

Case Study Analysis of Toyota North America

Student's Name

Institutional Affiliation

Instructor's Name

Date

Case Study Analysis of Toyota North America

Executive Summary

Toyota North America is a global seller of vehicles. This is attributed to its ever-changing model, which increases customer satisfaction. The main concern of the company is to provide customers with unique products at affordable prices. The company established a production system called Toyota Production System (TPS) that ensures that vehicles quickly and without defects and deliver to customers timely. TPS helps the company to achieve high-quality products, manage costs, smooth delivery, and ensure safety in the production line. Toyota has been on the lead in the automobile industry because it has continued to change with technology. The Hybrid Synergy Drive unveiled recently gained massive success because of its quality and design. For ten years running, the car maintained the leading position the best luxurious.

Outline of organization, sources and theoretical approach

Toyota North America was established in October 1957 in Hollywood, Calif. It began selling motor vehicles in 1958 and by that time; it had manufactured about 288 of them. Toyopet, one of the cars the company had manufactured, gained popularity in North America due to its quality features. Its price went up in the American market, making the company earn massive revenue for the sales of the vehicle (Fujimoto, 2019). However, in 1961 the sales of the car remain stationary, but Land cruiser gained reputation fast because the customers found it durable and all-terrain. It continues selling in the American market until 1965 when Toyota corona was launched, raising the flag of Toyota in the United States of America.

Formerly, the company had designed Toyota corona for the Americans fitting it with a powerful engine, air conditioners, and automatic transmission system. The vehicle increased the sales of the company thrice compared to other brands in 1966 to about 19,000 units (Warner, 2012). More Americans realized the quality features of Toyota brands make it a vehicle of choice, boosting the sales of the company. In 1967, Toyota became the third-best-selling company in the United States. Another brand, thrifty Corolla, was launch in the market in 1968, and within a short time, the American drivers liked the vehicle bring massive success to the company. Since then, Corolla is the world-best-selling car with sales estimated to over 30 million sold in nearly 150 countries.

The company continued gaining massive success in the wake of 1970, where two years later, its sales reached a staggering 1 million vehicle positioning it in an excellent position to competing with its counterparts. At the start of 1976, the company overtakes the Volkswagen Company to become the best-selling brand in the United States. Three years later, it was awarded "Import Tripple Crown" for being in the first position in all import brands in selling cars, and Toyota vehicles (Manna et al., 2011). During the 25th anniversary of the company in 1982, a new headquarters complex was opened in Torrance, Calif. The company continued attracting customers globally, and in 1982, it became the leading import automaker in the United States, taking up its sales to 1million in only one year.

Since then, Toyota has launched several products and parts plan in America. At the start of 2012, the company was operating more than ten plants across North America. These include the facilities established in Texas, Virginia, Alabama, Kentucky, Missouri, Tennessee, Indiana, and the States of California. The growth of the company in America motivated it to seek a more

significant role in the nation. The 1987 commemoration of the 30th anniversary saw it launch a Toyota USA Foundation channeling \$11 million endowments with a mission to make Toyota, a leading company in corporate citizen (Imanaka, 2016). In the wake of 1990, the company established a luxury line of brands called Lexus LS 400 and ES 250, which earn the title No. 1 luxury import brand in the United States, ahead of Mercedes Benz and BMW.

The 1990s saw the company grew substantially reaching a hallmark in 1998 when Toyota Camry wins the title, No. 1 passenger selling vehicle in North America. And in the same year, it established a first full-sized pick-up called Tundra. Following the launch of Tundra, is Prius which opened the Millennium for the company and became the first gas/electricity vehicle to be produced in a large number (Burress et al., 2011). Its goal was to reduce the emission of harmful gases to the atmosphere. This is following the climate change act, which requires the corporate organization to support the government in its plan to prevent the depletion of the ozone layer. With the brand Prius, Toyota holds the first position for ten years running as the top producer of luxury cars.

Sources used to undertake the study

For this case study, I used sources that contain trusted information about Toyota North America so that an accurate analysis of the company through valid data. Some sources may provide inaccurate information that renders a study unreliable. Keeping this in mind, I attempted to search for sources that contain data that have been verified and published by the concerned authorities. I majorly used the website of Toyota North America to access the information used

in the analysis. The company's website contains up to date, and accurate data will be reliable in enabling us to get the in-depth operations and theoretical approaches of the company that has seen it gain massive success in the automobile industry. Other sources that form the foundation include verified books, articles, and journals written through the permission of Toyota North America.

Theoretical approach

Introduction

To analyses, Toyota North America, some theories help us to get in-depth knowledge concerning the organizational framework of this company, which is the foundation of its success. The classical theory of bureaucratic organization forms the basis of our analysis of the company's operations. The theory was first coined by Marx and John mill, who expressed their concerns on the impact the organizations have on the social and political conditions of a country. (Hutchinson, 2017). Marx's initial idea was the relationship between the structures of power of capitalist societies and in the political and economic landscape. The two theorists described bureaucracy as the tools that corporations used to achieve political and economic goals.

Theoretical exploration and justification

The components of the classical theory that are sociology bureaucracy and classical sociology sparked an interest in managerial academics in the organization. The 1950s assertion on convergence at the cost of sociology, but the levels of analysis of the organizations remains addressed. Most schools of managerial studies and organizational theory continue to embrace the

appeal for managerial science and the theory of business organization. The concept of managerial science arises from the sociology of organizations in its early stages of development (Baum & Carlson, 2014). Its focus is on the administrative control of organizations for the realization of their goals and objectives. Another focus of managerial science is the establishment and design of large scale production of products so that the supply may meet the demand in the society.

One of the significant techniques that helps in the organizational analysis is the PESTLE and SWOT models. The models are built on the managerial science approach of the classical theory. The models seek to induce efficiency in the organization's performance of tasks. The models involve the study, both internal and external factors affecting the organization (InfoNet, 2012). The pioneers of the models suggest that the efficiency of the organization's management depends on the scientific principle that adopted. We can attribute the success of Toyota North America to scientific management. The PESTLE and SWOT models bring to fore the fact that the decision about organization structures are attained through the assessment of the internal and external factors affecting the organization.

SWOT analysis model in analysis Toyota North America has received lots of criticism from theorists. Some claim that the model provides issues affecting an organization, but it does not guide the organization to the solution of the problems. They claim that it extracts the overview of the issues and overlook critical data that are paramount in helping the organization to understand their significant weaknesses. SWOT model has not established a way of sorting data so that they can fit into a specific category (Pickton & Wright, 2018). They observed that some information might fit into more than category rendering the model unreliable. Many

critiques point out that the model is time-consuming in data collection and requires a considerable investment of money.

Organizations such as Toyota North America faces changing competitive circumstances that require long-term strategies to achieve sustainable competitive advantage. This is realized through strategic planning, which allows the organization to collect data and analyze them to gain insight into its strengths and weaknesses. SWOT analysis is, therefore, the best model that can help the organization to identify its strengths and weaknesses (Helms & Nixon, 2010). Other methods would not have provided the internal factors affecting Toyota North America, making SWOT the best model. The strategic analysis of the company, I look at the uses that have helped the company to attain success and those that impede it from growth. This will help get in-depth knowledge about the problem the affects the company and that the management should address to avoid leading it to losses.

Environmental Analysis

To understand the environment that Toyota America is operating, we are going to consider the elements of the environment that support the growth and sustainability of the organization. Since it is a global automotive industry. It requires the executives to develop strategies that will place it on par with other corporates in terms of corporations. The PESTLE analysis will help us identify the environment within which the company operates.

Political Factors	Economic Factors	Social Factors
<ul style="list-style-type: none"> • Political Stability-opportunity 	<ul style="list-style-type: none"> • Gradual growth in the economy-opportunity 	<ul style="list-style-type: none"> • The growing interest in hybrid cars-opportunity

<ul style="list-style-type: none"> • Free trade treaties-opportunity • Government support-opportunity 	<ul style="list-style-type: none"> • Economic growth in other countries-opportunity 	<ul style="list-style-type: none"> • Widening wealth gap-threat
<p>Technological Factors</p> <ul style="list-style-type: none"> • Increasing use of commerce-opportunity • The trend in mobile technology-opportunity • Cybercrime-threat 	<p>Environmental Factors</p> <ul style="list-style-type: none"> • Climate change • Reducing global oil reserves-opportunity • Increasing sustainable business emphasis-opportunity 	<p>Legal Factors</p> <ul style="list-style-type: none"> • Increasing intellectual property-opportunity • Improving complex environmental laws-opportunity • Improving complex consumer laws-opportunity

Limitations of PESTLE Analysis

External factors are subject to changes over time; therefore, it needs constant reviewing to bring it up-to-date. Environmental factors are based on assumptions and macroeconomic conditions prevailing in the country; thus, it acts as a barrier to the transparency and accountability of the PESTLE analysis model. PESTLE demands the organization to employ outsourcing and research experts to work on the model, thus increasing the organization's budget. In the event the workforce working on the model do a weak analysis of the company, losses will result in the company that might push it from its competitive advantage position (Perera, 2017). The role of analysts is to inform the company and the government about the conditions of its operation. All the work involved in doing so will be a limitation if it is not supervised well.

Environmental changes have the potential to affect PESTLE analysis. It, therefore, calls for regular reviewing of the model so that possible actions can be taken to avoid the challenges that come along (Srdjevic et al., 2012). However, the constant reviewing means that the company has to incur an extra cost, which will reduce its profit margin. Another possible way of avoiding environmental-related factors is to carry out analysis in detail. This requires the company to employ individuals with vast experience in analysis. This reveals adverse environmental changes are likely to put the company at stake because mitigation requires a considerable amount of money, which will reduce its profits significantly as the expenses would be high as compared to income.

Toyota North America has contributed to shaping the environment that it operates in several ways. Its success as the leading in imports in the United States has brought a significant impact on the country's economy. The country benefits by taxing the revenue of the company, which is enormous, considering that the company sells its products in the global market. The company has employed many people, both skilled and non-skilled. It is, therefore, improving the standards of living among many people in the country. The raw materials utilized in the manufacture of vehicles come from the environment. Thus it helps the country to exploit the natural resources adequately. The Toyota Foundation launch by the company helps it to reach other people who didn't get the chance to work in the organization. It, therefore, improves the social status of the citizens.

Toyota North America has promoted multilateral cooperation in the United States and other countries. Since its products sell nearly all countries, it has created a link between the country and the countries that buy the products. The link has opened another opportunity for

other products produced in the country. It is thus giving a chance the country to trade substantially with the global market (Geller et al., 2017). The revenue earned from the trade is high, thus raising the gross domestic product of the country. This increases the per capita income of the citizens, consequently improving people's living standards. Climate is changing globally, and one of the primary causes is the emission of harmful gases to the atmosphere. The exhaust gas is an example of harmful gas, and therefore the company has contributed to climate change. It is for the company to invest in the purifications of gases release into the environment.

Evaluation of the organizations' competitive advantage

Toyota North America exists in a global market that has several other brands such as Ford, Chevrolet, Honda Mercedes Benz, and GM, just to mention a few who are its major competitors. Since the automotive industry has high entry and exit costs, the company has sought a competitive advantage in the technology sector. The company launched a Hybrid Synergy Drive (HSD) recently to reduce the expenditure of gasoline and crude oil. HSD uses a computerized engine system to monitor the performance of the engine and helps the automobile to use energy efficiently. Prius Camry is the model of a car that uses this technology, and it is the leading hybrid brand in the market.

PESTLE model evaluates Hybrid Synergy Drive technology for the threat of substitution. Other brands such as Honda and Nissan are developing similar technology, and soon they will enter the Hybrid market, thus neutralizing Toyota's advantage. However, Toyota will continue to lead in the hybrid market because it has already made a significant impact on the market as compared to the likes of Honda and Nissan. In the future, the company is likely to lose its

advantage because there will be competitors in the hybrid market (Burress et al., 2011). But due to the sport-utility, it is adding in the vehicle, using HSD, the company has secured its competitive advantage from the substitutes. PESTLE model considers Toyota North America from the viewpoint of suppliers' bargain power. Suppliers have a potential influence on the company significantly by pricing the crucial components. If major suppliers increase prices, the company is likely to suffer losses. Therefore to remain competitive, it has to lay down strategies. This can be done by maintaining a database of small-scale suppliers for its operations in the United States of America. By so doing, the company will have gained a competitive advantage following the use of small business suppliers whose prices are lower.

Toyota has developed a unique business model and a unique approach to production. Its fundamental quality control techniques help revolutionize the industry, placing it the lead position in the automobile industry. Several manufacturers in the world have adopted Toyota's 'just-in-time' supply chain in their production. This reveals how best the company's supply chain is and thus helping us to understand the competitive advantage of the company. The Toyota Production System requires that the correct parts be brought to the assembly line at the right place in the amount necessary to prevent excess supply. The concept of TPS is simply the production of the number of products that meets its demand. This means that the company focuses output on order, thus forming its competitive advantage.

Following the theoretical analysis, Toyota North America will obtain a sustained competitive advantage. Its position in the global market has made it gain significant popularity as compared to other companies. Toyota is exploiting technology to create unique products that its competitors have not created. This has made it a revolutionizing brand which the consumers fixate

their eyes on as the automobile country depends on the tastes and preferences of the customers. The luxurious line the company launched and achieved huge success is one of the reasons that the company will continue to maintain its competitive advantage. To earn a profit, you have to minimize the production cost. Toyota Company is trying as much as possible to reduce the cost of production by using small business suppliers, rather than large suppliers. This will help the company to earn significant profits that will allow it to continue with the innovations that will make it obtain a sustainable competitive advantage.

Discussion of the theoretical limitations, future strategy for the organizations and conclusions

Limitations of Classical theory

The main limitation of the classical in analyzing an organization is that it ignores the role of the human factor. In our case study, we have our theoretical approach that has not shown how the workforce has helped Toyota company achieves its success. The only factors that have been addressed are political, social, technological, and economic ones. This shows that the approach does not include all elements that are responsible for the success or failure of a company (Rusch et al., 2017). Another limitation is that the theory is based on managerial experience. The experience of managers is not sufficient to help an organization to move forward without involving other workers in the organization. Research shows that collaboration is the best tool for information. If Toyota Company depends on the experience of its managers, its revolution process will stall, and it will be displaced from its competitive advantage position.

The automobile industry is radically changing. Competition, on the other hand, is increasing; this means that Toyota company needs to up its game to prevent itself from lagging. It is worth noting that other brands are following the steps of the leading brand in the industry. It is, therefore, crucial for Toyota Company to protect its intellectual property to maintain the uniqueness of its product (Morgan & Daniels, 2011). However, as technology advances, the digital expectations of the consumers rises also. Therefore, Toyota needs to exploit its technological capabilities to preserve its competitive advantage position.

To achieve its future goals, Toyota Company needs to involve every department in the revolution process. Since it is clear that technology will be the major threat of the company in the future, it needs to prepare to bring up to date every sector in the company so that as the technology advances, the company as a whole move with it. The leader needs to need to combine the manufacturing process with the ability to adapt to the changes in technology, eliminated all barriers that will prevent the company from embracing change in the future.

References

- Burress, T. A., Campbell, S. L., Coomer, C., Ayers, C. W., Wereszczak, A. A., Cunningham, J. P., ... & Lin, H. T. (2011). *Evaluation of the 2010 Toyota Prius hybrid synergy drive system* (No. ORNL/TM-2010/253). Oak Ridge National Lab. (ORNL), Oak Ridge, TN (United States). Power Electronics and Electric Machinery Research Facility.
- Fujimoto, T. (2019). *The evolution of a manufacturing system in Toyota*. Oxford university press.
- Warner, F. (2012). In a Word, Toyota Drives for Innovation. *Fast Company*, (61), 36-37.
- Imanaka, T. (2016). Research Activities about the Radiological Consequences of the Chernobyl NPS Accident and Social Activities to Assist the Sufferers by the Accident: Report of an International Collaborative Work Under the Research Grant of the Toyota Foundation in 1995-1997.
- Manna, D. R., Marco, G., Khalil, B. L., & Meier, S. (2011). Sustainable markets: A case study of Toyota motor sales, USA, inc. *Journal of Business Case Studies (JBSCS)*, 7(3), 63-72.
- Hutchinson, J. G. (2017). *Organizations: Theory and classical concepts* (pp. 35-EV). New York: Holt, Rinehart, and Winston.
- Baum, S., & Carlson, R. C. (2014). Multi-goal optimization in managerial science. *Omega*, 2(5), 607-623.
- InfoNet, J. I. S. C. (2012). PESTLE and SWOT Analysis.
- Pickton, D. W., & Wright, S. (2018). What's swot in strategic analysis?. *Strategic change*, 7(2), 101-109.
- Helms, M. M., & Nixon, J. (2010). Exploring SWOT analysis—where are we now?. *Journal of strategy and management*.

Perera, R. (2017). *The PESTLE analysis*. Nerdynaut.

Srdjevic, Z., Bajcetic, R., & Srdjevic, B. (2012). Identifying the criteria set for multicriteria decision making based on SWOT/PESTLE analysis: a case study of reconstructing a water intake structure. *Water resources management*, 26(12), 3379-3393.

Geller, H., Harris, J. P., Levine, M. D., & Rosenfeld, A. H. (2017). The role of federal research and development in advancing energy efficiency: a \$50 billion contribution to the US economy. *Annual Review of Energy*, 12(1), 357-395.

Morgan, L. O., & Daniels, R. L. (2011). Integrating product mix and technology adoption decisions: a portfolio approach for evaluating advanced technologies in the automobile industry. *Journal of Operations Management*, 19(2), 219-238.

Rusch, T., Lowry, P. B., Mair, P., & Treiblmaier, H. (2017). Breaking free from the limitations of classical test theory: Developing and measuring information systems scales using item response theory. *Information & Management*, 54(2), 189-203.

Burress, T. A., Campbell, S. L., Coomer, C., Ayers, C. W., Wereszczak, A. A., Cunningham, J. P., ... & Lin, H. T. (2011). *Evaluation of the 2010 Toyota Prius hybrid synergy drive system* (No. ORNL/TM-2010/253). Oak Ridge National Lab. (ORNL), Oak Ridge, TN (United States). Power Electronics and Electric Machinery Research Facility.