

Analysis of toyotas strategic capabilities management essay



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The actual starting point of this car industry was the development of engine. See (Figure 1 and Figure 2) in Appendix A for the development overview of the automotive industry from 1895-2000. The development of automotive industry has been influenced by different innovations, like innovation in fuels vehicle parts, infrastructure and also change in structure of markets and business. (Automotive industry timeline 1895-2000)

Japanese auto maker The Toyota Motor Corporation was founded by Kiichiro Toyoda in 1937. It resulted as a spin off from the father's Toyota industries. While still a department of Toyota industries in 1934 it created its first product of Type A engine and then later in 1936 its first passenger car. TMC is one of the world's largest carmakers selling over 7.567 million vehicles by the end of fiscal year 2009. Operating in an oligopoly industry, the main market of Toyota includes Japan, North America, and is also rapidly growing in South America and Asia. TMC group companies are Toyota, Lexus, Scion, Hino Motors and Daihatsu. The main competitors of Toyota are GM, Ford and Honda

Main products of the companies are Automobiles, Material handling, Logistics and Textile Machinery. In Automobiles sector, sales from: Lexus, Camry and Scion fell during the global recession in 2008 and 2009. Toyota beat the estimates of analysts when it displayed a net profit of 21.8 billion in the second quarter of Fiscal Year 2010. This was 84% down from the earnings of the second quarter of Fiscal year 2009 (msn.com)

2- Analysis of Automotive Industry:

2. 1- Porter Five Analysis:

According to the Porter Five analysis the threats of alternative products, customer bargaining power and rivalry among competing firm is high and it is unfavorable to industry profitability. The threat of new entrants and bargaining power of suppliers is moderate which is not good for industry profitability. In short this automotive industry is unfavorable to profitability. (See Appendix 2)

3- Analysis of Toyota's strategic capabilities:

Toyota is capable in forward-thinking, innovative management and precise standard of quality. Toyota production system has very competitive attributes which are "just-in-time" and "lean" manufacturing movements and continues error-checking, Also Toyota always tried to focus on latest technologies.

Toyota believes on automated production facilities instead of focusing on labor cost reduction. Toyota introduced first mainstream hybrid vehicle called Prius in 1997, which was a competitive edge for company, because of high oil prices customer were looking for more environment friendly and economical cars.

Toyota objective is to reach in 140 countries in the future, while currently it has 75% market in Japan and North America. Toyota has manufacturing facilities in 26 countries and also Toyota made new assembly facilities in Indonesia, Thailand, Argentina and South Africa, through this company gain more strategic capabilities. Through these strategic capabilities like,

innovative infrastructure, mindset and high quality Products Toyota positioned itself for future growth.

Toyota offers a wide range of products ranging from economic cars to the SUVs' targeted to the young and affluent. The organizational philosophy and the leadership style contribute to the adding value of Toyota's auto. This organizational philosophy which included effective production methods and quality controls has proved the resource of success for Toyota over the decades.

This organizational philosophy or The Toyota Way does not only refer to the organizational culture existing in the organization but also to all those Japanese techniques of production that have formed the basis of their organizational culture. The Jidoka allows all the employees involved in the production process to identify any inefficiency or highlight defects at any point of production and stop the process to address it. This is facilitated without the fear of accusation which ensures the right quality in the first time. This technique was further supported by Genbatsu which allows the labor to go and see for themselves any problems in the production process. Furthermore JIT avoids wastage of resource and efficiency is increased by kaizen and lean production. All these approaches to production process make an efficient production cycle ensuring quality and design adding value to the product. Such an approach becomes the major resource of success and name for the quality that Toyota owns. Continuous efforts for quality improvements and aim to towards unfaulty production do not let Toyota lag behind in any aspect.

The evidence of a capable management is also seen. We see during the oil crisis in 1970s Toyota was quick to recognize the changing consumer preference and demands and responded accordingly. For decades, the management of Toyota continued to follow the standards of production set by the company and enjoys a reputable name that was synonymous to quality. This had made Toyota above all its competitors operating in the market. The Japanese style of management underplays the success of the Toyota. The style focuses on team spirit and general consensus. It provides opportunity to each of their worker to come up with ideas that are not only welcomed but discussed, acknowledged and implemented where appropriate. Each of their employees forms an essential part of their organization.

This Japanese culture and working environment has provided Toyota the competitive advantage to Toyota. Greater than that, the Japanese techniques and approach to production methods and their effective implementation by the management is the core competence for Toyota against its competitors. Continuous improvement (kaizen), minimum wastage (JIT), addressing the issue yourself (Genbatsu), and identification of technical problem by labor itself with the allowance to stop production any time by anyone ensures continued quality (Jidoka). No competitor reached to this level. Instead Toyota was the set standard for many of the carmakers. They followed Toyota never being in a position to compete.

4- Evaluation of the possible future strategies for the company:

Despite these capabilities and competitive advantages, in narrower but an important aspect, Toyota lacked. During the year 2000 millions of the Toyota cars were recalled owing to the failure of the accelerator pedals. This immediately shattered the reputation that Toyota once held and gave opportunities to those competitors who were already working for improvements.

Evidence shows that the underlying fact behind this technical fault is the management failure. Case study shows that Toyota moved towards expansion and growth at a faster rate than it could manage it. Let us have look at the management problems that rose from the ineffective attempt to expand.

4. 1- Relocation of the Japanese managers:

Although the capacity to produce the increased number of cars was put in place through investment and infrastructure, the diffusion of technological capabilities proved to be much more complicated than it had been anticipated. Relocating the work force specialist to transfer their knowledge was less effective and took a long time. A time that was much more than the pace of the growth. The difference both of them resulted in the efficiencies and the problems rose. Not only the inefficiency, the company also faced falling demand with over capacity.

4. 2- Management culture:

There were two complexities that rose from the management culture.

Firstly the management was continuously informed of success from the past. It made the acceptance of failure and detecting errors more difficult. The approach to Jidoka was not effectively transferred to other cultures as Toyota expanded globally. Faults also went undetected owing to the high pressures on the management which did not let lower subordinated deliver unwelcome news to their managers. Increased pressure and complexities of growth led to the failure of Jidoka technique resulting in the failing quality.

Second, the ' Japanese' style was not always welcomed globally. In Japan promotion is based on seniority rather than ability. Since senior executive were originally from Japan, this style created social and racial differences in the organization.

Also, the Toyota board comprised Japanese national making and formed a conventional cultural view from the ' Japanese' executive. This again increased the psychological distance between the workers and the management. This actually undermined many of Toyota way principals. According to Gomez-Mejia et al. (2004), if the diversity in the organization is not handled in the proper way, it will create confusions between the employees which will harm the productivity and teamwork of the company.

4. 3- Rapid growth:

Lastly the growth was too rapid for a company like Toyota who had been so competent owing to its management and production techniques. It should have realized that to maintain the level of competence growth at a slower pace should take place in order to manage the anticipated management issues successfully.

5- Recommended Strategies:

Areas which company should consider for future success:

Production efficiency,

Well-planned cost structures,

Manageable size,

Distributed management of brands,

Attention to underserved markets,

Focused strategy, and

Well-respected brands and products

Toyota is focusing on areas which mentioned above but keeping in view current problems, like problem in accelerator pedals, Company should work hard on its internal environment to cope on these problems, especially its management area. There lie various possible strategies that Toyota can develop for future.

Strategy 1:

Growth and management goes together!

Near future when Toyota aims to expand a strategy should be developed that would deal with the problems of growth with the pace of growth (See Appendix 3).

Strategy 2:

Unbiased Management Culture!

As Toyota expands, the instilled Japanese culture of management and some of its drawbacks should be eradicated. (See Appendix 3)

Strategy 3:

Motivate the workforce with monetary and non-monetary rewards!

To restore the management that once was responsible for the success of Toyota a strategy needs to develop that will address the motivation factor for the management. (See Appendix 3)

6- Recommendation:

As the expansion will take place it is very important and essential element to provide motivation to the management for the successful running of the production process. Although the principals of Toyota Way have opportunities for personal career building and grooming, any strong motivator or monetary reward does not form a apart of Toyota Way. This strategy will address the failure of management issue that resulted in not being followed the Toyota way principals that has ensured its competitive survival.

6. 1- Implementation of Strategic Change:

Strategic planning identified the level of motivation at which the employees are and accordingly the motivation techniques will then be used.

6. 2- Provide monetary rewards:

According to Pierce et al. (2003), by providing rewards the employee's will give more attention to their work. This will increase the customer services and the quality of the work performed by the employees (Analoui, 2007). There is no evidence of monetary reward or the fulfillment of the need of hierarchy is not clear while Jidoka and Genbatsu are in process (Stimpson 2002). It is important to identify which levels need to be achieved by different employees. Similarly employees seek benefit in whatever service they provide. If JIT is implemented to avoid wastage, to ensure that JIT is actually managed and implemented by management one needs to 'move' its workforce to carry it out. Companies should reward the employees where and when applicable through this companies can motivate their employees at work (Dessler, 2005).

6. 3- Act strictly when one fails to pursue duty:

Ensuring the correct procedure is the duty of the management. In case of the failing to perform the duty well, Toyota Way does not respond to it strictly. If a manager is least bothered to respond to Genbatsu procedure, the whole production process is affected.

6. 4- Be quick and responsible:

According to Armstrong (2002) reward mean how employees are rewarded according to their work for the firm. Toyota should reconsider few of it principals and should add monetary reward and bonuses when no act intervenes its production process. If any of its principals of production

process seems to be ignored, the senior executives should be eligible to take immediate action unless the issue is completely addressed.

As described before, a motivated workforce will serve as an asset to Toyota. When Toyota will aim to expand the different motivation techniques will be adopted setting the culture and people of the place. In a developing nation, monetary rewards will keep the staff motivated while in a developed world Herzberg Two Factor theory will be appropriate to implement. This will enable Toyota to compete not only globally but also worldwide keeping its name and quality recognized. This way Toyota will be able to avoid major management failure issues that it had faced in the past (Stimpson 2002)

It may prove difficult for the leading management to mould itself to the proposed changes. They may not accept alteration in the ' Japanese style' of management. To respond to motivation needs Toyota may have to go against the culture of promotion that is based upon seniority rather than ability. Moreover the management who is accustomed to ' leisure' or leniency may respond frustratingly towards strict regulations. The job of the senior management will become to create awareness and take their subordinates in their confidence to accept the changes and make them believe it is for their and the company's benefit. But all this will need to be done to secure the survival if Toyota at the heights where it had once been.

7- Conclusion:

The survival of Toyota can be ensured but with great efforts and strategic decision making. Toyota should not hesitate to alter its policies that have formed the basis of its success for so long. It should realize that with <https://assignbuster.com/analysis-of-toyotas-strategic-capabilities-management-essay/>

changing time and increased globalization the manager and senior executives will need to compromise and adapt to the external and internal environment of the company.

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9- Appendix:

Appendix 1:

Figure 1 Automotive Industry Timeline from 1895 – 1950

Figure 2 Automotive Industry Timeline from 1950 – 2000

Appendix 2:

(Michael Porter)

Explanation of Model:

1 -Degree of Rivalry: Moderate

New companies entering in the market and competition becoming higher and new companies acquiring large share of the market. Keeping in view recession and Toyota exiting position because of call back defected cars, even a small entrant can impact Toyota position in the market. Also new countries like China and India are offering cheaper cars in the market.

2- Threat of substitutes: High

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There are many substitutes of cars, like people could use public transportation, train, buses, bicycle or other ways to travel. Because of recession people are facing problems in getting loans and also the fuel prices are booming day by day that's why people are trying to use public transports.

3- Barriers to Entry

For a new company startup capital required to set up manufacturing capacity to gain minimum efficient scale is prohibited. In automotive industry the high level of investment is required and that is the reason that company could not be easily retooled. The established companies are entering into new markets through strategic partnerships or through buying out or merging with companies.

4- Buyer and Supplier Power: High

Dealers are giving unheard-of prices and discounts which shows high bargaining power of customers.