

Overview of goodyear tire rubber company



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The Goodyear Tire & Rubber Company was founded in 1898 in a time that seemed especially remarkable, but the commencement was a bit eventful. Frank A. Seiberling who was 38 years at that time founded the company. He made a purchase of the company's first plant with a \$3, 500 down payment. The amount was money borrowed from a brother-in-law Lucius C. Miles. It was challenging with sourcing of raw materials especially the rubber and cotton which were the lifeblood of the industry and this had to be transported from halfway around the world, to a landlocked town that had only limited rail transportation. Even the man, from which the company was named, Charles Goodyear, had died penniless 30 years earlier despite his discovery of vulcanization after a long and courageous search.

The bicycle craze of the 1890s was booming. This meant that demand for bicycles was soaring. The horseless carriage, as some ventured to call the automobile, was a wide-open challenge for bicycles. AT this same time the depression of 1893 was beginning to fade bringing about a recovery. On August 29, 1898, Goodyear was incorporated with a capital stock of \$100, 000.

4. 1. 1 Shareholding of commenced Goodyear

David E. Hill, who purchased \$30, 000 of stock, became the first president. But it was the dynamic and visionary founder, hard-driving Seiberling, who chose the name and determined the distinctive trademark. The winged-foot trademark, inspired by a newel-post statuette of Mercury in the Seiberling home, has been altered over the years. Yet, it remains an integral part of the Goodyear signature, a symbolic link with the company's historic past.

People like Seiberling, actually trying to liquidate family-owned property in 1898 when he ended up taking that once-in-a-lifetime chance to buy — at a bargain — the seven-acre tract that became Goodyear. People like George M. Stadelman, a man who avoided crowds and never made a speech, yet had a gift of integrity and foresight that guided Goodyear's sales through a critical 20 years. People like Paul W. Litchfield, whose conviction and leadership helped inspire Goodyear's development for nearly six decades.

4. 1. 2 First production of Goodyear

With just 13 employees, Goodyear ' s production began on November 21, 1898, with a product line of bicycle and carriage tires, horseshoe pads and — fitting the gamble Seiberling was making — poker chips. The first recorded payroll amounted to \$217. 86 based on the prevailing wage of 13 to 25 cents an hour for a 10-hour day. After the first full month of business, sales amounted to \$8, 246. Since the first bicycle tire in 1898, Goodyear pedalled its way toward becoming the world's largest tire company, a title it earned in 1916 when it adopted the slogan “ More people ride on Goodyear tires than on any other kind,” becoming the world's largest rubber company1926.

4. 1. 3 Goodyear in the 20th century

Goodyear in the 20th century measures sales of nearly \$20 billion, although it took 53 years before the company reached the first billion-dollar-year milestone. And it all began in a converted strawboard factory on the banks of the Little Cuyahoga River in East Akron, Ohio. Spanning the years, through all of those yesterdays, a legion of firsts and facts and figures appears that reflect the making of a company Goodyear is one of the world's largest tire companies. It employs approximately 70, 000 people and manufactures its

products in 56 facilities in 21 countries around the world. Its two Innovation Centres in Akron, Ohio and Colmar-Berg, Luxembourg strive to develop state-of-the-art products and services that set the technology and performance standard for the industry.

4. 2 OVERVIEW OF CURRENT STRATEGY OF GOODYEAR

A close look at the strategies adopted by Goodyear over the past 2 to 5 years revealed some successes for the firm as they deployed some cost strategies, innovation and integrated marketing capabilities to leverage new product engines with outstanding marketing programmes to both trade and end users. They have done that with products such as Eagle GT, Assurance, Eagle F1 All season etc.

The Capex of Good year in 2008 shows that there has been an increase in high value added (HVA) capacity. An increase of 50% by 2012 is the target set for Goodyear. Currently, the company has achieved 15% so far as at 2007).

Strategy in 2008

Good year deployed the strategy below in 2008

Strengthened their balance sheet to capitalize on growth to improve their competitive position.

Leveraged on favourable union contract

Rebalanced their global footprint focussing on their supply chain.

Goodyear as a result of competition has had to change its business model strategies employing the following:

Leadership

Product Leadership

Increased distribution

Brand building

Lower cost strategy

Cash is king and not customer

They have had to change their strategies as they realise that competition is eating into their slice of the market share.

4. 2. 1 Challenges facing Goodyear

Emerging markets represent significant opportunity – China now has the largest commercial vehicle market; 2nd largest car market is Russian tire market which will soon surpass German market size. Brazil is sustaining 5% GDP growth driving volume and transition to HVA.

The challenge that lies ahead of Good year is to leverage their expertise in market development to fully deliver in emerging markets. Good year will need a highly innovative business strategy to create a global competitive advantage so as to continue a high market share in the rubber industry.

4.3 ANALYSIS OF DATA

A qualitative quasi -deductive paradigm interview was conducted to allow for further clarity, completeness of results so as to overcome elements of bias typical of quantitative methodological approaches in order to examine particular events (Miles and Huberman, 1994). In doing this the researcher arranged an interview with five of their managers from five of their branches to verify if managers should be actively involved in the business evaluation strategy of an organization to enhance global competitive advantage. The outcome of the interview was then analyzed using the grounded theory (Straus) Five interviews were conducted with Business Unit Leaders of Goodyear in order to obtain a strategic perspective on the knowledge management requirements of the enterprise (Corbin, 1990). The researcher chose this method as it is widely employed offering help in the analysis of qualitative data. The purpose of grounded theory is to build theory that is faithful to and which illuminates the area under investigation allowing us to collect information on the knowledge requirements of the enterprise. Grounded Theory is more interested in theory building than theory testing, which makes it eminently suitable for areas of research that have had little attention and exploration (Yin, 1993). Grounded Theory specifically calls for the evaluation of “ cases”. Some of the advantages of using Grounded Theory for research of this nature are as follows (Bajaj, 1998): Grounded Theory can be used where no general theory about the phenomenon (knowledge audit) exists.

The purpose is to arrive at prescriptions and policy recommendations with the theory ‘ likely to be intelligible to, and usable by, those in the situation

being studied, and is often opened to comment and correction by them' (Turner, 1981). Below are the questions and responses broken down in headings: Resulting from this process, a specification was drawn up describing the priority knowledge management requirements of Goodyear. This specification was then assessed against key components of the firm's information technology infrastructure, and gap areas identified. On the basis of these gaps, an integrated solution was proposed, and the content to be delivered by this solution was defined. The functional requirements, architecture and operation of an integrated solution were discussed.

4. 3. 1 INTERVIEW A. 13th December, 2010

What has contributed to the success of Goodyear since the 1990's

6 of the interviewees mentioned branding with increasing levels from 25% in 1970`s to 60% in 1990`s. With 9 mentioning the management of knowledge leading to innovation in types of tires which also saw rising levels of 32% in 1970`s to 80% in 1990`s while the remaining 5 indicated that the success has been due to information technology increasing from 18% to 68%.

It can be deduced from the above that branding, knowledge management and information technology has contributed to the success of Goodyear and rightly so as these three in additions to other factors are mentioned in the success stories of some organizations. According to Ambler (1997), a successful brand provides an organization with profits and the potential to gain future profits, thereby creating an asset that has value.

Knowledge on the other hand is an advantage competitively. It is well harnessed if it is linked with information technology. This is because information technology enhances the collection, mining and making sense out of data/knowledge to achieve a competitive advantage. Knowledge is very important for innovation regardless of how it is collected, analyzed and distributed. According to Hargadon and Sutton(2000) in their description of a ‘ knowledge brokering cycle’ – good ideas are captured through scanning, exploration for new possibilities, these ideas are kept alive through their distribution, old ideas are brought back to life a new uses are found for them, and eventually these ideas are validated for its commercial use or potential.

Do you think managers should be actively involved in the business evaluation strategy of an organization to enhance a global competitive advantage?

Ohmae (1982) and Porter (1985) suggested that the survival of a business is impossible without a competitive strategy and that the actual strategy must be unique to the organization. It is against the backdrop that the 20 managers interviewed who for reasons of choice decided to be anonymous in the declaration of findings of this research. All the managers interviewed affirmed that they must be involved in crafting strategy (ies) indicating 100% support of this assertion.

In support of Mintzberg (1994), they suggested that the following will be achieved if managers did the implementation.

Manage stability- Managers must be implementing strategies of the organization and not planning them.

Managers can detect discontinuity- Managers involved in implementation will be able to detect discontinuity from strategies set even though environments do not change regularly. Even the smallest of change effects not detected earlier can pose significant damages in the long term.

Reconciling change and continuity-crafting strategy requires a natural reflection of the future, present and past. Too much focus on change can be damaging.

What strategic business evaluation model should be employed for business/ environmental analysis?

Environmental scanning- ideas come from a plethora of sources and are often triggered off by external changes in the environment. No organization is exempt from the need to innovate.

SWOT analysis-a deliberate move into defining our strengths and weaknesses as an organization vis-à-vis our opportunities and threats is another business evaluation model to be used.

With comparison to PESTEL, 5 FORCES, and ANSOFF MATRIX, SWOT analysis appeared as the most preferred and employed model for business analysis

13 of these interviewees representing 65% supported the use of SWOT analysis, but 4 of them mentioned 5 FORCES indicating 25%, while as the remaining 2 (10%) said PESTEL with Ansoff matrix no a preferred choice.

It is not strange that respondents mentioned the SWOT, 5Forces and PESTEL as models to be employed for strategic evaluation. The SWOT serves as an introspection of Goodyear mirrored against the opportunities and threats in

the external environment of the firm. It is the SWOT that feeds into the 5 Force as Goodyear can know its strengths in 'upping' standards for new entrants coming in to the tire and rubber industry, or its strengths to combat switching of clients to competitive brands such as Pirelli, Bridgestone firestone etc.

Who is responsible for innovation in Goodyear?

Leadership is responsible for creating an organization's vision together with the right climate for creativity. This right climate will spark off creativity that will help achieve vision. It is only when the right climate is created that creativity and innovation will become a reality in Goodyear. So in answering the question, all in the organization must be responsible for innovation but the right leadership put in place will help complete the process for innovation in Goodyear.

Gathering of information from different sources was aimed primarily at identifying the knowledge that the correspondents strongly perceive as things being of increasing value to the company and its performance. In order to institute the knowledge or strategy management requirement of the company, two forms of data gathered were under taken:

Twenty of the top senior-most managers were interviewed in the various branches of Goodyear in order to obtain their perspective about the business evaluation strategy requirements considered to be highly innovative and effective in creating an advantage for them globally.

Fifty five representatives of the various business divisions responded to questionnaire in order to understanding the operational requirement or strategy of each entity.

Resulting from this process, a specification was drawn up describing the priority (rating) of the strategies (knowledge requirement) of the firm. This specification was then assessed against key components of the firm's infrastructure and gap areas identified. On the basis of these gaps, solution was proposed.

Once the interview was completed, a pattern and area of divergence were identified amongst the respondents. This was achieved by transferring portions of individual transcripts from senior managers interviewed into a shared spreadsheet under specific headings as identified during the process of analysis. Once this was done, areas of commonality were found.

4. 3. 2 An info-centric organization

The interview with senior managers provided sufficient indicator of importance of knowledge management in the market place. Many businesses spend all their time and effort to create competitive advantage through either cost-cutting, quality-enhancement, speed of delivery or continuous expansion of market reach.

However, according to the senior managers, one of the most effective weapons every business can deploy in the competitive market place is to create an info-centric organization. It is their objective to make it a standard practice for everyone in the firm to be on the look-out for important information that can benefit the company.

In order to realize any significant benefit from implementing the info-centric plan, leadership must ensure that at general or strategic meetings, reserve the loudest applause for the person with the biggest scoop of information provided for improvement. They should create a contest that offers attractive rewards for the person with the best idea to raise sales by say 25% in the coming year. An info-centric firm will be customer-centered and will therefore look at the customer first for the critical information needed to improve. Talk to the client regularly both informally and also through questionnaire and surveys. The client is the North-Star of the firm's compass and everything ultimately focuses on pleasing and satisfying the client.

4.3.3 A culture of continuous process improvement

Commitment to continuous process improvement is extremely positive. Senior managers believed that the business must never get satisfied with their status or progress in the critical areas of their operation. They recognize that in a fast-changing world, rapid improvement is required to remain competitive.

For the plan to materialize, they therefore will consistently acquire and apply relevant information to improve upon their business processes. It is common practice for them to have focus groups or quality circles with the main purpose of achieving specific reductions in lead time, cost, queues, client's complaints, etc. the firm should continuously seek to achieve improvements in the various points on the value chain. They should focus on suppliers, raw materials, marketing and sales, order processing, production operations, finance and administration.

Once the feedback from the responses to the questionnaires by the employees had been analyzed, it became obvious that there were content needs that were common across all the divisions. The specific content required by employees is identified below. The knowledge levels (strategy) are grouped into four main “ subjects” as follows:

Knowledge about leadership and capabilities expressed across the firm

Knowledge about marketing approach of the firm across the industry.

Knowledge about speed and pricing conditions among competitors in the industry

Knowledge about the business opportunities within the company with regards to contact relationship management.

Based on the above mentioned key knowledge areas, the respondents were asked to identify and rate specific content within each of the above context, according to its importance in terms of enabling them to add value to their performance and also enhance their competitive advantage in the industry.

Table 1. Knowledge condition: Leadership and Capabilities

Content

Specification

Rating

Trust systems

Formally communicating the firm’s mission statement and philosophy that give basic values, purpose, direction and the desired level of performance.

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Low

Periphery systems

Organizational members' activities fall within the acceptable domain of activity. That is, systems ensure that business activities occur in defined product market at acceptable level of risk.

Medium

Capability and solution

Establishing terminology used to express and illustrate product and service offering. Demonstrating competence and aptitude to supervise subordinates.

Medium

Knowledge sharing

Gathering, absorbing, transferring product/service information between organization and customers, third parties (suppliers) and employees in order to meet company's goals.

High

Prompt recognition

Encourages and promote corporate intelligence to bring out innovation in the organization. What gets rewarded gets done; the behaviours you reward gets replicated

High

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Table 2. Knowledge condition: Marketing approach

Content

Specification

Rating

Market opportunity

The market size with respect to demographics and psychographics

High

Market KPIs

The key industrial trends that are fuelling the company's success or trends inhibiting its success

High

Packaging

creating a unique identity (brand) to capture market attention and hold their glaze and for that matter raising the company's value

High

Market segmentation

The names of targeted market segmentations and its distinctiveness

High

Clients motivation

Customers' primary reason for purchasing or wanting to use the company's product or service

Medium

Feedback

Customers' testimonials and endorsement in the form of correspondents from happy or unhappy users. Media coverage and celebrity endorsement

High

Table 3. Knowledge Condition: Speed and Pricing Condition

Content

Specification

Rating

Delivery

Ability to complete work faster (promptly responding to client-related demands and issues)

High

Surprise element

Keeping competitors continually questioning about what the company will do next. For instance consistently giving added value through extra services offered as part of a holistic package.

High

Financial analysis

Covers a complete thorough financial justification for company operation including return on investments, degree of risk and potential exposure of the organization

Medium

pricing competitiveness

exploration of ways in making pricing more competitive in order to guarantee longer of your relationship with the customer

Medium

Pricing tradeoffs

Customers' expectation (decision) in making tradeoffs of price or value or both price and value.

High

Table 4 knowledge condition: relationship management

Content

Specification

Rating

Company profile a

Name and contact details, websites and logos, vision and mission statements

High

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Abstract of company's business status

Company's core business actions, industry focal point and insight

Medium

Solution oriented

Detailed action plan and relevant methodology.

High

Product/service requirement

Adequately fulfilling its purpose, easy to use, meet quality requirement and worth its value.

High

Environmental sensors

Pleasantry of working place i. e. what client see, smell, touches, hears at the site or our community works

Medium

Behaviour factors

Customers interaction with employees

High

Catalogue and contacts of clients

Names, contact details of segmented clients

Low

Activity tracking concern

Emails, text messages in response to clients request and demand

Medium

4. 4 QUANTITATIVE ANALYSIS OF DATA

4. 4. 1 Interview with staff of Goodyear

The researcher conducted an interview with 50 staff of Goodyear, 15 of its focus group at their main research centers and came out with the following:

When staffs were asked of the departments they represented in Goodyear, 4 represented 20% were from finance department, 4 representing 20% were from marketing, another 4 representing 20% stated that there are factory hands and 8 representing 40% were in the research center. Table 1 represents the above-mentioned data from staff of departments that responded to the questionnaire.

Table 5: Type of Business or work engaged by customers

Responses

Frequency

Percentages

Staff from research center

8

40%

Marketing

4

20%

Finance

4

20%

Factory hands

4

20%

Total

20

100%

Source; Field Work, 2010

4. 4. 2 Perception of staff about products manufactured by Goodyear

Respondents were asked about their perception of the products manufactured by Goodyear; they respond 90% representing 18 staff stated that there were excited about the current portfolio/ product line of Goodyear because it provided them with a formal way of segmentation and reduced their risk of loss of market share to competitors. Two staff representing 10%

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on the other hand stated that there are not satisfied with all the products manufactured by Goodyear, because their tires were not different from that of competition e. g. Semperit, Pirelli, Uniroyal etc. Table 2 below shows the percentage and frequency table of the perception of staff about products manufactured by Goodyear.

Table 6: Perception of staff about products manufactured by Goodyear

Responses

Frequency

Percentages

Yes

18

90%

No

2

10%

Total

20

100%

Source; Field Work, 2010

4. 4. 3 The Products/Services Offered to Customers Interviewed in focus groups

I took the opportunity to interview a focus group of Goodyear about the products of Goodyear. The figure below shows the product/service offered to customers interviewed for the study. The products/services offered were categorized into Passenger vehicle tires; Commercial vehicle tire, Off road tires, ATV tires, RV tires, Racing tires. These categorizations were made from the data collected from the interview and also to aid easy analysis and interpretation of the data gathered. From the interview, 3 respondents representing 15% of customers stated that they had tried passenger vehicle tires; another 3 respondents representing 15% stated that they had also tried the Commercial vehicle, 6 customers representing 30% also stated that they had tried RV and similar tires of competitors and that of Goodyear and realized there was no difference. None responded on products such as ATV and Aviation tires.

Figure 1: The Products/Services Offered to Customers Interviewed

Source; Field Work, 2010

4. 4. 4 Global competitive advantage

When staffs were asked if they have ever attended a strategic session in their working lives, 80% representing 16 staff stated that they have ever done that. 20% representing 4 staff however stated that they have not. Among the 80% who stated that they have ever attended a strategic session, they were further asked if they learnt that strategy could give an organization a global competitive advantage. 75% representing 12 staff

stated that they believed that a good strategy could go a long way to creating a global competitive advantage for a firm if the right environment is created for it. The rest of the 25% representing 4 staff stated that they were indifferent about strategy as firms they have worked for were not doing anything different from what firms` are doing now.

Figure 2 A: Staff that had attended strategic sessions

Source: Field Work, 2010

Figure 2B: Can a highly innovative strategy create competitive advantage?

Source: Field Work, 2010

4. 4. 5 Perception of staff interviewed about the innovation procedure and requirements of Goodyear.

Staff were asked about their perception about the innovation procedure and requirements of Goodyear, the data depicts that 13 staff representing 65% stated that the procedures and requirements were complicated and not favourable to them because for instance the issues about idea generation were being restricted to a research center making it very difficult for staff not part of the research center to participate. 7 staff representing 35% stated that the procedures and requirements are less complicated and favourable to them because they are able to scale all the challenges involved with filling up idea forms and forwarding them to the right department.

Table 7: Perception of staff interviewed about the procedure and requirements of Goodyear for the development of new ideas.

Responses

Frequencies

Percentage

Very Complicated and not Favorable

13

65%

Less Complicated and Favourable

7

35%

Total

20

100%

Source; Field Work, 2010

4. 4. 6 Junior staff (1-5years experience) Interviewed

Junior staff(with 2years experience of Goodyear) were asked if they have been able to generate an idea since they joined, 20% representing 4 junior staff in the category mentioned stated that they have not, 40% representing 8 junior staff (with experience between 2 and 5years) stated that they have done that once . These respondents were mostly factory hands, civil servants

and contractors. Another 40% representing 8 respondents (2-5years) stated that they have suggested ideas for the development of new tires for Goodyear since they joined the company.

Table 8: Experience and ability to generate ideas for Goodyear

Responses

Frequencies

Percentages

Staff with 2 yrs experience

4

20%

Staff with (2-5 yrs)exp

8

40%

Staff with (2-5)yrs exp

Suggested ideas for development.

8

40%

Total

20

100%

Source; Field Work, 2010

Perception of business unit leaders about the current innovation strategies of Goodyear

The figure below shows the perception of business unit about the current innovation strategies of Goodyear. 55% representing 31 unit leaders/branch managers stated that the current innovation strategy is favorable because, with the 1/3 cash security of the amount of the loan applying for, a customer in a way has paid 1/3 of the loan applied for. Salaried workers think that is convenient and flexible. 45% of the respondents representing 9 respondents stated that the strategy is not favourable since it is very difficult to get staff workers to participate in the idea generation process of Goodyear.

Figure 3: Perception of Business unit leaders Interviewed about the current innovation Strategy of Goodyear

Source; Field Work, 2010

CHAPTER FIVE

5.0 CONCLUSION AND RECOMMENDATIONS

For competitive advantage to be sustained it will be necessary for staff of Good year to be prepared both in attitudes and abilities so that they can meet the demands of customers in due time. Competitive advantage can come from better products in this case tires, customer perceptions, costs, competencies, assets, attitudes and relationships etc. A key issue is ensuring that it is sustained. It will sad on the part of Goodyear if staff lack the necessary competitive attitude in order to create growth and opportunities for the company.

From the findings of the study, it can be deduced that managers should continue to show active participation in the business evaluation strategy of the organization to enhance a global competitive advantage. Three areas to focus on are Technology, Branding and Knowledge management leading to innovation. Technology, especially IT in product and process innovation, is emerging as a powerful facilitator of market innovation in both personal and business markets. For example, in rubber industry many firms now see flexibility of core product features as a major competitive weapon. A company's ability to offer features such as flexible prices depends on whether its computer systems have been designed so that they can be quickly adapted to serve new market segments.

In the rubber industry, application of new technology provides new entrants with the opportunity of rethinking the entire value proposition offered to customers. While the offer provided to customers by old-established companies is often standardized, new entrants can use advanced computing technology to provide more accurately targeted offers. They can do so themselves or in conjunction with partners. A recent trend is towards knowledge management", whereb