

Good toyota motor corporation critical thinking example

[Business](#), [Company](#)



- INTRODUCTION:

Kiichiro Toyoda founded Toyota Company in Japan in the year 1937. The Company is now a leader in automobile manufacturing in the industry world. It is in fact the largest manufacturer of vehicles in the world, with its operations functional in all parts of the world. The reach of Toyota products is existent in across 170 countries and is served by a dedicated global staff of over 300, 000 employees worldwide. With the success of the first environment friendly vehicles like Prius and Hybrid Camry in the automobile industry, it has also established itself as a pioneer in automobile innovation. The headquarters of Toyota Motor Corporation is located at Tokyo, Japan. With the production quantity that amounts in millions, the Company has a strong export base. It has established partnership associations with Hyundai Motor Company of South Korea, to strengthen its base in the global market. The success of Toyota Motors can be accredited to its ability to continuously develop technological attributes and its connection with customer demands and wants. Though the automobile market is fierce with existing and latest intense competition, the Company has been able to maintain its status that it had developed decades ago. Toyota maintains strong and sustainable relationships with its suppliers, which results in quality, cost and reliability benefits for the Company. These competencies also contribute exceedingly to the high technological innovation that the Company is famous for. The traditional competitors of Toyota in the global market are Honda, Ford, General Motors, Chrysler and many more (Aierfu. cc, 2014).

- CURRENT LEGAL ISSUES

The main legal issues relating to Toyota arise from the case of 2010 when

Toyota products experienced problems in functioning and the Company decided to call back all its vehicles. The amount of vehicles recalled amounts to more than 8.5 million vehicles in number. The problems were mainly related to uncontrolled acceleration, which resulted in the accusation to the Company of about 34 deaths. The accusations on Toyota are also related to the timeliness of the Company's decision to call back the affected vehicles.

There are three brief categories in which the lawsuits related to Toyota can be summarized:

- Product liability claims caused by the claims of people killed or injured in crashes which have been alleged to Toyota product accelerator defaults: There is a whopping amount compounding to \$1.2 billion that is involved in the resolve of safety issues. The safety issues arose because of the accelerator problems and the crash and death cases that are thought to be a result of this problem (Margaret Cronin Fisk, J. 2012).

There are many confessions on the side of Toyota Company that outlines the settlement between the Company and the Justice Department. Toyota Company is to admit that they created a mirage for American consumers where the Company led them to believe that there was no safety problems related to the vehicle. The admission also included their admission on misleading customers about the two problems that came into light regarding the accelerator of the cars.

The agreement was also in relation to the General Motors case where the Company is also accused of mishandling ignition switch failure, which resulted in a dozen deaths. General Motors was also compelled to call back more than 1.6 million of its vehicles but late to a limit of 13 years since the

first time of problem observation.

- Claims against recovery of the vehicle's lost value which was resulted due to the accelerator problems caused before a few years:

Lexus and Toyota vehicle problems were the main issues which led to a record US \$1. 2 billion settlement of the Company with the US government. The Company also faced allegations of misleading its customers to believe that their vehicles are safe, when rather there were serious accelerator and other problems (Background, C. 2014).

The Company Attorney General Eric Holder confirmed that the case with Toyota is the corporate history's biggest financial penalty ever imposed on an auto Company. The deal comprised of a total deal of Toyota penalty, admission of Toyota regarding their mistakes of customer misleading and submission of an in-depth report of review by an independent third party. The charge against Toyota is also of wire fraud, the prosecution to be deferred for three years given that the authorities are given the chance to cooperate with the Company.

The legal action also includes a long chain of procedures. It is to conclude criminal investigation against the Company's disclosure provisions regarding safety issues. The time for the investigation is quite long, with four years of in-depth Company analysis. The analysis is to involve around the decision of Toyota, whether it was timely and rightful in reporting the safety problems and calling the affected vehicles in time.

The investigation team is of the thought that Toyota, instead of reporting the problems on time, decided to continue with the sale and manufacture of the affected vehicles.

- The claims of existing shareholders for recovery of lost value due to drop in share prices followed by the disclosure of automobile accelerator problems: An amount compounding to \$25. 5 million was involved in the settlement of claim against Toyota Motor Corp., to compensate its shareholders for the acceleration problems that came into light suddenly. This is all in response to cool down the allegations that the value of company stocks were pulled down because of non disclosure action by the Company regarding its accelerator control problems

A record fine of total of \$50 million was paid by the Company to settle the overall claims on the Company's issues. Plaintiffs in the class-action suit, led by the Maryland State Retirement and Pension System, had claimed damages in excess of \$100 million dollars. Overall, Toyota's total market value fell by as much as \$30 billion at the height of the crisis.

- EFFECT OF LEGAL ISSUES ON COMPANY PERFORMANCE AND FUTURE PLANS

The overall effects of the legal issues that are facing Toyota Company are related to the unfavorable ways in which the claims affected the present and future functions of the Company. They can be summarized as:

- The legal issues of the Company resulted in a great deal of financial losses for the Company. The financial losses were mainly in the form of claims, settlement and compensations for the injury claims, death claims, value loss claims, shareholder claims and penalties and fines. The total claims amounted to \$1. 1 billion of charges (Eric Tucker and Tom Krisher, A. 2014).
- Loss in customer welfare and goodwill of the Company was caused because of the legal claims as the existing Toyota users had to go through lots of

anxiety and suffocation regarding their bough Toyota products. The goodwill dropped as the reliability and durability that the product promised to deliver was compromised.

- The legal lawsuits against the Company resulted in the discovery of similar cases in the automobile industry. It raised issues on the reliability of questions that these companies express towards people. The other case was of General Motors, where the Company was also accused of non disclosure of safety concerns of the Company. Other facts of the Company regarding the management and other operational functions also came into light with investigations taking rounds.

- With the lawsuits making the rounds of the Company from all sides, it affected the whole of production system in terms of cautions and safety that the Company needs to take for the recovery of the accelerator problems discovered in the Toyota systems. There was a growing concern from all parts of the organization, thus hopefully leading to a better production system and better safety concerns.

- The future plans of Toyota changed in terms of the course of action it had planned to take and the course of action it was compelled to take, because of the legal issues that it had to face. The company may have planned to introduce new product ranges and invest more in brand strengthening; however the issues came in and Toyota rather had to recall millions of vehicles and marketing campaigns had to be diverted for rebuilding the brand rather than promoting it.

- The management of the Company got into a position of doubt, with many investigations to lift the corporate veil and to find out if the acts of non

disclosure were intentional or unintentional. It brought about a sense of insurgency in the whole organization.

- CONCLUSION

The implications of legal actions on a Company may be favorable as well as unfavorable. But, the matter of fact is that Companies need to incur huge amounts of costs in lawsuits whether they win or lose the case. Of course the losing side has to take the added burden of compensations and penalties. The good side of legal issues arising in any Corporation is that it gives a reality check to not only that particular Company but other Companies in the same industry too.

Toyota was a leader and achiever in all terms; be its quality, services or the customer satisfaction that the Company delivered to its clients. However, the legal issues arising in the Company changed the face of how the Company had to deal with its internal as well as external stakeholders. Along with financial losses in the form of penalties and compensation claims, the Company also had to invest a lot to regain its position in the market. The decision to recall the affected vehicles helped in some way to defend the non disclosure allegation acts on the Company; however, once a legal lawsuit puts a question on the image of a Company, it is difficult to regain that stature.

The positive aspects of the legal issues are however that these issues helped the Company to reconsider its policies regarding its growth, research and development and the pace of production. It opened ways for a better system that Toyota and other companies of the same industry can adopt at the present and apply in the future. World class companies such as Toyota

cannot take the risks as such, which may result in major legal situations for them. It should be perceived by law that, “ Ignorance of law is no excuse.”

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