

Abstract june 16,
1903, by a group



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Abstract

The success of a business is dependent on the quality of decisions made by its managers. Different situations require different decisions. A problem has different alternatives which may be taken to solve it. External environment offers a challenge to the operation of a business since there is nothing much that an individual business can do to manipulate its effects. External environment includes politics, social factors, legal frameworks and ethical issues which affect the operations of a business (Wheelen & Hunger, 1998).

Toyota Company and Ford Company have their head quarters at Tokyo, Japan and Dearborn, Michigan (US) respectively. However both the companies are facing a similar problem; change in consumer preferences in the era of financially constrained economies. How well these two companies cope/ going to cope with the environment posed by the changes in social factors is dependent on their management decisions. This paper takes a comparative analysis of how the two companies facing the same problem are coping with the problem.

Brief background of the two companies

Toyota Motor Company was established in 1937 in Japan by Kiichiro Toyoda. It is ranked as the world's number one motor company in terms of sales. It assumed this position from General Motors' in 2008. The company has been facing financial difficulties in the recent past however as the world economies improve, it is recording increased sales.

The current chief executive officer is Akio Toyoda. Ford was incorporated on June 16, 1903, by a group of twelve people, however much credit is given to

Henry Ford who came up with the idea. The company is ranked world's number seven automobile company. The current managing director is Alan Mulally (Ford Company Limited official website, 2010).

Common political, social, ethical, and legal problem faced by the companies

The world is drastically changing and so do people's needs. Both in United States and in Japan, people are moving to better models of cars which are comfortable and fuel efficient. People's needs are changing and the features that they are looking for in an automobile are changing.

Women and men are increasingly demanding for different look vehicles in terms of size, fuel consumption, shape, and comfort among others. There have been new terminologies in the industry like "a she car" or a "he model". These are used to give differences in needs of customers.

On the other hand there are increasing pressures from either country's government that companies should produce products which are environmentally friendly.

Decisions made by management in this effect

Toyota Company

The management of the company has decided to produce products which meet the needs of all extremes. This means that instead of developing and improving their products only; they have gone to the customers and learnt what they want. They have embraced a consumer driven production.

In the market there are tiny cars like Vitz which are products of Toyota and in the same market there are "big" cars like Toyota Prado from the same
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company. Secondly it has embarked on continuous improvement and product differentiation of its products to make them more comfortable and fuel efficient. This is the reason why in a certain year there is a Toyota X, then the next year there is a Toyota Y, which is the same model but with minor alteration. An example is Toyota Primio old model and Toyota Primio new model (Clarke, 2010). Thirdly the company in 2009 used a method of model replacement where it chooses a certain model which can be referred to be an old model and replace it with another model at a regulated fee.

To retain customer loyalty the company in early 2010, called for faulty vehicles which had found their way to the market without proper quality (Hino, 2006).

Ford

The company has taken a different strategies than those taken by Toyota Company. Firstly instead of producing new models, the company has decided to improve on the quality of their current models. The rationale behind this move was to improve the efficiency and quality of their products, however customer needs was not more on the quality of the products but was more concerned on a different model in terms of size, consumption, and look among others. Secondly the company decided to concentrate on a small market and sell some of its branches.

In 2008 it sold its United Kingdom branch which was specialising in Jaguar and Land Rover in March 2008 to Tata limited of India. The move was aimed at getting finances to improve its products in the changing customers' needs (Anon, 2010).

Table 1

A table analysis of the two company's decisions Toyota Motor Company Ford Motor Company Product differentiation Product improvement Aggressive marketing where new branches were opened. Concentrating in one area and selling some of its branches Providing consumer directed products; their products are responsive to consumers needs Improving current brands Innovating brands according to demand Retaining their current brands