

Strategic analysys of toyota

Business, Company



INTRODUCTION In this fiercely aggressive business world, the goal of most firms is to establish distinctive or unique capabilities to gain a competitive advantage in the marketplace through utilising the most of their core competencies. Competencies refer to the fundamental knowledge owned by the firm (knowledge, know-how, experience, innovation and unique information), and to be distinctive they are not confined to functional domains but cut across the firm and its organisational boundaries (2002).

Today, business enterprises in developed countries operate in a more complicated, and more regulated, environment. The strategic task, then, is to create a distinctive way ahead, using whatever core competencies and resources at its disposal, against the background and influence of the environment. Through these distinctive capabilities the organisation seeks sustainable competitive advantage. Competition in many domestic and international markets appears to be entering a new phase, in which product quality and performance are becoming more important to customers than price.

In such markets, the effective management of the new product development process is the essence of competitive advantage. Due to such changes, a review of the organisations' strategic capabilities is a must if they are to keep up with the demands of the changing times. This paper analyses the strategic capabilities of Toyota Company in face of the ever-stiffening competition in the automotive industry, as a potential tool to further strengthen Toyota's position in the automobile market. BRIEF TOYOTA BACKGROUND[1]

Toyota Motor Corporation is a famous Japanese multinational corporation, and is considered the world's second largest automaker of automobiles, trucks, buses, robots, and providing financial services (2007). Its founder is Kiichiro Toyoda, born in 1894, and the son of Sakichi Toyoda, who became popular as the inventor of the automatic loom. Kiichiro inherited the spirit of research and creation from his father, and devoted his entire life to the manufacture of cars. After many years of hard work, Kiichiro finally succeeded in his completion of the A1 prototype vehicle in 1935, which marked the beginning of the history of the Toyota Motor Corporation (2007). The first Type A Engine produced in 1934 was used in the first Model A1 passenger car in May 1935 and the G1 truck in August 1935, and led to the production of the Model AA passenger car in 1936. In addition to being famous with its cars, it still participates in the textile business and makes automatic looms that are now fully computerised, and electric sewing machines that are available in different parts of the world.

It has several factories around the world, which serve to manufacture and assemble vehicles for local markets. The corporation's factories are located in countries such as the United States, Australia, Canada, Poland, France, Czech Republic, United Kingdom, Turkey, South Africa, Brazil, Argentina, Venezuela, Mexico, Japan, Indonesia, Pakistan, India, Mexico, Malaysia, Thailand, China, Vietnam, and the Philippines. Despite the many locations of its factories, its headquarters is located in Toyota, Aichi, Japan (2007).

It invests a great deal of time and effort in its research into cleaner-burning vehicles, such as promoting a Hybrid Synergy Drive and running a Hydrogen

fuel cell in its vehicles (2007). It has significant market shares in developed countries, such as the United States, Europe, Africa and Australia, and has significant markets in South East Asian countries. Its brands include the Scion, its division in the United States, Guam and Puerto Rico, and the Lexus, which is Toyota's luxury vehicle brand (2007).

Aside from producing cars and other types of automobiles, such as SUVs and coasters, Toyota also, participate in rallying or racing. The company's presence in Motorsport can be traced to the early 1970s, when Ove Andersson, a Swedish driver, drove for Toyota during the RAC Rally in Great Britain, and in succeeding years, Toyota Team Europe was formed (2007). Up to the present, Toyota cars are still being used in a variety of racing events in different countries around the world.

These events include the CART in Vancouver, the Le Mans, the Indy Racing League, the NASCAR, and the Toyota F1 Series (2007). As the leader in the industry of automobile manufacture and production, the company adopts a philosophy in terms of its production system, which is named The Toyota Way. The company's philosophy in production involves a list of fourteen principles that are implemented in the company, and serve as guides to the operation of the company. This includes the following principles: Base the company's management decisions on a long-term philosophy, even at the expense of short-term goals; * Foster a continuous process flow to sight problems; * Utilise "pull" systems to prevent over-production; * Level out the workload of the workforce; * Build a culture that stops to fix problems, in order to get quality perfect at the first try; * Standardised tasks are the

company's foundation for its continuous improvement and the development of the employees; * Use visual control to let problems surface; Use reliable and tested technology, which serves both the people and the company's processes; * Train leaders who understand the company's work, live its philosophies, and share it to others; * Train and develop a workforce who follow the company's philosophy; * Respect the work and responsibilities of partners and suppliers by challenging them and helping them improve; * Actually immersing one's self to understand the situation; * Slow but sure decision-making through consensus, through considering a variety of options, and to implement decisions effectively and efficiently; and, * Becoming a learning business organisation through expression and continuous improvement (2007) With these principles, the company is guided in terms of its operations and production. Through these principles and philosophies, it can become efficient and effective in manufacturing its products, keeping in mind the welfare of its employees, the image and brand of the company, and the satisfaction of its employees. PESTLE Analysis

Currently, Toyota faces a need for accelerated investment, in order to deploy the new technologies, for pressing geo-political, economic, environmental and societal reasons. Political. Observers will see a continuing progression in the ruinous steps which have forced the industry into a socio-politico-economic corner. Whether this is related to flat demand or to the company's creation of an ever-wider range of vehicles that many buyers seem to care little about, there is a problem. The company is likewise linked closely to the policies of governments, the earnings of banks. Little wonder then that so

many emerging countries are keen to develop an auto sector or that there is such a political pressure to protect it in the developed countries.

Toyota Company is currently dominated by little more than a handful of firms, each wielding colossal financial, emotional and political power. The company's approach to dealing with political institutions has not always been brilliant. It tends to be good on technical issues, although it has not always fully presented the longer-term options, in order to make the choices and their implications clear. Economic. For much of the developed world, and increasingly for the developing world, Toyota Company is a pillar company in auto mobile business, a flag of economic progress. Without Toyota Company in automotive industry, it is impossible to develop an efficient steel business, a plastic industry or a glass sector - other central foundations of economic progress.

The Toyota Company has been a core company, a unique economic phenomenon, which has dominated the twentieth century (2007). However, the automobile industry including the Toyota Company now suffers from a series of structural schisms and has become riddled with contradictions and economic discontinuities. For the capital markets and the financesector, it has lost a lot of its significance, as a result of ever declining profits and stagnant sales. The proliferation of products means that it has become hopelessly wasteful of economic resources. While all these and more sound like a very gloomy assessment of such a vast economic phenomenon, the industry is not in the end despondent. A different future is possible for the industry, a highly desirable one. Social.

As part of the development in automotive industry, the Toyota Company actually affects the society as a whole. It employs millions of people directly, tens of millions indirectly. Its products have transformed society, bringing undreamed-of levels of mobility, changing the ways people live and work (2007). The social value of the additional mobility that this industry brings involves the value of the people being able to commute over longer distances easily, among many others. For most of its existence the Toyota Company has been a model of social discipline and control and it is not just that the auto sector offers a 'pillar' of something else.

There are, on the other hand, particular social issues to address in many developing countries, often those that are the result of an undertone of religious faith. Toyota company has the role to play in helping develop the mobility of such countries and it can be achieved at an acceptable social cost if the country is prepared to learn the necessary lessons from those who have traveled this route before it, and to make the necessary investments. Technological. The Toyota Company works on a scale so awesome and has an influence so vast that it is often difficult to see. The level and diversity of technologies that it must deploy are increasing, which imposes both new investment burdens and new uncertainties and risks (2007).

Roughly a million new cars and trucks are built around the world each week – they are easily the most complex products of their kind to be mass-produced in such volumes. The industry uses manufacturing technology that is the cutting edge of science. But still, the potential for developing coordination skills, intellectual capabilities and emotional sensitivities through electronic

technologies remain far from fully exploited. There are numerous additional near-term technological opportunities to adapt the company to changing energy availability. The possibilities suggest that automotive technology is unexpectedly robust and provides a powerful defence against energy starvation even if the real price of oil climbs steadily during the next couple of decades. Legal.

Toyota Company is subject to numerous technical directives and regulations, as well as legislation of a more legal nature. The legislation covers areas such as competition law, intellectual property law, consumer protection and taxation, and emissions (air quality and fuels). When the auto parts industry reached full development, accelerated technological efforts were made to create a web of local suppliers that would make it possible to meet the growing legal requirements for the national integration of production. Environmental. Other than the vehicles themselves, and the roads and fuel needed to run them; the business is intricately tied to the manufacture of a wide range of components and the extraction of precious raw materials.

Indirectly, it brings people road congestion, too many fatalities and a wave of other environmental troubles. The effect to the Toyota Company is that they needed to establish R&D centres to take advantage of research infrastructure and human capital, so that they can develop vehicle products locally to satisfy the requirements of the environmental and safety regulations more effectively. SWOT ANALYSIS Strengths. One of Toyota's most potent strength is that they are one of the world's best known brands (2007). As they have been in the business for several years now, the

experience that they have in manufacturing cannot be overemphasised. They already have built a solid reputation for being a dependable automaker.

Additionally, they have the strength of being diverse with respect to their product lines, having affiliated automotive brands including Aston Martin, Ford, Jaguar, Land Rover, Lincoln, Mazda, Mercury and Volvo, which allows clients to choose from a variety of car models to fit their lifestyle. They are also known to be supportive of societal causes, in particular the fight for breast cancer and support after the September 11 attacks in the U. S (“Toyota”, 2007). They pioneered the moving assembly line, which became their mechanism for making vehicles more efficiently and faster, therefore more affordable. Traditionally Toyota's international operations were a source of that allowed the company to maintain its position as the second largest auto maker in the world and to respond to GM's competitive moves. Weaknesses. The company's organisational structure has become inefficient as the company became more complex.

This hindered Toyota's ability to manage its international network of subsidiaries, branches, and companies. The weakness of its organisational strategy reflects to the speculations over the likely performance of Toyota in the future, as the company's financing section is swamped down by hefty outstanding debts. The firm is not in risk of bankruptcy, but the Toyota management is in a tight spot, and has to be extremely vigilant to not make it any tighter. There is also a notable management issues within the company. Finally, because of the increasing competition, the company has

witnessed a decline in overall sales, a weakness on their part as they have somehow failed to overcome the challenges that additional competition brings. Opportunities.

Toyota Motors Company has the distinct opportunity to have cleaner engine emissions, in alignment with their corporate responsibility to become environment-friendly. Through working with environmental groups to help clean the environment, they also have the opportunity to further enhance their image to the general public. Since they have already started investing in Solar Power, the end is a more viable prospect. Toyota could further widen the scope of their opportunities through specialising and rationalising its worldwide operations on a regional basis and to develop a network organisation in which its subsidiaries would increase their transnational linkages.

Besides Toyota learning about the possibilities of producing quality automotive products in their areas of operation at a comparative cost advantage, other relevant factors could bring about new opportunities for exporting vehicles: the parent company's efficiency-seeking strategy; its competitive disadvantage in the small-car segment of the market and the competitors' moves in this market-segment; and the new more flexible regulations in the respective countries in which they have manufacturing plants. Further, with Toyota's existing capability to innovate on automobiles, they have the opportunity to penetrate a still larger scope of market.

Threats. As with any firm in the automotive industry, Toyota faces very tight competitive rivalry in the auto market. Competition is escalating, with the

threat of new entrants continuously flowing into the market from South Korea, China and new plants in Eastern Europe (2007).

Toyota is also exposed to the risk of movement in the price of raw materials such as steel, glass, rubber and fuel. The key economies in the US, Europe and the Pacific are also experiencing slow downs lately. These economic factors are latent threats for the company under analysis. Further, substitute products such as Natural gas, Electricity, Ethanol, Vegetable oil, Sunlight, Water poses a distinct threat to the sustainability of company sales. While Toyota strategies responded to the local opportunities and competitive advantages that were built over time in different national markets, the competitiveness of foreign operations was also dependent upon the company's management capabilities and its overall position in the industry worldwide.

If such factors were to perform under expectation, their competitiveness in the international scene would suffer seriously (2007). RESOURCE AUDIT A resource is a basic element that a firm controls in order to best organise its operational processes. A resource, or set of resources, can be used to create competitive advantage (2002), that is why an audit of the resources of a firm is a must if it is to utilise them to create the latter. The sustainability of a company's competitive advantage depends upon the ease with which the resources can be imitated or substituted (Peteraf, 1993). When resources are combined they can lead to the formation of competencies and capabilities (1990). Financial Resources. 2] Although Toyota Motor's 2005 financial results showed a full-year net loss, the company still managed to come back

in their expressive profits earning in 2007. As seen in the accounting ratios, the company managed to have an expressive positive change of 21. 4% in 2006 against its low performance in 2005 with only 2. 9% of change. Table 1. Toyota Accounting Ratios Human Resources. [3] Toyota directly employs around 38, 340 people in North America. It has made around \$16. 8 billion in direct investments in North America. It has in total produced 14. 8 million vehicles, 2. 5 million vehicles sales (2005), 39. 2 million total vehicles sales, and purchased \$26. billion worth of " parts, materials and components" as of December 2005 in North America. It has 1, 745 North American dealers and has given around \$301 million as philanthropy to the United States since 1991. Physical Resources. [4] To date, Toyota has factories all over the world, manufacturing or assembling vehicles for local markets, including the Corolla. Toyota has manufacturing or assembly plants in Japan, Australia, Canada, Indonesia, Poland, South Africa, Turkey, the United Kingdom, the United States, France, Brazil, and more recently Pakistan, India, Argentina, Czech Republic, Mexico, Malaysia, Thailand, China, Vietnam, Venezuela, and the Philippines. VALUE CHAIN ANALYSIS 1985) in his seminal work of value chain proposed it as a tool to identify and to analyse the origins of competitive advantages and suggested that the activities of the business could be grouped into two: primary and support activities. What activities a business undertakes is linked to achieving its competitive advantage, and Toyota seemed to be best prepared to implement a global strategy, because of the superior competitive advantages of its foreign operations compared with GM and Chrysler. Paradoxically, Toyota's rivals showed a greater disposition to use resources from outside of the United States. It was not

until 1994 that Toyota focused on developing a global strategy as a means to enhance its competitive position in the industry.

Before then, Toyota largely focused on building a strategy that would allow the company to recover its competitive position in its own home market, which was essential for survival. An analysis of the structural and institutional factors that shaped Toyota's strategic response both to the new industry rules and the short-term challenges posed by other industry competitors explains this paradox. A number of broad sustainability challenges set the context for all of the value chain activities (see appendix 1). These issues apply across the value chain: (1) Population growth; (2) Urbanisation; (3) Child mortality; (4) Maternal health; (5) Infectious diseases; (6) Biodiversity; (7) Loss of ecosystem services; (8) Poverty; (9) Education; and (10) Gender Equality.

All these issues are attended to by the Toyota Motor Company in alignment with their efforts to maintain sustainable competitive advantage through preserving the good public image that their clients expect from them. CORE COMPETENCIES Toyota has several core competencies which they could utilise to further gain advantage over their competitors, and currently the company overtook General Motors in its market leadership in the automotive industry. One core competency of the company is their brand management. The strength of their automotive marketing has been such that their brand is known even in the parts of the world where cars are not the common medium of transportation.

Another core competency is their supply chain management, which links to their ability to maintain a steady stream of raw materials coming in for production because of their long-term good standing with their steel, glass, plastic and other raw materials supplier. Their highly coordinated logistics system handled by outsourced firms also form part of their core competencies, leading to excellent inventory management and always on schedule production activities. Another marked core competency is their ability at the moving assembly line. Being the pioneer of such mass production system, they were able to get ahead of the competitors manufacturing processes-wise and were also able to save on costs and time.

Yet another core competency is Toyota's focusing on its product development technology under a single product-information-management program through standardising and incorporating them. If sustainable development is to achieve its potential, it must be integrated into the planning and measurement systems of business enterprises. And for that to happen, the concept must be articulated in terms that are familiar to business leaders. Many observers believe that more stakeholders -- investors, consumers, nongovernmental organisations and others -- will insist that companies to take environmental and social costs as seriously as they take purely financial costs.

In addition, investors are expected to increasingly seek out sustainable companies and avoid firms with poor environmental performance, judging the sustainable companies as better risks over the long term. Likewise, consumers are expected to search for products that perform well

environmentally. THE FUTURE OF TOYOTA (1982) observed that the automotive industry has been depended upon by other industrial sectors to provide them with means with which to optimise their investment capital because of the transfer of its technology, which basically means that the manufacturing and materials handling processes that revolve around mass auto production will be, in the future, far removed from their original use through consulting engineering firms that undertake to design and equip factories.

The tendency for car manufacturers, then, will be to focus on competition that would become more rigorous, giving special attention to profit-gaining activities and concentrating also on arranging for financial, marketing and industrial cooperation among car makers. In the first three months of 2007, Toyota together with its half-owned subsidiary Daihatsu reported number one sales of 2.348 million units. Toyota's brand sales had risen 9.2% largely on demand for Corolla and Camry sedans. The difference in performance was largely attributed to surging demand for fuel-efficient vehicles. In November 2006, Toyota Motor Manufacturing Texas added a facility in San Antonio. [5] Toyota has experienced quality problems and was reproached by the Japanese Government for its recall practices (2006). Toyota currently maintains over 16% of the US market share