

Case analysis report ford motor company and firestone



In August 2000, Ford Motor Company and Firestone Tire Company recalled 6.5 Million ATX and AT tires that had been installed on Ford's Explorer model SUV. At the time, it appeared as though Ford and Firestone were doing the right thing. They had found out that the tread separated on Ford Explorers in states with intense heat, such as Florida and Texas. However, it later came to light that both Ford and Firestone had known about these problems earlier than 2000 and that Ford had even had a similar recall in 9 countries the previous year.

Firestone however had disagreed with the recalls prior to 2000. Many of these countries were in the Middle East where temperatures are frequently in excess of 100° Fahrenheit. The Stakeholders There are numerous stakeholders in this case some, such as Ford and Firestone by not being forthright with the consumer had a lot to gain and others such as the consumers had a lot to lose. Ford Motor Company Ford Motor Company is one of the largest stakeholders in this case. They had the most to gain from selling the Explorers and not publicizing the potential problems with Firestone tires.

By issuing a recall, they would lose both money and customers if the public thought their SUVs were unsafe. My problem with Ford is that they knew that there was a problem with the Ford Explorer before it went into production. Ford engineers recognized that by using the larger P235 tire, there was a potential for more rollovers. Ford chose to go with the larger P235 tire over the P225 tire. Ford also commissioned their engineers to come up with ways to increase the stability of the SUV prior to production. The engineers came up with 4 ways.

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The first was to widen the chassis by 2 inches. The second was to lower the engine, the third was to lower the tire pressure and the fourth was to stiffen the springs. Ford chose the third and fourth choices, which were the least expensive fixes for the company to make prior to production. Ford recommended a tire pressure of 26 p. s. i. over the normal 30 to 35 p. s. i. that Firestone usually recommends. (GREENWALD, 2001) However, when Ford decreased the tire pressure, they in turn decreased fuel efficiency and asked Firestone to fix the problem.

Firestone decreased the weight of the tire by about 3% (GREENWALD, 2001) Ford did not increase the size of the chassis by 2 ? inches until 2002 and lower body of the SUV to make it safer. (GREENWALD, 2001) Firestone Another large stakeholder here is Firestone Tires. Firestone manufactured the tires that were known to shred in intense heat. Firestone had a responsibility to both its shareholders and its customers to build a quality product. I believe that part of Firestone's responsibility was to disagree with Ford when they requested that the tires be inflated at 26 p. s. i. and not the standard 30 to 35 p. s.

There is some question as to whether the shredding of the tires was directly related to the lower tire pressure. I think that Firestone had had such a long working relationship with Ford that they chose not to argue with Ford over the tire pressure possibly for fear of alienating the company and losing the business. However, even after Ford decreased the tire pressure, Ford still requested that Firestone decrease the weight of the tire, so that Ford could increase fuel efficiency on the Explorer. This was yet another chance for

Firestone to stand up and say no, they did not, they complied with Ford's request.

Firestone had an ethical responsibility to stand-up and disagree with Ford on both of these requests if they felt that they would cause harm to people. They chose not to. The Consumer The customer of the Ford Explorer was one of the biggest losers in this case. They were the individuals who unbeknownst to them were driving around on an explosive time bomb. The people who lived in hotter states, such as Texas, Florida and Arizona were the ones with the most to lose. They bought a car, followed the directions for tire inflation and believed that they were driving on safe tires and in a safe SUV.

The people who lost the most were those who were in rollover accidents caused by tire separation. Many times in these cases, loved ones in the car with them died as a result of these rollovers. This could so have happened to me or my family. I owned a brand new 1991 Ford Explorer with Firestone tires for 11 years. I always replaced the tires with the same Firestone tires, call me naive, but I did this because I felt that they were the best tire for the SUV, as that is what Ford used as standard tires on the Explorer. National Highway Traffic Safety Administration (NHTSA) The NHTSA has a role in this also.

Their mission on their website states " Save lives, prevent injuries and reduce economic costs due to road traffic crashes, through education, research, safety standards and enforcement activity. " (National Highway Traffic Safety Administration) In July, 1998 State Farm Insurance Companies

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notified the NHTSA about 21 Firestone tread failures on 14 Ford Explorers (Kumar, 2001) the NHTSA did not act on this information. It took until May 2000 for the NHTSA to open a preliminary investigation (Kumar, 2001). The NHTSA has a responsibility to the drivers in the U. S. to protect them.

If State Farm felt that they were seeing a large percentage of tread failures per accident on Ford Explorers, then the NHTSA should have investigated. I am sure if State Farm was seeing them, then so were other insurance companies. Insurance Companies and the Consumer As mentioned previously, State Farm Insurance noticed a large percentage of tread failures on Ford Explorers in rollover accidents with Firestone tires. They, as a responsible party notified the NHTSA. If they see a higher than normal problems with specific cars, then they will increase the rates for insurance for these SUVs.

This in turn affects the consumer of the Ford Explorer and possibly other SUVs if it is determined that SUVs as a whole present a rollover hazard.

Shareholders The shareholders of both Ford and Firestone are also stakeholders. Their concern is dividends. By making the choices that Ford did in the beginning, there will have been no effect on their dividends. However, in the long run, as these problems with the tires and rollovers became public and began to cost both Ford and Firestone money, they will have seen their dividends decrease.

Firestone Employees at the Decatur Plant in Illinois Many of the recalled tires in the tread separation were manufactured at the Firestone plant in Decatur, Illinois. Since the recall, demand for Firestone tires decreased and Firestone

opted to close the Decatur plant, even though Firestone said that this decision had nothing to do with the recall, and everything to do with it being the oldest Firestone plant. These employees found themselves out of work by the end of 2001 (CBS News, 2001).

Not only does this affect the employees, but it also affects their families and the City of Decatur as a whole. The company laid off 1, 480 employees. The closing of this plant will have a significant impact on the local economy; it is a trickle down effect. People are unable to buy goods and services once they are unemployed. This lack of purchasing in turn puts other businesses out of business. Legal Analysis When a consumer purchases a product, in this case, a Ford Explorer, they expect that the SUV that they buy will be safe. It will get them from point A to point B without injuring them.

The Product Liability Law holds manufacturers along with their suppliers responsible for any injuries that the products cause to a consumer. There are three possible causes that a consumer can use against a manufacturer. The first is negligence, the second is breach of warranty and the third is strict product liability. A consumer with a product liability case should bring as many of these causes as possible against the manufacturer. (Kubasek, 2009). In this case, both Ford and their tire supplier Firestone were negligent. There are four causes of negligence that the plaintiff must prove for negligence. 1) The defendant manufacturer owed a duty of care to the plaintiff, (2) That the defendant breached that duty of care, (3) that this breach of duty caused the plaintiff's injury and (4) that the plaintiff suffered actual, compensable injury (Kubasek, 2009). All car manufacturers and their suppliers owe the customer a duty of care. In this case, Ford knew as early <https://assignbuster.com/case-analysis-report-ford-motor-company-and-firestone/>

as 1989 that there was a chance for rollovers with the Ford Explorer. Their action to not increase the chassis size, and lower the engine contributed to the Company's non-compliance with the consumer protection law as well as breaching the duty of care to the customer.

Ford also requested that the tire pressure be lower than Firestone's requirements. Firestone along with Ford began investigating the tread separation complaints as early as 1992. Once again, if both companies knew in 1992 that there was problems with tread separation, then they had a duty to report it to the consumer. Ford and Firestone's inaction with these problems caused the plaintiff's SUVs to rollover, causing injury and in some cases death to the plaintiff or their family members. The plaintiff injured in a tread separation rollover frequently suffered multiple injuries, health bills and had a totaled Ford

Explorer. How did Ford become non-compliant with the Product Liability Law. I think that this is a simple case of Ford wanting to get their brand new product to the showroom floor and by choosing to increase the chassis and lower the engine, 5 years of work would need to be extended. I believe that in this case, Ford chose to gamble with people's lives. They did not believe that the rollover risk was as significant as it was. However, once it was partnered with the tread separation problem from Firestone, it was a recipe for disaster.

Once again, I believe that Firestone wanted to keep its business with Ford and chose not to speak up regarding the lower tire pressure. Ethical Issues The ethical problem for Ford here was whether to go ahead and make simple

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changes to the design of the Ford Explorer in 1990 before it went into production, or whether they should go ahead and increase the size of the chassis and lower the engine. By choosing to increase the size of the chassis, they would have had to postpone bringing the Explorer to production, which would have cost the company money in the short run.

Ethical Perspectives The teleology theory states that we make our choices based on what the greater benefit with the least amount of harm will be. Ford unaware of the future tire separation issue chose to not spend the time and money changing the chassis size or the lowering the engine. This decision resulted in the greater benefit for the company, and its shareholders and at the time was believed cause the least amount of harm. Without the tire problem, this could have been the correct choice for Ford.

Unfortunately, for Ford, the Firestone tread separation problem exacerbated the rollover problem. Once the tread separation problem came to light, then both Ford and Firestone should have acted quicker, recalling the tires. I am sure that in the long run waiting and having more people die resulted in the companies paying more in legal settlements. It cost the companies customer loyalty and changed people's ideas of their brand recognition of Ford and Firestone. Problems such as this can take a long time to overcome.

The cost to the company was ultimately more in public relations and lawsuits than it would have been if they had acknowledged and dealt with the problem in the first place. If Ford had chosen to change the design prior to production of the Ford Explorer, or had not requested that Firestone reduce the p. s. i. required in the 235 tires, then this would have been an unethical

choice. Ultimately, the company needs to look at the economics of the decision and decide which will have the best results for the company and pay the best dividends to the shareholders.

The deontology theory focuses on the rights of individuals, and regardless of the outcome, there are some things that we should not do if it means that an individual might be harmed (Ferrell, 2010). In this case, the deontologist would argue that Ford should have delayed the production of the Ford Explorer until it was proven to be safe from rollovers. They would also argue that at the first sign of a problem with Firestone tires, that production should have been stopped on the Explorer and all Firestone tires in question should have been recalled and replaced with safer tires.

The unethical approach to the deontology theory was to proceed with production without making changes to the design of the vehicle, and not deal with the problems that occurred, such as the tread separation. The relativist perspective states that one would try to anticipate the conflicts that might arise between the different philosophies of each member of the organization, its suppliers, and customers as well as the community at large. The relativist will try to gain a consensus on a given behavior however, the relativist understands that circumstances change and they may need to change their views accordingly.

Had Ford and Firestone used the relativist theory, they would have made their decision to produce the Explorer without the extended chassis and lower engine, however once the problems occurred with Firestone and the tread separation, they would have worked out a solution to replace the tires

sooner than they did. The unethical approach to the relativist theory would be to not change their philosophies as the problems arose. In this case, it would be to not recall all tires that were associated with tread separation, but to keep on installing these tires on new vehicles. Corporate Culture

Ford's corporate culture was one of exacting. Ford had a low concern for people, and a high concern for profits (Ferrell, 2010). They were more concerned with the interests of the company than consumer safety. Ford showed this many times over, starting with their choice to not change the design of the SUV, followed by the inaction after the first reports of tread separation in 1992 and finally by not reporting their recall of the same tires in the Middle East and Asia to the NHTSA. By not reporting this to the NHTSA, and not issuing a nationwide recall of the tires in the U.

S. , Ford managed to keep its profits intact while doing the bare minimum to keep consumers in other countries happy. Ford never once issued a recall or gave any notice to Explorer owners that there may be a potential problem with their SUVs. Ford's governance at the time was one that benefitted the shareholders of the corporation. Their goal was to make their decisions for the best interests of the shareholders to maximize wealth for its investors and owners (Ferrell, 2010). Unfortunately, I believe that this was misguided on the part of Ford.

Had their governance been more in line with the stakeholder model, then I think they would have fared better in this whole process. The stakeholder form of governance requires that companies do the best for their shareholders, but also answer to other stakeholders including their

employees, suppliers and government regulators. Ford chose to only look at making profits for the company and dividends for the shareholders. It never once thought about the consumer, or worked with the NHTSA to fix the problems at hand.

Firestone was just as guilty in this regard, in fact I believe that they were more guilty of benefitting the shareholders of the corporation as they opposed all of the tire recalls in other countries and only when the NHTSA opened an investigation into the tire problem did they get behind a recall in the U. S. (Kumar, 2001). Ethical Decision Factors to Consider Legally, Ford and Firestone was responsible to manufacture a product that was safe. Ethically, they had a responsibility to report to both the shareholders and the customers the major problems that arose with the tire tread separation.

Under the theological approach, Ford should have disclosed the problem with Firestone tires and replaced them immediately, this would have prevented some of the public relations nightmares that they had. By selectively recalling tires in other countries, Ford looked guilty. Had they used the more enlightened egoist approach, they could have looked like the good guy, while preventing more scrutiny on themselves and the fact that the Explorer had a tendency to rollover. Under rule deontology, Ford could argue that they were not required to notify the NHTSA about the recalls in the Middle East.

However, the act-deontologist the right thing to do would have been to inform the NHTSA about their recalls, and to issue the same recalls in the U.

S. Under the relativist theory, Ford would have reviewed the industry standards regarding informing the NHTSA as well as its company's policy and made its decision based on those results. Recommended Corrective Action <https://assignbuster.com/case-analysis-report-ford-motor-company-and-firestone/>

Once Ford realized that they had tread separation problems as early as 1992, they had a responsibility to resolve the problem.

They should have worked more closely with Firestone to figure out why these tread separations were happening. By 1998 at the latest, when they received notice of the tread separation problems from the Middle East, they should have immediately issued a recall in all countries. Ford had a responsibility to the Company, to their shareholders and to their customers do issue a recall. By not issuing an immediate recall, they ended up tarnishing their reputation and losing money in the process. Ford should have done as Johnson and Johnson and put consumers first.

In 1982, Johnson and Johnson was hit with 7 people dying in the Chicago area after taking cyanide laced Tylenol. Johnson and Johnson acted quickly, recalling all of its Tylenol, not just the Tylenol in the Chicago area. They were able to rebuild their brand by putting it in new tamper proof packages (Rehak, 2002). In the long run, Johnson and Johnson came out on top because they put the consumer first. They did not choose profits over consumer safety. Ford should have made a choice similar to Johnson and Johnson's regardless of what Firestone wanted to do.

Had they done this, I believe that they would have ended up minimizing the losses felt from the Explorer/Firestone fiasco. Conclusion Ford made many mistakes throughout this process. They could have easily prevented a lot of the problems that occurred by reengineering the prototype to make its chassis wider and by lowering the engine. I am not sure that this would have prevented the tread separations, but it might have prevented the rollovers

after tread separation. In hindsight, it would have been the best choice to make.

Ford also should have acted quicker once they realized they had a tread separation problem. They had a responsibility to inform all parties involved. They chose not to. If they had handled it quicker, I believe that their image would not have been so tarnished. When I started this project, I always believed that it was a Firestone problem. I now realize that Ford contributed a lot to this problem and chose not to handle it appropriately, until the news media started getting wind of the problems and bringing it to the public's attention.

However, the fact that I thought this was a Firestone problem, does show that the larger the company, and the bigger their public relations departments, the better the spin they were able to put on the problem. Unfortunately for Firestone, they came out the worst. Everyone remembers that Firestone had a problem with tread separation and that people died, they know Ford was involved, but it was Ford that was replacing the tires, not Firestone. Firestone chose to fight these recalls as long as they possibly could. This in the end hurt Firestone's brand and what people think of them as a company.