

Business Environment: A case study of Toyota

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## **Introduction**

The present report shall be covering the purposes of businesses of Toyota Corporation from different dimensions. The study will be dealing with different business environmental factors in which the business operates. The behaviour of an organization changes with the changing condition of the market and so does the Toyota. The report shall also emphasize upon the pricing strategies and different global factors shaping national business activities of Toyota.

## **Task 1 and 2**

### **LO1: Understanding the organizational purposes of businesses**

#### **1.1 Identification of the purposes of different types of organizations (AC: 1.1)**

The Toyota group of companies was founded by Sakichi Toyada and began as a textile company for machinery. The headquarters in Japan, the first car from the organization side was launched in 1947. The principle that they followed at the time of the operation is Just-in –time. The overseas production began in the year of 1959 in Brazil.

Four main types of business organizations in UK are Tesco Plc from the retail sector, Digiterra group that belongs to the consultancy sector, Marks and Spencer from the fashion industry and Bristol from the automobile industry.

The purpose of function of the Toyota Company is to provide the customers with exclusive cars of high quality for superior satisfaction (Twomey *et al.* 2016). Innovation is the main purpose of their operation. Their purpose is to devise the best services to the customers so that they can reach the global market and get the best service. Toyota had always tried to make use of the

competencies to overcome the competition in the market and be a clear winner among all the other automobile brands.

### **1.2 Description of the extent to which an organization meets the objectives of different stakeholders (AC: 1.2)**

A stakeholder can be defined as an independent individual or a party, who is interested in certain business for some purpose or the other. They are essential to the success of an organization. It is with the help of the stakeholders that any organization can execute their operations. However, with the evolution of the concept, it has become one of the most significant aspects of the business. In the following study, the discussion revolves around the stakeholders of the organization of Toyota. They are the customers of the organization availing the services, the employees who are the primary stakeholders of the organization; the business partners are the ones who are consulted every time there is an important decision to be taken. Above all, the important stakeholders are the ones who are the global community and the stakeholders. Particular objectives of the organization regarding the stakeholders are maintaining excellent communication with the stakeholders and consulting them for the right purpose. The employees are provided with an excellent working atmosphere so that they can perform well and bring out their self. On the other hand, the organization tries to attempt to maintain their responsibilities with the local and the global communities through the CSR activities. By fulfilling the objectives of the stakeholders, the organization can fulfil the objectives of the organization itself.

### **1.3 Explanation of the responsibilities of an organization and strategies to meet them (AC: 1:3)**

Toyota has always looked after the stakeholders so that the functioning of the organization is done in an effective manner (Ross, 2016). Toyota has always been responsible towards its customers and provided them safe vehicles with reliability so that they can buy them at affordable prices. The organization listens to the feedback of the customers and continues to improve them on a regular basis. On the other hand, responsibility towards the employees is also executed safely to improve the productivity altogether. The safe working environment is provided to the employees so that they can use their potential to improve self-growth. The same responsibility is showed towards the business partners. Much is contributed to the economic development with stances for new suppliers. The contribution is done through sustainability and with the consultation of the business partners. Any sort of the development is done with the complete information of the business partners and in collaboration with them. Toyota plays the same responsibility towards the shareholders of the organization. Sustainable growth is ensured through the implementation of the virtuous circle. This can be termed as making better cars and making the stable business base. Lastly, the organization shows their responsibility to the global society and the local communities. An attempt is always made to reduce the stress on the environment from the company side. Moreover, the customer and the culture of every organization have to be taken into consideration while planning for innovations.

**LO2: Understanding of the nature of the national environment in which the business operates**

**2.1 Explanation of how the economic system attempts to allocate resources efficiently (AC 2.1)**

The Economic system can be defined as the process through which any government or any of the country suitably distributes their resources, their traded goods and the services (Ricket *al.* 2016). This proper distribution of the resources helps in controlling the five factors, which are necessary for the production. They are the capital, entrepreneurs, information resources, labor and physical resources. Through the five factors, an organization can use the finance and the employees that they have at their disposal. With the change in the economic system, there is a huge shift in the resources that is used.

A planned economy is a type of economy, where the decision lies in the hand of the government. They decide as to how to make use of the factors of production that are available with the economy. The government makes all the business decisions, and the government manages the production factors. Another type of the economy is the market economy. In this type of the economy, usually, the organizations decide how they would use the resources that they have with them. It is entirely the choice of the organizations, and they have the chance to enjoy their free will. The both type of the economic system would have an impact on the function of Toyota. If the economy were planned, there would be no scope for the organization to look in to the matters of the organization; it is the government who would decide the distributing of the matters of the businesses. On the other hand, if the economy were the market economy, there would be free liberty for the organization to distribute their resources and utilize as per their wishes.

## **2.2 Assessing the impact of the fiscal and the monetary policies of the business organizations and their activities (AC: 2.2)**

The economy of UK is one of the largest in the entire globe (Prajogo, 2016). It is considered the fifth largest in the whole world in accordance to the GDP of the nation. Even the purchasing power of the nation is quite high and is the ninth largest among all. The GDP of UK contributes to the 4% of the global GDP. Therefore, the contribution is quite high. In the year, 2015, the GDP was 2.849 Trillion dollars. In the year 2016, the growth of the GDP was over 0.5%.

The monetary and the fiscal policy of UK have affected the function of the Toyota Company while they perform in UK. The target of the monetary policies of the UK nation is to keep the inflation within the range that has been targeted and that is 2%. Even the growth and the unemployment have to be taken into consideration. As per the monetary policies, if the rate of the inflation were quite high along with higher growth, the rate of interest would increase. On the other hand, if the growth were lower along with the lower inflation growth rate, the interest rate would fall. This would affect the function of the organization, and the cost of the production would be increased. This would increase in the price of the products and by the service that they provide. Through the fiscal policy of UK, there is a record of the expenditure of the government and the savings. This would help in distributing the resources that are available to the nation. Toyota would be affected by the fiscal policies, as they would hamper the discretionary money that is available with the organization.



### **2.3 Evaluation of the impact of the competition policy and the other regulatory mechanisms on the activities of a selected organizations (AC: 2.3)**

The organization of Toyota is one of the biggest automobile manufacturing organizations (Neubauer and Lank, 2016). There is severe competition in the market and the competition policy help in promoting the healthy competition among all in the market. Through the competition policy, there is great chance to improve the innovation and improve the efficiency within the market. This would help Toyota in maintaining a proper entry in the market and get the best reviews from the people all around. The monopoly power would be crushed with the help of the policy, and all can survive according to their competencies. It helps in stopping any abuses within the market regarding the pricing and the policies. Nevertheless, certain rules and regulations are being implemented by the government of UK so that there is smooth competition with the organizations in the market. Some of the regulations that implemented are the fair trading law that ensures fair transaction between all who are trading. Another is the standard customer service, which helps an organization to give the best service to the customers who avail the services in the market. With the help of these acts, Toyota would have been able to achieve the best success in the UK market where they would be able to achieve extreme success in the market.

### **LO3 understanding the behavior of the organizations in the market environment**

#### **3.1 explanation of how market structure and market conditions can determine the pricing strategies of an organization like Toyota (AC: 3.1)**

There is asignificant role of the market structure in determining the price and production of an organization (Morrison, 2016). There are many market structures and example can be given

of monopolistic competition, oligopoly market, monopoly market and perfect competition. While operating in the monopolistic market structure, a larger number of firms are there, and each organization has a very less market share to their name. These organizations do not have a great impact on the pricing of the products and the services (Sun and Richardson, 2016). The products are normally supplied in the market. On the other hand, in the oligopoly market, there is less number of firms operating in the market, and altogether, they form a particular market structure. They have much of the share in the market and have the ability to determine the pricing and the supply of the products and the services in the market. If the demand for certain product or services were more in the market, the prices of the products would go high, and on the other hand, if the demand for the services and the products fall, there were a drop in the price of the products and the demand of the product. The supply of the product totally depends on the amount of the demand that it is enjoying in the market.

### **3.2 Illustration of the ways in which the market forces shapes organizational responses using a range of examples (AC: 3.2)**

The two market forces are supply and demand, and they have a deep relationship with each other (Kubaseket *al.* 2016). By organizational response, it is meant to be the reaction that is given by the organization to the present and changing economic condition of the market. This response has a great impact on the profit being earned by the organization. Most of the organizations undergo a market research while they operate in the market. The market forces have a great impact on the function of the Toyota in the UK market; this is because the production of a product or service is very dependent on the market forces. The reaction of the organization is vital to be maintained in order to earn the profit ultimately. With the reaction to the demand and the supply, it is possible for the organization to look into the production of the product that they served to the

customers. The organization attempts to address the market demand and supply through the survey of the market that they are operating in. This would help them to get an insight on demand for their products and shape their productivity in such a manner. This would assist them to get the best out of the demand that they have and improve their productivity.

### **3.3 Judging the business and the cultural environments shape the behavior of the selected organization (AC: 3.3)**

The behavior of an organization is greatly influenced by the business and the cultural environment (Kolk, 2016). Non-economic and economic are the two types business environment that is known. Within the economic environment- financial system, policies, and conditions are included. In the case of non-economic- natural, technological, political, demographic, legal and social environment is also included (Stacey, 2016). Toyota is operating in the UK market and has the dream to enhance their business there. The companies and the cultural environment of the UK market heavily influence the operation of the organization. The per capita income of UK is high, and even the price of the products are high in UK. The economic environment of UK is magnificent and this has helped the organization to earn huge profits from the market. The political condition of the UK market is quite stable and favorable for the Toyota. From the PESTLE analysis, it can be said that all the factors are favorable for Toyota and there is great opportunity for the organization to grow. Toyota significantly would be able to adapt to the cultural factors, as they are well aware of the market factors.

**LO4: Assess the significance of the global factors that shape national business activities****4.1 Discussion of the importance of international trade to Toyota UK business (AC: 4.1)**

There is great significance for international trade for every economy as no nation can produce all the goods and the services are required (Gonzalez-Brambila *et al.* 2016). There is a need for exchange of the goods and the services from other countries. This is not possible without the international trade. This is considered profitable and economic for every economy. Many advantages can be gained from the international trade. This profit brings in a lot of prosperity.

The international trade has brought in much help for the Toyota organization operating in the UK market. The very first one is the broadening of the horizons and the markets. Through the international trade, the organization would be able to reach to other countries where they can establish their business and have a good customer base. There is even a reduction in the operating costs. Raw materials are availed at very low costs from the international trade. High quality raw materials are available from the international trade. Therefore, it has an all-around impact on the functioning of Toyota. However, it has an adverse impact on the local business/. They suffer a lot from the international trade and get neglect. Through they sell excellent quality goods, high prices of the products have led the growth of the international trade.

**4.2Analysing the impact of the global factors on Toyota UK business (AC: 4.2)**

Globalization is the process through which any business can reach the international market and begin operating in the market with scale of internationalism (Clarke *et al.* 2016). Globalization is the aim of every business that operates in the market of any nation. This is a very common term with the international trade and business. UK has a prominent place in the global market in

response to the business that continues within the nations. Another great importance of globalization is that it helps in boosting the economy through international trade. Even the UK economy is enriched with the support of the UK economy.

There are different drivers of globalization. Among them, development in the technology of the economy is the primary drivers of the globalization. Technology has helped the business sector to develop their function and bring in improvements in the production. Through the technology, the process of production has become such ease. On the other hand, an economy is another driver, which is significant. If the economy is not well settled, there is no possibility of the organization to settle.

Technology is one of the main factors that would affect the function of Toyota within the UK market. In the competitive market, technology can help an organization gain competitive advantage in the market. Therefore, it is important to develop the organization with the latest technology. Moreover, Toyota being an automobile company would need improvements in technology. The economy of UK is also significant as a driver as without stable economy, it would not be possible for the organization to operate and gain success.

### **4.3 Evaluation of the impact of the policies of the European Union on Toyota UK business (AC: 4.3)**

UK has to follow all the rules and the regulations that are laid by EU (Chang, 2016). However, all the EU members have to follow the same standards while they operate in the market. Hence, Toyota has to follow all the rules and regulations that are to be followed by the nation. When Toyota has to function in the UK market, it has to consult the European Money Union and deal with Euros and not in any other currency. The rules and regulations of EU are for Toyota to

the other business organizations. The taxation laws and the directive laws help the organization to continue with their business activities with the support of the subsidies. Here is a free trade within the EU member states and which could continue the business without facing barriers. Exportation and import of the goods have become quite comfortable with the organizations that operate in the UK market. All the national authorities of UK keep an eye on the business so that everything is done legally. Here is the requirement of implementation of directives within the national legislation.

### **Conclusion**

For every organization, it is significant, to understand the business environment so that they can improve their productivity and profitability. The strengths and the weaknesses can be identified which would help the organization in the end. Pestle analysis is necessary to be done to understand the market scenario. Toyota would have to be aware of the market situation and take the necessary steps.

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