

Pestel analysis of toyota



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Toyota Motor Corporation was established in year 1937 by its founder Kiichiro Toyoda, headquartered in Toyota, Aichi, Japan. It's a part of 'Toyota Industries' which diversified into automobiles. In 2009 Toyota Motor Corporation was declared as the largest automobile manufacturer in terms of sales and production in the world. It has more than 320, 000 employees worldwide (Arkadi Borowski, 2010). It includes Toyota, Lexus, Daihatsu and Hino Motors. The product range of Toyota Motors Corporation is very large and includes cars, sport utility vehicles, trucks, electricity driven vehicles, crossovers and luxury-type vehicles. Its total revenues per year are more than 30 trillion Yen. Some of the key persons are Fujio Cho (Chairman), Katsuaki Watanabe (Vice Chariman) and Akio Toyoda (President).

Importance of external environment analysis

Often the external environment is the one which cannot be controlled by individual compared to internal environment. However, these factors are responsible for most of the decisions taken by the company and help in understanding the limiting factors. Without analysing the external environment it is difficult to draft a successful strategy (Michael A. Hitt, R. Duane Ireland & Robert E. Hoskisson, 2009). Without proper analysis of competitors it would be difficult to craft a strategy to compete with them (Robert E. Hoskisson, Michael A. Hitt & R. Duane Ireland, 2008). It is also necessary to understand the culture of the country in which the company is operating (Kip Becker, 2000). The kind of political stability and government ruling in a country is also a crucial factor in choosing the country (R. K. Singh, 2009).

The key analysis areas would be the political condition of the country where the company is situated, the economic growth of the target market, technological factors, legal factors and ecological factors. These factors provide the overall impact of these factors on the company. These all factors in combination can be termed as microenvironment analysis.

Justification of choice of analytical framework

For analysis of the above environment issues and factors PESTEL framework can be used appropriately since PESTEL framework provides the overall impact of the external environment on the given company/firm. PESTEL framework which is complete in itself since starting from the Political to Economic to Sociological, Technological, Ecological and Legal aspects of any firm and hence analyses the overall macro environment for any company.

External environment analysis: PESTEL Framework

In the below analysis the PESTEL model is used to see the effect of various parameters mentioned below on the industry and their impact on Toyota with respect to the human resource policies of the company. This will help us to get better insight of the effect of these external parameters in crafting of human resource policies.

Political: Political aspect of the framework consider the factors like trading policies, Funding grant and Initiatives, International pressure group, wars and conflicts, government policies, terrorism, political trends, government leadership and structure in which a company is dealing. Basically the political environment of the region in which company is dealing affects its policies a lot. Since due to recent economic downturns in which government

in different nations played a major role in helping the company's to cope up with extreme economic situations. And for a company like Toyota which is operating in so many nations and has such a wide range of products that the political interference by the government becomes very important in such cases. The policies of the government and earnings of the bank also affect the macro environment due to which big impact comes on the company.

Due to the US government intervention in the recruitment process of the company's who is advocating to provide more and more in house jobs so the company now have stopped hiring their manpower from home nation but hiring major portion of their manpower from the US for their US operations. Also they take into consideration the political dynamics of the country and avoid any issues that can generate from the already existing unhealthy political relations of the two countries like the company has operations both in India and Pakistan but they avoid relocation the employees of both the countries in the opposite countries.

Economical: Economic aspect of the PESTEL environments investigates into all the external economic factors related with the company, impact of these factors on the company favorable or unfavorable. Economic analysis in PESTEL framework includes economic situations and trends in home country, economic trends overseas, taxation rules, market and trade cycle, disposable income of the customers, demand and supply effects, CPI, exchange rates, inflation rate etc. All these factors are very important to the company as they directly affect the revenues of the company. For most of the rising economies of the world Toyota is a pillar company since without Toyota in automobile industry it is not easy to develop the steel business, <https://assignbuster.com/pestel-analysis-of-toyota/>

glass sector or plastic industry. Though Toyota at present is facing rising losses due to improper structure of some of their automobiles which they have to recall in large numbers due to which company have to incur big losses from year 2007 till date.

Economic factors have contributed maximum for the HR policy changes in Toyota and other firms as well. As with the recent recession which almost impacted the countries around the world, companies have changed themselves a lot so as to cope with the current situation in the marketplace. Economic factors such as customer demand, inflation rate, disposable income and GDP growth rate has a major impact on the HR policies of the company. Some of the major impacts of the economic factors are as follows:

Recruitment policy: Since during economic slowdown demand for the company's product will reduce hence the demand will also reduce for the employees of the company. Hence the recruitment policy of Toyota also gets affected during the recent slowdown in the economy. Toyota minimised the input of employees they were hiring in previous years. Even the rewards and incentives suffered due to economical slowdown.

Layoffs: There have been various cases in the past where the employees were laid off due to financial crisis in this industry (Jeremy W. Peters, 2005). Though at Toyota which provides assurance to its employees that they will not be laid off until extreme conditions but due to the bad economic condition world-wide and the losses which company have incurred due to recall of various models of its cars they have to lay off the people who were performing reasonably good.

Relocations of staff: During the economic crisis need for the efficiency of the employee's get increased so the process of retraining and relocation get increased. At Toyota also during recession special training were provided to the employee's to increase their productivity and due to limited number of staff employee's were shifted from one place to other according to the requirement.

Location choices: Human resource department of the company is also looking in to hiring more from the country and thus trying to take most of their work from the country which offers better export and import policies and where the overall cost is less which could be due to cheap available labour or raw material, tax concession and lesser tax rates offered.

Sociological: Sociological parameters of the macro environment analysis of the company includes the consumer attitude and behaviour, media news, trends, diversity, education, lifestyle changes, demographic changes, ethical issues, employee attitude, management style etc. Toyota Company works as a part of the society as it employs millions of people directly and indirectly. Its various products have revolutionalized the society by changing trends in mobility world. Ethically Toyota motors is taken as one of the strongest company as despite of huge losses they have recalled some of their car models and have repaired many cars which were having minor defects at free of cost.

Toyota understand that there are cultural differences in every country and it is reflected even in the way of working and hence they prefer to employ people of the same country as of the country in which there offices are

located so that it is easier for the employees to adjust to the work cultural. Also, the avoid relocation of employees unless it is very essential.

Technological: Technological aspect of the framework includes the competing technology development, research funding, replacement technologies, maturity of technology, information and communication, Innovations, research etc. The technological investments made by Toyota are huge and it has always being pioneer in technological field. It is always known for its innovation initiatives, replacement mechanisms, and research funding and other initiatives. The large investments which Toyota has made in technical field have increased the risk and uncertainties for the company.

The technological environment is changing at a fast pace so the companies need to cope up with this change. Henceforth, more number of employees with the highly functional skills is required for coping up with those changes. Toyota also promoted various trainings among employees to abreast them with latest technological advances. Following are some of the HR policies changes which have been observed due to the changes in the technological factors:

Numerical flexibility: Numerical flexibility refers to the flexibility in the workforce in term of number of workforce employed in the company. Due to the technological up gradation and automation of various operations the number f recruitments have decreased over the year. Most of the temporary workers or agents who were working at Toyota were released from their services at Toyota while some of the Toyota's real work force was downsized.

Functional flexibility: It is a special skill with the employees of the company that they are functionally flexible and trained for multiple skills. Since such employees can be proved as of great importance to company at the time of crisis. At Toyota employees are trained more on job and they are trained for multiple skills and they are functionally flexible and can work different work whenever required. So during economic crisis the employees were made functionally flexible and were involved into many a functions.

Ecological: Environmental aspect of the PESTEL analysis takes into accounts the ecological factors, environmental regulations, customer values etc. The environmental factor has big impact in case of Toyota as the Environmental factors especially customer values and regulation decide the fate of any business. Toyota has established many R&D centres to make use of its infrastructure and human capital resource which is very crucial for Toyota. Toyota spends as much as \$1. 1 billion per hour for research and development purpose so as to improve the quality of technology in order to minimize their carbon foot prints.

In order to encourage employees to conserve energy and minimize the wastages it started an initiative to reward the employees for doing so. This helped in establishing a culture where the employee became more aware and conscious about the environment and participated in saving it (Kathryn Tyler, 2006).

Legal: Legal framework considers the factors like current legislations in the home market, future legislations, regulatory body and processes, employment laws etc. Toyota Company is subject to various legislations

such as competition laws, intellectual property laws, consumer protection and taxation etc (Terry Halbert & Elaine Ingulli, 2008). When the auto industry reached to development efforts were made so as to create a web of local suppliers that make possible to meet the growing legal requirements for the national integration of production.

Toyota gives a lot of emphasis on whistle blower policy and has even drafted a document that explains the legal rights of the employee regarding this. They also have strict norms against sexual harassment and discrimination among employees on the basis of race, colour or nationality. They have outlined code of conducts for employees so that they do not violate any of these laws and are very strict on these especially after the Sayaka Kobayashi sexual harassment case in 2006.

Conclusion:

It is evident from the above analysis that the external environmental factor has a huge impact on the human resource policies of an organization especially in the case of the Toyota. Though Toyota always believe in consistent and fair HR practices providing clean and safe work place to employees but the impact of the recession which was a major economical factor was apparently observed even in the HR practices of the company. The company was always committed in providing stable employment to employees and rewarded with rapid promotion to skilful worker but due to recession and various other external factors Toyota reduced the number of new recruitments and was even forced to lay off the employees. The employees were asked to relocate and functional flexibility was demanded from them. Even the rewards were then depended on the profitability. The

company is very serious about the environment and has initiated a go green mission where they give incentives to employees for minimising the wastage and saving the energy. They give a lot of emphasis on training and cross functional culture due to dynamism in technological advancements. They have very strict norms for unethical practices, sexual harassments and whistle blowing policy. Thus we can conclude that external environmental factor has a huge impact on the HR policies of a company and they are highly related as company has regularly addressed these problems by bringing changes in their policies.