

Toyota in Peril

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## **Introduction**

As pointed out by Coulter (2010), there are both internal and external environmental factors that need to be considered by organizations when the organizations are developing strategies that will enhance their effectiveness in the market that they operate in. On the other hand, Kew and Stredwick (2005) have emphasized the need for organizations to thoroughly consider the external environmental factors since the fact that organizations have no control of the external factors implies that the only thing that the organizations have to do is to analyze these factors well so that the external factors do not have negative impacts to their operations. This paper focuses on the case study of Toyota and discusses the measures that should be taken by the company after the external environment within which the company was operating in experienced drastic changes that adversely affected the operations of Toyota in Australia.

## **Toyota's next course of action**

From the case study by Paiwar (2015), it is evident that the management of Toyota is in a dilemma since they are not sure whether they should do. Indeed, the demand for Toyota cars seems to be persistently declining while the costs incurred by the company are also increasing. Moreover, there are other developments that have taken place in Australia and have made the market to be less attractive to car manufactures to the extent that Ford and Holden have opted to pull out of Australia. The decision that Toyota's management team is required to make is thus to decide

whether to wait for the demand levels as well as the costs conditions to improve or whether to follow the likes of Ford and Holden and exit the market.

From the onset, from my own perspective, it is important to point out that I am of the opinion that Toyota should exit the Australia market as soon as it can be able to do so. Indeed, even though there are those who are going to argue that the company should continue incurring losses in Australia and hope that conditions will improve as that will make it possible for the thousands of jobs that the company offers to be sustained. It can be noted that a review of the developments that have taken place in Australia indicates that there seems to be no hope for the sector and for that reason, the ideal solution would be for the company to exit the Australia.

For instance, the structural changes in demand as well as the unrelenting low demand levels of the models of models of cars produced by Toyota shows that the company's future in Australia is bleak. The population of the country is small and the majority of people are in favor of sports utility vehicles that Toyota manufacture in Australia.

Another factor that leads to the conclusion that the company should exit Australia is the fact aspect of low economies of scale in Toyota's Australian's manufacturing plant resulting to the company incurring costs of operations that are higher while compared to costs incurred by other foreign car manufactures in Australia that the company competes with.

Moreover, the fact that Ford and Holden have already resolved to exit the Australian market implies that the various suppliers that supplied different components to

these two manufacturers will have less demand for their supplies resulting to increased costs of the components supplied to any car manufacturer that still operates in Australia as the component suppliers can no longer be able to benefit from the economies of scale as the demand level will decrease.

Apart from that, the Australian government seems to be very keen on promoting imports to Australia as can be proved by the policies adopted by the company and that will in the long run result to vehicles that are imported to Australia been cheaper while compared to vehicles that are manufactured in Australia. On the other hand, the trade agreements signed by the Australian government seems to offer higher protection to car manufacturers in some of the countries thus making it impossible for the company access some of the export markets.

Thus, the unfavorable external factors are beyond control of Toyota and can be said to have no chance of changing in the foreseeable future thus implying that the best and appropriate move would involve the company exiting Australia. On the other hand, as far as the social responsibility aspect is concerned, the company does not have to lay off all its employees in Australia when it exits Australia as it can still retain some employees in other roles. For example, the research and development unit can still continue operating while other employees could be trained to acquire new skills in order to ensure that they can get other jobs once the company exist Australia.

**References**

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