

In-House Counsel Spotlight on Diversity Initiatives

Diversity Turns the Key for Success at Toyota

By Sandra Giannone Ezell and Lawrence C. Mann

This is the fifth article in *In-House Defense Quarterly's* series spotlighting the diversity initiatives of in-house legal departments. Recently, we sat down with some of the men and women charged with developing and implementing diversity programs at Toyota Motor Sales, U.S.A., Inc., Toyota's U.S. sales and marketing arm, to hear about their diversity success story, as well as with members of their legal department, including its general counsel. Toyota Motor North America has been recognized by Diversity-Inc. as a Top 50 company in 2009 for diversity. We're pleased to share those interviews with you.

Small Beginnings Brings Big Future

Toyota Motor Sales, U.S.A., Inc., (TMS), is headquartered in Torrance, California. TMS was established in 1957 on the premises of a former car dealership in Torrance. It was an exceedingly modest outpost offering only one vehicle, the Toyota Crown.

Today, TMS sits alongside other Toyota-related entities, including Caltex Design Research, Inc., and Toyota Motor Engineering & Manufacturing North America, Inc. TMS alone has regional sales offices in California, Colorado, Illinois, Maryland, Massachusetts, Missouri, New Jersey, Ohio and Oregon, not to mention private distributor offices in Florida and Texas. From that tiny, Torrance-based outpost in 1957, TMS has grown to include Lexus, Toyota Logis-

tics Services, Inc., North American Parts Operations, and other subdivisions providing business development and support services. It services 1,502 Toyota, Lexus and Scion dealers and is responsible for in excess of two million in annual vehicle sales. For the 2010 model year, Toyota's fleet includes 16 vehicles.

The company's significant presence in the United States is evidence of TMS's commitment to embracing new cultures and incorporating the richness offered by diversity into its own business culture and practices. Its success is reflective of learning from and the inclusion of new people and their ideas. TMS is of Japanese heritage, yet it has an American story. The various Toyota-affiliated companies now directly employ more than 35,000 people who have an indirect employment impact several times that number.

The cornerstone philosophy guiding TMS' learning and doing is "kaizen," a Japanese term and management concept, which, as applied within TMS, has come to mean a commitment to continuous improvement of the business and all of its personnel through respect for people, consensus building, and participation. It has meant drawing in diverse personnel with varied backgrounds, histories, nationalities and orientations and building a team within which self-development, self-expression and participation are institutionally perceived as critical components of the culture. This is inclusion!

An important element of the TMS culture is not so much what is said, but rather what is done. For those of us who are external to TMS, perhaps we can learn the most

from its structures and processes in place for the sole purpose of fomenting inclusion. The critical path to accomplishing inclusion began with a quasi "grassroots" movement within TMS among line employees. This movement now enjoys a formal structure, endorsed by management.

Diversity and Inclusion—A Strategic Plan

Diversity and inclusion have been and are a business necessity for Toyota in North America. Simply put, without the ability to understand diverse people and their ideas and incorporate them into the Toyota culture, the palpable business success achieved by TMS would never have been possible. Unrelenting efforts to improve TMS and increase business have yielded a formal program to institutionalize and further diversity and inclusion. The program reaches not only internal operations but also extends to the diverse communities and persons served by Toyota products. The "Diversity and Inclusion Strategic Plan" is the written embodiment of these historical efforts and points the way forward for TMS.

TMS has proclaimed that "diversity turns the key" to business success. The philosophy that it proudly displays on its website is the belief that "continued growth toward a more inclusive culture is necessary for business success." As stated by Jerome Miller, vice president of diversity and social responsibility, "Our customers, business partners, and employees should see themselves represented in our workforce, in our marketing campaigns, in our dealerships, in the communities we serve, and the organizations we support."

In 2002, TMS unveiled a formal Diversity Advisory Board, which includes several nationally known figures who meet several times per year with TMS to provide a sounding board, advice and counsel—"to keep TMS focused and hold it accountable." Advisory board members participate with frequency in conference calls. The efforts of the advisory board and many company officers



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Members of TMS's African American Collaborative business partnering group.

and employees, including Jerome Miller and Midge Waters, National Manager of Diversity and Inclusion, culminated in the adoption of its “Diversity and Inclusion Strategic Plan,” mentioned briefly above.

Employees Are “Schooled” in Diversity

Midge Waters joined TMS in 1987 and initially worked on building an education and training program within Toyota Motor Credit Corporation. She then moved to the University of Toyota, a TMS entity responsible for educating and developing sales associates and for dealer education. In her words, she “taught the Toyota way.” From her early days with TMS, Ms. Waters dealt with diversity and inclusion. It was a constant in her life with TMS. “People had to learn basic knowledge about people and basic skills,” Ms. Waters said. That learning included the following core concepts:

- People come to TMS with different cultures, frames of reference and data;
- People need to understand what each team member brings as benefit and baggage; and
- People need to learn to talk across perceived differences.

Kaizen is the driving corporate strategy and, “the key to kaizen—continuous improvement—is respect for people,” Ms. Waters explained.

Jerome Miller added, “We learned that depending on a person’s reference point, simply returning a good morning greeting was critical to the self-esteem, inclusion, and participation of some associates. It takes time to get input from everyone, collaborating, revisiting, and reevaluating, but it is worth it in the long run.”

As reported by Ms. Waters, 1998–2001 was a “perfect storm,” involving:

- The launch of a “great manager” program, focusing on individual strengths and talents;
- A pronounced increase in the number of women and people of color maturing into leadership roles within their respective departments; and
- A grassroots desire and effort to effect change within the company.

In addition, the TMS University graduated its first class of “diversity and inclusion champions,” which has now become a very well-organized initiative.

Initially, 12 people were identified as

“champions,” or people who “walked the talk.” Each showed dedication to a department and his or her colleagues. Each was an excellent employee and an opinion maker in his or her department. That initial group of 12 was given six days of training in three-day segments. The first three days involved exercises intended to get these associates to look at themselves in the context of the group. One month later, the second three-day segment focused on building a strategy for change and intradepartment partnerships to foment changes in behavior and process. Each of the 12 made a two-year commitment to serve as a diversity champion.

Today, TMS now has more than 250 trained diversity champions. These champions often handle departmental issues. “They hear things that managers never hear. They get issues surfaced and discussed. They nudge associates to participate irrespective of sexual orientation, race, gender, religion, nationality, or other characteristic. They help to identify and sponsor various cultural events that help to connect the culture inside TMS to the greater community,” said Ms. Waters.

Champions will often facilitate feedback sessions after a department meeting. The typical subject matter is operational excellence and continuous improvement. As described by Mr. Miller, champions also make improvements that ultimately influence customer satisfaction and the bottom line. He described a situation in which an African-American female supervisor—a trained diversity champion—in customer relations noticed that an outside agency was handling Spanish-speaking calls. Due to that supervisor's efforts, a team of internal, bilingual, TMS associates became responsible for those calls. That move elevated the status of the associates, provided the customers with expedited services, and saved the company money. "The supervisor felt empowered to do it, and in doing it, empowered others. Having everybody at the table is not enough. They have to be empowered," Mr. Miller said.

Diversity champions receive no additional pay. They do not enjoy reduced workloads. The service that they provide is on top of their regular job-related duties. They can receive recognition for this additional work, however, in performance evaluations. According to Ms. Waters, "we started with women and people of color, and now increasingly we have white men nominated to become diversity champions." The nominees are great performers and viewed as influential by their peers. In the coming years, TMS will start to incorporate managers and more senior-level people into the diversity champion program.

As it turns out, this diversity champions system at TMS has become important to the evolution of its corporate culture. "When you teach people how to look at things from more than their own perspective, they have a skill set that is valuable in a business context," stated Ms. Waters. One Lexus manager believes in the value of this training to so much that she has requested that all 16 of her direct reports receive champions training.

Business Partner Groups as Part of the Strategic Plan

TMS also enjoys five volunteer business partnering groups that associates can join.

- African American Collaborative



Christopher Reynolds, Vice President and General Counsel, Toyota Motor Sales U.S.A., Inc.

- Gay and Lesbian (Bisexual, Transgender & Friends) Alliance at Toyota
- Toyota Asian-American Society in Alliance
- Toyota Organization for the Development of Latinos
- TORQUE!: Women's Business Partnering Group

Each of the groups was initially established by a diversity champion. They are social groups with a business relationship or message. They help to provide mentors to associates and a comfort zone for those who need it. Membership is open to all. For example, you need not be female to affiliate with TORQUE!: Women's Business Partnering Group. Groups have an annual plan, and they typically obtain executive sponsors at the vice president or corporate manager level. The groups are subsidized and stage events relating to heritage months, cultural awareness events, and educational programs, as well as community outreach. For example, for Asian-Pacific American Month, the Toyota Asian-American Society in Alliance showed a film on the internment camps established during World War II, which provided a basis to discuss that chapter of American history.

The groups were largely established to encourage success within the company. Retention has never really been an issue for TMS. Maximizing opportunity and career development is the hard target of the groups. They encourage developing relationships within TMS and provide a forum in which associates can develop new skills and competencies. In the words of Ms. Waters, "These groups already exist within the company; why not bring them in to participate?"

Ultimately, TMS' "21st Century Diversity Strategy" was the catalyst for its current diversity and inclusion efforts. That document articulates the TMS agenda. It incor-

porates all facets of the company's diversity and inclusion efforts, including those involving minority dealerships. It contains an express target for adding minority dealerships through the year 2012.

The "Toyota Way" Shapes the Legal Department

Members of the legal department have a long history as diversity champions. Christopher Reynolds assumed his duties as vice president and general counsel in 2007. "I stepped into a well-oiled machine. I was presented with a group of diversity champions who said here is what we want to do." Mr. Reynolds heads a staff of about 30 lawyers.

Describing TMS, Mr. Reynolds said, "an intensive orientation is essential. There is a deep, deep culture in place. You must get the cultural currents quickly to do well. Respect for people, kaizen, are not just words on a wall." Mr. Reynolds went on to comment that respecting people involves respecting difference, stating that "you do not devalue ideas based on title or some other superficial aspect of being." These values, inherent in the Japanese parent company, Toyota Motor Corporation, have been projected far and wide into North America, Thailand, Brazil and other countries around the globe. "Toyota had to get diverse to succeed," said Mr. Reynolds.

The "Toyota way" impacts how the legal department buys services from vendors. Law firms are required to account for the specific personnel handling TMS work and an annual report is generated identifying who actually performed legal services for the company. According to Mr. Reynolds, TMS wants to see how diverse members of case and legal project teams are actually doing. "We equate high-quality provision of service with [legal] diverse teams. We message this constantly to our vendors. I and others will call a vendor and request that specifically designated team members deal with an issue and report directly back to TMS," said Mr. Reynolds. "We are small enough to track this on a regular basis and discuss it with our line lawyers." He went on to say that TMS increasingly seeks to incorporate vendor environmental plans into its decision making matrix.

Mr. Reynolds explained that everyone making a pitch for business had to "go



Members of the Toyota Organization for the Development of Latinos business partnering group.

through the matrix. The diversity of the team members is one of the critical questions that is always asked.” He believes that the TMS approach best serves the company interest for several reasons. “Only by casting the widest possible net can TMS be assured of identifying the best lawyers. TMS must constantly look to tomorrow and who will be available to provide quality service and it is efficient to require current vendors to develop new talent. Finally, my trial lawyers must connect with the pool of jurors and diverse jurors can bring remarkable insight to jury selection and the trial process. It is not just having them there, you must engage them and value all of the team members.”

Former and current legal department diversity champions assist in implementing diversity and inclusion efforts within the legal department. In-house counsel Ellen Farrell and Alicia McAndrews have served as champions, Ms. Farrell matriculating with the second class of champions. Ms. Farrell is a founding member of the Gay and Lesbian (Bisexual, Transgender & Friends) Alliance at Toyota, and Ms. McAndrews is a member of TORQUE!: Women’s Business

Partnering Group. According to Ms. Farrell, “There has been a very high level of participation from the legal department in diversity and inclusion efforts.” Eric Taira, Vice President and Assistant General Counsel, and a long-time legal department leader, helped form the Toyota Asian-American Society in Alliance. Both Ms. Farrell and Mr. Taira commented that assuming a role as a diversity champion involves a serious time commitment. As described by Ms. Farrell, the training “gives you passion and a sense of yes we can. We are tasked to keep diversity and inclusion front of mind.” The diversity champion helps to organize regular, informal programming in his or her department. Ms. Farrell recalled one such program called, “The Power of Hello.” In that program she and others explored how the importance of saying “hello” varied across cultures and in some cultures is “validating.” Inclusion brings us all under the tent, according to Ms. McAndrews, who said, “We need inclusion as a team.”

And Ms. Farrell observed, “We feel better having some symmetry between the universe of our purchasers and the people from whom we purchase legal services. We

do see a change in the teams that the big litigation firms are now proposing.”

Conclusion

Diversity and inclusion are integral to the “Toyota way” and the success story with which we are now so familiar. Hopefully, these glimpses of the TMS experience will provide a roadmap for positive steps that we can take to energize and empower the individuals who comprise our businesses. There is no question that the key ingredients of respecting people and valuing of differences—kaizen—are essential components of the company’s continuous improvement.

We hope that you have been inspired by the insights that the companies featured in our spotlight series have shared over the last several months. We want to hear about your company’s story. If you would like to describe your company’s diversity efforts, successes, and struggles, please contact Sandra Giannone Ezell (sandra.ezell@bowmanandbrooke.com) to add your voice to this issue.