Crisis Management in Social Media and Digital Age

Can Toyota Succeed?

Authoritarian regimes can control social media; but public companies cannot do so. They basically have to live with social media – either countering effectively, when a crisis starts brewing or suffering the consequences when it grows out of proportions. Recall-troubled Toyota is in such situation. Has it handled the social media strategically and can it protect the reputation built over the decades as the top quality automaker in the world?

Social media, such as Facebook and Twitter, have added new meaning to spreading news and information. While traditional information channels such as newspapers, radios, and TV, are ‘one-way’ media, the dawn of Internet and social media has made communication a two-way extravaganza. In the absence of an adequate control mechanism, in general, the social media frenzy, has proved to be a very effective method to rally around a mass on any significant or even not so significant issue.

The recent banning of Facebook and other social networking sites by certain governments is proof that social media cannot be ignored. Though authoritarian governments can resort to such drastic methods, public corporations cannot adopt such measures. They basically have to live with social media – either countering effectively, when a crisis starts brewing or suffering the consequences when it grows out of proportions. In this backdrop, it is interesting to explore how Toyota, the Japanese automaker, had ‘handled’ the social media and what options does it have in order to ensure that the crisis, which the company is currently facing, does not go out of control and harm its reputation, of a top quality automaker in the world built over the decades. Toyota’s recall of its cars also prompts one to explore a bit of ‘digitization...
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in the automobile industry. The digital technology in music and video industry and its exploitation by Apple using Internet and social media basically pushed the old industry heavyweight, Sony, to the sideline. Could a similar thing happen to Toyota? Could a newcomer exploit the digitization in automobile industry, along with Internet and social media, to dethrone an established giant like Toyota?

**The Recall Crisis at Toyota: Rise and Fall**

Since its founding in 1937, Toyota Motor Corporation strived to build quality automobiles. Capitalizing on the Japanese concept of Kaizen or continuous improvement and Just In Time (JIT), the company built a reputation worldwide for manufacturing affordable quality automobiles. Considered a conservative company, Toyota was able to capitalize on quality and compete directly with the established and well-known brands in Europe, US and elsewhere.

While it took more than 40 years for Toyota to grab a 10% share of its most important US market, in the last decade the company has achieved rapid growth. Almost fifty years after entering the US market, the Japanese company beat Ford and Chrysler to become the second most popular automobile brand in America in 2007. The year 2007 was also a landmark year for Toyota when it earned $15.1 bn in profits - the largest ever in the company’s history and largest ever for a Japanese company.

The next year, 2008, was marked by the global financial crisis and the subsequent recession that hit all the countries and, in turn, all the industries/sectors in the countries. The automobile sales also declined rapidly everywhere. However, Toyota managed to increase its global market share and became the biggest automaker in the world - a record GM held for 77 years.

Though Toyota became the world’s biggest automaker, the No. 1 spot somehow did not bring much cheer to the company. After reporting a record profit in 2007, the global recession of 2008 brought bad news to Toyota - the company reported the first ever loss, US$1.5 bn, in its corporate history.

Financial loss aside, the bigger shock for Toyota was the seemingly unstoppable stream of recall of millions of cars following a streak of accidents, including 52 deaths allegedly attributed to sudden acceleration problems.

**Exhibit I: Toyota's Market Share Growth in the US**

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His professional career started in 1984 at AT&T Bell Laboratories in New Jersey, USA. Among the contributions he made while at Bell Laboratories include designing computer algorithms for the world's first Undersea Fiber Optic Cable, TAT-8, between the US and Europe, which won two awards from Bell Laboratories. His patented algorithm has been in use for designing multibillion dollar Undersea Fiber Optic Cable systems, which carry a good percentage of the Internet traffic today, by major telecommunication carriers. He is an advisor to several IT companies in Japan and overseas.

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