign interloper, Toyota has done its best to present itself as an American company for the last two decades. The company has moved beyond manufacturing small cars and small trucks and is now using its Tundra to pursue the big-truck segment, long dominated by American automakers. So as not to rile American consumers and lawmakers, Toyota's \$300 million marketing campaign for the Tundra employed TV commercials featuring a narrator, in his Texas drawl, who proclaimed that the Tundra was "the all-new, built-in-America, Toyota truck."

In the early 80s, Toyota had nine models and held 6% of the U.S. market. Now on the verge of unseating GM as the world's No. 1 automaker, Toyota is careful not to generate a backlash in the United States. Among all Japanese firms, Toyota has done the most in mastering the local sentiment. Among its charm offensive is its corporate philanthropy. It has launched literacy programs in Texas. It provides funding for the National Center for Family Literacy and other charity causes.

Toyota has done a good job in playing the game of economic politics. When President Clinton was considering a 100% tax on luxury car imports, Toyota promised to build three U.S. plants if the tax was nixed. What Toyota did not reveal was that it was planning to have those factories all along. The state of West Virginia soon got a \$400 million engine plant, and the investment in that facility has now reached \$1 billion. Toyota Prius is a popular hybrid. It owes part of the success to the tax credit of up to \$3,150. Is it a coincidence that one of the sponsors of the bill happened to be Jay Rockefeller, a senator from West Virginia?

Toyota is just as good as its American counterparts in playing the lobbying game. Its lobbying budget since 2002 has doubled to more than \$5 million. Its advertisements appear in such publications as *Roll Call*, *Washingtonian*, *Congress Daily*, and *Congressional Quarterly*. The company does not mind reminding politicians that Toyota has spent \$17 billion over 20 years on new plants and that it directly employs 38,000 Americans.

See "Why Toyota Is Afraid of Being Number One," *Business Week*, 5 March 2007, 42-50.