Toyota: Case Study And Swot Analysis

Toyota Case Study

The history of “TOYOTA” goes as far as February of 1867. Surprisingly, it all started from looms. In a wood makers family by the name of Toyoda, firstborn with the name of Sakichi was born. According to the Japanese laws back then, the firstborn was called to be the head of the house. Along with obligations, the baby has inherited his father's profession. Instead, Sakichi decided to become the creator, the creator of a loom. Although he was not the first one to create it in general, he was the first one to construct one in Japan. At the age of 30, Sakichi Toyoda sold his first hand-assembled mechanical loom. After 10 years, Japan started to buy machines exclusively of local production. Moreover, through the export of his product to Europe, Toyoda became a very famous and wealthy man. Yet he did not stop there, in 1924, he created automated looms and patent rights for them were sold 5 years late to one English company. With the capital received from the company, he decided to expand his business and went into the development of auto production in Japan. Sakichi Toyoda’s plans were crossed out by his sudden death due to meningitis, yet he still managed to pass his ideas to his eldest son- Kiichir?. Having a diploma in mechanical engineering, He considered these ideas as his duty to fulfill.

Kiichir? Toyoda assembled his first car in 1931. Given the fact that he did not have either the necessary experience or the appropriate technology, it was not difficult to predict different defects; poor handling, poor engine, etc. Yet Kiichir? was not giving up and assembled a group of engineers to work on a new car.

In 1935, A1 model was made. It featured a four-door saloon, with a six-cylinder engine with a capacity of 62 horsepower, which would allow the car to speed up to 100 kmh. This engine was copied from Chevrolet Six motors. The A1 model also had some obvious features appearing from Chrysler Airflow. The reason behind choosing these two companies is the fact that Americans were not favouring the streamline body of a car, instead they preferred box-like cars. This allowed Kiichiro to capitalise and produce somewhat a unique vehicle in Japan. It was much easier with motor engines as Chevrolet was the most common company so the parts were easier to find respectively.

In general, the car was quite durable and most importantly much cheaper than most of the competitors who entered the Japanese car market. Yet such vehicle was still a luxury for the locals.

As a result, Kiichir? Toyoda only managed to sell around 20 cars. In 1936, Toyoda made its first export delivery: China ordered four G1 trucks. However, the looming shadow of bankruptcy nullified any bright prospects for Toyoda.

The situation was rectified by the outbreak of war. General Sanjuro Hayashii, having hardly come to power, hastened to issue a decree 'On the production of vehicles', which in particular indicated that all companies producing self-propelled crews were required to register with the War Ministry. The contract with the army promised generous turnover, intransigence could have

ended in complete collapse of Toyoda . Toyoda took the ideas of the Dodge brothers as the basis for the construction of the trucks. His trucks with wooden seats, brakes only on the rear wheels and one front headlight had a carrying capacity of up to two and a half tons. Out of the 7600 trucks ordered by the state from Japanese manufacturers, 3000 accounted for Toyota. In 1937, the car department was budded into a separate independent enterprise and the name TOYOTA Motor Company Ltd. began to appear in the company's official documents. If you notice, the letter D was replaced with the letter T, among other things for mystical reasons. As it turned out, when writing the word TOYODA with hieroglyphs, you have to make as many brush strokes as are considered unlucky in Japan. So why take the risk if you can sacrifice one letter without sacrificing family honor?

In 1939, TMS (Toyota Motor Company Ltd) began production of the AE model. It was even smaller than the AA and was equipped with a 48-hp four-cylinder engine. Over the next five years, several more cars were produced. Among them is the 'VA' saloon, the design of which resonated strongly with one of the VOLVO models. However, despite the rather large size, this car was not so heavy, and this was explained by the fact that most of the parts (including the body and partially the suspension) were made of wood. There was a seven-seater limousine 'Tour B'. It was equipped with a 3.4 liter engine of 85 hp, developed a speed of 20 km / h and had a very original design. A saloon 'BE' was popular in the highest circles of bureaucratic ratification and among representatives of the army general. In the same period, the company allocated significant funds for the construction of a research and development center and created several subsidiaries: steel, metal and component manufacturing. The war ended not in favor of Japan. Moreover, the occupiers(who occupied Japan) banned the production of cars for personal use. So, Toyota began to face issues again as initially that was the target clients for Toyoda himself.

However, by 1947, their production was still able to be restored again.

Yet, even a small car of the S series, inspired by the Toyota, probably the Porsche alike, was far from affordable for many people in the post-war years.

Soon the war with Korea stabilised the financial position in Toyota, yet again, during which Toyota simultaneously increased production capacity through orders from the US Army. At the same time, a new management policy was introduced at the enterprises of the company, which included a system of 'proposals'. It consisted in the fact that any employee could make a proposal, which, in his opinion, could improve the production process. For this, cash bonuses were even paid. In addition, Kiichiro even then given the local limited space and resources, undertook to develop a Japanese production system. Namely: not a single element of any part should have been produced before the need arose.

From here came the slogan - just in time '(or' just on time '). And the system was called ``toyodaism''.

So, TMS has taken a firm approach in the production of its own models without a need of acquiring a license from Western companies, as many other Japanese companies did. The 'death' of the Japanese aircraft industry played a significant role in the development of the aerodynamic vehicles of Toyota. A number of scientists in the aircraft industry got to Toyota’s factory, and with them came their knowledge, with military secrets as well, in particular, the methods that improve the aerodynamics of car bodies. As a result, in 1948 TMS was the first

among the automakers of the country of the rising sun tested its model in a wind tunnel, and a year later a bus was offered, many of the body parts of which were made of aluminum, commonly referred to as “winged metal”. The engine in this bus was located at the rear, and the rear wheels were also driving. This was a huge step forward to the great success Toyota is currently experiencing, this is without touching towards the hydric and electric vehicles.

The first Corona appeared in 1957 (then it was just a small sedan with a liter engine), and in 1961 the small-sized Publica model with a two-cylinder air-cooled engine saw the light of day. The next year was marked for Toyota with the release of a millionth car. As you can see, in order to achieve this level, the company needed as much as a quarter of a century, but already in 1972 Toyota crossed the 10-million mark. In 1964, the TMS decided that it was time to thoroughly tackle the segment of sports cars. A 45-cylinder twin-cylinder engine was installed on the Crown Sport 800. The maximum speed of this car was 155 km / h, while fuel consumption was a little more than three liters per 100 km of track. The following year, a prototype '2000GT' appeared, which got on the conveyor in 1967. A 6-cylinder engine was installed on this model, which, with a power of 150 'horses', accelerated the car to 220 km / h. In 1966, the Corolla, still popular today, was born (initially it was just a two-door sedan), and in 1967 - on the centenary of the birthday of Sakisha Toyoda - they released the Japanese Rolls-Royce - the Century model. Cressida appeared in 1969. In the 70s, the range of Toyota cars was replenished with models Starlet (successor of the Publica series), Tercel (the first Japanese front-wheel drive car), Carina, Celica, Mark II. And Corsa, Terser, Camry, 4Runner and MR2 were already in the 80s. In the same period, and to be more precise, in 1988, the Lexus brand was born. In fact, this is the same Toyota, only in a more comfortable design. Today Toyota Motor is the third largest global automaker. She owns 4 brands: Toyota, Lexus, Hino and Daihatsu, 12 factories in Japan and 46 foreign companies (which produce components), three research and development centers and one design center. More than five million cars produced per year are exported to 170 countries. The production program of the company has 125 models, which cover almost all classes and types of cars. Toyota's range includes not only families of cars, four-wheel drive and sports cars, but also minibuses, pickups, vans, trucks and city buses. Each model is sometimes offered up to ten modifications: with various types of bodies, several engine options and interior trim. Moreover, in the standard configuration, Toyota cars often have more than in the options. In addition, Toyota Motor also owns the world's first car with a hybrid engine. The power unit of the Prius model includes an electric motor-generator and a gasoline engine, as well as a universal planetary gear linking both engines to the drive wheels. This car is characterized by rather low toxicity of exhaust gases and high fuel economy. Toyota is the undisputed leader in Japan. It accounts for more than 40% of all cars produced in the country. So it would not be an exaggeration to name these very vehicles of the 21st century as the hallmark of the land of the rising sun.

SWOT Analysis

SWOT analysis allows you to identify and structure the strengths and weaknesses of the company, as well as potential opportunities and threats. Table below summarizes the SWOT analysis of Toyota Motor Corporation.

Strengths

- Strong market position and brand recognition

- Extensive production and distribution network
- The company is engaged in research and development

Weaknesses

- Poor allocation of resources compared to competitors
- Decrease in sales in key geographical segments
- Weak presence in the Chinese market

Opportunities

- Global automotive industry growth
- Demand for vehicles
- Timing and frequency of release of new models
- Toyota can capitalize on growing partnership with BMW

Threats

- Increasing competition in the global automotive market
- Japanese yen appreciation
- Natural disasters can affect production patterns
- The automotive industry is subject to various government regulations.

Pair “Opportunities - Strengths”

- · The growth of the global automotive industry is a strong market position and brand recognition.
- · Timing and frequency of release of new models - the company is engaged in research and development.

Pair “Opportunities - Weaknesses”

- · Demand for vehicles - sales decline in key geographical segments

Pair “Threats - Strengths”

- · Increasing competition in the global automotive market - strong market position and brand recognition
- · Natural disasters can affect production structure - extensive distribution network

Pair “Threats - Weaknesses”

- · Increasing competition in the global automotive market - poor allocation of resources compared to competitors

Formation of company goals

The goal tree is a structured, built on a hierarchical principle (distributed by level, ranked) set of goals of the economic system, program, plan, in which are highlighted:

- · General goal ('top of the tree');
- · Subgoals of the first, second and subsequent levels subordinate to it (“tree branches”).

Toyota Motor Corporation Target Tree

Strategic goals and objectives of the company

International relationships

Expand your presence in key geographical segments

- · Increase its presence in the Chinese market by 2019 by 8%
- · Increase the amount of advertising in developed countries by 2020 by 25%

Marketing

Increase in car sales by 12% by 2020

- · Increase the amount of advertising in developed countries by 2020 by 25%
- · 11% increase in demand for manufactured products by 2019

Finance

15% increase in financial stability by 2020

- · 11% increase in demand for manufactured products by 2019
- · Increase in the authorized capital of the company by 9% by 2020

Increase the company's solvency by 13% by 2020

- · Strengthening control over suppliers (reduce receivables by 3% by 2019)
- · Cost reduction of 15% by 2020

Production

10% increase in output by 2020

- · Improve staff qualifications by 2019 (reach 20% of employees)
- · Optimization of technological processes (Introduction of new developments by 2020)

Frames

Reduce staff turnover by 5% per year

- · Improve staff qualifications by 2019 (reach 20% of employees)

- · Increase in wages by 5% by 2020

Nature of Toyota’s Business-Level Strategy

Toyota aims to combine cost leadership strategy with product and business innovation

An example of product innovation was the introduction of the Toyota Prius in 1997, which was a full hybrid electric car that attracted consumers who were concerned with environmental sustainability – being the first mass-produced hybrid vehicle (product innovation)

Toyota looks to give consumers high-quality motor vehicles at affordable prices, not being concerned about gaining the targeted profit return they initially estimate but aiming to reduce prices to the lowest possible point whilst keeping quality at its highest

This is the Toyota Production System manufacturing method (TPS), which aims to reduce waste, inventory cost and response time to gain maximum business efficiency

This has allowed Toyota to be a highly reputable multinational corporation to consumers across the world

In Toyota’s Business-Level Strategy, they aim to combine cost leadership strategy and with high product and business innovation, with cost leadership meaning that by reducing the cost of production for Toyota enables them to reduce prices of their goods and services (Thompson, 2017). They will then couple these low prices with goods that are highly innovative. Toyota attempt to provide consumers high quality, innovative motor vehicles at affordable prices, choosing to not solely be concerned about making large profit returns instead aiming to keep prices as low as possible whilst keeping quality at its highest (UKEssays, 2017). Toyota’s cost leadership strategy is displayed through the Toyota Production System (TPS) manufacturing method, which aims to reduce waste, inventory cost and response time to consumers in order to gain maximum business efficiency (Thompson, 2017). Toyota’s product and business innovation are conveyed through the introduction of the Toyota Prius in 1997, which was a full hybrid electric car that attracted new consumers to Toyota who were concerned about environmental sustainability as it was the first mass-produced hybrid vehicle. By using these two strategies together, Toyota achieves its business-level strategy and allows it to be a highly reputable multinational corporation to consumers across the world.

Key Functional Level Strategies

Toyota’s Functional Level Strategy aims to enhance the effectiveness of the firm’s operation to gain superior product quality and innovation in order to gain competitive advantages in the automobile industry over its competitors in the market

- Introduction of the Toyota Prius in 1997
- Innovative as it was the first mass-produced hybrid vehicle
- The vehicle has been given numerous quality awards

The United States Environmental Protection Agency and the California Air Resources Board but the Prius as one of the cleanest automobiles sold in the US

Newer models of the vehicle (2018 model) has also been ranked as the second most fuel-efficient gasoline-powered car

The high product quality and innovation leads to a greater reputation for Toyota to consumers in the automobile industry leading to a competitive advantage over its competitors

Toyota's Functional Level Strategy aims to enhance the effectiveness of the firm's operation to gain superior product quality and innovation in order to gain competitive advantages in the automobile industry than its competitors in the market (Wade, 2018), with the best example of this being the introduction of the Toyota Prius in 1997 as previously mentioned. The gaining of superior product quality and innovation gained by Toyota is made apparent through the numerous vehicle quality accolades awarded to the Toyota Prius; both the United States Environmental Protection Agency and California Air Resources Board named the Prius as one of the cleanest automobiles sold in the United States (Voelcker, 2015) as well the 2018 model of the Prius being ranked as the second most fuel-efficient gasoline-powered car (Fuel Economy, 2018). Through this, the high product quality and innovation leads to a greater reputation for Toyota to consumers in the automobile industry leading to a competitive advantage over its competitors.

Toyota Business Structure

Toyota's brand image was negatively affected by numerous recalls that had been made in the recent past. For instance, in 2011, Toyota recalled 111,000 models of Toyota and Lexus brands' cars due to the damage to parts of the substrate. Therefore, in 2013 the company's organizational business structure was altered. This was a response to inefficient communication between individual business units, which was caused by a centralized hierarchy, with the Japanese headquarters making all the major decisions.

After the change in 2013, Toyota gave more decision-making power to its regional heads, thus making the decision-making process less centralized. However, all business unit heads still had to report to the central headquarters in Japan.

The change to the organizational business structure further led to the development of geographic divisions. The new organizational structure has 8 international divisions. Each head of region reports to the headquarters. By having such regional divisions, Toyota can adapt and improve its services according to each region's requirement and wants. Furthermore, there were four product-based divisions created which allow the development of brands and product lines. Such reorganization allowed the company to get rid of diseconomies of scale that occurred before.

Even though there used to be poor communication between the branches, Toyota was always respected and recognized for Kaizen. The Kaizen business strategy is one of the most core values at Toyota, which translates to 'Continuous Improvement'. The company believes that there is always room for improvement and that no production process can be deemed to be perfect. Thus, every worker at every level of the hierarchy is carefully listened to in order to correct errors at every stage of production.