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## Autos Latest news

# Easygoing CEO is firmly in control of Toyota North America

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Laid-back Jim Lentz had 48 hours to get tough.

It was the early '80s, and the young, affable Lentz — now CEO of Toyota's North American operations — had

just begun work as a merchandising manager in Toyota's Portland, Ore., office.

Though sales in the region were strong, his boss didn't like his management style.

"He thought I was too soft," Lentz said recently in an interview at his third-floor office at Toyota's temporary headquarters in Plano. "He thought you managed with an iron fist."

The boss gave Lentz an ultimatum: Change or leave the company.

"I had a lot of soul-searching to do over a very long weekend," said Lentz, who had a wife and newborn son at home.

Ultimately, he chose to take a demotion and transfer to California rather than alter his easygoing style.

That proved to be a good move.

Today, the still mild-mannered Lentz rules Toyota's operations in North America with low-profile authority — a 70-hour-a-week chief exec who still manages to be a 4-handicap golfer.

“I never speak first when I’m sitting around a table with my managers because if I do, I know they will tell me what I want to hear,” said Lentz, 59, who drives a Lexus NX hybrid crossover. “My job is to stimulate the organization and come up with the best decision I can.”

Despite his image as Gentle Jim, Lentz has quietly become the most powerful North America CEO in Toyota’s 58-year history in the U.S., with responsibility for all of the company’s operations — sales, marketing, engineering, manufacturing and corporate.

He and Akio Toyoda, CEO of Toyota Motor Corp., shook the auto industry last year with their decision to move the company’s North American headquarters from its longtime base in Southern California to Plano.

All of Toyota’s far-flung American divisions will be consolidated on a 100-acre campus rising from a site in West Plano — an enormous geographic and lifestyle change for 4,000 or more Toyota employees.

More important, the huge move will give Lentz the chance to alter Toyota’s conservative culture in North America in ways no predecessor could.

For example, he wants open office spaces at the new

\$300 million-plus headquarters where employees can interact frequently and exchange ideas — places where people in different departments can sit at stylish booths in break rooms and talk Toyota.

“I want a company that is flexible, transparent, quick-acting and doesn’t have big-company disease,” said Lentz, who also is a senior managing officer of parent company Toyota Motor Corp. “I want a company that responds quickly to changes in the marketplace and continues to focus on customer needs.”

In short, the modest guy from the Midwest — a scrapper who played hockey until he was 50 — will probably leave a large imprint on one of the biggest automakers in the world.

“With the ordeals Toyota went through in 2010, Jim would have been done long ago if he hadn’t been tough and decisive,” noted Dane Minor, general manager of Freeman Toyota in Hurst, the largest Toyota dealership in the area. “We’re doing better than ever and building better cars. That’s hard to argue with.”

In fact, Toyota is doing so well it can probably afford to reshape itself in Texas in any way it wants.

In the last fiscal year, the Japan-based automaker posted record results, reporting a 19 percent increase in net income to \$18.14 billion.

Net profit in the first quarter of this fiscal year — April to June — rose 10 percent to \$5.22 billion, another record.

“Toyota has the widest spectrum of successful vehicles in the auto industry, and that’s got to reflect on the guy at the top,” said Karl Brauer, a senior analyst at Kelley Blue Book.

### **First car: a '64 Corvair**

Lentz grew up in Glen Ellyn, Ill., a town of about 16,000 near Chicago, where he rode his bike to the baseball field in the summer and played hockey on frozen ponds in the winter.

His father, also named Jim, owned a printing business in town.

In high school, the younger Lentz earned extra money selling vacuum cleaners door to door, and his first vehicle was a 1964 Chevrolet Corvair he inherited from an aunt. “It had a rust hole in the floorboard,” Lentz

said. “Every time I went through a puddle, I had to lift my feet to keep from getting wet.”

Cars were not much of a passion.

When he left home to attend the University of Denver, he planned to pursue a career in the financial world. “I thought I wanted to be a certified financial analyst,” he said.

While at the university, where he earned a bachelor’s degree in marketing and economics and an MBA in finance, he continued to play hockey in adult leagues.

“I wasn’t fast enough to play in college, so I played in an industrial league,” said Lentz, who finally gave up the game after rupturing two discs in his neck.

Although he had no particular interest in the auto industry, Lentz interviewed with Ford when the company came to the university in 1978 to talk with promising graduates.

Impressed with the company, Lentz signed on as a management trainee. Soon he was covering a region that included 235 Ford dealerships in seven mostly Western states.

Lentz spent much of his time learning the retail side of the automotive business from dozens of relatively small, hard-working dealers.

“I’d leave home at 8 a.m. on Monday morning, and my nearest dealer in Wyoming was six hours away,” he said. “I would get back about 8 p.m. on Friday.”

After a few years, Lentz heard that Toyota needed a merchandising manager in its Portland office — a job with less traveling.

In December 1982, he joined Toyota, headed soon for the showdown with the iron-fisted boss who only temporarily slowed his steady rise there.

### **Taking ‘body punches’**

Virtually all of Lentz’s jobs over the years were on the sales and marketing sides of the business, forging a decades-long link with dealers and retailing.

By 2007, Lentz had become president and chief operating officer of Toyota Motor Sales USA and a senior vice president of Toyota Motor North America — jobs that looked pretty cushy.

Three years later, though, he would be tested in a tense

series of company crises.

First, cautious, conservative Toyota got mired in national controversy over allegations of unintended acceleration in some of its cars and the company's slow response.

Toyotas were supposedly accelerating on their own and running away with startled drivers — a scary scenario for consumers.

Then, an earthquake and tsunami in Japan so severely damaged Toyota's supplier base that Lentz initially feared he would have to suspend production in North America for as much as a year.

And finally, major fluctuations in the value of the yen dealt Toyota and other Japanese exporters a jolting financial blow.

“After three or four successive body punches, I realized that maybe rapid change was the way this industry was going to be, and you had better be able to respond to it,” Lentz said.

He didn't sleep much during that period, devoting lots of thought to Toyota's handling of the unintended-

acceleration issue.

At one point, Lentz had to testify before an angry Congress, facing a grilling by U.S. Rep. John Dingell, D-Mich., whom many considered the Detroit Three's staunchest political ally.

"I think we just became complacent," he said five years later, referring to Toyota's initial response to the unintended-accleration allegations.

"What that told us was we weren't acting quickly enough with customers or regulators on unintended acceleration," Lentz said. "We had gotten lazy."

Toyota paid \$1.2 billion to settle the U.S. Justice Department's investigation of unintended acceleration and millions more in private suits.

That won't happen again, Lentz vows.

In 2010, Lentz had responsibility only for the sales arm of Toyota in North America. Today he is CEO over all of Toyota's divisions, and he wants everyone mixing and communicating at the new headquarters in Plano, which should be complete in 2017.

“If we have to react more quickly to rapid change, we better have an organization in place that will allow us to do that,” Lentz said.

### **‘They can’t rest’**

Though an industry leader in revenue and profits, Toyota still has issues with its product line.

The company doesn’t have a subcompact crossover vehicle, one of the hottest segments in the industry, said Brauer of Kelley Blue Book.

And Toyota’s top-selling vehicle of any kind, the midsize Camry sedan, competes in a segment that is flattening out, while its Tundra full-size pickup doesn’t play at all, selling only about one-sixth the number of trucks that Ford does.

“Despite Toyota’s success over 40-plus years, they can’t rest on their laurels,” Brauer said.

Pat Lobb, who owns a large Toyota dealership in McKinney, said he and other dealers would love to have a hot halo car — like the late Toyota Supra — as well as a larger supply of trucks.

“Toyota is not always the first to a market,” said Lobb,

who has been with Toyota in various capacities for 46 years. “But when they do get there, they’ve really done their homework.”

Fortunately, Toyota still enjoys loyal buyers and a strong image, Lobb said.

“They are making the best flavor of vanilla they can, and people are lapping it up,” said Jeff Bartlett, deputy editor of *Autos for Consumers Reports*. “They are back-