

Edexcel GCE

Business Studies

Advanced

Unit 4A: Making Business Decisions

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Paper Reference

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Pre-release material

To be opened on receipt

Advice to Centre Staff and Candidates

- Candidates are expected to be familiar with the evidence provided here for the Unit 4A question paper before entering the examination room.
- A copy of this pre-release material will be included in the question paper, together with some new evidence, which you should study carefully before answering the questions.
- Candidates will not be allowed to take copies of this pre-release material into the examination.

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Evidence A

Toyota, the Japanese car manufacturer, has a reputation for high quality which includes reliability levels and build quality. However, the company has experienced a number of problems with some of its models which have affected over 4 million vehicles worldwide. In the United States of America (USA) an accident involving a policeman in San Diego, who died, is being linked to a faulty accelerator pedal – although the causal link has not been established beyond doubt.



The publicity surrounding Toyota's problems means more people have reported accidents 'caused' by faulty pedals. By February 2010, the National Highway Traffic Safety Administration (NHTSA) in the USA had received complaints that 34 possible deaths and 22 injuries could be associated with the problem.

(Source: adapted from Biz/ed 'In the News')

Toyota woes deepen amid Prius recall reports

Toyota's troubles looked to have worsened today after reports that it was preparing to recall 270 000 of its hybrid Prius models in the US and Japan over a braking problem.

Japan's top business newspaper, Nihon Keizai, said Toyota would be notifying Japan's transport ministry and the US Department of Transportation of the recall.

There have been no reports of any accidents in the UK and a spokesman for Toyota said there would be no Prius recall here. The Prius issue comes after the firm started recalling for repair around the world seven other models that could be affected by a faulty accelerator pedal. In the UK, some 180 865 vehicles are being called back in, but new parts needed to rectify the problem are currently being shipped from Japan; it will take days for them to arrive, with the first repairs expected to be made on February 10.

Toyota yesterday put a video message from UK commercial director Jon Williams on YouTube in a bid to reassure customers. He said: "I drive a Toyota. My family and friends drive a Toyota. I wouldn't allow my loved ones to drive our cars if I didn't think they were safe." Mr Williams added: "We are truly sorry for letting our customers down."

A fault has caused the accelerator pedal to stick in seven models – the iQ, Aygo, Yaris, Auris, Corolla, Avensis and Verso. The problem has been linked to 26 accidents in Europe although none has been recorded in the UK, a Toyota spokeswoman said.

(Source: adapted from an article by Matt Dickinson, Press Association, published in *The Independent* Friday 5 February 2010)

Evidence B**Toyota Sales Data (units by destination)**

Business segment		FY2009 (April 1, 2008 through March 31, 2009)	FY2010 (April 1, 2009 through March 31, 2010)	Increase (Decrease)
Automotive	Japan	1 944 823	2 162 418	217 595
	North America	2 212 254	2 097 374	(114 880)
	Europe	1 061 954	858 390	(203 564)
	Asia	904 892	979 651	74 759
	Other	1 443 433	1 139 329	(304 104)
	Total	7 567 356	7 237 162	(330 194)

Note: 1 Sales in "Automotive" indicates sales units of vehicles (new).

2 "Other" consists of Central and South America, Oceania, Africa and the Middle East, etc

Please note: FY in the table above refers to Financial Year

(Source: adapted from Toyota Corporation accounts 2010)

Evidence C

Guiding Principles at Toyota

- 1 Honor the language and spirit of the law of every nation and undertake open and fair corporate activities to be a good corporate citizen of the world.
- 2 Respect the culture and customs of every nation and contribute to economic and social development through corporate activities in the communities.
- 3 Dedicate ourselves to providing clean and safe products and to enhancing the quality of life everywhere through all our activities.
- 4 Create and develop advanced technologies and provide outstanding products and services that fulfill the needs of customers worldwide.
- 5 Foster a corporate culture that enhances individual creativity and teamwork value, while honoring mutual trust and respect between labor and management.
- 6 Pursue growth in harmony with the global community through innovative management.
- 7 Work with business partners in research and creation to achieve stable, long-term growth and mutual benefits, while keeping ourselves open to new partnerships.

(Source: adapted from Toyota Corporation website)

Evidence D

Simplified Financial Information – Toyota Corporation

All figures are in Yen millions

Extracts from Balance Sheet

	<u>Mar-09</u>	<u>Mar-10</u>
Current Assets	11 298 929	13 073 604
<i>(of which stock)</i>	1 459 394	1 422 373
Current Liabilities	10 589 293	10 686 214
Fixed Assets	17 763 108	17 275 683
Long Term Liabilities	7 872 007	8 732 630
Capital Employed	18 472 744	19 663 073

Income Statement

	<u>Mar-09</u>	<u>Mar-10</u>
Sales Revenue	20 529 570	18 950 973
Cost of Goods	18 455 800	16 683 797
Gross Profit	2 073 770	2 267 176
Expenses	2 534 781	2 119 660
Operating/Net Profit (Loss)	(461 011)	147 516

(Source: adapted from Toyota Corporation reports and accounts 2010)

Evidence E

A Crisis Made in Japan

In Japan there is a proverb, "If it stinks, put a lid on it".

The recent series of safety problems has been a public-relations nightmare for Toyota, as two of its distinctive capabilities could be considered to be quality and reliability. It is not surprising that Toyota's response to the issues has been slow: because crisis management in Japan is grossly undeveloped. Usually, producer interests trump consumer safety.

There is a cultural element to Japanese companies mismanaging crises. The shame and embarrassment of owning up to product defects in a nation obsessed with craftsmanship and quality makes disclosure and assuming responsibility difficult for employees. And a high-status company like Toyota has much to lose since its corporate face is at stake.

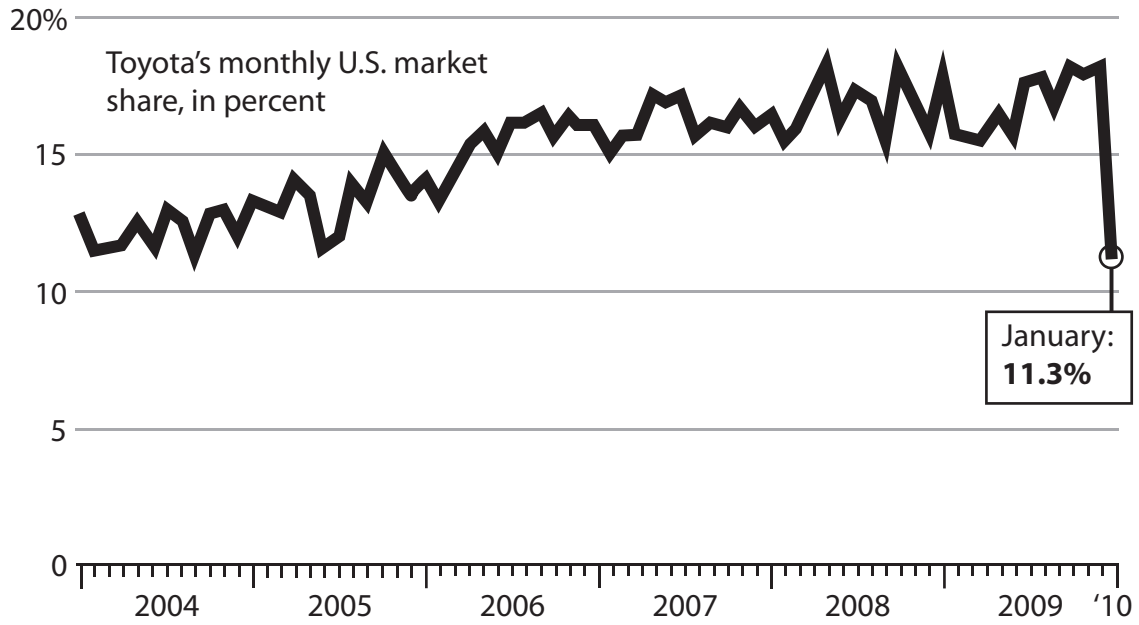
There is also a culture of deference inside corporations that makes it hard for those lower in the organisational hierarchy to question their superiors or inform them about problems. The focus on consensus and group is an asset in building teamwork, but also can make it hard to challenge what has been decided or designed. Such characteristics are not unknown elsewhere around the world, but they are exceptionally powerful within Japanese corporate culture and constitute significant barriers to averting, and responding to, a crisis.

There are signs that, at Toyota at least, this attitude is changing. This week company president Akio Toyoda, grandson of Toyota's founder, testified before U.S. lawmakers, specifically alluding to how changes in the business' corporate objectives may have contributed to the need for a recall:

"I would like to point out here that Toyota's priority has traditionally been the following: first safety; second, quality; and third, volume. These priorities became confused, and we were not able to stop, think, and make improvements as much as we were able to before, and our basic stance to listen to customers' voices to make better products has weakened somewhat... We pursued growth over the speed at which we were able to develop our people and our organization, and we should sincerely be mindful of that. I regret that this has resulted in the safety issues described in the recalls we face today, and I am deeply sorry for any accidents that Toyota drivers have experienced."

(Source: adapted from an article by Jeff Kingston, *Wall Street Journal*, 5 February 2010, and additional extracts from an article by Jeremy Cato, *The Globe and Mail*, Canada, 25 February 2010)

Evidence F



(Source: adapted from Motorintelligence.com, Tobey, *The Washington Post*, 3 February 2010)

Evidence G

New car registrations in the UK

Manufacturer	Year to May 2009	Percentage share	Year to May 2010	Percentage share	Percentage change
Audi	39 180	5.23	47 559	5.21	21.39
BMW	34 098	4.55	40 626	4.45	19.14
Citroen	25 788	3.44	31 048	3.40	20.40
Fiat	17 197	2.30	24 546	2.69	42.73
Ford	129 287	17.27	134 634	14.74	4.14
Honda	31 423	4.20	28 629	3.13	-8.89
Hyundai	14 534	1.94	34 611	3.79	138.14
Kia	14 119	1.89	30 095	3.29	113.15
Land Rover	11 287	1.51	18 958	2.08	67.96
Lexus	3 115	0.42	2 980	0.33	-4.33
Mazda	17 646	2.36	20 842	2.28	18.11
Mercedes-Benz	27 137	3.62	30 591	3.35	12.73
Mini	12 757	1.70	17 341	1.90	35.93
Nissan	24 093	3.22	35 147	3.85	45.88
Peugeot	39 164	5.23	49 629	5.43	26.72
Renault	21 139	2.82	43 883	4.80	107.59
SEAT	10 991	1.47	14 992	1.64	36.40
Skoda	11 488	1.53	18 469	2.02	60.77
Suzuki	9 987	1.33	9 820	1.08	-1.67
Toyota	40 265	5.38	40 795	4.47	1.32
Vauxhall	101 023	13.49	103 261	11.30	2.22
Volkswagen	62 892	8.40	79 649	8.72	26.64
Other	50 040	6.68	55 330	6.06	10.57
Total	748 650		913 435		22.01

(Source: adapted from (UK) Society of Motor Manufacturers and Traders website)