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Strengths of Toyota

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Beginnings of Toyota

History and Background

Pre-World War II Japan was a highly protectionist Merchantilist Imperial system, facilitated and dominated by four major Zaibatzus (Wealth Groups).

Zaibastus were family-controlled conglomerates that controlled key sectors of the economy through various vertically monopolistic enterprises.

Since the industrialization of Japan following the Meiji restoration, these major conglomerates had such an overreaching influence in Japanese society and its economy that often it acted as the arm of the Japanese Government.

Following Japan's defeat in WWII, American presence broke up the old zaibatsus holding companies and severed all other connections between the former subsidiaries

Given America's policy following the implementation of FDR's New Deal, SCAF, General McArthur felt as though the Zaibatsus' monopoly power was not only simply anti-democratic but culturally deeply entrenched in a fascist (Merchantalist) style Imperial system, which America wished to replace with western liberalism.

In 1949 the Ministry of Internation Trade and Industry was created to coordinate the government, the banks and Industrial firms. The ministry created conditions for the limited revival zaibatsu style business in the form of Keiretsu, a form which Toyota Group takes.

Keiretsus such as Toyota Group are typically a loosely affiliated grouping of companies which, although lacking a holding company, are all connected by interlocking partial ownership, insulating them from stock fluctuations and hostile takeovers.

Most keiretsus are centered around a major bank, which guarantees capital for other members while many others are in reality reorganized Zaibatsus

Development of the Automotive Industry

Although Japan had had foreign owned manufacturing of automobiles before 1939, The expulsion of those foreign companies and a collapsing economy forced Japan to start from scratch on its own

Japan did not lack the technology to efficiently manufacture high end cars, but the average Japanese person immediately after the war could only afford motorcycles

In an effort promote a more modern transportation infrastructure, the government set forth standards for classes of cars to ensure affordability and to jumpstart domestic car sale in Japan.

Rise of Exports

By the 1960's, larger and more powerful cars were becoming more commonplace in Japan and were being produced for less than foreign models.

As a result, these cars began to look appealing to foreign markets

Oil Crisis

The Breakdown of the Bretton Woods system lead to the depreciation of the US dollar, which oil was pegged to.

This plus consistant pressure from the seven sister oil companies and the armament of Isreal led to the OAPEC to proclaim an embargo which shot oil up from \$3 to \$12 a barrel.

Development Continued

Oil and Auto Exports

The drastic increase in the global price of oil (particularly the price in the US) caused Japanese exports to boom, as Japanese manufacturers offered more economical vehicles than those available elsewhere

From Multinational to Transnational

By the 1980's many Japanese automakers, such as Japan's largest (and eventually the world's largest by 2008), Toyota, were not only simply manufacturing and exporting vehicles in large quantities (larger than the US by 1980) to western markets, but where also manufacturing in the west, with Toyota forming a Joint Venture with GM.

Global Production Network

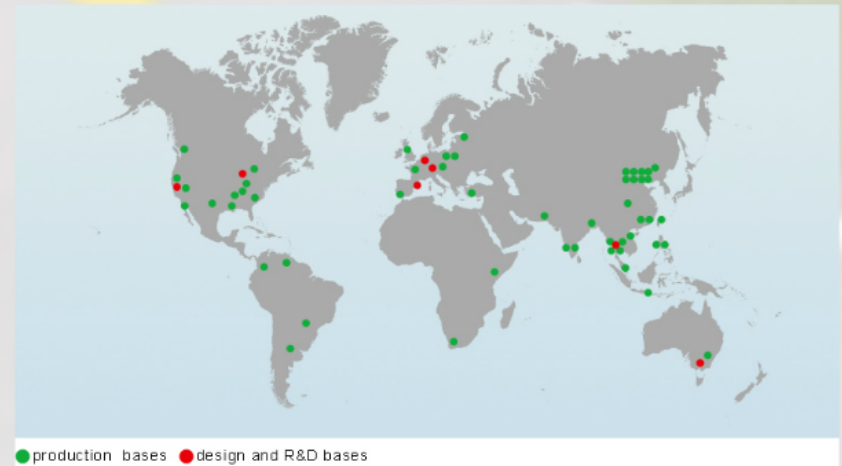
-Toyota has a policy of “producing vehicles where the demand exists”.

There are:

- 51 Toyota production bases &
- 9 design and R&D bases found in
- 26 different countries around the world

-The Toyota Way: The 14 Principles of the Toyota Way is a management philosophy used by the Toyota corporation.

"In order to continue fulfilling its role as the backbone of all Toyota operations, the Toyota Way must evolve amid an everchanging business environment. Toyota will continue to update it in the future to reflect changes in the times."



-In order to boost overseas production in 2003 Toyota established the GPC(global production center) as a way to spread the Toyota Way and boost quality assurance. The GPC was implemented as a way to ensure consistent personnel training across the globe for Toyota as production increase internationally.

-Toyota's goal is to make “made by Toyota” an assurance that wherever they are manufactured Toyota's vehicles maintain the same high level of quality.

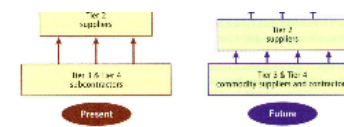
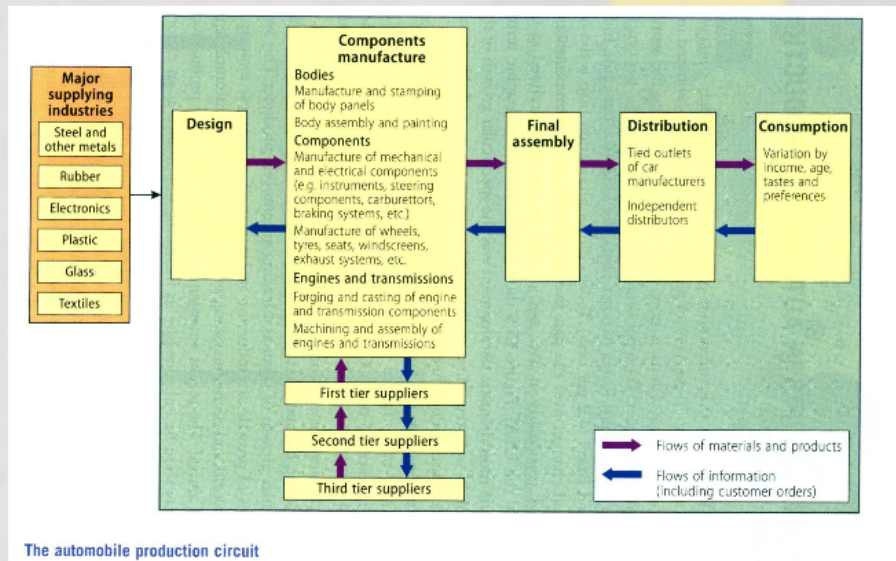


Figure 15.6 The changing structure of the automobile supply chain
Source: based on ABN-AMRC, 2002; p. 10

Toyota's Production Circuit

- The automobile industry is an assembly industry, bringing together an immense number and variety of components.
- Between 50 and 70 percent of the cost-price of the average car is due to the complex set of relationships between the assemblers of vehicles and the suppliers of components.
- Toyota automobile production is vertically integrated through the use of suppliers who enable the three major processes prior to final assembly to come together: the manufacture of bodies, components, and engines and transmissions.
- Toyota has been able to increase their power in the marketplace by controlling several steps in the production and distribution process.
- Toyota also experiences horizontal integration through joint ventures and acquisitions; through this they are able to grow their portion of market segment.



Joint venture locations are in:

- | | |
|----------------|---------------|
| Czech Republic | United States |
| India | Zimbabwe |
| Vietnam | Ghana |
| China | France |
| Pakistan | |