

An ethical audit report on toyota company



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This is an ethical audit report on Toyota Company. The ethical audit is based on the UGB 210 Business Ethics assignment. This report was written during my second year at the Penang SEGI College (University of Sunderland).

Business Ethics was a core module in my degree programme.

Part 1 of this report is an introduction and background of Toyota Company and this section tackles the first part in the assignment. Here will be the identifications of Toyota's main ethical dilemmas that they are facing.

Part 2 of this report is an evaluation on the ethical dilemmas and solutions with ethical theory supporting in task A. Here will be discuss on how Toyota is dealing with these ethical dilemmas with evidence and I will be applied the ethical theory to the dilemmas base on the dilemmas situation.

Part 3 of this report will be explained on how my arguments and observation are support by the ethical theory and what I deem to be Toyota Company's ethical best practice and values.

Part 4 of this report is my own opinions of recommendations to the board of directors of Toyota to answer the critics they facing.

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The Toyota Motor Corporation was founded by Kiichiro Toyoda in the age of 41 and his first passenger car created in year 1935. Toyota Company is the well known largest automaker of Japanese vehicle manufacturer in global. The company origin is in Japan but currently it has the US market coverage established from 1957 until now for over 50 years success. Lexus and Scion are also one of the Toyota's core products. However, a huge company profitable like Toyota might have facing its own downfall too when it comes to the ethical dilemmas since the day they start their business. In this report,

it will identify and discuss about the Toyota Company's business ethics in a few areas such as:

The main ethical dilemmas facing by Toyota and its stakeholder

Evaluation on the ethical dilemmas and solutions with ethical theory supporting

Toyota's ethical best practices and values with ethical theory supporting

Recommendations on the criticism

1. 0 Ethical Dilemmas facing by Toyota

The Toyota Company has been facing certain ethical dilemmas based on their business and this has called for immediate attention since the company is well known globally. It is important because it could either affect the business reputation and also its stakeholders as well. The technology in cars that it presents to the modern world is highly appreciated and this has made the company gain recognition over the years (Chen et al, 1997, pp. 856). It is a multinational company that has assumed the first position in the world in car manufacturing and the fact that it is facing ethical dilemmas could lead to its downfall.

1. 1 Quality control problems

One of the major ethical issues that have affected the Toyota Company has been the production of low quality goods such as, the improper floor mat, acceleration issue and sticky gas pedals. The production of cars is a sensitive department as the company has to look out for the safety of the consumers and ensure that it is guaranteed. The recent accidents that were reported

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involving the Toyota car has brings to a lot of negative attention by the media. The Toyota Company claimed that an improper floor mat was installed in the car from another vehicle. This caused the vehicles to have accelerating issues leading to the malfunctioning of the cars and has causes consumers into injuries and death cases. The acceleration problem was reported by other users of the Toyota car as well and this led to further investigations being conducted since the floor mat explanation did not appear to be enough to some of the professionals.

The fact that the cars that were produced were deemed to be of poor quality affected the image of the other brands produced by the same company (Connor, 2010). Toyota Company is faced with the ethical dilemma of accepting responsibility and assuring the consumers of better products or just work on the situation aggressively by trying to clear its name from the mess. The step taken by the company will greatly affect its reputation and its stand with the consumers and other competitors as well.

1. 2 Environmental Issues

Globalization presented a lot of opportunities for the company but the aspect of climate change and globalization has risen with time. The fact that globalization presented a positive attitude in the company meant that they were opening different branches internationally.

The manufacturing of cars has been at its highest peak given the free trade pass that was brought up by the effect of globalization. These developments have included the increase in the number of factories dealing with the production of the cars. This has introduced the aspect of the climate change

problem that has been ongoing. Most of the industrious countries have been located to be the highest contributors to the problem with the release of the fumes from the industries and other related factors (Social Designs, 2003).

The exhaust fumes from Toyota cars are also contributors to the problem and there has been the introduction of the electric cars that have threatened to take over the car market. Although, this has not yet been established, it is quite clear that the electric cars will be receiving more support so as to protect the environment. Most companies have been co-operation with the go green aspect in support of the environment. This is a decision that the Toyota company will be forced to deal with considering that they have engaged in car manufacturing. To develop a new electric cars department could also be an option that they might choose to consider.

1.3 Toyota and Human Resource Management

The growth of the Toyota Company was initiated by the aspect of competition. The main competitors were the General Motors where they are the largest automaker all around the world. Therefore, this makes the growth of the Toyota Company at a very high level. It seems that the human resource management is affected due to the rising number of employees and managing strategies to be implemented. Teamwork was the way given to the situation and it seems to be quite successful in Japan and other Asian countries.

However, the method did not seem to be as effective in other countries especially the western countries. The management strategy applied there is quite different leading to the rise of different issues. This may be contributed

by the aspect of cultural differences in the countries (Winfield, 1994, pp. 46). This is quite sensitive as the company would not want to make trouble to the culture observed by other countries but at the same time should take control of the management factors in other countries as well.

2. 0 Solution of Dilemmas

The ethical dilemmas that the Toyota Company is facing play an important role in the building of the company and improving its current status. How Toyota actually dealing with those issues and its solution are important and the supporting ethical theory will be included in the discussion. This is to makes sure that the issues are solved and the company is improved significantly.

2. 1 Recall and Apologize

Looking at the dilemma of their quality control issues, this had been a big influence on the Toyota's production and it had a lot of effect on the sales being made as the consumers were slowly losing faith in the brands being produced by the company. The realization that the company might be producing goods that are of low quality was brought to the attention of the leaders of the company (Snider et al, 2003, pp. 180).

The Toyota Company decided to take major steps in dealing with the problem in order to prevent future accidents from taking place. They had recalls all the affected vehicles and will work to fix their quality control issues. This has included using a highly computerized engine on the cars and a functional control system that will be use in emergency cases. The company also agreed to assist and agreed to make further investigations in

order to clear their name from the mess and to win back the consumer's trust.

The Toyota Company has approached the dilemma by accepting the blame and making apologies to their consumers. They explained to the consumers and media where the problem was and how they aimed to deal with it (Brien, 2010). Since the problem was located to be from the auto company, it was discovered that the company only assemble the parts of the cars that have been imported but do not make their own cars. Therefore, the Toyota Company will have to look out at the problem of their supply chain management department.

The company applied the virtue theory when dealing with the dilemma. This is because the company has chosen to do what was right due to the facts according to the situation that happens. The company used wisdom to analyze the situation and despite the fact that the fault might have been caused by other companies, they claimed responsibility.

2. 2 Eco Friendly Environments

The issue of environmental responsibility has been taken quite seriously by the Toyota Company due to the danger that the company might bring to the environment. The company has approached the issue of competitive aspect as well as a responsibility factor. Most companies are adjusting to the go green initiatives creating a positive attitude and giving themselves a credit.

Hence, it is only natural if the Toyota Company participates in the initiative. The company has created an eco friendly environment in their factories. At the United States branch, the company was awarded “ a zero landfill status.”

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This meant that the company observed the waste recycle action and every waste product that was being released in the company was being transferred to companies that deal with waste recycling. Other methods that Toyota uses in the environmental protection are reducing the total amount of energy used by 19%.

The action taken by the company regarding the environmental rules can be applied on deontology theory. Going through out the ethical dilemma, Toyota Company felt it was their duty to make sure the environment is sustained despite the activity that the company engages in. They viewed the prospect as a duty and obligation to the consumers (Pralhad & Hamel, 2006, pp. 280). The company chooses to do the right thing no matter what are the consequences in return.

2. 3 Toyota Management Principles and Business culture

The fact that the increase in plants at a global level has raised some difficulties in the HRM department is very important because the company will be able to develop strategies that will suitable to all its employees and satisfied the customers. The cultural aspect brings out an ethical issue that is quite sensitive and requires to able approached with caution. The Toyota Company has deal with the problem by applying the management principles of the company in all its branches. The owner of the Toyota Group of Companies Toyoda applied one main principle in all his companies which states “ honor the language and the spirit of the law of every nation and undertake open and fair corporate activities to be a good corporate citizen of the world” (Demise, 2005, pp. 215).

Team work is the main aspect applied by the company and this principle is passed on to the rest of the companies in other different countries.

Therefore, Toyota Company takes control of the situation by assigning codes of conduct that the employees should follow. However, they do take notice of the considerations based on different countries but the area of team work is highly used in the process. This is because managing large number of employees from one point has proven to be difficult and to divide them into groups are more easy to manage.

Utilitarianism theory can be able to describe the ethical conduct applied by the Toyota Company in reference to the HRM department and managing the employees. Toyota Company analyzed the consequences of having all large employee bases and based their actions on their findings (Liker, 2004). They had to expand their business at different countries, and in such a way they can increase the number of employees for effective servicing of the customers. The fact that the different cultures existed also was considered but it would prove to be a problem if the different countries were allowed to run the company according to their own principles. This would make the management quite difficult giving the employees more authority than the employers. Hence, the utilitarianism theory was applied in that selecting the major principle.

3. 0 Best Practices and Values of Toyota

In order to improve and make Toyota continue survive, the company has applied some of the best practices that make sure they maintain the business ethics. The ethical theories are bought into the discussion too.

3. 1 Decision Making

The decision making process that they apply is quite unique and not short term but rather philosophical. Despite the fact that making profit and sales might be part of the main objective, what is more important is understanding one's role in the history of the company. This is why the Toyota Company observes with their employees and their management skills.

This may be based on the virtue theory as well, since the philosophy of the company may be considered to be morally corrected in terms of ethics.

Applying this principle covers all major basics of the company from the internal environment to the external environment (Cho, 2001). The competition is monitored externally based on this principle as everyone will be able to do their roles effectively in order to achieve the company's objectives.

3. 2 The value of Customers

The Toyota Company assured that they valued their customers based on the actions that they took regarding their quality control issues that lead to accidents. This may have been attributed to the fact that they wanted to maintain their customer base and somehow they considered their customers and they felt that offered them an apology was quite important. This might be based on the virtue theory as it was part of their morals values to correct the situation that had been caused by some of their products.

Although the fact that their line of production affects the environment greatly, the company is took time to work on the waste process. To reduce the rate of the energy being consumed by the vehicles was difficult and it

might have given their competitors an advantage over them but they still choose to watch the environment first. For example, Toyota's Prius, uses hybrid technology to combine a petrol engine with an electric motor and as a result, it has lower emissions than any other model in its class, is cheap to run, and is 100 per cent recyclable (Crane and Matten, 2007). This is the deontology theory, where Toyota feels that this is part of their duty for environmental improvement.

4. 0 Recommendations

The Toyota Company will be forced to come up with good solutions that will enable them appear as competitive as before and make good improvements. On the quality control problems products, the solutions that the Toyota Company made for the public apologize and accept the blame are still not an effective way to make solutions because of their slow feedback to the public has cause the company image damage. Therefore, the company should be able to use a different supply chain management system that would ensure the quality of the products received by the auto companies is good. To solve and make response to the situation quickly could also prove to be quite beneficial as the problem will be settling at a faster rate. This will make sure that the final products that got from the Toyota Company exceed the customer's expectations.

The Toyota Company has been handling the environmental issues quite effectively. However, they can work on the research and to be more creative by taking part in the creation of the electric cars. Since the waste product recycling program takes care of majority of the factories but not the exhaust released from the vehicles. They can try to turn some of their branches in all

the developed countries to start producing the electric cars because this would give them a win over their competitors.

Managing the employees is not an easy step especially when they are on internationally. Therefore, the company must have a major principle that guides their actions and the objectives that set in the all different companies must have achieve at one goal. Since teamwork does not seem to apply everywhere, the company should let some of the other countries observe their cultural ethics and achieve the objectives within the given time.

5. 0 Conclusion

As conclusion for this report, although Toyota Company is a well known automaker brand in the world but they also facing their hard time with the ethical dilemmas aspects such as, quality control issues, environmental issues and also their human resource management issues. Toyota aware the dilemmas importance where they have overcome their dilemmas facing in order to improve their business and gives consumer a trustworthy towards their company brand by using the ethical theories such as, Deontology theory, Utilitarianism theory and Virtue theory. Toyota also done their best ethical practices and do well in the ethical terms. Lastly, Toyota should always value their customer by thinking of the consumer safety rather than just making money and to observe the environment issue also in order to reduce the world pollution.