

Value chain management essays examples

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



Analysis of the value chain management of Toyota

Introduction:

In this era of globalization and cut throat business environment the organizations need to develop themselves consistently in order to not only sustain their business but also grow in view of the competition and the choice of next best alternatives available to the consumer all over the world. Toyota as an organization is a prime example of constantly innovating and changing to maintain its position as a market leader by having a sustained production stream of quality automobiles and thus the success is well documented and the reputation that Toyota has earned in quality, reduction in costs and quality vehicles is well earned.

As defined on (techopedia, 2013), value chain management is in essence a business tool utilized for analysis with a focus on utilization of resources in an effective manner which helps in the integration of process in an optimum way resulting in better production and eventually customer satisfaction which is the primary aim of any business.

In his famous book Competitive advantage Michael Porter explained in detail the phenomena of value chain management which he introduced in the mid 80's as quoted by Rajan Saxena in his book Marketing Management, 2009. This business strategy has evolved with regards to a tool used from a strategic perspective by organizations in relation to distribution and supply chain network and planning.

Michael Porter advocated that organizations gain marginal value for their product or service when the activities are coordinated through a chain that

adds value to the product or service.

And the most significant impact of the value chain management system is the competitive edge that is gained through effective utilization which in turns provides a satisfied and loyal customer base.

The mapping of Porter's value chain activities is illustrated in Fig. 1 below in which the activities are in essence divided into two classes known as the Primary activities and Support activities as elaborated by (Arthur V Hill, 2012) in his book the encyclopedia of Operations Management.

Primary activities are related to the product and associated market activities while support activities entail technology, procurement, infrastructure and human resource.

Fig 1. Porter's Value Chain Activities

Toyota Value Chain Management:

The Primary Activities in Toyota's Value chain management which adds value to its product are as follows:

Inbound logistics:

One of the most significant aspects of the supply chain at Toyota is inbound logistics which is responsible for both the local and global inbound logistics.

In local inbound logistics Toyota has established a third party logistics providers who in essence provides the logistics services.

In their book A Strategic Approach to the Principles of Toyota's Renowned System. Toyota Supply Chain Management (Iyer, V. A et al, 2009) elaborated that the third party logistic providers provides Toyota with raw materials that can be handled locally however the engine is transported from Japan as it is in essence the quality of the engine which has set the benchmark of quality

and excellence.

This also signifies the success of Toyota as an organization in operating lean supply chain as the organization has made a system of organizing its suppliers into clusters depending on their geographical location.

The path from which a truck picks up parts from suppliers is known as ‘milk route’, and they are delivered to the regional cross dock from where they are unloaded and transferred to one of the Toyota plants.

Operations:

The Toyota global website (2013) elaborated on the Toyota Production System in detail, the operations aspect of Toyota is impressive in view of the fact that the innovation and advancement was introduced through the lean manufacturing system which efficiently dealt with the optimum utilization of the resources for a quality end product without waste and is popularly known as the ‘Toyota Production System’ (TPS).

As stated above it is based on (muda) which is elimination of waste, (kaizen) continuous improvement, a human touch given to automation (jidoka) and the interaction of the employees at Toyota. From here on it manifests in practices of just-in-time (JIT), total quality management (TQM).

This in essence from an operational perspective gives Toyota the way forward in not only sustaining profitability but also achieve competitive advantage in the market as the operations application at Toyota enables it to get new products in the market faster than its rivals and also with fewer design glitches which speaks volumes of the operational efficiency.

The above mentioned production system as mentioned on Toyota Global (2013), is affixed primarily on jidoka and Just-in-time (JIT).

Jidoka:

In this concept quality is the focus in terms of the manufacturing process and if an issue arises the manufacturing stops immediately until the issue is resolved as it is linked with just-in-time concept which requires all the supplied parts up to the standards set at Toyota and thus the concept is based on highlighting the issues.

Just-in-time (JIT):

This concept in essence helps in organizing the resources and also the information flows which helps in producing only what is required and any waste is eliminated which in essence helps Toyota in achieving an improvement in productivity whenever JIT is applied effectively.

Services:

The service aspect of Toyota is outstanding and thus keeping in view the JD Power Asia-Pacific 2012 Thailand Customer Service Index Study (The Nation, 2012) Toyota scored the highest in after sales service.

The study clearly highlights the operational efficiency at Toyota as the satisfaction of new vehicle owners of the product and the after sales services is very high.

It is one of the most significant aspects which Toyota as an organizations takes in to account by providing customers as over the years the services at Toyota has been based around 3S Spirit (Seikaku, Shinsetsu, Shinrai: which are Precision, Kindness, and Reliability (Toyota Domestic Service, 2013). And with the increase in global operations Toyota has consistently updated

its servicing systems globally also in view of the update technological products (Toyota Overseas Services, 2013).

The market related activities are as follows:

Outbound Logistics:

(Iyer, V. A et al, 2009) also discussed the Toyota product distribution is responsible for the distribution of final and finished product to the retailers from the Toyota plants. In view of the fact that the work is not a one provider solution so what Toyota does is, it relies on railroads, common carriers and also truck haulers which transport the cars to the dealers.

Marketing and Sales:

The marketing and sales functions of Toyota are handled by Toyota Motor Sales & Marketing Corporation (TMSM) (2013) and the main role is to augment and add to the Toyota's marketing and promotional activities.

The primary reason for a separate entity to take care of the marketing and sales of Toyota is because due to the size and the magnitude of the organization it is imperative that the marketing communication is consistent with the vision and mission on the company in all the countries it is operating in.

This can be seen in the new advertising campaign of Toyota Corolla 2014 model. Toyota's marketing techniques are also in lieu with the advances in the modern world and the consumers who have choices aplenty in this globalized era. Just like Toyota way which in essence celebrates the consumer's choices and needs and wants, the new campaign showcased the technological upgradation and the style change aptly also the most

significant feature of the campaign is that marketing communication utilized an integrated campaign.

The marketing tools utilized were broadcast, print and digital, Out of home signs, mobile marketing, and social media and last but not the least experiential marketing which in essence is the major tool for marketers as it connects the product directly with the customer.

The marketing campaign is also an extension of the technological advancement at Toyota and thus supports the great work done at production with the effective communication which in essence drives the core idea i. e. customers driving the cars (Toyota USA Newsroom, 2013).

The support activities to gain competitive advantage by supporting the primary activities are as follows:

Procurement:

Fair business practices are at the core of the procurement activities done by Toyota and is geared towards developing relationships and benefits of mutual understanding.

Quality items to be utilized in production is one of the most significant aspect detailed during the procurement procedures and also the timely manner in which it is provided so as to keep up the schedule.

With suppliers providing low price items of quality Toyota as an organization helps the suppliers of a particular country by promoting the preservation of the environment and also helps in philanthropic work (Toyota-industries, 2013).

Technology Management:

The age is of technological development and in this fast paced business environment it is of paramount importance for Toyota to keep innovating its products and services which are in tune with the current customers.

Toyota's motto is to realize an ideal vehicle and thus strive for technology both from a comfort and accident damage perspective and thus aids and abets the primary activities and also helps in reducing cost and minimizing the waste (Toyota Safety Technology, 2013).

Human Resource Management:

The human resource is the bed rock for any successful organization to fall back on both in terms of sustainability and profitability. At Toyota the employees perform their roles in an efficient and effective manner to support their departments and keep the value chain effective.

The corporate environment created at Toyota as illustrated in Toyota Global Relations with Employees (2013) helps the employees to perform at an optimum level and thus the focus is on providing confidence, a safe and healthy environment, training and development, diverse and with pride and loyalty.

At Toyota to develop the human resource a program OJT (on-the-job-training) has been implemented which is programmed with the Toyota way ingrained with the Toyota values.

Infrastructure:

As discussed above in relation to the lean manufacturing system which signifies to the fact that the manufacturing lines are state of the art and

advanced technologically. The information system helps the business processes and improves production in a significant manner.

The significance of infrastructure can be gauged by testing of ' Harmonic Mobility' which is Toyota's concept of future oriented traffic system being tested in Japan and will be introduced at an exhibition in Tokyo Motor Show (Automotive eetimes, 2013).

Thus the infrastructure is taken care at Toyota from a technological perspective so that they reach the next level and not only achieve a consistent presence n the minds of the consumers but also turn that presence into consistent sales.

Conclusion:

On a concluding note the author feels that Toyota as an organization is brimming with innovation and the synergy that the chains have helps the organization move forward in a dynamic manner and achieve value both in terms of quality product and achieving a competitive advantage in the market palace and also being able to sustain it which is an achievement in modern times.

The reputation that Toyota has obtained through its products and efficient operational system is second to none and is a leading light when it comes to principles applied in lean manufacturing and constant strive for innovation. The Toyota Production System (TPS) and the Toyota way are the crown jewels with which Toyota has reigned supreme for so long and will continue to do so and numerous managers all over the the world try to follow and apply the Toyota way in their work stream to generate success both in terms of quality and time management.

Bibliography

- Automotive-EETimes (2013) For intelligent traffic Toyota blends infrastructure and vehicle electronics. [Online] 11th November 2013. Automotive-eetimes. com http://www.automotive-eetimes.com/en/for-intelligent-traffic-toyota-blends-infrastructure-and-vehicle-electronics.html?cmp_id=7&ws_id=222903286 [Accessed: 16th November 2013].
- Hill, V Arthur (2012) The Encyclopedia of Operations Management: Pearson Education, Inc.
- Iyer, V. A et al (2009) A Strategic Approach to the Principles of Toyota's Renowned System. Toyota Supply Chain Management: Tata McGraw-Hill Education Private Limited.
- Saxena, R (2009) Marketing Management, 4e: Tata McGraw-Hill Education Private Limited.
- Techopedia (2013) Value Chain Management (VCM). [Online] 2010-2013. Available from: Techopedia. com <http://www.techopedia.com/definition/23858/value-chain-management-vcm> [Accessed: 15th November 2013].
- Toyota (2013) Toyota Production System. [Online] 1995-2013. Toyota-Global. com http://www.toyota-global.com/company/vision_philosophy/toyota_production_system/ [Accessed: 15th November 2013].
- Toyota (2013) Domestic Service. [Online] 1995-2013. Toyota-Global. com http://www.toyota-global.com/company/history_of_toyota/75years/data/automotive_business/sales/dealerships/customer/japan/services.html [Accessed: 15th November 2013].
- <https://assignbuster.com/value-chain-management-essays-examples/>

Toyota (2013) Overseas Services. [Online] 1995-2013. Toyota-Global. com
http://www.toyota-global.com/company/history_of_toyota/75years/data/automotive_business/sales/dealerships/customer/overseas/services.html [Accessed: 15th November 2013].

com/company/history_of_toyota/75years/data/automotive_business/sales/dealerships/customer/overseas/services.html [Accessed: 15th November 2013].

Toyota USA Newsroom (2013) Integrated Marketing Campaign elevates 2014 Toyota Corolla to new Heights. [Online] 5th September 2013. Pressroom. Toyota. com <http://pressroom.toyota.com/releases/2014+toyota+corolla+integrated+marketing+campaign.htm> [Accessed: 15th November 2013].

com/releases/2014+toyota+corolla+integrated+marketing+campaign.htm [Accessed: 15th November 2013].

The Nation (2012) Customer satisfaction: Honda leaves other brands sniffing the dust. [Online] 9th August 2013. Nationmultimedia. com <http://www.nationmultimedia.com/business/Customer-satisfaction-Honda-leaves-other-brands-sn-30212187.html> [Accessed: 16th November 2013].

Toyota Motor Sales & Marketing Corporation (TMSM) (2013) [Online] 2013. Tmsm. jp/en <http://tmsm.jp/en/philosophy/index.html> [Accessed: 16th November 2013].

Toyota Industries Corporation (2013) Procurement. [Online] 2013. Toyota-industries. com <http://www.toyota-industries.com/corporateinfo/purchasing/> [Accessed: 16th November 2013].

Toyota (2013) Safety Technology. [Online] 1995-2013. Toyota-Global. com http://www.toyota-global.com/innovation/safety_technology/ [Accessed: 16th November 2013].

Toyota (2013) Relations with employees. [Online] 1995-2013. Toyota-Global.

com <http://www.toyota-global.com>

[com/sustainability/csr_initiatives/stakeholders/employees/index2.html](http://www.toyota-global.com/sustainability/csr_initiatives/stakeholders/employees/index2.html)

[Accessed: 16th November 2013].