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5.7 CRISIS MANAGEMENT AND CONTINGENCY PLANNING: EXAM PRACTICE QUESTION

Read the case study information below and answer the questions that follow.

TSUNAMI! – TOYOTA DOWN BUT NOT OUT



She had a contingency plan

The effects from the March 11, 2011 earthquake and tsunami and the ongoing nuclear crisis in Japan severely disrupted global supply chains, not least Toyota's. Two of the car company's large manufacturing facilities were severely damaged and power shortages from crippled nuclear power stations in Fukushima meant that its other car plants experienced much reduced productivity.

Toyota also had to halt production of vehicles at many of its overseas manufacturing plants too, due to parts

shortages from Japanese suppliers. Toyota had to suspend production of parts in the Japan that were intended to be shipped overseas. Most Japanese automotive assembly plants remain closed for at least some period of time following the earthquake and tsunami.

The automotive supply chain is as complex as it gets. There are approximately 20,000 parts in a car, and if only one of those parts is unavailable, then the finished product cannot be shipped. At the top of the pyramid are Level 1 suppliers that furnish major components, such as engines, that go into a vehicle platform. The Level 2 suppliers furnish the parts that the Level 1 suppliers require, such as the piston rod assembly that is part of the engine. A large car manufacture will have a complex supply chain comprising thousands of suppliers.

5.7 Crisis Management and Contingency Planning: Exam Question

Toyota does have, and did have, contingency plans for a wide variety of adverse events. These plans cover everything from plant closures from labour disputes, mass product recalls if consumer safety is compromised, natural disasters.

After the disaster, management stated that they could not have been realistically prepared for such an unlikely and foreseeable event. And to its credit, Toyota's response and management of the crisis has been widely praised. Supply chains were affected for a much shorter time than industry analysts expected.

Source: www.BusinessManagementIB.com

QUESTIONS: 25 MARKS, 45 MINUTES

1. Distinguish between **contingency planning** and **crisis management**. **[5 marks]**
2. Using Toyota, the Japanese earthquake and tsunami of 2011 and other businesses and situations as examples, explain the advantages and disadvantages of contingency planning in terms of:
 - i. Costs
 - ii. Time
 - iii. Risk
 - iv. Safety**[10 marks]**
3. With reference to the case study, explain **four** factors that would be important to Toyota's effective crisis management of supply chain problems following the disaster. **[10 marks]**