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MODULE NAME	SUCCESS THROUGH BUSINESS ETHICS
DATE	7 TH SEPTEMBER, 2023
DECLARATION I certify that this report is entirely my original work and I have fully referenced and correctly cited the work of others, where required.	

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EXECUTIVE SUMMARY

This report explores the ethical challenges faced by Toyota Motor Corporation, a global automotive giant, in the context of its unethical business practices. Toyota Motor Corporation, as a case study, is significant due to its global impact and history of ethical controversies. This report examines two major unethical business practices: Sudden Unintended Acceleration (SUA) crisis and the company's environmental pollution through fossil fuel emission.

Moral philosophical bases the company infringed upon through its unethical business practices reveals that Toyota's delayed response to the SUA crisis and its contribution to environmental damage through fossil fuel goes against ethical principles derived from these bases. These unethical practices had extreme impact on Toyota's ethical decision making, code of ethics and social accounting which caused it to suffer compromised trust, reputational damage and financial losses.

Toyota's journey towards ethical excellence requires a proactive commitment to responsible practices and integration of ethical values into every aspect of its operations. This analysis accentuates the value of ethical conduct in a global corporation's operations and its extensive implications for stakeholders and the company's reputation.

UNETHICAL BUSINESS PRACTICES: A CASE STUDY OF TOYOTA MOTOR CORPORATION

1.0 INTRODUCTION

Despite its status as a symbol of quality and reliability, Toyota Motor Corporation has confronted instances of unethical business practices that has cast shadows on its reputation (IvyPanda, 2023). This report delves into the unethical practices of Toyota Motor Corporation thereby, critically analysing the moral philosophical bases the company infringed upon, assessing the impact on ethical decision making, evaluating the effect on various stakeholders, scrutinizing the responses of leaders and employees as well as providing recommendations for the company to enhance its ethical standing.

1.1 BACKGROUND

Toyota Motor Corporation, often referred to as Toyota, is a globally renowned Japanese automobile headquartered in Toyota City, Aichi, Japan. Founded in 1937, Toyota has evolved into one of the world's largest and influential automotive companies, known not only for its extensive range of vehicles but also for its innovative manufacturing processes, commitment to quality and pioneering efforts in hybrid and electric vehicle technology. Hirotaka Takeuchi et al (2008) opined that Toyota revolutionized manufacturing with the development of Toyota Production System (TPS) in the 1950s. TPS, also known as lean manufacturing, emphasized efficiency, waste reduction, and continuous improvement, becoming a model for automobile industries worldwide. Toyota expanded its global presence with manufacturing and assembly plants in various countries. The Corolla, introduced in 1966, became one of the best-selling cars globally. The launch of Toyota Prius in 1997, the world's first mass-produced hybrid car, solidified the company's reputation as a leader in sustainable transportation. Toyota has been actively investing in electric and autonomous vehicle technology, aiming to remain at the forefront of the automotive industry. As at 2023, Toyota's current Chief Executive Officer is Koji Sato and has an approval rating of 73% (Megumi Fujikawa, 2023) and the company is the Worldwide Official Mobility Partner of the International Olympics Committee and the International Paralympic Committee.



Figure 1: Toyota Motor Corporation Official Logo

1.2 OVERVIEW OF TOYOTA MOTOR CORPORATION

As a global automotive leader, Toyota's influence extends beyond the vehicles it produces, encompassing manufacturing methodologies, technological advancement and a vision for a more sustainable and connected future in the automotive industry. The company's organizational structure is defined by the following metrics:

- **Principles:** The company operates by these principles - 'Kaizen' which means Continuous Improvement, Challenges, Teamwork, Respect and 'Genchi Genbutsu' which means 'go and see' (Jon Miller, 2012).
- **Core Value:** Toyota's success is rooted in its core values which includes a commitment to quality, continuous improvement, respect for people and a customer-first approach.
- **Global Reach:** Toyota operates in over 170 countries and regions, with a global network of manufacturing plants, research and development centres and dealership.
- **Product Portfolio:** the company offers a diverse range of vehicles including sedans, SUVs, trucks, and hybrids, iconic models include the Corolla, Camry, RAV4 and the luxury Lexus brand.
- **Corporate Social Responsibility (CSR):** the company engages in CSR effort such as supporting communities, environmental conservation and education.
- **Innovation:** Toyota continues to be innovative in areas such as alternative fuel vehicles, self-driving technology and mobility solutions aiming to shape the future of transportation.
- **Sustainability:** Toyota places a strong emphasis on sustainability, pursuing initiatives related to fuel efficiency, emissions reduction and development of hydrogen fuel cell technology.

- **Market Leadership:** Toyota consistently ranks amongst the largest automobile manufacturers in the world by both production volume and sale.

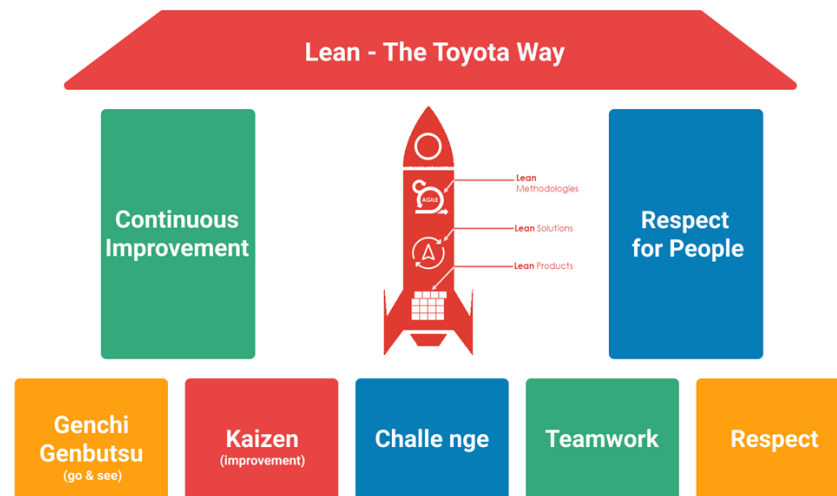


Figure 2: The Toyota Way

2.0 WHY TOYOTA AND PURPOSE OF REPORT

Toyota was chosen as the subject of this case study due to the reasons below:

- **Global Significance:** Toyota is a global leader in the automobile industry and is known for its significant impact on global markets and consumers.
- **Ethical Controversies:** the company's history includes notable ethical controversies, making it a compelling case for the study of unethical business practices.
- **Reputation:** the company's reputation for quality and reliability juxtaposed with ethical lapses creates an interesting situation worth exploring.
- **Impact:** Toyota's actions affected a wide range of stakeholders including consumers, suppliers, competitors and employees.

An in-depth examination of the company's unethical business practices is the sole purpose of this report alongside providing recommendations for Toyota's path forward towards becoming a more ethical business entity.

3.0 UNETHICAL BUSINESS PRACTICES

Toyota, in the past, has faced several onslaughts from the public and government over unethical business practices (Michael Connor, 2010). I will be focusing majorly on the two listed below:

- **Sudden Unintended Acceleration (SUA):** in the early 2010s, Toyota received allegations that some of its vehicle models were prone to SUA, where vehicles could accelerate uncontrollably, leading to accidents, fatalities and even death. This occurred mostly in the United State of America. The company was accused of not addressing the issue promptly and effectively which resulted to millions of vehicles being recalled. Paul Ingrassia (2010), one of Wall Street Journal's most recognized former directors, reported that Toyota recalled more cars and trucks than it sold in 2005 and by 2007, Consumer Reports Magazine stopped recommending Toyota vehicles due to quality decline on three of its models. This case was broadcasted by a lot of international and national media and this led to widespread sales reduction. (Habisch et al, 2005). US Attorney General, Eric Holder (2010) expressed that Toyota's conduct was shameful.
- **Environmental Impact:** Toyota, like many other automobile manufacturers, faced criticism for contributing to environmental damage through the use of fossil fuels in its vehicles. The environmental impact of fossil fuel emission has been a subject of global concern and scrutiny. When fossil fuel burns, it produces greenhouse gases.

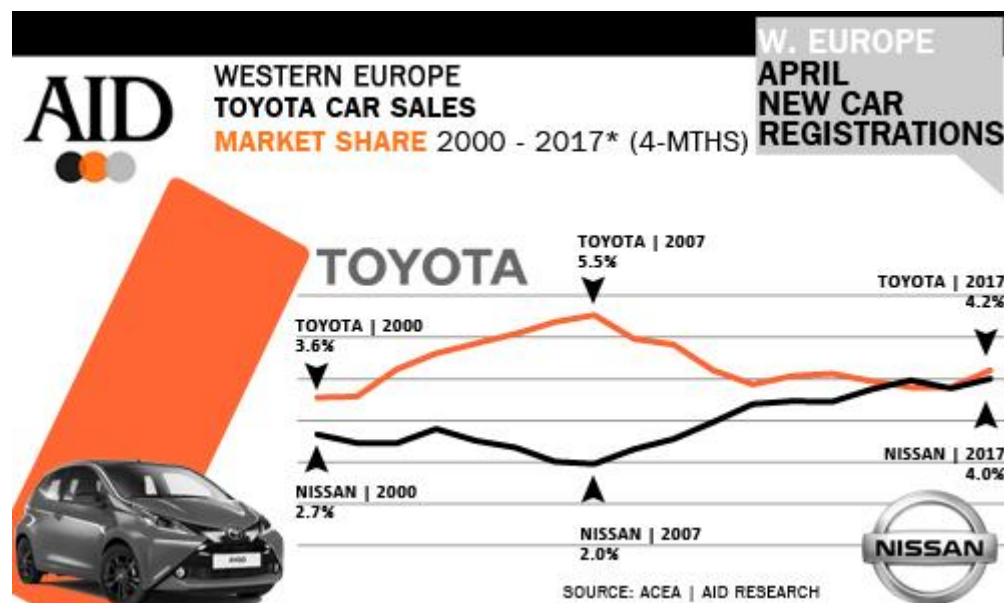


Figure 3: Market Share 2000-2017

4.0 MORAL PHILOSOPHICAL BASES

Moral philosophical bases, also known as moral or ethical theories, are fundamental frameworks or principles that guide ethical decision making and the evaluation of moral actions. These bases provide different perspectives and criteria for determining what is

morally right or wrong. Highlighted and explained below are the moral theories Toyota infringed upon.

4.1 UTILITARIANISM

This ethical theory focuses on maximising overall happiness. The morally right action assesses the consequences of action and aims to achieve the greatest good for the greatest number.

In the case of Toyota, the delayed response to the crisis can be seen as a violation of utilitarian principles. By prioritizing its profit margins and reputation over the safety and well-being of its consumers, Toyota compromised overall utility. Toyota's contribution to environmental damage by its use of fossil fuel can also be viewed as an infringement of utilitarian principles. The negative consequences on public health and the environment outweighs the short-term benefit.

4.2 DEONTOLOGY OR ETHICS OF DUTY

This ethical theory emphasizes the importance of moral principles, duties and rules in ethical decision making. According to Deontology, some actions are inherently right or wrong, regardless of their consequences. It focuses on the intention and moral duty behind actions.

Toyota's delayed recall of faulty vehicles is considered a breach of ethics of duty. The company has a duty to prioritize customers safety and act promptly upon discovering the defects.

Furthermore, the company's contribution to environmental deterioration can be considered a violation of the duty to protect the environment and future generations. As opined by IGEC (2022), a multi-disciplinary conference, companies should contribute to shaping the future by prioritizing energy and technological sustainability by reducing its impact on the environment.

4.3 VIRTUE ETHICS

This moral theory places importance on developing virtuous traits. It asserts that being a good person is more important than following rules. Virtue ethics emphasizes qualities like honesty, compassion and courage as essential for moral living.

Toyota's method of handling the crisis can be criticized for having virtuous traits like responsibility, transparency and honesty. In addition, prioritizing environmental sustainability and innovation aligns with virtuous character trait.

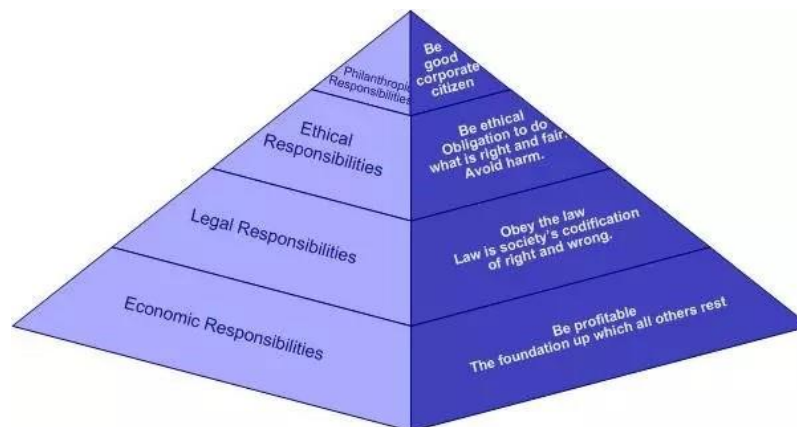
4.4 ETHICS OF RIGHT

Rights-based ethics is grounded in the idea of human rights and individual autonomy. It asserts that certain rights such as right to life, privacy and liberty are inviolable and moral actions respect and protects these rights. Consumer's right to safety was violated due to Toyota's delayed response to safety concerns of the SUA crisis. Consumers have a right to expect safe products and any negligence in upholding this right can be problematic.

5.0 IMPACT ON ETHICAL DECISION MAKING, CODE OF ETHICS AND SOCIAL ACCOUNTING

Toyota's unethical business practices had significant impact on its ethical decision making, code of ethics and social accounting:

- **Ethical Decision Making:** Toyota's actions eroded trust in its ethical decision-making processes, making it difficult for stakeholders to believe in the company's commitment to ethical conduct.
- **Code of Ethics:** the company's code of ethics had been compromised as its actions contradicted the principles and values stated in these codes.
- **Social Accounting:** Toyota faced reputational damage and potential financial losses as a result of the SUA crisis and environmental damage affecting its social accounting and corporate social responsibility efforts. Carroll's CSR Pyramid serves a guide to evaluating Toyota's success in this regard.



Carroll's CSR Pyramid

Figure 4: Carroll's CSR Pyramid

6.0 EVALUATION OF IMPACT ON STAKEHOLDERS

The stakeholders of any given company include the internal and external contributors to its affairs, either directly or indirectly. The impact of Toyota's unethical business practices on its consumers, suppliers, competitors and other stakeholders are critically analysed below:

6.1 CONSUMERS

Many of Toyota's consumers experienced and expressed safety concerns which led to a loss of trust in the company's products. Many customers were affected by injuries and accidents while some died which impacted their and their loved ones' lives negatively. In effect, consumers concerned about the environment might choose alternative eco-friendly vehicles over Toyota's offerings, thereby affecting the company's market share.

6.2 SUPPLIERS

A supplier is an entity in the supply chain that serves as a provider of the bulk of value contained within a company's product and services. CTS of Elkhart in Indiana was responsible for delivering the acceleration parts for assembling but defends itself by stating that the acceleration problem Toyota vehicles have been reported to have, dates as far back as 1999 which is quite some years before it became Toyota's supplier (Michael Connor, 2010). Toyota's suppliers faced reputational risk and financial losses due to their association with the company during this crisis. Also, suppliers may need to adapt to changing environmental regulations and sustainability demands imposed by government, concerned regulatory bodies and consumers. A recent legislation announced by government of United Kingdom states 'Any Polluter of the environment will get unlimited penalties'.

6.3 COMPETITORS

A competitor is a person, team, business or organization that competes against another in a bid to be better and most times share the same market opportunities available in that business environment. Toyota's competitors such as Ford, Volkswagen, Hyundai, General Motors and Nissan, which are the company's top 5 contenders, may capitalize on the company's missteps by highlighting their own commitment to safety reliability. Competitors offering eco-friendly alternatives could gain competitive advantage. By conducting competitors analysis, Toyota can identify its competitors' overall marketing strategies and use insights derived to align itself to be better represented in the automobile industry.

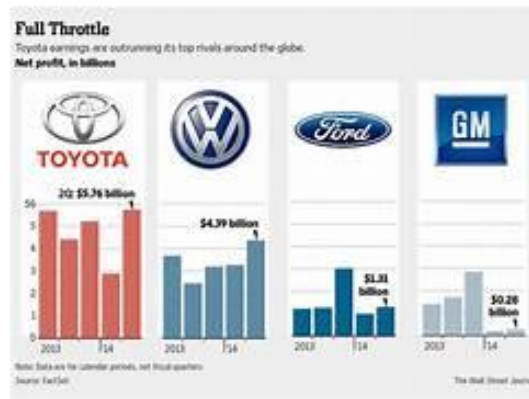


Figure 5: Toyota's Competitors Analysis 2014

6.4 STAKEHOLDERS

Stakeholders are defined as people or entities who stake, interest or claim in an organization. They are concerned with ensuring that the organization is operating at optimal level. Not all stakeholders are involved in the management of the business and some of these are investors, community, government, employees, suppliers and competitors.

Stakeholders in Toyota, including shareholders and investors experienced fluctuations in the company's stock prices and financial performance due to the crisis. Stakeholders value sustainability and the lack of this at that time impacted Toyota's reputation and stock value.

7.0 RESPONSE OF LEADERS AND EMPLOYEES

The response of leaders and employees in a critical situation such as this can set the tone for peaceful and beneficial resolution or cause an uproar of more detrimental damage to the company's reputation and staffs' well-being. These stakeholders, leaders and employees, are bound to either respond differently or uniformly. The management of a company is tasked with the overall protection of the business including its core players, its staffs. Hence, the company's approach to any crisis should be wholistic, taking into consideration every aspect of the business. The employees on the other hand are usually more concerned about job security, satisfaction and overall fulfilment. Some do take extreme ownership and aligns themselves wholly to the vision of the organisation.

7.1 RESPONSE OF THE TOYOTAS' LEADERS TO THE CRISIS

Toyota's leadership initially faced criticism for a lack of transparency and accountability during the SUA crisis. They received allegations of downplaying the issue and not taking prompt action. Toyota's then President, Akio Toyoda, apologized for the incident and acknowledged the gravity of the situation (Jane Cowan, 2014). However, the company later

took steps to address the issue by improving safety standard, massive recall of vehicles, modifications to floor mats and acceleration pedals, and changes to the electronic throttle control system.

7.2 EMPLOYEES RESPONSE TO THE CRISIS

Employees of the company felt the impact of the crisis on job security and the company's reputation. Their morale to continue being staffs of the company dropped drastically. Although, the engineers and technical team still worked to identify and rectify any potential mechanical or electronic issues that could further contribute to the problem.

In my opinion, I agree with the later methods of response but would advocate a timelier response as well as advanced quality control and proper testing of the company's products before they are released into the market. This leads me to propose the following recommendations.

8.0 RECOMMENDATION FOR ETHICAL IMPROVEMENT

To enhance its ethical standing, Toyota should consider the following alongside the aforementioned:

- Invest in sustainable technologies that aligns with environmental ethics.
- Implement a robust internal reporting system for safety concerns to ensure prompt action is taken in case of defects.
- Strengthen communication and transparency in responding to crisis, thereby, rebuilding consumers trust.
- Incorporate effective ethical trainings for employees to foster a culture of integrity and responsibility. Rachael Saunders (2023) via The Institute of Business Ethics teaches how companies are using modern age approaches to ensure training is effective.

9.0 CONCLUSION

Toyota's ethical challenges highlights the complexities of ethical decision making in the corporate world. The analysis of the moral theories reveals the tension between Utilitarianism, deontology, ethics of virtue, duty and justice in Toyota's action. The impact of its actions on stakeholders underscores the importance of ethical conduct in maintaining trust and reputation. Despite the leaders and employee's response, there is still room for improvement in ethical practices. By implementing the recommended strategies given,

Toyota can work towards being a more ethical and responsible corporate entity, ensuring its actions aligns with its code of ethics and social accountability.

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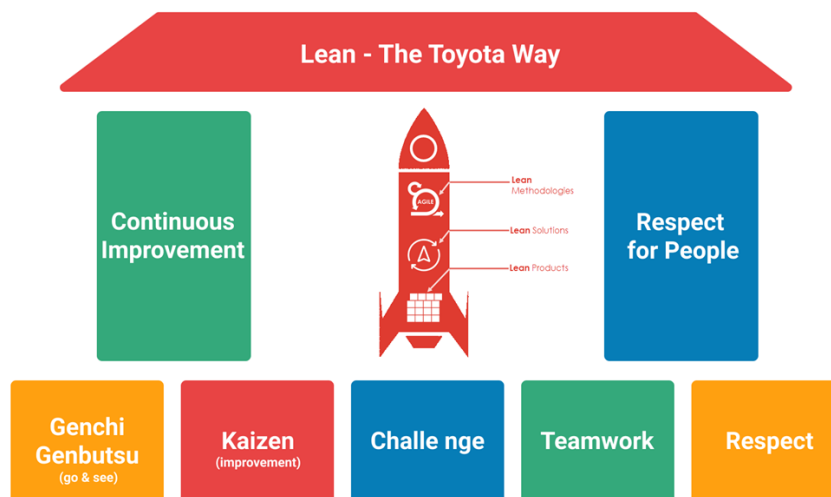
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APPENDIX

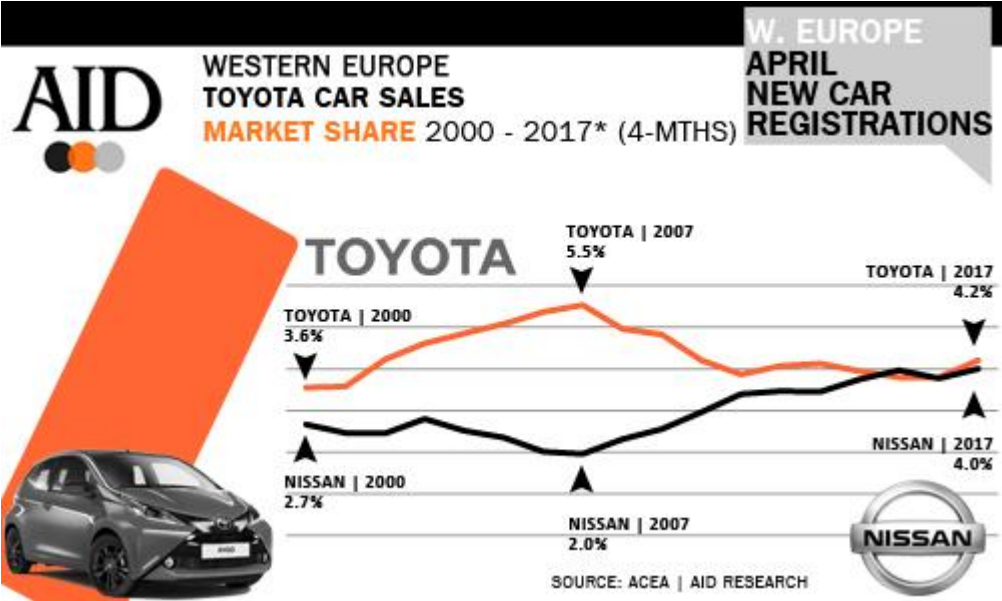
Appendix 1: Toyota's Logo



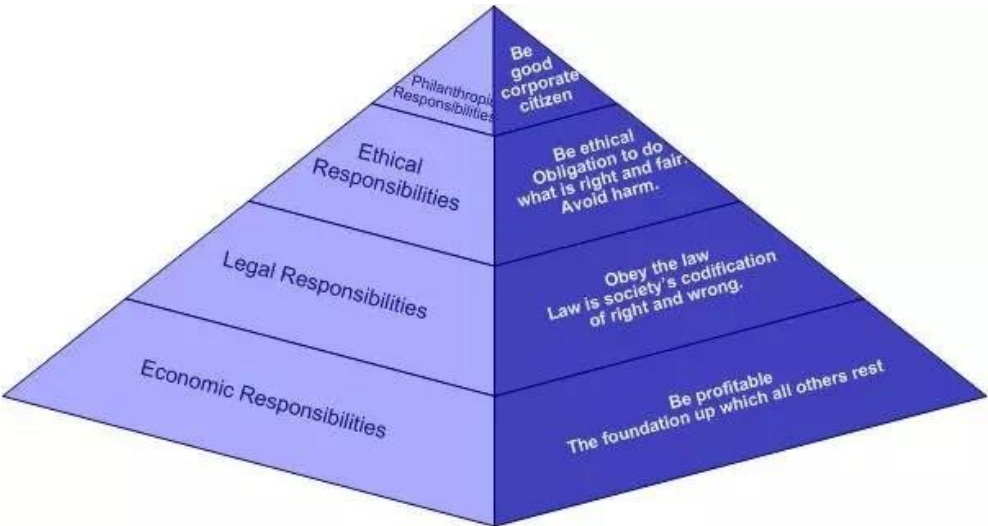
Appendix 2: A diagram depicting Toyota's Principles



Appendix 3: Toyota's Market Share from 2000 - 2017

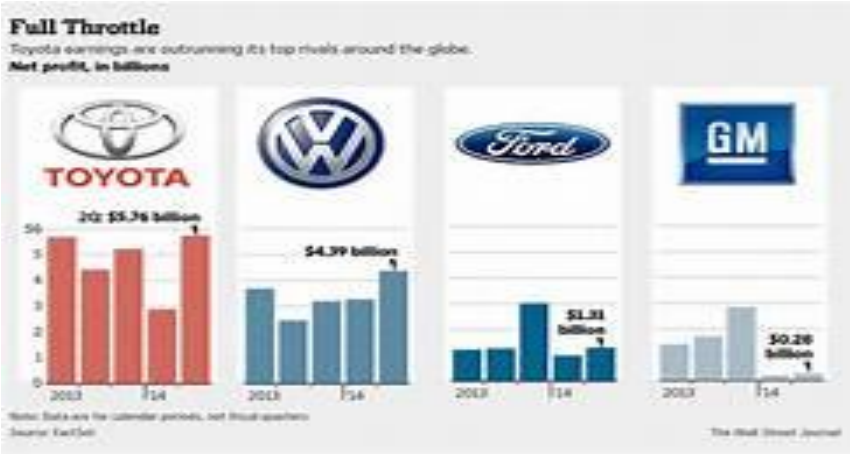


Appendix 4: Carroll's CSR Pyramid



Carroll's CSR Pyramid

Appendix 5: Toyota's Competitors' Analysis



Appendix 6: Toyota’s Sales Report 2022

