

Carter racing



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Carter Racing Case Study In this case, Carter Racing has to make a decision about whether or not to participate in a race with the knowledge that they have been experiencing a 29% engine failure rate. Carter Racing is a relatively new team, so they have not yet established a firm reputation. The mechanic thinks that temperature is the cause of failure, but that theory has been questioned by another of the racing team's engineering staff. If they race and win, they could receive a \$1, 000, 000 sponsorship from Goodstone Tires for the next season.

However, on the off chance that they do win, they might ignore the engine failure problem they've been experiencing. Another scenario that might occur is that they may decide to race and experience an engine failure during the race. The damage of this scenario is extreme. They will have risked their driver's life, lost any reputation they might have been building, and lost the sponsorship from Goodstone and the \$500, 000 oil contract they already have.

Another scenario is that they withdraw, which means their reputation might be slightly damaged and they lose \$50, 000 that season between the lost deposit and the returned sponsorship funds. My recommendation is that Carter Racing withdraws from the race and takes the \$50, 000 loss for the season. This ensures that they have until the next season to resolve their engine failure issues and it gives them time to formulate a safer strategy.

They should not attempt to risk their driver's life and stake their reputation on the slim odds of winning the race. If they were to race and lose their options, the chances of recovering from that loss are very small. It's much more difficult to react to something of this scale than it is to prevent it. If

they take advantage of the time they have once they withdraw, they can come back next year with a stronger team and better odds of winning, which will surely encourage more sponsorships.