

Strategic management report on toyota



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Toyota Motor Corporation (Toyota) is the largest producer of automobiles in Japan and the world's second largest automotive manufacturer based on production and sales. In 2010, Toyota sold 7.24 million units (Toyota, 2010). Toyota diversified operations include financial services, telecommunications, prefabricated housing and leisure boats.

Besides its 12 plants and a number of manufacturing subsidiaries and affiliates in Japan, Toyota has 52 manufacturing companies in 27 countries that produce Lexus and Toyota brand vehicles and components. Toyota employs approximately 320,590 people worldwide, and markets vehicles in more than 170 countries. The company is headquartered in Tokyo, Japan and had an operating income of approximately 397.05 billion Yen (Toyota, 2011). And the main competitors of Toyota are General Motors, Honda Motors and Ford Motors (Daily Finance, 2011).

3. Analysis of Toyota Strategic Capabilities:

3.1 Company Capabilities –

Grant (2010) says about Lean production - integrates capabilities relating to the manufacture of components and subassemblies, supply chain management, production scheduling, assembly, quality control procedures, systems for managing innovation and continuous improvement and inventory control.

3.1.1 Resources –

Innovation has always been a Toyota resource. In the 1970s Toyota began to produce smaller, more fuel-efficient cars, which customers desired after oil

prices rocketed. Recently, it has used both diesel technology and the electric car.

3. 1. 2 Organizational Culture –

However, Toyota's main resource is the Toyota Way, the 14 principles behind the Toyota Production System (Combe, 2011). These originated in the post 1945 environment, when it was imperative to make the maximum use of scarce resources. Challenges, improvement, Kaisen, go and see (genchi genbutsu); respect and teamwork are the main tenets of these principles, which can be outlined as follows.

Management decisions should be long term, as opposed to short term, although they should be arrived at consensually. Problems should be highlighted by continuous process, not hidden and resolved immediately so that a quality product is produced immediately. Only existing and trustworthy technology should be used and tasks need to be standardized so that the workload is leveled out and the workers are continually improving. Management should understand all aspects of the company's operations, and pass on their dedication to the company's goals to others.

All workers, suppliers and affiliated should always be challenged to improve their performance. The latter means that Toyota becomes a learning organization with workers being empowered to make changes as they perform their daily tasks. The Toyota Way has given Toyota a comparative advantage in both quality and reliability.

3. 1. 3 Supply Chain –

According to Winfield and Hay (1997) part of the strategic capabilities of Toyota includes the strategic capabilities of the supply chain. The pattern and organization of a supply chain is perceptibly a comprehensive topic, concerning inter dependencies between research and development, marketing and production roles, creating considerable courses of goods and technical, market and financial information.

3. 2 Core Competencies –

Toyota's global competitive advantage is to build trust and confidence with customers by delivering outstanding quality products and services that add real value to their business.

According to Drejer (2002),

However, in recent years there has been a number of recalls of multiple models of Toyota, which are amazingly reliable. How could this possibly happen to the car company that was the undisputed leader in quality.

4. Evaluation of Possible Future Strategies for the Company:

The main strategic issue for Toyota is maintaining its position as the world's leading car manufacturer after the recent mass vehicle recall.

4. 1 Future Strategies for Culture Change –

Based on the book titled " 7 Lessons for Leading in Crisis" written by George (2009), Toyota needs a credible leader with a strong, cohesive plan (George, 2010).

4. 1. 1 Face reality, starting with yourself - Toyota blamed the problems on stuck floor mats and panicky drivers. Instead, Toyota should acknowledge that its vaunted quality system failed. CEO Toyoda should take personal responsibility by saying that he pushed too hard for growth and neglected quality.

4. 1. 2 Don't be Atlas; Get the world off your shoulders - Toyoda needs a crisis team reporting directly to him, working 24/7 to get problems fixed permanently. He should add the world's top quality experts to his fix it team and listen carefully to their advice.

4. 1. 3 Dig deep for the root cause - Management should have required its best engineers to get to the root cause of this problem and every other quality problem being reported.

4. 1. 4 Get ready for the long haul - These problems won't just fade away. In fact, they are likely to get worst before getting better. Toyota must invest heavily in corrective actions while its sales shrink and profits implode, requiring major cash resources until its reputation can be restored.

4. 1. 5 Never waste a good crisis - For all the pain Toyota is experiencing, this crisis provides a unique opportunity to make fundamental changes required to restore Toyota quality. Employees are ready for new direction, and they are willing to make radical changes to renew the company. With Toyoda's leadership, Toyota automobiles can be restored to the world's highest quality.

4. 1. 6 You're in the spotlight: Follow True North - Toyoda must come out of hiding, take personal responsibility, and subject himself to intense questioning by regulators and the media. Then he should make a personal commitment to every Toyota customer to repair the damage, including buying back defective cars.

4. 1. 7 Go on offense; focus on winning now - Coming out of this crisis, the market will never look the same. Toyota cannot wait until all its quality problems are resolved. It must play defense and offense simultaneously. To win, Toyota has to offer advanced features and superior quality, better value for consumers, greater safety, and improved fuel efficiency.

4. 2 Future Strategies for Innovation –

Like Volkswagen, Toyota could design cars for specific markets (Welch, 2010). Penetration of the price sensitive Indian market could be achieved by producing its low cost car soon (The Economic Times, 2010). Toyota needs to pay more attention to the Chinese market, which is the largest and fastest growing. As Chinese families are smaller than their Western equivalents, this could be an opportunity for increased sales of the smaller Camry model (Xinhua, 2010). Retracting in Europe could fund expansion into these blossoming Asian markets. Specific markets could also be entered by joint ventures with local manufacturers. Volkswagen is aiming to do this in India, by acquiring a stake in Suzuki, which is a market leader there through its subsidiary Maruti (Ran Kim and Hetzner, 2009).

Another possible strategy for Toyota is to restore its benchmark for quality and reliability, which has been severely impaired with the second recall of 4.

2 million vehicles in 2009 (Bunkley, 2010). Crucial to this strategy, is the introduction of twenty dedicated technology facilities to highlight defects as quickly as possible (Guardian, 2010). In addition, the new regional quality subcommittees have the power to make improvements without head office approval. This would eradicate defects quickly, and, in turn reassure customers.

5. Implementation of the Strategic Change:

Recently, public criticism focuses on complaints of too much computerization, problems with global sourcing, and the effects of Toyota's single-minded pursuit of becoming the world's largest automaker. In fact, the recent criticism of Toyota in these areas demonstrated how leadership holds the keys to success and failure to organizational transformation.

New Technology and Leadership –

Toyota's recent strategy to become the world's number one automaker has been underpinned by using new know-how, new technology and new materials to improve, perfect and break through auto design and manufacturing. However, the strategy also required that Toyota shifted its focus from manufacturing engineering and built-in-quality toward research and development product design.

When a company shifts its focus from lean production to technology - innovation, there is an embedded obstacle - culture change. On one hand, the essence of lean production dictates the elimination of waste. On the other hand, the uncertainties in new product development require that the manufacturer build in redundancy to manage the risks of the unknown and

unsure a high level of safety. Trying to balance lean production with the need for redundancy is a difficult act that requires the leadership to be instrumental in making key decisions as well as leading and managing the change.

Global Sourcing and Leadership –

Toyota's decisions on strategic positioning impacts its cooperation with suppliers. The supplier's original alignment of competitive advantages, core capabilities and value propositions needs to change along with that of Toyota's. such changes, unavoidably, will be reflected in vehicle quality, customer satisfaction and even customer safety.

Some would view this as a by-product of the vehicle maker's strategic move directed by its leadership. Others think the leadership should consider such impact as part of the change management alongside strategic planning shifts. Whatever it is, the key is the alignment, especially with corporate culture, people capabilities, acceptance of stress and pressure, and the ability to coordinate and change.

World No. 1 and Leadership –

The new leadership certainly has felt the pressure. It is the responsibility of the leaders to sort out the alignment and coordination between strategic direction and operating model.

Hopefully, the recall crisis will be treated once more as an opportunity to align its lean production culture and its operation excellence capabilities with its desire to leverage new technology, to continue sourcing from the globe while continuing to stay on the No. 1 pedestal. A transformation already is

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apparent. Toyota has become less defensive and has responded quickly to new complaints of defects. Leadership is no longer absent and now appears to be leading from the front.

In consideration of the various issues, Toyota's growth strategy for the continued realization of Genchi Genbutsu and high quality at affordable prices will centre on a thorough customer first perspective (Toyota, 2010). Specifically, Toyota will review their product lineups to match customer needs in each region and create a production system that responds to changes in market structure while optimally allocating resources in areas where Toyota want to advance.

6. Conclusion & Recommendations:

Toyota seems to have abandoned one of its core competencies - quality. Toyota is suffering from trying to get too big, too fast. Toyota sensed weakness from its auto rivals in the American market, and also noted opportunity in emerging markets such as China and India. So, it started enormous expansion around the world. In doing so, Toyota abandoned one of its core values, which is to never build a new product in a new factory with a new workforce. Toyota may have won the rights to brag as the worlds biggest car company, however, that appears to have come at a heavy cost to its reputation for quality and in turn customer dissatisfaction.

Management needs to make sure that their projects and their goals are aligned with organizational values and core competencies. Understanding the importance of competencies and core values, and how they need to work in conjunction, is profoundly important for management success.

Management should give thought and efforts towards developing both of these sets of attributes and remain focused on business goals.

This is a challenging menu, and this crisis is the true test of Akio Toyoda's leadership. Believe this is a great company that will resurrect its reputation and restore its leadership.