

The importance of being ethical in the business marketing essay



**ASSIGN
BUSTER**

This report mainly emphasize on the importance of being ethical in the business field and the consequences of failing to be ethical. It shows that Toyota has incurred many losses and faces negative impact in its reputation due to recall scandal. Failing to be ethical gain no benefits but only draw the company itself into unpredictable disaster. Toyota has destroy its reputation which is the excellent quality of its brand and trust of its customers towards the brand. Now the company has to spend huge amount of money to recall all the vehicles in order to build and gain back its company's reputation. Now, whenever it comes to the discussion about Toyota, people will immediately remember the ethical dilemmas of the company and it will affect the company's reputation in the long term.

Introduction

Toyota Motor Corporation, simply known as Toyota, one of the world's leading manufacturers of automobiles and light trucks, based in Toyota, Japan. The company also makes buses, forklifts, and other industrial vehicles. Toyota was founded by Kiichiro Toyoda, who in 1933 established an automobile department in his father's loom factory, Toyoda Automatic Loom Works, Ltd., following a trip to tour United States automobile plants. The department concentrated on building fuel-efficient vehicles and completed its first experimental vehicles in 1935. In 1937 Toyoda established Toyota Motor Co., Ltd. Besides manufacturing automobiles, Toyota also involves in financial services via its Toyota Financial Services division and build robots as well. Toyota Motor Corporation and Toyota Industries have form the bulk of the Toyota Group as one of the largest multinational company in the world.

2. 0 Toyota Ethical Dilemmas

2. 1 Neglecting safety concerns and delaying recall investigations

Toyota admitted to engaging in unethical behaviour when the safety of its vehicles are seriously being questioned and investigation comes into as well. The Associated Press released an article has proven that Toyota not only neglected its cars' safety defects, but also continuously on doing so. " Wins for Toyota Safety Group," presentation called in 2009 shows that in 2007, Toyota repeatedly delayed safety regulations and intentionally avoiding defect investigations and hold up government inquiries into safety concerns. It was also stated by The Associated Press that the financial benefit of delay is shown in the new documents. Toyota stated in the presentation that a phase in to new safety regulations for side airbags saved the company \$124 million and 50, 000 man hours. Besides, delayed a rule for tougher door locks saved \$11 million. Toyota is a company that practice the philosophy of " kaizen", meaning continuous improvement, but they somehow negotiated and justified with the government to flee away from their problem. In its headlong rush to become the world's No. 1 carmaker, Toyota lost control of the very thing its reputation has been built on which is quality. Now the company is facing consequences due to poor ethical in the business industry are loss of confidence and trust in businesses. A loss of trust greatly reduce customers' loyalty and motivate them to turn to competitors.

2. 2 Sweatshops and Union Busting

Back in Japan, Toyota's manufacturing plants resembles some of the worst sweatshops in the world. The company's operations have been illustrated as

“slavery” and “human trafficking”. According to a 65-pages report entitled “The Toyota You Don’t Know” released by Human rights group The National Labour Committee, it alleges that Toyota is linked to human trafficking. The report highlighted the trafficking of foreign workers mainly from Vietnam and China. These workers are stripped of their passports and were frequently forced to work overtime every day, seven days a week and received wages below the legal minimum wages (Rosen, 2002). There are thousands of “karoshi” claims each year in Toyota. This “karoshi” claims means “overworked to death”. There was a case of Kenichi Uchino who died of being overworked on an assembly line at Toyota’s Prius plant. Uchino, who was just 30, routinely worked 13 to 14 hours a day, putting in between 106 and 155 hours of overtime in the 30 days leading up to his death. Toyota claimed he had only worked 45 hours of overtime and that the extra time was “voluntary” and unpaid. Uchino’s wife had to go to court to fight for a pension for their children. She succeeded and the court ruling that Mr Uchino was worked to death. Besides, When an injury has occurred to employees, on the job they are layer off, and receive no compensation.

Many small countries all around the world has been dominated and destroyed with Toyota well-known union busting. Reducing the standards of living amongst the countries citizens. There are already 1800 cases in the US where Kentucky plant’s employees have been injured, fired, and they were not included in the compensation pay roll. Approximate of 400 Americans working at Toyota are facing this problem every year. Toyota have their plants assembled in the poorest states to gain advantage of the lowest wages in the country. Many are kept as temporary workers for over 4 years.

Their target is to control and lower the average wages and economic in America, and Honda seems to be supportive on Toyota's action. Toyota's strategy is to hire the poorest workers in the state to manufacture the cheapest materials and maximize its profits. The more profits they make, the more they lower worker wages.

2.3 Toyota Diluted Quality and Recall Scandals

Toyota's production line expanded from 5.2 million to 10 million since year 2000. This include 17 more productions sites. Due to such unsustainable production, Toyota has to reach to other subcontractors from overseas to procure auto-parts, this resulting difficulty for the company to inspect every process involved in the quality control process. Vast growing competition from other rivals has caused Toyota to force its subcontractors to cut production costs at least 30%, which resulted in diluted quality. According to a analysis of complaints by auto safety control firm Quality Control System, National High Way Traffic safety Administration received tripled complaints since introduction of electronic throttles in Toyota vehicles. Many people have died in road accidents due to break problems as well. However Toyota just kept its business operating without taking this matter seriously and put all the blames on the drivers instead. Toyota started recalling vehicles for rectification after these complaints has drawn high media coverage and pressure by customers. These decisions are said to be unethical because Toyota gave priority to its profitability plans over security procedures and risks of precious live. An estimated amount of more than 8 million vehicles were recalled back due to break paddle and floor mat problems

(Schonberger, 2010). This recall amount exceeded Toyota total global sales of 6.98 million vehicles in 2009 (Schonberger, 2010).

This recall scandal has degraded Toyota's reputation in regards to social media. Social media analyst Webtrends' research proposes that 60% of all online comments about Toyota were negatively made. Brand valuation consultancy, Brand Finance, has stated that Toyota may possibly face a loss of 25% of the overall £17 billion brand value due to the recall crisis. The crisis is not just affecting Toyota's reputation but affecting the entire business too in the long run.

3.0 Toyota Actions Solving Dilemmas

3.1 Toyota: How to Win Back Your Customers

The due care theory is in place because Toyota always have advantage in knowledge over their products including how it was manufactured. In the case, Toyota failed to exercise due care in their vehicles. The company manufactured dangerous vehicles with faulty gas pedals and breaking system. Then Toyota did not concern much about how risky and dangerous of its vehicles and directly sold them to their customer. This case has shown how Toyota has completely failed to exercise due care. Toyota recently announced recalls on seven U. S. and European models. Not only this will bring bad reputation for the world's largest automaker's image, but it could also have a serious impact on its sales. Toyota is now focusing on winning back its customers and reassuring them of the quality and the safety of its vehicles (Rother, 2009).

Yoshimi Inaba, President and COO of Toyota Motor North American during his testimony on February 24, stated that Toyota's dealers across North American and 172, 000 team members are giving out their best efforts to complete the current recalls. Solutions have been tested rigorously and they are confident with these repairs, and Toyota vehicles will remain among the safest on the road today. Besides, president and CEO of Toyota Motor Sales USA, Inc, James Lentz stated during his testimony on February 23 that the company dealers are making extraordinary efforts to complete their recalls as quickly and conveniently as possible. Some of the dealers are staying open 24-7 and they are repairing vehicles at a rate of 50, 000 a day. To date, Toyota have repaired close to a million vehicles". In this case, rule utilitarianism is also applied in Toyota's situation. Toyota failed to be ethical because rule utilitarianism includes the after-act benefits and cost (Fullerton, 2004). After the act of being unethical in delaying the safety issues of its vehicles, Toyota had loss millions of dollars for the recall and to rebuild their reputation. This meaning the cost is higher than the benefits and therefore it was unethical.

3. 2 Is Toyota Willing to Solve Slavery Operations?

Unfortunately, most multinational companies like Toyota that is benefiting from sweatshops labour around the world are doing nothing about this problem. The question arise here is, does Toyota follow the rights and duties? Toyota has the duty to provide a better and comfortable environment for its workers. However, to maximise its profits and minimise the cost of production, Toyota choose to forsake the rights of its workers (Campbell & Miller, 2004). Given that sweatshops conditions exist around the world, what

can be done to counter these assaults upon human dignity and human rights that affect most vulnerable people in “ economic food chain”? Currently, three major groups oversee factory inspections to monitor sweatshops condition. These groups including Social Accountability International (SAI), Fair Labour Association (FLA), Ethical Trading Initiative (ETI).

Due to considerable variation in the methodologies used by SAI, FLA, and ETI, many companies have engaged in some form of self-monitoring. Now, SAI, FLA, and ETI appears to be on the verge of changing as a consequence of an ambitious 30-month experiment, called the Initiative on Corporate Accountability & Workers’ Right (Campbell & Miller, 2004). There are six anti-sweatshop activist groups and eight global apparel makers are sponsoring this experiment. The purpose is to devise a single set of labour standards with a common factory-inspection system that will replace today’s overlapping hodgepodge of approaches with something that is easier and cheaper to use, and that might gain traction with companies. If it works, the 30 months experiment would be a great step in bringing order to the piecemeal manner in which even the biggest companies set and monitor workplace conditions across the developing world. It is all about the human rights, Toyota has the duty to take care of its workers who are working under the company.

3. 3 Utilise Social Media Effectively

Business is responsible to provide reasonable product to customers. In a sense, Toyota had made consumer to trust that their products are safe.

Therefore Toyota should not manufacture unsafe product to their customers.

Now Toyota started to practice business duty by using social media to <https://assignbuster.com/the-importance-of-being-ethical-in-the-business-marketing-essay/>

update their customers especially the recall and repair of the vehicles to gain back their customers' trust towards their products.

Toyota Recall Micro Site

This Micro site is created by Toyota to provide recall information for its customers. Many web 2.0 aspects was included in the micro site such as a customer comments section. Existing customers can leave comments on what is the current situation with their Toyota. Toyota has also included a live update counter in the micro site to highlight the speed at which it fixing the accelerator pedals (Refer to Appendix 1).

Toyota Recall Timeline

Toyota have utilised a timeline to highlight how the company is dealing to the recall effectively. A facts and figures section is set up to calm down and reassure their customers that the company had the recall under control (Refer to Appendix 2).

Toyota Conversation

Toyota Conversations was created by Toyota and powered by “ Tweetmeme” that collects and updates the news, images and video about Toyota and to be published on Toyota's own Twitter feed. Toyota can analyse this information and act accordingly (Refer to Appendix 3). Toyota have utilised Digg as well to update and keep its customers in contact regarding the recall. US Toyota president Jim Lentz was involved in a consumer question and answer session. Toyota has used this approach that allow the company to engage its customer base and express remorse to their customers for the recall. Toyota also make use of YouTube to combat the threat of the recall.

The company has been uploading videos describing the faults with the foot pedals and offering an explanation to its customers (Rother, 2009).

4. 0 Toyota's Ethical Best Practices and Values

Virtue ethics emphasis on doing things with character, and this character can be simplified as a good one. Toyota does practice virtue ethics. Virtue ethics do not follow any rules or consequences, but purely on doing good things (Devettere, 2002).

4. 1 Recycling as One Approach

Making People-Friendly and Environmentally-Friendly Cars

In order to ensure that automobiles will continue to be a sustainable mode of transport in the 21st century, Toyota considers it is important to proactively take action to reduce their environmental impacts all along their life cycle.

Toyota is now focusing on the important aspects which is the recycling stage. The company is thinking about recycling opportunities at every stage of life cycle of vehicles. For example, Toyota is involved in activities to reduce waste as much as possible and recycle whatever can be reused at the development, production, use, and disposal stages. Toyota is strongly committed to developing technologies for effectively utilising resin and rubber, which are difficult to reuse or recycle due to difficulties in separation of composite materials and to high quality standards requested. The recycling technologies that have been developed are first applied to the remnant materials generated in production processes; commonly remnants from the manufacturing of plastic parts are recycled internally, for example in the case of bumpers. Toyota has extended the application of these

<https://assignbuster.com/the-importance-of-being-ethical-in-the-business-marketing-essay/>

recycling technologies to the parts collected at dealers and from end-of-life vehicles.

4. 2 Initiative Designed to Educate People in Traffic Safety

The company has been involving actively in various activities to educate people in traffic safety since 1960s.

Toyota Driver Communication

In 1987, this programme was designed to improve safe driving by allowing drivers to experience the performance of cars at their limits and to study the effects and proper usage of ABS (electronically controlled braking system) and other safety technologies. In April 2005, Toyota opened the Toyota Safety Education Centre where safe driving courses are offered on a regular basis.

Toyota Traffic Safety Campaign

Toyota has conducted the Toyota Traffic Safety Campaign every spring and autumn since 1969. This campaign was participated by car dealers, parts distributors, logistics systems forklift dealers and rental/lease dealers in conjunction with the Japan's Nationwide Traffic Safety Campaign. In FY2004, Toyota focused on traffic safety education for children and their parents and promotion of proper seatbelts and child restraint systems.

4. 3 Community Care

Toyota de Venezuela, C. A (TDV)

The main purpose in ethics of care is to care for each other as every parties relationship always interlinked with one another. For example, " Pinta Tu

Escuela" (Paint Your School) program was launched by TDV in 2005. The purpose was to paint the school to improve the study atmosphere. But, after TGV had learnt the actual needs of the schools, it realized that they have to go beyond on what they were doing. TDV then promised to build a school in Laguna Chica. However, there was a lot of doubting among the local community if the school will ever be materialized since this promise was made before by other organization. Nevertheless, TDV was serious with their promise and a synergy and trust between TDV and the townspeople was built that allowed the school's construction to run smoothly. The opening ceremony of the school in Laguna Chica was on December 9, 2008 (Refer to Appendix 4 & 5). In this case, Toyota is practicing ethics of care which can lead to building a goodwill and reputation in the view of public or the community, and it is a significant ethic that a large organization should practice.

5.0 Recommendations

Unethical decisions can be catastrophic for any organization. Organization profitability can be affected, same goes to employees' morale when unable to answer customers' complaints and queries when the company's customers suffered from defective products. Thus, reputation of a company faces negative impact. Every time before the top management of a company decide any big decision, it is suggested that they should consider and outline all the possibly negative outcomes particularly the ethical issues. It is always beneficial to a company's long term planning if ethical considerations are taken account into every decision making. It is evident that running from a moral obligation or not obeying appropriate moral practice in business would

lead to many failure and disputes. Toyota is one of the best example for the statement as the company ignoring the warning alarm that their action will put consumer in dangerous, and eventually, Toyota itself is liable to correct their mistakes by spending million and billion dollars. Avoiding a ethical obligation brings only benefits in the short term, but the company would be led into trouble in the long term since the business reputation and goodwill are placed in a high risks. Toyota should have faced the problem instead of avoiding or minimizing it. If a company is facing a serious problem due to serious ethical issue, the company should turn back to its philosophy. For example, Toyota's philosophy is " kaizen" or continuous improvement. The company can gain back its customers' trust by proving that Toyota still possess the desire to manufacture its vehicles as one of the safest vehicles on the road for its customers (Weiss, 2009).