

Running Head: TOYOTA ELECTRIC CARS

Global Business Environment of Electric Car Industry

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1 Introduction

This global world is becoming smaller and smaller with each passing day. And as the internationalisation continues, many organisations and companies will continuously face difficulties as well as opportunities. In the modern business world, there are catastrophic economic happenings that drive most of the company's operations developed in the western economies (Westbrook and Westbrook 2001). Elements such as structural unemployment, widespread recession, the uneven spread of economic regeneration and the increased foreign competition are among the common reasons that impact the organisations (Schmidheiny and Timberlake 1992). Driven in large part by these events, many writers, philosophers and theorists are pointing to the mass production crisis which is presently being observed throughout the developed economies.

Globalisation refers to the process of eradicating the barriers among the countries. It significantly contributes to enhancing the efficiency of international resource allocation, changing the industry structure and developing global marketing strategies (Sekimori et al., 1998). Nonetheless, globalisation leads to cultural convergence, impacts the environment as well as creates a gap between the poor and rich. According to Barac et al., (2016), "The western world and Europe in particular, have been experiencing rapid social, cultural and technological change over the past few decades".

The global business environment is about analysing the nature of the company and business where it is carrying out its operations. This assignment aims to evaluate the major forces that impact the electric car industry. This assignment will explore the electric car industry and apply porter's value chain on Toyota's model. In addition to this, it will implement the

PESTEL factors that help in outlining the external factors that influence their business environment in the global context.

2 *Brief overview of the company*

Toyota Motor Corporation abbreviated as TMC most commonly known as “TOYOTA” was introduced in the year 1937 by Kiichiro Toyoda (Sekimori et al., 1998). This company was derivative from his father’s business company TOYOTA Industries that work towards producing automobiles. This company competes in the automotive industry and have been famous due to its hybrid electric cars. This organisation is striving towards energy-efficient and helps in delivering sustainable solutions.

3 *Major Forces Shaping the Global Business Environment*

This world is changing at a faster pace than ever before. Numerous of people are hyper-connected to one another in a unique global network that permits for an almost prompt and frictionless range of new innovations and ideas (Perera 2017). When this hyper-connectedness is combined with quickly changing attitudes, demographics, exponential advances in technology, shifting values, culture, and environment that it is clear that the next era is setting up to be one of historical revolution. The global forces are impacting most of the organisations all over the world. They are impacting the industry in terms of supply chain reliability, raw material availability, wages, consumer demand, labour supply, government regulations and worker expectations, and all influenced due to the external and internal global elements (Hamilton and Webster 2018). All of the good, products and services countries offer to other states are at the mercy of the global forces that affect the UK and US economy. The global business environment

present today is influenced by trends and manifold of forces that tend to explain the future directions and the way companies are going to deal and respond to the emerging competition. This is the age of innovation and technology where technological advancement is continuously taking place. The business culture has been defined by numerous events prescribed by the major forces that leave the organisation with zero options to adopt these changes and formulate strategies that will help in fulfilling the present and future needs of the consumers.

Although the present economic changes in the environment, the key forces behind this change are those carbon-emitting vehicles and other forces that are pounding in an unparalleled power and speed (Hill and Hernández 2008). It is significantly important to analyse these major trends and forces which are shaping the global business world and understand as well as formulate strategies these companies can adapt and deal with future challenges.

4 *International Environmental Analysis*

There are many techniques that can be developed and employed to comprehend the international business environment. This section will be applying the PESTEL analysis and Porters Five forces on Toyota electric cars. PESTEL analysis is a technique that evaluates the external environmental factors that influence business operations. On the other hand, Porter's five forces analysis is a framework that supports the organisation in comprehending the market and determines the five forces that affect their overall performance.

4.1 *PESTEL Analysis of Toyota Electric Cars*

PESTEL analysis aids the companies in terms of acclimatising themselves to the ever-changing environment and allows them to find a strategic solution to future challenges and issues. In addition to this, PESTLE analysis of TOYOTA electric cars will significantly help

them in taking full benefit of the opportunities and reduce the present threats. PESTLE can help to avoid approaches that might be condemned to disappointment for reasons beyond control.

4.1.1 Political Factors

Political factors refer to those elements that are changed by the influence of the government on the infrastructure of the state. These radical factors result in forcing costs upon companies such as taxes. In the past few decades, the method of finding alternative sources of energy is limiting the environment as well as economic concerns (Bruijl 2018). Many governmental policies that have been executed has created the interest of Toyota motor company to shift towards the production of hybrid cars. ZEV (Zero Emission Vehicle) introduced by California is one of those programs that helped Toyota to shift towards production of hybrid electric cars production.

Similarly, another Act introduced by the government is CAFÉ (Corporate Average Fuel Economy) is a significant factor that impacted the decision of the many automotive companies like Toyota by setting the least standard for the fuel economy of the fleet vehicles peddled by the US (Perera 2017). The key purpose of CAFÉ was to reduce the impact of greenhouse gases and consumption of oil. Consequently, in order for Toyota to keep up with the standard of CAFÉ Act, the automobile industry has drastically brought change the vehicle models characteristics making is fuel-efficient, reduces its weight, limit the carbon footprints, minimise the power and redesign the transmission or engine. Therefore, Toyota electric hybrid car is considered as one of the machineries that were developed in order to fulfil the standard introduce by CAFÉ.

4.1.2 Economic Factors

Economic factors play a significant role in creating challenges for Toyota to strive for the production of electric cars. It is a fact that when a nation imports supplementary merchandises

from remote nations; it will lead to the more trade debt of the nation. Consequently, the more Toyota electric cars are vended in the US state, the greater will be the trade debt made by the United States (Bruijl 2018). This will have a direct influence on the economics of US automobile emissions that subsidises noteworthy expanses of carbon dioxide to the atmosphere, which results in global warming. Electric cars can significantly aid in the lowering down the carbon footprints and increasing the efficiency of fuel. The economic impact of global warming has two vital states i.e. adaptation costs and mitigation costs (Bruijl 2018). Toyota motor company has also introduced the hydro car that only consumes water and an electric car with both factors called conventional and electric engine present in it that minimises energy consumption.

4.1.3 Socio-Cultural Factors

Presently with the passage of time, more and more people are being attracted towards hybrid electric cars. The rate of buying and selling of hybrid cars is progressively increasing as it highly contributes towards bringing sustainability in the environment. Hybrid electric cars bring more benefits than normal vehicles. The socio-cultural factors involve the culture, health, custom of a country (Barac et al., 2016). Hybrid electric cars introduced by Toyota only meant to bring the feeling of comfortability for the people using it as the car's engine makes less noise no matter the vehicle is running at high speed or lower speed. In contrast to this, a non-hybrid vehicle produces a stronger engine vibration as well as noise emission even when running at low speed. These electric cars not only benefit society in terms of reducing pollution due to the innovative system and will help us in leading a healthy life.

4.1.4 Technological Factors

The Toyota hybrid electric cars involve the traction engine and power technology. Their hybrid electric cars possess a rechargeable battery storage system and a source of fuel propulsion. Toyota's hybrid electric cars are receiving more fame in the international market and have greater potential for future prospects (Bruijl 2018). This company will significantly contribute towards bringing change in the environment and work towards its protection. The unique and creative innovation of hybrid electric car technology will keep on improving and evolving to fulfil the necessity and prominence of safety and contented style of living.

4.1.5 Environmental Factors

There are numerous benefits that these hybrid cars bring to the environmental. These benefits compelled this company to invest in the production of electric cars—noise reduction, fuel savings, minimising the destruction of the rainforest as well as a healthy environment.

4.1.6 Legal Factors

Legal factors also have a vital impact on the company's operation. The issuance of legal operations links with environmental regulations (Barac et al., 2016). The rules and regulations are aimed towards protecting the environment and minimising the factors those damages and make the ecosystem unbalance. Being a hybrid car company, Toyota has a huge responsibility to acknowledge the safety of their own vehicles. Back in 2010, an incident with one of their electric car resulted in recalling the millions of cars back to the company. That model had a flawed design, defective floor mats, bad brakes and sticky gas, and all of this resulted in serious injuries to consumers.

4.2 *Application of Porter's Model on Toyota Electric Cars*

4.2.1 The threat of New Entry

The new entry in the electric car industry can be a potential threat to Toyota motors business. Porter's model shows the significant impact of the new entrants. Toyota encounters a threat from the new entrants as the industry will require high establishing costs, growing and maintaining themselves in the industry is difficult and acts as a barrier (Westbrook and Westbrook 2001). These barriers decline the impacts of the new entrants for the organisations like Toyota. This force is trivial than the competition and the bargaining power of consumers on Toyota's electric cars.

4.2.2 Buyer's bargaining power

The consumers of Toyota have a direct impact on increasing the revenue of their business. This component of the Porter's model shows that the influence of buyers is quite strong over the company (Hill and Hernández 2008). There are three main contributors in this force i.e. substitute availability, low switching prices and High quality of information. Toyota makes sure that its electric cars product fulfils the needs and expectations of its buyers.

4.2.3 Supplier's bargaining power

The suppliers of Toyota motor company aim towards improving their trade and supply chain operations (Sekimori et al., 1998). The restricted population of suppliers around the world creates a reasonable power that impacts Toyota. This bargaining power is quite strong when the number of suppliers is low.

4.2.4 Competitive Rivalry

Toyota electric car has to face strong competitions from other automobile manufacturing companies. The automotive firms are hostile towards each other and always reading to incorporate new innovative trends and unique aspects that help them in getting ahead in the market (Hamilton and Webster 2018). Toyota vies with a large variety of companies, which separate them from others in terms of cost, fuel efficiency, electronics, brand image, style, and other variables.

4.2.5 Threat of Substitutes

Substitute affects this company therefore Toyota has to compete in terms of their products (Bruijl 2018). Electric cars introduced by Toyota are quite expensive and unaffordable for many clients. Therefore, Toyota must be able to discourse over this issue by making its hybrid products more accessible, convenient and affordable.

5 *Conclusion*

Global business environment refers to the environment present in diverse sovereign states along with the exogenous elements of the enterprises that have a huge influence on the decision making, resources, and capabilities of an organisation. This assignment gives insights into the global business environment focusing on the Toyota organisation. It has implemented the PESTEL factors and the Porters model that help in outlining the external factors that influence their business environment in the global context.

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