

INTERNATIONAL BUSINESS LCMB7014

TOYOTA INTERNATIONAL BUSINESS IN CHINA



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1. INTRODUCTION

This report examines Toyota Motor Corporation's internationalisation strategy, analysing its management-specific, industry-specific, and country-specific factors using various analytical frameworks. It also investigates how the multinational enterprise manages its resources and capabilities in an international context, specifically in Marketing, Operations, and Human Resource Management. Furthermore, it evaluates the styles of entry employed by Toyota into international markets and critically analyses its selected entry mode into China.

2. COMPANY BACKGROUND

2.1. Company Overview

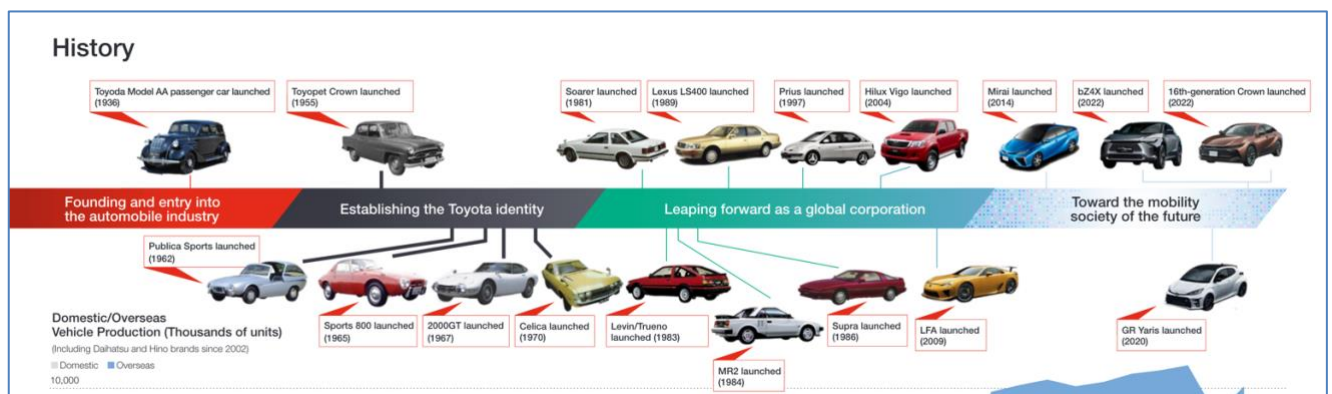
Name	Toyota Motor Corporation
Founded	August 28, 1937
Logo	
Industries served	Automotive, Housing, Financial Services, Other
Geographic areas served	Worldwide (over 170 countries)
Headquarters	Toyota, Aichi, Japan
Current CEO	Koji Sato
Revenue (US\$)	270.894 billion (2022)
Net Income (US\$)	18.495 billion (2022)
Employees	372,817 (2022)
Main Competitors	Bayerische Motoren Werke AG , Chrysler Group LLC , Daimler AG , Ford Motor Co. , Tesla , General Motors Company , Honda Motor Company , Nissan Motor , Tata Motors, Ltd. , Volkswagen AG and many other automotive companies.

Source: (Jurevicius, 2021, p. 2)

2.2. Brief history, age and number of employees

Toyota Motor Company is a Japanese multinational automotive manufacturer founded in 1937 by Kiichiro Toyoda. The company is headquartered in Toyota City, Aichi, Japan, and is currently the world's largest automaker by production,(Toyota Industries Corporation, 2023). The first vehicle produced by the company was the Model AA passenger car,(Toyota motor corporation, 2020a) and followed with other smaller models (Portland, 2015). In the 1960s and 1970s, Toyota began expanding its operations globally, starting with the establishment of its first overseas production facility in Brazil in 1958. The company also pioneered the development of the hybrid vehicle with the introduction of the Prius in 1997, (Antwerpen Toyota, 2020). Today, Toyota is a global leader in the automotive industry, with operations in over 170 countries and regions employing over 370 thousand people globally,(Statista. com, 2022).

Fig.1. Evolution of Toyota cars



Source: Toyota Integrated Report 2022, p.60

2.3. Recent major events

During its recent 119th Ordinary General Shareholders' Meeting, Toyota Motor Corporation announced a major strategic management restructuring of its Board of Directors, Executive and senior professional management employees with effect from 1st March 2023 (Toyota motor corporation, 2023c).

The company also recently announced the death of its honorary chairman Shoichiro Toyoda, who is the son of the company's founder (Toyota motor corporation, 2023; The Independent, 2023).

2.4. Operating market

Toyota has a global presence and operates in most major markets around the world (Toyota motor corporation, 2023a). Geographically, the markets include;

North America: Toyota is one of the leading automakers in the North American market. It has production plants and research and development centres in the United States, Canada, and Mexico (Toyota motor corporation, 2020).

Europe: Toyota has a significant presence in the European market, with production plants in the United Kingdom, France, the Czech Republic, and Turkey (Toyota Europe, 2023d).

Asia: Toyota is one of the leading automakers in the Asian market. It has production plants and research and development centres in China, India, Indonesia, Malaysia, Philippines, Thailand, and Vietnam (Toyota motor corporation, 2023a).

Oceania: Toyota has a strong presence in the Australian and New Zealand markets, where it has production plants and research and development centres.

Africa: Toyota has production plants and research and development centres in South Africa, Egypt, and Algeria, and it continues to expand its presence in the African market with an assembly plant in Kenya (Toyota, 2016).

2.5. Financial situation over the last five years

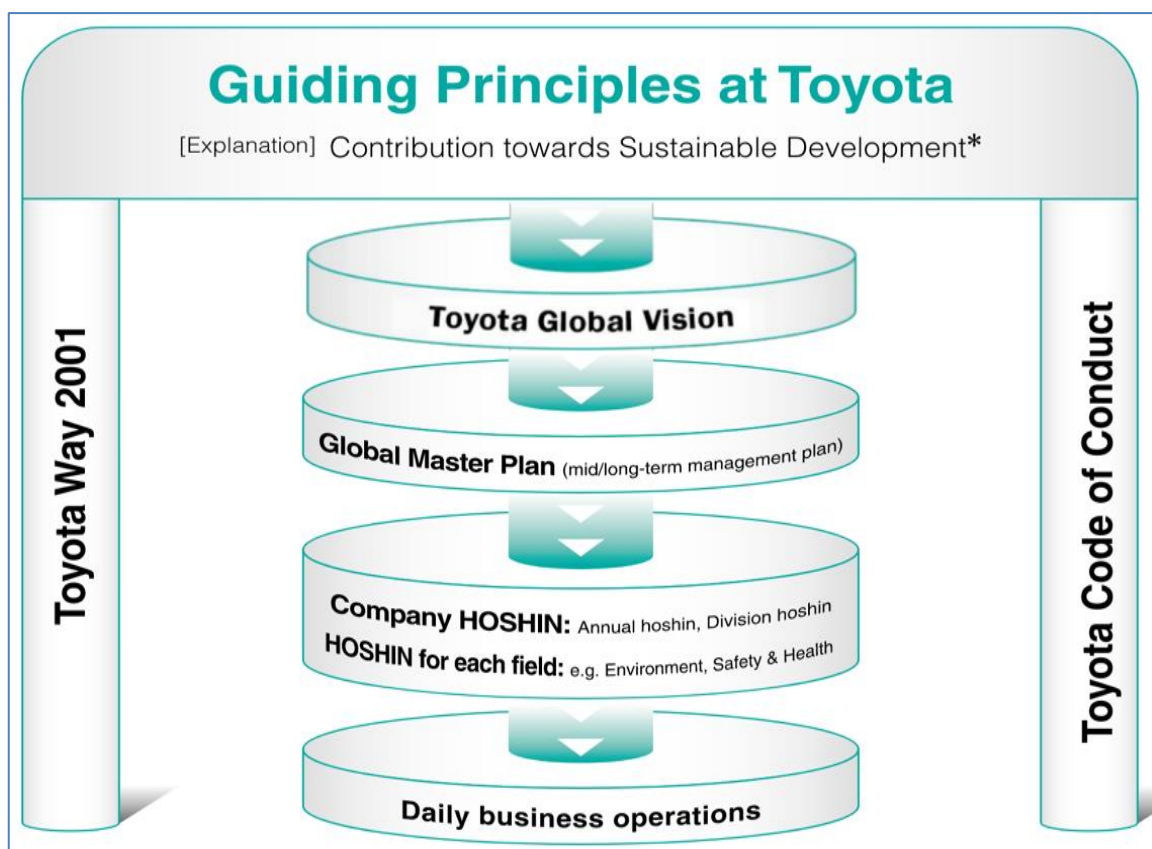
(Refer to Appendix 1 for Key financial highlights over the last five years)

Toyota has experienced steady growth in revenue over the last five years, with a dip in 2020 due to the COVID-19 pandemic (Toyota Motor Corporation, 2022; Global. Toyota Motor Corporation, 2022). However, its net income has been somewhat volatile, with large increases in some years and decreases in others (Toyota Motor Corporation, 2022; Money Controller UK, 2022). Despite this, Toyota remains one of the largest and most successful automakers in the world (Vdya and Tejas, 2022). Toyota's revenue has fluctuated over the last five years. In 2022, Toyota's revenue increased to \$235.30 billion (Toyota Motor Corporation, 2022a), which is a significant increase from the previous year. Although Toyota's net income increased from \$19.29 billion in 2019 to \$235.30 billion in 2022 (Toyota Motor Corporation, 2022b; Vdya and Tejas, 2022) there was a decrease in net income in 2020 compared to the previous year due to production disruptions caused by the COVID-19 pandemic. The profit margin has been relatively stable over the last five years, ranging from 6.5% to 9.1% (Vdya and Tejas, 2022; Global. Toyota Motor Corporation, 2022). Although there was a decrease in profit margin in 2020, there was a significant increase in profit margin in 2021 and 2022, which may be due to improved cost management or increased demand for Toyota's products as the world opened up from the Covid restrictions. Its cash and cash equivalents have also increased steadily over the last five years, indicating that the company has a healthy cash reserve. According to Standard & Poor, Moody's and Fitch, although the increase in debt may be a concern, it is important to note that Toyota's debt levels are still manageable, and the company's cash reserves can help in managing debt payments (Ventura, 2023).

3. COMPANY'S OBJECTIVES AND STRATEGIES

Toyota a multinational automotive company that designs, manufactures, and sells automobiles and related parts and accessories, has a broad set of objectives. Its mission and vision statements provide a framework for understanding these objectives, guided by Toyota's code of conduct and Toyota's way (Toyota Motor Corporation, 2020b). These guiding principles started way back in 1998 and 1992 respectively, and have since then been modified severally. The latest edition is the 2020 version (Toyota Motor Corporation, 2018; Toyota Motor Corporation, 2020).

Fig. 2 Toyota Guiding Principles



Source: Toyota Motor Corporation

3.1. Mission Statement

"To enrich lives around the world with the most inspiring and innovative mobility experience." (Toyota Motor Corporation, 2023e). Toyota's mission statement emphasizes its commitment to enriching the lives of people through the most innovative mobility experiences. This statement reflects the company's focus on creating a positive impact on society and demonstrates its desire to provide superior-quality vehicles to its customers. The mission statement also highlights Toyota's commitment to innovation, which is crucial for the company's long-term success.

3.2. Vision Statement

"Toyota will lead the way to the future of mobility, enriching lives around the world with the safest and most responsible ways of moving people." (Toyota Motor Corporation, 2023e). Toyota's vision statement aligns with its mission statement and emphasizes its commitment to providing innovative and sustainable mobility solutions to enrich people's lives around the world. The vision statement also highlights Toyota's focus on safety and responsible business practices, which are essential for building long-term relationships with customers and stakeholders.

4. COUNTRIES' SPECIFICATIONS

4.1. Home Country (Japan)



Japan is one of the most developed economies in the world, with a strong industrial base and a highly skilled workforce. Ranked as the third largest economy (World Bank, 2021; International Monetary Fund, 2022; BBC.co.uk, 2021), its GDP per capita grew from \$9,661 in 1980 to \$39,321 in 2021,(World Bank, 2021d) and dropped from \$35.03 in 2022 (International Monetary Fund, 2022b) and unemployment rate of 2.4% as of 2023 (State.gov.jp, 2023). The country has been a major player in the global economy for many decades (IISS.org, 2022) and its businesses are known for their technological innovation, high-quality products, advanced manufacturing processes and efficient management practices (Dobni, Wilson and Klassen, 2022). Japanese companies such as Toyota, Sony, and Mitsubishi are known for their innovation and competitiveness in the global market.

The manufacturing sector is a significant contributor to its economy. Japan has a lot of growth potential, particularly in the technology sector. The country is home to some of the world's leading technology companies such as Sony, Toshiba, and Panasonic. These companies have been able to develop advanced technologies in areas such as robotics, artificial intelligence, and nanotechnology (Dobni, Wilson and Klassen, 2022). Japan's ageing population also presents an opportunity for growth in the healthcare sector where the country has been able to develop advanced healthcare technologies that can be used to address the needs of its ageing population.

Japan's commitment to sustainability and the environment also presents an opportunity for growth. The country has implemented policies to promote renewable energy and reduce

greenhouse gas emissions (Government of Japan, 2021). Japanese companies such as Nissan and Toyota are also investing in the development of electric vehicles.

However, Japan's ageing population and low birth rate present a significant challenge to its economy (The Guardian, 2023). The country's population is expected to decline from 126 million in 2020 to 88 million by 2065, according to a report by the National Institute of Population and Social Security Research (2016). This demographic shift could lead to a decline in the country's workforce, which could impact economic growth.

4.2. Host Country (China)



China is one of the fastest-growing economies in the world, and its performance and potential are closely watched by global economists and policymakers.

Economic Performance: China has experienced remarkable economic growth over the past few decades, with an average annual Gross Domestic Product (GDP) growth rate of around 7% (World Bank, 2021b). Its GDP surpassed that of Japan in 2010, making China the second-largest economy in the world after the United States (Financial Times, 2011; Bloomberg, 2010; The New York Times, 2010). In 2021, China's GDP was around \$17.73 trillion, representing a growth rate of 8.1%, despite the global economic downturn caused by the COVID-19 pandemic (World Bank, 2021a). The Chinese government has implemented various economic policies and reforms to promote economic growth, such as market-oriented reforms, industrial restructuring, and increased investment in research and development (Wen, 2022). However, China still faces significant economic challenges, including income inequality, environmental degradation, and debt sustainability (Marketline Advantage, 2022a). Moreover, China's reliance on exports and state-led investment poses a risk to its long-term economic stability.

Global Influence: China's growing economic and political influence has also garnered international attention. The Belt and Road Initiative is a prime example of China's expanding global reach. The Belt and Road Initiative is a massive infrastructure development plan that aims to connect Asia, Europe, and Africa through a network of roads, railways, ports, and other infrastructure projects (McKinsey, 2019; Waal, 2021; Marketline Advantage, 2022a ; McDonald and Burgoyne, 2019). China's growing influence has also led to geopolitical tensions with other nations, particularly the United States. The trade war between the US and China has led to both economic and political tensions between the two countries (Zhu, Yang and Feng, 2018; Marketline Advantage, 2022a; K. Liu, 2020; Chong and Li, 2019). Additionally, China's territorial claims in the South China Sea have also caused tensions with neighbouring countries (Raditio, 2019; (Marketline Advantage, 2022a ; Oxman, 2016).

Geopolitical Challenges: China faces several geopolitical challenges that could impact its long-term potential (Morgan Stanley, 2022). One of the most significant challenges is the country's ageing population. China's one-child policy, which was in place from 1979 to 2015, has resulted in an ageing population that could lead to a decline in the workforce and economic growth (Witt, 2019; University of Navarra, 2021; F. Liu, 2020). Another challenge is **China's relationship with Taiwan**. China views Taiwan as a breakaway province and has threatened military action to prevent the island's independence. This issue could lead to political instability in the region and potentially impact China's global influence (Ong and Ong, 2018; Chen, 2022; Chen and Chen, 2021).

5. External ANALYSIS

5.1. A Comparative PESTEL Analysis

(Refer to Appendix 2 for further analysis)

This comparative Pestle analysis provides an insight into the various macro-environmental factors at play in Japan and China.

Politically, Japan and China differ significantly, with Japan being a constitutional monarchy and China being a communist state. Japan has a stable political system with a well-established democratic process while China's political system is heavily centralized and controlled by the Communist Party (World Bank, 2020 ; Marketline Advantage, 2022b ; Economist Intelligence, 2023 ; World Economic Forum, 2020).

Economically, both countries have shown remarkable growth in recent decades, but China's growth rate has been much faster than Japan's. China has the world's largest population, a growing middle class, and is the world's largest exporter of goods. Japan, on the other hand, has an ageing population and has struggled with deflation and economic stagnation in recent years. In terms of social factors, both countries have unique cultural traditions and customs. Japan places a high value on respect, politeness, and harmony, while China emphasizes family values and a strong work ethic. Technological advancements are a significant factor for both countries, with Japan being known for its innovation in electronics and automobiles, while China has emerged as a global leader in 5G technology and artificial intelligence (World Bank, 2020 ; Marketline Advantage, 2022b ; Economist Intelligence, 2023 ; World Economic Forum, 2020).

Environmentally, the two nations also differ, with Japan being known for its efforts in renewable energy and environmental conservation, while China has faced significant environmental challenges such as pollution due to its rapid industrialisation (World Bank, 2020 ; Marketline Advantage, 2022a ; Economist Intelligence, 2023 ; World Economic Forum, 2020).

5.2. Industry Five Forces

Toyota operates in a highly competitive industry (Toyota Motor Corporation, 2011) and analysing its industry's five forces, provides insights into its competitiveness and the challenges it faces.

Threat of New Entrants (LOW): The automotive industry has high entry barriers, such as government regulations, brand loyalty, and distribution networks. This makes it difficult for new players to enter the market and compete effectively (Rizwana, 2019 ; [Marketline Advantage](#), 2021 ; Totres, 2020).

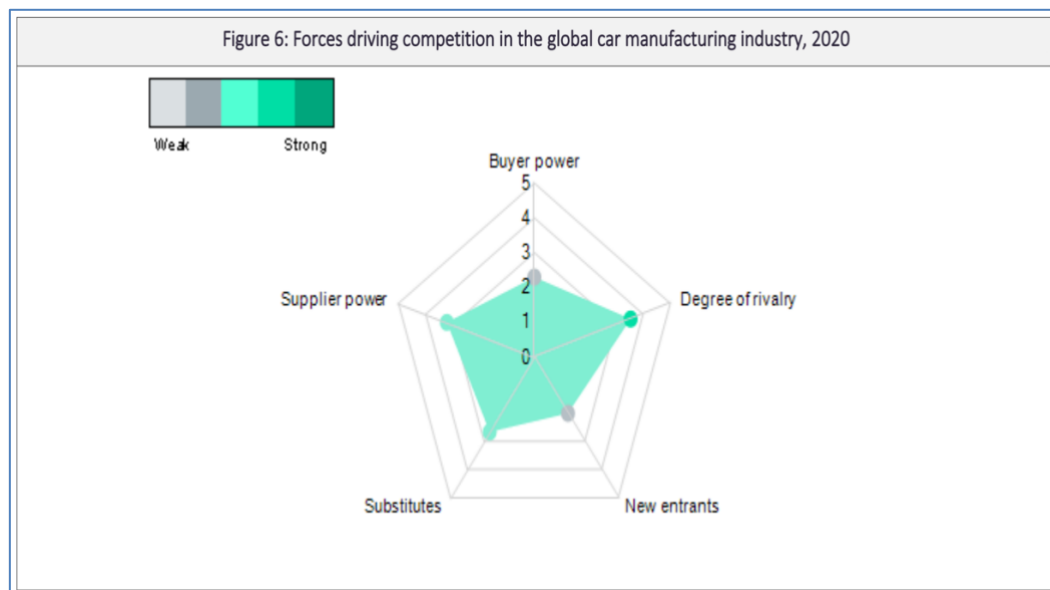
Bargaining Power of Suppliers (MODERATE): The automotive industry depends on various suppliers for raw materials, components, and other inputs. However, Toyota has a significant advantage in this area. It has long-term relationships with suppliers and has built a reputation for quality and reliability (Rizwana, 2019 ; [Marketline Advantage](#), 2021 ; Totres, 2020).

Bargaining Power of Buyers (HIGH): The automotive industry is highly competitive, and buyers have a lot of choices in terms of models, brands, and prices. As a result, buyers have significant bargaining power and can demand better prices, features, and services from manufacturers (Rizwana, 2019 ; [Marketline Advantage](#), 2021 ; Totres, 2020).

Threat of Substitute (LOW): Alternative products and services such as public transportation, ride-sharing services, and electric bicycles pose risk because they are often more affordable, eco-friendly, and convenient than owning a car, however, the threat level is considered to be low (Rizwana, 2019 ; [Marketline Advantage](#), 2021 ; Totres, 2020).

Rivalry Among Existing Competitors (HIGH): The automotive industry is highly competitive, with many global players competing for market share. Rivalry among competitors is intense, as each player seeks to gain an edge through innovation, quality, and pricing (Rizwana, 2019 ; [Marketline Advantage](#), 2021 ; Totres, 2020).

Fig. 3: Graphical summary of forces driving competition in the automobile industry

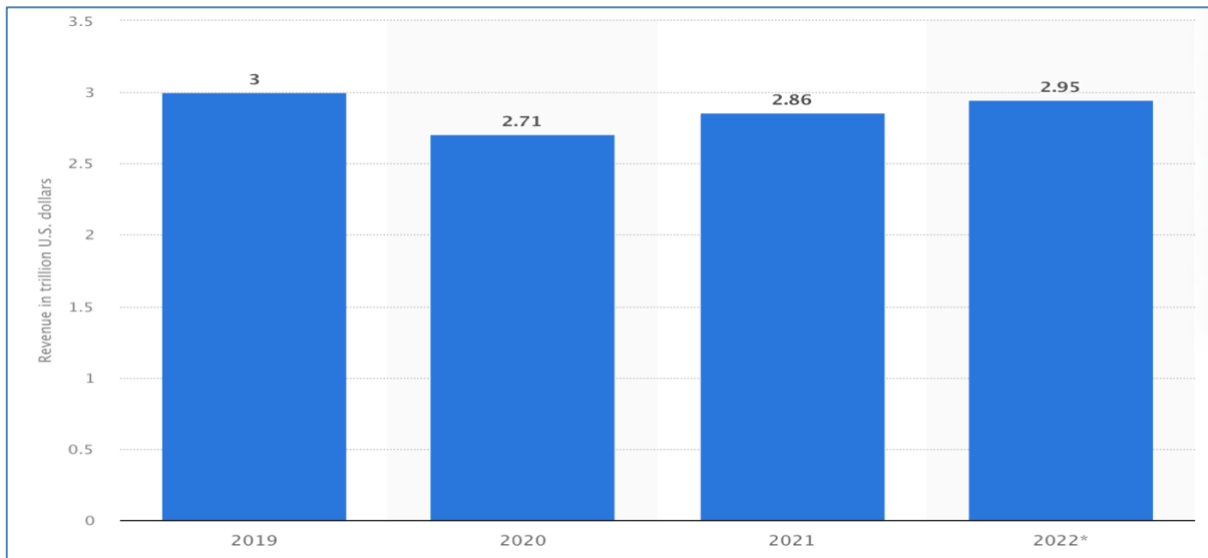


Source: Marketline Advantage, 2021, p. 15

6. MARKET ANALYSIS

In recent years, the global car manufacturing industry has been experiencing a decline in both value and volume. A trend that was worsened by the COVID-19 pandemic in 2020, however, the industry is recovering, according to 2022 market data and performance is forecast to accelerate, with an anticipated increase in value by the end of 2025. The Asia-Pacific region is the largest market, with China making up approximately half of that market. However, environmental concerns in China have hindered industry growth (Marketline Advantage, 2021). The global industry value was expected to reach \$2.95 trillion by the end of 2022 (Statista, 2022b).

Fig. 4: Graphical summary of global automobile industry value



Source: Statista.com

6.1. Competitors in the market

Toyota faces stiff competition from other automotive manufacturers such as Volkswagen, General Motors, Ford, and Honda (Marketline Advantage, 2021). The company's focus on hybrid and electric vehicles has helped it differentiate itself from its competitors (Muller, 2021).

6.2. Market size

Toyota is one of the largest and most successful automotive companies in the world, with a significant market share in various regions (Statista, 2023).

6.2.1. Global Market Share

According to Statista, Toyota was the largest car maker in the world in 2022, ahead of major competitors such as Volkswagen, General Motors, and Hyundai-Kia with a global market share of 11.5% (Statista, 2023). This global dominance can be attributed to its strong brand reputation, diversified product portfolio, and focus on innovation and technology (Marketline Advantage, 2022e).

Fig.5 : Global Automobile Ranking

Global Automotive and Mobility Rankings 2022		
Rank	Brands	Score
1	Toyota	170
2	Mercedes-Benz	153
3	BMW	123
4	Audi	95
5	Volkswagen	90
6	Honda	88
7	Volvo	53
8	Ford	48
9	Nissan	44
10	Lexus	34

Source: YouGov (2022)

6.2.2. Presence in Key Markets

Toyota has a strong presence in various key markets, including North America, Europe, Asia, and Oceania. In North America, Toyota is one of the top-selling automotive brands, with a market share of over 14% in the United States alone. In Europe, Toyota has a smaller market share, but it is still a significant player. In 2020, Toyota sold over 900,000 vehicles in Europe, giving it a market share of around 4%. In Asia, it has a significant presence in countries such as Japan, China, and India. In Japan, Toyota is the dominant automotive brand, with a market share of around 30% (Marketline Advantage, 2022b). In China alone, Toyota has a market share of 8.2% (China Daily, 2022) compared to 22% in India (The Economic Times and India Times, 2023).

6.2.3. Key success factors

Toyota has a strong brand image and reputation for producing high-quality, reliable vehicles. The company's marketing strategy focuses on promoting its vehicles' safety, durability, and fuel efficiency (Toyota Europe, 2023).

7. HOST COUNTRY ANALYSIS

7.1. Country's National Diamond (China)



A country's national diamond framework is a tool used to analyse a country's competitive advantage in a particular industry (Rugman, 2012). The framework was first introduced by Michael Porter in his book "The Competitive Advantage of Nations" (Porter, 1998). In this framework, a country's competitive advantage is determined by four interrelated factors, namely; factor conditions, demand conditions, related and supporting industries, and firm strategy, structure, and rivalry.

In the case of China, the country's national diamond can be analysed as follows;

Factor Conditions: These refer to the availability and quality of factors of production such as labour, land and capital (Rugman, 2012). China has a large and cheap labour force, which has been one of its key competitive advantages (Marketline Advantage, 2022a; Xu *et al.*, 2021; Statista, 2022c). In addition, China has abundant natural resources, including coal, iron ore, and rare earth minerals. However, China has been facing challenges in terms of the quality of its labour force (Xu *et al.*, 2021), and its environmental issues, which can limit its long-term competitiveness.

Demand Conditions: These refer to the characteristics of domestic demand for a particular industry's products or services (Rugman, 2012). China has a large and growing domestic market, which has been a key driver of its economic growth (Marketline Advantage, 2022a; Center for Strategic and International Studies, 2017; Insider, 2021).

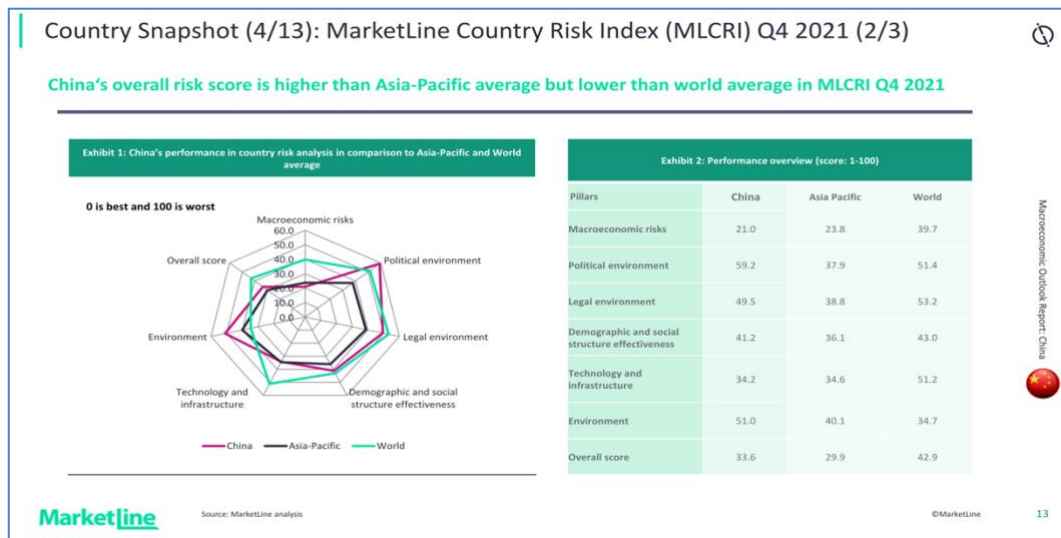
Related and Supporting Industries: These refer to the presence of supplier industries and related industries that can support the growth of a particular industry (Rugman, 2012). China has a large and diverse supplier base, which has been able to support the growth of its manufacturing industry (Marketline Advantage, 2022a).

Firm Strategy, Structure, and Rivalry: These refer to the strategies and structures of firms within a particular industry, as well as the level of competition within the industry (Rugman, 2012). China has been implementing a range of policies to support its domestic industries, including subsidies, tax breaks, and protectionist measures under its ambitious "Made in China 2025" plan (Sutter, 2023; Financial Times, 2022; Council on Foreign Relations, 2019).

7.2. Country Business Risks (China)

China is one of the largest and fastest-growing economies in the world and presents significant business opportunities for multinational enterprises (Washington Post, 2021; International Monetary Fund, 2021). However, doing business in China also poses various risks for multinational enterprises such as Toyota.

Fig.6



7.2.1. Political Risks

Political risks in China are mainly related to government policies, regulations, and bureaucracy. The Chinese government exercises strict control over foreign businesses operating in the country, and multinational enterprises must comply with all the laws and regulations enforced by the government (The Guardian, 2019). The government's control over the economy and its policies can also affect multinational enterprises' operations and profitability (Gov.uk, 2022) ; (Marketline Advantage, 2022d). For example, the Chinese government's crackdown on eCommerce companies such as Alibaba, Tencent, and Didi Chuxing in recent years has created uncertainty and risk for these companies (Reuters, 2022; Forbes, 2022; Nikkei Asia, 2021).

7.2.2. Economic Risks:

Economic risks in China include currency fluctuations, inflation, and economic slowdowns. Multinational enterprises operating in China must also navigate complex supply chains and competition from domestic firms, (Gov.uk, 2022; Marketline Advantage, 2022d). For example,

in 2021, the COVID-19 pandemic disrupted global supply chains, affecting many multinational enterprises operating in China, such as Apple and Nike.

7.2.3. Legal Risks

Legal risks in China are related to intellectual property rights, corruption, and the rule of law. Multinational enterprises operating in China must be aware of and comply with all the laws and regulations enforced by the government, which can be complex and ever-changing (Gov.uk, 2022; Marketline Advantage, 2022d). For example, in 2020, the United States of America government imposed sanctions on Huawei for violating its sanctions against Iran, which resulted in Huawei being placed on the Entity List and restricted from doing business with United States of America companies (State.gov.us, 2017).

7.2.4. Cultural Risks

Cultural risks in China are related to differences in language, customs, and business practices (Gov.uk, 2022; Marketline Advantage, 2022d). Multinational enterprises operating in China must adapt to the local culture to succeed. For example, KFC, a popular fast-food chain in China, has adapted its menu to include local dishes such as congee and youtiao to appeal to Chinese consumers (Business Insider, 2018 ; Statista, 2022a).

8. INTERNAL ANALYSIS

8.1. Global value chain

A global value chain refers to the process of coordinating and managing the flow of goods, services, and information between different countries in order to maximize efficiency and reduce costs, (Antràs, 2020; World Trade Organization, 2017). Its influence on Toyota's internationalisation strategies can be analysed as follows;

8.1.1. Supply Chain Management

Toyota has an extensive supply chain network, with suppliers located in different countries around the world (Yang, 2022a). The company's approach to supply chain management is based on the principles of just-in-time (JIT) and lean manufacturing, which emphasize the minimization of waste and the maximization of efficiency (Harvard Business Review, 2022; Moura and Botter, 2017). For example, Toyota has established a number of joint ventures with local suppliers in different countries, including China, Thailand, and Indonesia. By partnering with local suppliers, Toyota is able to reduce transportation costs and minimize the risk of supply chain disruptions (Toyota Motor Corporation, 2021b).

8.1.2. Manufacturing

Toyota has a global manufacturing footprint, with production facilities located in different countries around the world (Toyota Motor Corporation, 2023b). The company's approach to manufacturing is based on the principle of localisation (Toyota Motor Corporation, 2023e), which involves adapting production processes to local conditions in order to reduce costs and improve efficiency. For example, Toyota has established manufacturing plants in Europe, North America, and Asia, each of which is tailored to the specific needs of the local market (Marketline Advantage, 2022e). This approach has allowed Toyota to reduce transportation costs and respond quickly to changes in demand.

8.1.3. Research and Development

Toyota has a global research and development network, with centers located in different countries around the world (Toyota-global, 2011). The company's approach to research and development is based on the principle of localisation, which involves adapting products to local market conditions in order to maximise sales (Toyota-global, 2011). For example, Toyota's research and development centre in Europe is focused on developing vehicles that meet the needs of European consumers, while the centre in North America is focused on developing vehicles that meet the needs of North American consumers. By tailoring its research and development efforts to local market conditions, Toyota is able to minimise the risk of product failures and improve customer satisfaction.

8.1.4. Global production

Toyota's internationalisation strategies in terms of global production is based on the following themes;

Localised Production: Toyota has established production facilities in different countries and regions, such as the United States, Europe, and Asia (Toyota Motor Corporation, 2023b; (Marketline Advantage, 2022e), to meet local demand and reduce transportation costs (Toyota Motor Corporation, 2023e). For example, Toyota has established factories in the US, such as in Kentucky and Indiana, to produce cars for the North American market.

Standardisation: Toyota has developed a standardised production system known as the Toyota Production System (TPS), which emphasises lean manufacturing, just-in-time production, and continuous improvement (Yang, 2022b). This system has been implemented in Toyota's factories worldwide to ensure high-quality production and efficient manufacturing processes.

Vertical Integration: Toyota has vertically integrated its production process, owning suppliers and controlling the entire production process. This allows the company to maintain quality

standards, control costs, and respond quickly to market changes (Hugo, 2020). For example, Toyota has its own foundries, stamping plants, and engine factories to produce critical parts for its vehicles.

Modular Design: Toyota has developed a modular design approach, where parts and components can be used in different models, reducing costs and improving efficiency (Toyota UK Magazine, 2021). This strategy has enabled Toyota to manufacture a wide range of models on the same platform, such as the Toyota New Global Architecture (TNGA), which underpins many of Toyota's vehicles (Reuters, 2015a).

8.1.5. Global Marketing

Toyota's global marketing strategy is based on the following;

Standardization of products and marketing: Toyota has adopted a standardised approach to product development and marketing across different markets. This means that the company develops the same products and marketing campaigns for all countries, with only minor adaptations for local cultural and regulatory differences (Hibino, Noguchi and Plenert, 2017). For example, the Toyota Corolla, one of the company's best-selling models, has the same design and features across all countries where it is sold.

Local production and sourcing: Toyota has established production and sourcing operations in different regions of the world. This enables the company to take advantage of local resources and reduce transportation costs (Hibino, Noguchi and Plenert, 2017). For example, Toyota produces its Camry model in the US and Australia, and sources many of its components from local suppliers.

Brand localization: While Toyota's products and marketing campaigns are standardised, the company has also made efforts to localise its brand image in different markets (Hibino, Noguchi and Plenert, 2017). For example, in North America, Toyota has positioned itself as a

reliable and affordable brand, while in Europe, it has emphasised its environmental credentials with the launch of hybrid models.

Partnership and collaboration: Toyota has formed partnerships and collaborations with local companies in different markets to gain access to local expertise and resources (Hibino, Noguchi and Plenert, 2017). For example, Toyota has a joint venture with China's FAW Group to produce and sell vehicles in China.

8.1.6. Global Human Resource Management

Global Human Resource Management refers to the management of human resources internationally in the context of multinational enterprises, taking into account cultural, legal, and institutional differences across countries (Sage, 2020). Toyota has been highly successful in expanding its business globally (McMillan, 2019). These successes are strongly linked to its effective Global Human Resource Management practices.

One of Toyota's key strategies for internationalisation has been to establish production and sales operations in local markets around the world. In doing so, the company has made efforts to integrate its global operations and maintain consistency in its Human Resource Management practices. It has established a Global Human Resource policy that is implemented across all its operations worldwide. This policy aims to provide a standardised approach to Human Resource Management practices, while also recognising local differences (Toyota Motor Corporation, 2023c). For example, Toyota has established regional human resource centres in North America, Europe, and Asia, which are responsible for managing Human Resource policies and practices in their respective regions. These centres work together to ensure consistency in Human Resource practices across the company's global operations.

Toyota has also adopted a highly decentralised approach to Human Resource Management, which allows local managers to make decisions that are best suited to their local operations.

This approach is known as the "localisation of human resources" and has helped Toyota to adapt to local market conditions and cultural differences (Hibino, Noguchi and Plenert, 2017).

Another key aspect of Toyota's strategy is its focus on employee development and training. The company has established a number of training centres around the world, which provide training in Toyota's production methods, management practices, and corporate culture. This approach has helped to ensure that employees across the company's global operations share a common understanding of the company's values and principles (Gao and Low, 2015). For example, Toyota's Global Production Centre in Japan provides training to employees from around the world on the Toyota Production System, which is the company's core production methodology. This training helps to ensure that employees in all locations are familiar with the Toyota Production System and can implement it effectively in their local operations.

8.2. SWOT Analysis

This is a critical examination of Toyota's resources to identify its strengths, weaknesses, opportunities, and threats.

Strengths: Toyota's strong brand reputation, high-quality products, and extensive supply chain network are its major strengths. The company's efficient and innovative production system, known as the Toyota Production System, has been a benchmark for other automakers. Additionally, the company's commitment to sustainability and green technology, such as the popular Prius hybrid car, has given it a competitive edge (Marketline Advantage, 2023; Jurevicius, 2021).

Weaknesses: Toyota has faced several quality-related issues in the past, such as recalls and safety concerns, which have impacted its brand image. Additionally, the company has been slow to adopt electric vehicle technology, and its reliance on traditional gasoline-powered cars may affect its long-term competitiveness (Jurevicius, 2021; Marketline Advantage, 2023).

Opportunities: Toyota has the opportunity to expand its business in emerging markets, such as India and China, where the demand for cars is rapidly increasing. The company can also leverage its expertise in hybrid technology to develop new electric vehicles and gain a foothold in the electric vehicle market (Marketline Advantage, 2023; Jurevicius, 2021).

Threats: The automotive industry is highly competitive, with several established players and new entrants such as Tesla and Rivian disrupting the market with innovative products. Additionally, the increasing trend towards ride-sharing and car-sharing services may reduce the demand for individual car ownership, impacting Toyota's sales (Jurevicius, 2021; Marketline Advantage, 2023).

9. INTERNATIONAL STRATEGIES

Toyota's internationalisation strategies have been highly successful, and the company has become one of the world's largest automobile manufacturer with a global production network. The success has been attributed to several factors such as; the company's management, industry, and country-specific factors. In terms of **management-specific factors**, Toyota's strategy has been influenced by the company's corporate culture, leadership style, and organisational structure. Toyota's corporate culture is centered on the concept of Kaizen, which means continuous improvement (Marketline Advantage, 2022d). This culture has been embedded in the company's management practices and has helped Toyota to adapt to new markets around the world. Toyota's leadership style is also a factor in its success. The company's leaders are known for their hands-on approach, which has helped them to understand the needs of different markets and adapt accordingly. Toyota's organisational structure is also a key factor in its success. The company has a decentralised structure, which allows it to respond quickly to market changes and adapt its operations accordingly.

In terms of **industry-specific factors**, the automobile industry is highly competitive and constantly changing. Toyota has been able to adapt to these changes by focusing on innovation and quality. The company has a strong focus on research and development, which has helped it to stay ahead of its competitors (Marketline Advantage, 2022d). It is also known for its lean production system, which allows it to produce high-quality products at a lower cost than its competitors (Moura and Botter, 2017; Toyota Europe, 2023).

In terms of **country-specific factors**, Toyota's internationalisation strategy has been influenced by the cultural, political, and economic conditions in different markets. The company has been successful in adapting to these conditions by conducting extensive market research and understanding the needs of local consumers (Marketline Advantage, 2022d). Toyota has also been able to build strong relationships with local suppliers and distributors, which has helped it to navigate complex business environments in different markets.

10. ENTRY MODES

Over the years, Toyota has adopted various styles of entry into different markets around the world.

10.1. Joint Ventures

One of Toyota's primary entry strategies is through joint ventures with local partners. This strategy allows Toyota to enter the market quickly and benefit from the local partner's knowledge and expertise. For example, Toyota has entered into joint ventures with local companies in China, India, and Russia (Toyota Motor Corporation, 2012a). In China, Toyota established a joint venture with FAW Group Corporation in 2003, called Sichuan FAW Toyota Motor (Toyota Motor Corporation, 2020). Through this joint venture, Toyota was able to gain access to the Chinese market quickly and benefit from FAW's strong local presence and understanding of the Chinese market. This strategy has proved to be successful for Toyota, as China has become one of Toyota's largest markets globally.

10.2. Greenfield Investment

Another entry strategy used by Toyota is greenfield investment. This involves setting up new manufacturing facilities in a foreign country (Wild, 2015, p. 214). This strategy allows Toyota to have full control over the production process and enables it to customize its operations to meet local needs. An example of this is Toyota's investment in a new manufacturing plant in Mexico in 2019 (Mexico News Daily, 2020; Reuters, 2015b). This investment allowed Toyota to increase its production capacity and meet the growing demand for its vehicles in the North American market.

10.3. Acquisitions

Acquisitions are another entry strategy used by Toyota. This strategy involves acquiring an existing company in a foreign market (Wild, 2015). This strategy allows Toyota to gain access to an established customer base and distribution network. In 2008, Toyota acquired a 51%

stake in Daihatsu, a Japanese car manufacturer (Forbes, 2016; Toyota Motor Corporation, 1998; Wall Street Journal, 1998). This acquisition allowed Toyota to expand its product range and gain access to Daihatsu's distribution network in Southeast Asia.

10.4. Franchising

Toyota also uses franchising as an entry strategy. This strategy involves licensing its brand and technology to local partners who operate their own businesses (Wild, 2015). This strategy allows Toyota to enter new markets quickly and effectively and benefit from the local partner's knowledge and expertise while minimizing the risks associated with setting up its own operations. For example, in the Asia-Pacific region, Toyota operates a unique franchising strategy through a subsidiary called Toyota Tsusho Corporation, which works with local partners to establish and operate Toyota dealerships (Toyota Motor Corporation, 2018b).

11. CORPORATE SOCIAL RESPONSIBILITY

Corporate social responsibility is a concept where companies take responsibility for the impact of their activities on society and the environment. This includes ethical behaviour, philanthropy, and sustainability practices (Bakhouché, 2017). Toyota has been widely recognised for its commitment to corporate social responsibility initiatives (Bakhouché, 2017). It has a long-standing reputation for producing high-quality and reliable vehicles and has also demonstrated a strong commitment to environmental sustainability, social responsibility, and ethical business practices (Toyota Motor Corporation, 2023d).

11.1. Environmental Sustainability

Toyota has been at the forefront of the automotive industry's efforts to reduce its environmental impact (Toyota Motor Corporation, 2021a). In 1992, Toyota released its first Prius, which became the world's first mass-produced hybrid vehicle. The Prius has become a flagship model for Toyota's environmental sustainability efforts, and the company has continued to innovate in this area. Toyota has set ambitious goals for reducing its carbon footprint and has made significant investments in renewable energy and alternative fuels. In 2015, Toyota announced its "Environmental Challenge 2050" (Toyota Motor Corporation, 2023a), which aims to reduce CO₂ emissions from its vehicles to near-zero levels by 2050. The company has also made significant progress in reducing its water usage and waste production.

Fig.6 : Toyota Environmental Challenge 20250



Source: Global.Toyota

11.2. Social Responsibility

Toyota has demonstrated a strong commitment to social responsibility through its partnerships with local communities and Non-Governmental Organisations. In 2021, Toyota launched its charity partnership with the Children's Trust, Motor Neurone Disease Association and Surrey Wildlife Trust (Toyota GB, 2021). Not only that, Toyota has implemented a number of programs to support education and youth development, including its "Toyota Technological Institute" in India (Toyota India, 2023) and its "Toyota Dream Car Art Contest" (Toyota UK Magazine, 2022), which encourages children to design their own "dream car" of the future.

11.3. Ethical Business Practices

Toyota has faced a number of challenges related to ethical business practices in recent years. In 2014, the company was fined by the United States of for non-declaration of defects (The New York Times, 2014). Before that, in 2010, the company faced a massive recall due to safety issues related to unintended acceleration (The Atlantic, 2011). The incident plus several others in the subsequent years (BBC News, 2018; The Guardian, 2022), led to a significant loss of public trust and damaged Toyota's reputation. However, in response, Toyota has implemented a number of reforms to improve safety and quality control (Toyota Motor Corporation, 2012b; Toyota UK Magazine, 2011).

12. CONCLUSION

Toyota's international business strategy has greatly enabled it to establish itself as a global leader in the automotive industry. The company's focus on quality, innovation, and sustainability has helped it to adapt to different markets and customer needs. Toyota's commitment to building strong relationships with its suppliers and stakeholders has also been a key factor in its success. It has made significant efforts to promote environmental sustainability, social responsibility, and ethical business practices. While the company has faced some challenges in these areas, it has demonstrated a willingness to learn from its mistakes and make meaningful changes to improve its Corporate Social Responsibility performance.

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14. APPENDICES

14.1. Appendix 1:

Financial Summary (Consolidated)		U.S. GAAP									IFRS		
Fiscal years ended March 31			2013	2014	2015	2016	2017	2018	2019	2020	2020	2021	2022
U.S. GAAP	IFRS												
Consolidated Vehicle Sales		(thousands of units)	8,871	9,116	8,972	8,681	8,971	8,964	8,977	8,958	8,955	7,646	8,230
Foreign Exchange Rates (Average)	Yen to U.S. Dollar Rate		83	100	110	120	108	111	111	109	109	106	112
	Yen to Euro Rate		107	134	139	133	119	130	128	121	121	124	131
Net Revenues	Sales Revenues	(billions of yen)	22,064.1	25,691.9	27,234.5	28,403.1	27,597.1	29,379.5	30,225.6	29,929.9	29,866.5	27,214.5	31,379.5
Operating Income (Loss)	Operating Income (Loss)	(billions of yen)	1,320.8	2,292.1	2,750.5	2,853.9	1,994.3	2,399.8	2,467.5	2,442.8	2,399.2	2,197.7	2,995.6
Income (Loss) before Income Taxes	Income (Loss) before Income Taxes	(billions of yen)	1,403.6	2,441.0	2,892.8	2,983.3	2,193.8	2,620.4	2,285.4	2,554.6	2,792.9	2,932.3	3,990.5
Net Income (Loss) ¹⁾	Net Income (Loss) Attributable to Toyota Motor Corporation	(billions of yen)	962.1	1,823.1	2,173.3	2,312.6	1,831.1	2,493.9	1,882.8	2,076.1	2,036.1	2,245.2	2,850.1
Common Shares	Cash Dividends	(billions of yen)	285.0	522.9	631.3	645.5	627.5	642.6	626.8	610.8	610.8	671.0	718.2
	Cash Dividends per Share ²⁾	(yen)	18	33	40	42	42	44	44	44	44	48	52
	Payout Ratio	(%)	29.6	28.7	29.0	28.3	34.6	26.1	33.8	29.9	30.2	29.8	25.3
Value of Shares Repurchased [shareholder return] ³⁾		(billions of yen)	—	180.0	293.3	639.3	449.9	549.9	549.9	199.9	199.9	249.9	435.6
R&D Expenses		(billions of yen)	807.4	910.5	1,004.5	1,055.6	1,037.5	1,064.2	1,048.8	1,110.3	1,110.3	1,090.4	1,124.2
Depreciation Expenses ⁴⁾		(billions of yen)	727.3	775.9	806.2	885.1	893.2	964.4	984.8	812.8	803.3 ⁵⁾	876.9	1,007.2
Capital Expenditures ⁴⁾		(billions of yen)	852.7	1,000.7	1,177.4	1,292.5	1,211.8	1,302.7	1,465.8	1,393.0	1,372.3	1,293.2	1,343.0
Total Liquid Assets ⁶⁾		(billions of yen)	5,883.1	7,661.9	8,508.2	9,229.9	9,199.5	9,372.1	9,454.4	8,685.1	8,602.6	11,579.4	10,517.3
Total Assets		(billions of yen)	35,483.3	41,437.4	47,729.8	47,427.5	48,750.1	50,308.2	51,936.9	52,680.4	53,972.3	62,267.1	67,688.7
Toyota Motor Corporation Shareholders' Equity	Toyota Motor Corporation Shareholders' Equity	(billions of yen)	12,148.0	14,469.1	16,788.1	16,746.9	17,514.8	18,735.9	19,348.1	20,060.6	20,618.8	23,404.5	26,245.9
Return on Equity	Return on Equity (ROE)	(%)	8.5	13.7	13.9	13.8	10.6	13.7	9.8	10.4	10.0	10.2	11.5
Return on Assets	Return on Assets (ROA)	(%)	2.9	4.7	4.9	4.9	3.8	5.0	3.7	4.0	3.8	3.9	4.4

Source: Toyota Motor Corporation, Integrated Report, p.61

14.2. Appendix 2:

Further Comparative PESTEL Analysis of China and Japan

External Drivers			
Political	Positive	- Strong control over the economy. - Belt and Road Initiative has created opportunities.	- Stable political environment. - Democratic system supports business. - Actively pursuing free trade agreements to promote international trade.
	Negative	- Lack of political freedom. - Human rights abuses is a concern for investors and businesses. - Trade tensions with the US and other creates uncertainties for businesses.	- Ageing population and low birth rate pose challenges for long-term economic growth. - Lack of diversity and gender inequality in the workplace.
Economic	Positive	- Rapidly growing economy. - Vast consumer market. - Large pool of skilled labour - Heavy investment in infrastructure.	- Highly developed and advanced economy - Strong focus on innovation and technology. - Business opportunities in healthcare due ageing population. - Strong financial system.
	Negative	- Heavily reliant on exports - Vulnerable to external factors such as trade tensions and global economic downturns. - High debt levels - Overcapacity in some industries.	- Slow growth for years and has struggled to achieve sustained inflation. - Strict labour regulations - Rigid business culture.
Social	Positive	- Large and growing middle class - Significant consumer market. - Emerging highly skilled workforce.	- Highly educated and skilled workforce. - Culture of innovation and technology.
	Negative	- One-child policy has led to an ageing population and a gender imbalance. - Lack of political freedom - Human rights abuses.	- Ageing population and low birth rate pose challenges for businesses. - Labour shortages and a shrinking consumer market. - Strict social norms and rigid business culture.
	Positive	- Heavy investment in emerging technologies such as artificial intelligence and 5G networks. - Large and rapidly growing technology.	- Advanced technology sector. - Focus on precision manufacturing and robotics.

Technological	Negative • Concerns about intellectual property theft and cybersecurity risks. • Strict internet censorship laws.	• Slow adoption of new technologies and resistance to change. • Reliance on nuclear power is a safety concern following the Fukushima disaster.
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