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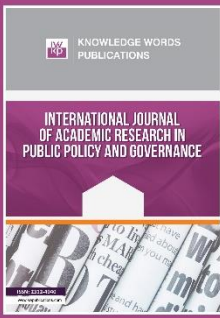
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Relationship Between Economic, Political and Technology Factors: Case Study on Toyota Company

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Abstract

Toyota is an automotive company that was established from Japan in 1937. In March 2016, the MNC has a total of 348,887 employees worldwide and involved in 2016 was ranked the 13th largest multinational companies in the world based on the company's revenue (Toyota, 2016). International business today is growing not only involves a large company, but it has been a trend to any individual who wants to expand the market of a product. A business has a high dependence on economic growth, the state of the local area and the extent to which the development of modern technology can be mastered by any party. This study is intended to look at some literature review that focused on the factors that are the drivers for the development of the international business market that has been applied by Toyota. This research benefits the individual or any company that wants to expand its business internationally.

Keywords: Toyota, Factors, Relationship, Business, Economy, Politic, Technology.

Introduction

International business involves transactions across international borders, where business is conducted between countries. The development of globalization has become a transnational business interest of many parties, either individuals or companies. According to Geiersbach (2010), revolutionary changes in technologies have provided the mechanisms that propel the growth of international business.

The Toyota automotive product is sold in many countries includes United State, Malaysia, Indonesia, Singapore, Bangladesh and India. As stated by Toyota (2016), they are not only selling their product in that country, but also have a factory to distribute Toyota automotive product in that location

This study was designed to see whether the factors that has made it an international business more successful. In general, the economy, politics and technology is a key factor that has made a business

that is growing. It involves not only domestic business, but also between borders. Multinational firms are constantly looking for the most favorable setting for their activities. That kind of factor makes the supply, production and distribution of goods along more effective what has been called the value chain (Ropers, Du & Love, 2009).

Based on three main factors, any country that has good economic growth, a more liberal political situation and the MNC follow up with the culture of local state will be a driver to boost and conduct business activities of any multinational company. The new technology such as transportation, new information delivers tools can boost the production of any companies to make their profit higher than using an old technology. According to Dahlman (2007), the traditional physical infrastructure needed to parallel to the global economy development includes roads, ports, and airports. The other is the new ICT infrastructure which has already become so critical for competition in the new real time world and for taking advantage in economic competition.

Factors of Economic

Economic factors that drive international business more effective include the factor are related to the cost of production, market demand, supply of resources and market competitor. Based on previous studies by Wei and Wu (2001), the economy grows in the newly-industrializing countries such as Taiwan, Hong Kong, Singapore, Korea and the opening up of China and Eastern Europe have provided an additional stimulus to international business activities especially in China. In that case, any multinational company wants to start up their business activities must look the current economy in the country which they want. According to a study by Lammarino and McCann (2013), developments in industrial economics, trade theory and economic geography should move parallel to ensure have led to the development of formal and consistence. It can make the business activities more active and sustainable. Refer to Toyota (2016), they are chosen set up the business which is the country must have a good economic situation stability and good progress such as United State and Singapore.

However, they also look for the lowest cost for production includes the cost of labour. Many industrial sectors always look for various conducts for cost cutting to ensure maximum profitability in forthcoming periods. As mentioned by Aeppel (2002), found that the majority of companies will reduce production costs for two benefits in return, and one of them is the maximum profit. Generally, we know Indonesia and India, which is a country wage of labour quite lower will become the cost of production for Toyota Automotive more less. According to Campaign and Alliance (2014), India and Indonesia among the countries that still carry out the policy of minimum wage is lower compared to other countries in East Asia. Looking at the economic factors that meant, Toyota chose countries with low labour costs for the production of products such as India and Indonesia and other countries with strong economic growth for the purpose of marketing a product such as the US and Singapore. According Toyota (2016), which has Europe become a lead as a distributor of their product and the Asia Country lead as a manufacture.

Literature Review

Factors of Political

The Political aspect is also driven to ensure the international business activity more easy and smooth. It is included factors like legal and governmental drivers. According to Kluyver (2001) and Geiersbach

(2010), political risks in international business are very large because it is difficult to anticipate changes in the political potential to significantly affect the profitability or business goals. The Political risk may be related to political instability, but it's not necessary.

Following a study by Richards, Devinney, Yip and Johnson (2009), the successful performance of multinational companies depends to a great extent on the political environment of the host country. The political environment refers to forces and issues exist from the political decisions of government, which are capable of altering the expected outcome and value of a given economic action, by changing the probability of achieving business objectives. According Ibetto (2011), which is change of the political environment arising from changes in government policies and programmers would influence the ability of economic entities in achieving their goal.

For this matter, Toyota Company have present their business activities which country has a good politic situation and more liberal economists such as in the euro country of the largest number of Toyota distributors (Toyota, 2016). Refer to European Commission Trade (2010), even though the EU the most high of import tariffs, but the stillness is among the most open economies in the world and also faces high tariffs on its exports to some countries and regions.

Factors of Cultural

Nowadays environmental issues under legislation and directives from customers, especially in the US, the European Union (EU), and Japan become an important concern for manufacturers and industries (Semam, Zakuan, Jusoh, Arif & Saman, 2012). According Toyota (2016), they had identified key environmental Issues for six challenge by the year 2050 which is included reduce global average new vehicle CO₂ Emission Challenge, Life Cycle Zero CO₂ Emission Challenge, Plant Zero CO₂ Emission Challenge, Challenge of Minimizing and Optimizing Water Usage, Challenge of Establishing a Recycling-based Society and Systems, and Challenge of Establishing a Future Society in Harmony with Nature. For that challenge, Toyota has initiated a partnership with one of the international organizations, IUCN, to provide funding to expand knowledge of threats to global biodiversity.

Now, Toyota is looking the best technology to ensure their automotive product is parallel with six challenges of identifying because almost industries are competing to become the most popular of the green Multinational Company. Following previous studies by Large and Thomsen (2011) and Azevedo, Carvalho and Machado (2011), which is obtained the conceptual model from data analysis that provide evidence as to which green Managing Value and Supply Chains practices have positive effects on quality, customer satisfaction and efficiency also negative effects on supply chain performance. Cultural society more to care for the environment so that the manufacturing industry has declined over the stability of nature.

Theoretical Framework

This section demonstrates the theoretical framework for this study. Miles and Huberman (1994), defined a conceptual framework as a visual or written product, one that explains, either graphically or in narrative form, the main things to be studied on the key factors, concepts, or variables and the presumed relationships among them. This study is to identify the relationship between factors of sustainable international business market (Economic Factor, Political Factor and culture) and determine the sustainability of international business performance. The independent variables of this

study are the elements, such as economic factor, political factor and cultural factor. These elements contribute to the sustainability of the market performance in the international business field. The dependent variable of this study is the sustainability of the international business performance that focuses on product sales and services, human capital and market growth among international company. Figure 1 shows the conceptual framework of the study:

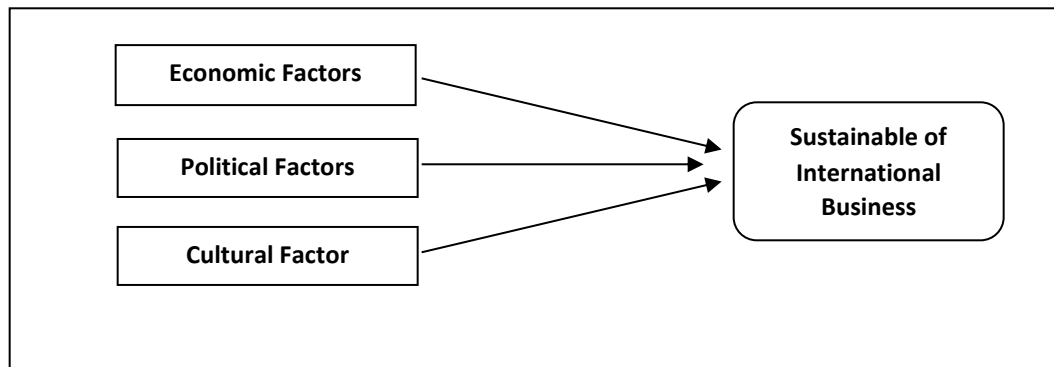


Figure 1: Factors Analysis Process for International Business Startup.

Conclusion

Refer to figure 1 or theoretical framework, if any company tries to penetrate international markets they must do some research or analysis, especially about three main factors which is included economic, political and cultural factors. They must measure the strength of the company to ensure that particular factor capable of confronting by their company. After some analysis done, it could be their company can do, hold or cannot do an international business at the current analysis have done. Research and Development of company the most important department to find the analysis result for their company for that purpose.

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