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## **1.0 INTRODUCTION TO THE COMPANIES AND PRODUCT**

### **1.1 Ford - the SUV manufacturer**

Ford Motor Company was established on June 1903 with primary business as automobile maker. They have all equipment and manpower to design and produce automobile product mainly cars and jeeps. They are famous car maker in America and well known by neighboring countries. Ford manufactured new SUV and released to the market with the name of Ford Explorer. The internal expertise such as the design engineers tested the model and recommended for changes and they found it likely to roll over at high speed due to poor suspension design. Ford changed several element of the SUV but maintained the same suspension and tire pressure. The crash test of the SUV was reasonable whereas the performance of the front bumper and rear bumper was poor and yet the cabin safety was acceptable as it was build with strong structural cage.

This had result the SUV to be released to the market although the warning alarm of roll over changes was high. This concludes in clear that the product was released to the market although it is not fully fine-tuned for driver or passenger safety. The product hit the market and was exported widely to other countries including hot weather countries such as Malaysia, Thailand and Venezuela.

### **1.2 Bridgestone/Firestone – the tire manufacturer**

Firestone began their production in 1900 while Bridgestone started their operation in 1931. They both are tire manufacturers. In 1990, they merged their operation and they are well known for the both brand name which are Firestone and Bridgestone. Their primary business became tire manufacturing as it contributes nearly 75% of their solid revenue. They provide almost 8000 types of tires and do have contract with several large automobile makers. One of them is the Ford Motor Company. Firestone eventually supplied the tires for Ford Explorer SUV. Firestone had a recommended air pressure for the tire which is 36psi. Ford on the other hand required 26psi for their SUV and so the tire air pressure was lowered to Ford's requirement. Firestone does aware of the risk in term of the user safety if the tire pressure was lowered to that level. Firestone knows about the tread separation in tires fitted for Ford Explorer SUVs. They did not stop Ford

Motor Company from releasing the SUV. This proves that Firestone was interested in retaining their supplier relationship with Ford Motor Company by providing the tire at their required tire pressure. Both parties were acting in their own interest and took the risk releasing the unsafe SUV to the market.

## **2.0 PROBLEM OCCURRED**

### **2.1 Lost of Innocent Lives**

The Ford Explorer failed on high speed and roll over as the both parties expected. The production was not stopped and nothing was taken to improve this situation. This had cause huge loss to the society. Firestone was blamed for is tire failure in hot weather countries such as Malaysia and Thailand which was more visible. On the other hand, when this tire tread separated, it will make the SUV to lost control and get into accident. This Ford Explorer SUV had killed nearly 250 innocent humans who were not informed regarding the danger of the SUV at high speed. It is also recorded that around 3000 serious injuries happened due to these accidents. Beside the tires, the SUV cabin safety was also questioned as it was reported that the seatbelt ripped out during the accident impact placing the passengers in direct danger. This means the SUV itself lack in term of safety although it is claimed to be safe by the manufacturer.

### **2.2 Environment Pollution**

Not only putting the SUV owners into risk but Ford and Firestone are both responsible for placing the whole society in danger through pollution. When a SUV roll over due to tire failure, it can cause real fire accident. These fire accidents putting the neighbors into the risk air pollution. The gas produced from a burning tire is among the most hazardous gas. Besides it is also releasing toxin to the air. At the same time, hydrocarbons and black smoke from this fire destroys ozone layer. The whole society placed to face this risk.

### **2.3 Financial Burden**

The vehicle that is damaged in accident is product bought for his cost. The owner lost his money just because the product that he bought is defective. This burdens the owner. On the other hand, insurance companies are also liable for the accidents that happen as they

had insured the vehicle. The insurance companies paid the loss. Even the problem of this SUV and tire was learned from insurance company's data study and analyzes by government investigator. The insurance money is poll money from all the premium buyers and it is unfair for the Ford or Firestone to be reason for wasting these insurance poll money.

### **3.0 SOLUTIONS EXECUTED TO SOLVE THE PROBLEM**

#### **3.1 Tire recalls**

Tire was blamed mainly over the incidents. By external forces from the government, insurance companies and the public, Firestone had announced recall of their tire world wide. The tire serious that caused the most problem was ATX, ATX II and Wilderness AT which higher failure rates. According to Firestone records, they have produced above 14 millions tires of these three series. They voluntarily recalled tires due to alleged tread separation problems associated with tires on Ford Explorers. Learning from the errors, they wanted to stop this from continuously happening and they agreed to replace those tires with other series of tires. Further to this, they also agreed to replace the tire with their competitor's tires when it is required. Notable that this recall does not only happen for Ford SUV but also for some other car models which are Ford Ranger light trucks, Ford F150 light trucks, Mercury Mountaineers, Mazda Navajo, and Mazda B series light trucks.

#### **3.2 Close down plant**

Firestone closed down the Decatur plant which was reported as main plant which produces those tires series. They admit that it was defective and stopped the production. Lead to close of the plant. This plant was blamed the most and closing it down lead to improves back slightly public's trust on the firm. Besides, some research studies remarked that the plant has history of labour issues as well.

### **3.3 End of supplier relationship and product redesigned**

Firestone had terminated their supplier relationship with Ford Motors Company in 2001. This is to ensure the firm is safe from any sort of blamed that co-incurred with the poor Ford vehicle design. This ended the 100 years relationship between the two firms and Firestone announced that they will not be supplying any tires to Ford Motors.

Furthermore, in 2002, Ford Motors Company had revised its Ford Explorer design and announced new design which they claim to be the safest SUV. Several test and analysis shows that their claim was true and the vehicle roll over problem reduced extremely. On another study, Goodyear tires failure to be at least 600 times less than the Firestone tires which was fitted for the Ford Explorers previously,

### **3.4 Compensation**

Firestone completed the recall and tire replacement with the overall cost of nearly 350 Millions US Dollars. At the same time, Ford had absorbed nearly 500 Millions US Dollars cost of the recall. The government investigators were reimbursed by Firestone for about 78 Million US Dollars. The Decatur plant close down cost around 210 Million US Dollars. Further to all these, Firestone and Ford faced numerous lawsuits against them and the settlement and compensation all recorded at cost of 750 Millions US Dollars. On the other hand when the supplier contract terminated by Firestone, Ford Motors Company had once again recall all the Firestone tires in any of their product. This recall was executed although the Firestone tires may not be defective or faulty. This unnecessary recall cost was nearly 3 Billion US Dollars.

## **4.0 ETHICAL PRACTICE ANALYSIS**

Several ethic theories are used to analyze the ethical dilemmas and how it was handled or over looked. It is the real fact that no company exist for society wealth and all of them playing their role for profit. Ethic practices linked with goodwill and reputation of the firm and it is very important for all firms.

#### **4.1 Utilitarianism theory**

Utilitarianism is the theory which weights the situation with cost and benefit analysis. Utilitarianism is all about utilizing the benefit over the cost. If the cost is lowered and benefit is maximized, then it is ethical to adopt the decision or practice. Bringing Ford's decision to release the SUV although they were aware of the high roll over changes, the benefit is high profit to the firm whereas they can save a lot without spending over the redesign. The cost on the other hand is roll over of the vehicle and several innocent people's life which will only happen at high speed. Obviously clear that Ford is following profit-maximization in their administration and management because they did not weight the goodwill and reputation cost that would incur when the incident happen. Utilitarianism is also in favor of the society or social whereas it considers the social benefit from the act. The SUV was not a cheap product and therefore we do not see any benefit to the society by releasing the product to the market putting innocent people's life as cost. Therefore under utilitarianism theory, Ford had acted ethically because they saved huge amount of money by avoiding the redesign and the sales had profited them well. On the hand, when we tend to apply 'rule utilitarianism', Ford failed to be ethical because rule utilitarianism includes the after-act benefits and cost. After the act, the firm had loss millions of dollars for the recall and to rebuild their reputation. This means the cost is higher than the benefit and therefore it was unethical.

For Firestone, under utilitarianism, they provided the tires although knowing it's dangerous for the low air pressure just because to safe their supplier relationship. The benefit here is the profit they earn and retain the relationship. The cost here is several tires to fail and blow out. What they did is ethical. On the other hand, rule utilitarianism tends to fail their action because due to the decision of supplying the high risk tires, they had spoilt their reputation as well as spend high amount in the tire recall and replacement. Besides they also ended the supplier relationship contract. Therefore the after-act cost is higher than the benefit and they are unethical when rule utilitarianism practice applied.

## **4.2 Rights and duties**

The question arise here is ‘was the product released follow the rights and duties?’ The answer is weighted through several different rights. First of all is the human rights. Each and every one of us does have our human rights to know what the level of risk we are taking. Releasing the vehicle is high risk is what the manufacturer prefer but they should have warned the user about the risk of driving it at high speed or at hot weather. In this case, both Ford and Firestone did not disclose their product risk until it was discovered by the government investigator and here is where they proved that had gone unethical.

On the other hand, all business activity is tied up with contractual right whereas the buyer and seller are contractual to each other. They both have the contractual rights and it is important for both parties to not hide fact of a product or mislead the fact of a product. In this case, Ford had misled that their Ford Explorer SUV is safe which intentionally misrepresent the facts. Because Ford is well aware of the risk in the product and claiming it to be safe is fake statement. They are unethical in facing contractual rights.

In term of legal rights, both Ford and Firestone were ethical because they paid most of the lawsuit filed over them and all the legal rights of the individual were respected in a sense.

To analyze the moral rights, we can adopt the maxim theory to investigate the Ford and Firestone action. According to maxim theory, it is ethical if another person would do the same act and the act can be universalized. Ford and Firestone released the imperfect product to the market to gain profit by risking people’s life. Will Toyota and Honda do the same? The answer would probably yes because in general all firm eager for profit and there is no such thing as social focused firm unless non-profit organization. Can this act be universalized? If this act is universalized then the entire automobile industry player would produce imperfect car and putting the life of entire society in high risk. Therefore it cannot be universalized and it is perfect obligation to not execute the action. As conclusion, maxim theory clarified that what Ford and Firestone did was against the moral rights and unethical.

### **4.3 Justice and Fairness**

Justice and fairness consent on how things were distributed and how fair it was handled. In term of distributive justice and compensatory justice, it is important to treat all equal. From the case, we could understand that Ford and Firestone failed to follow or undertake distributive justice because the compensation was not paid in same order or same distribution. The victims who filed lawsuit was compensated with different amount and they were handled differently whereas some was settled outside the court and some lawsuit failed. Under the fairness, all of the victim must have been compensated in same and equal amount.

### **4.4 Ethics of care**

The ethics of care is different approach to the ethic principles. The main motive in ethics of care is to care for each other as every parties relationship always interlinked with one another. For example the buyer of the Ford cars and Ford Motors Company has buyer-seller relationship. Therefore it is an ethic practice for the Ford Motors to care for their buyers although no obligation between them in term of care. This means the firm do not need to care about the buyer but ethics of care brings in that particular practice and therefore Ford Motors should care for their buyers. From the case itself, we extracted that the Ford Motors released such a risky product to the market and this immediately proved that Ford Motors do not practice any ethics of care in their organization. My personal opinion is that practicing ethics of care can lead to building a goodwill and reputation in the view of public or the community. And it is an important ethic that large organization should practice.

### **4.5 Virtue ethics**

Virtue ethics focuses on doing things morally with character. We can simplify this as good character. Do Ford and Firestone have good character? That answered the question either both Ford and Firestone following virtue ethics. Virtue ethics do not consider on rules or consequences. But it is purely on doing good things. If an action is good to do then it is ethical. That's why the virtue ethic married with character. We all know it is not good to release an imperfect product that would danger the users, but Ford and Firestone

yet did it. Thus we may conclude that Ford and Firestone did not follow or undertake virtue ethics practice. Beside virtue ethics is traditional ethic practice. In my opinion, following virtue ethics is merely not possible for organization because as mentioned earlier, firm should be conducting the business for profit instead of well-fare in any sense and as a result of it, it is impossible to always do the good thing and earn profit.

#### **4.6 Business' Duties to Consumer**

Earlier I had discussed the rights and duties, now bringing the focus into the duty of a business toward their buyers and consumers. Business is responsible to provide reasonable product that meet four primary aspects which are reliability, service life, maintainability and safety. In a sense, Ford had made the consumer believe that their product is safe. Therefore the Ford Explorer should not be selling to consumers because that is in direct conflict with what the consumer's believed. One of the business duty is also to ensure the consumer is educated about the risk of the product that they are about to buy. Ford and Firestone hide the fact about the product danger and sold the product. Therefore the both companies failed their duties to consumer.

#### **4.7 The due care theory**

The due care theory is in place because the manufacturer always have advantage over their product because they have superior knowledge about the product including how it was manufactured. The consumers are not educated on how the product is manufactured and they would be educated on how to use or handle the product only. Thus, due care theory play its role such as the ethics of care which emphasize that the manufacturer is solidly responsible to exercise due care in their design, production and information. In the case, Ford failed to exercise due care in the design. They designed dangerous product that lack in term of suspension and in-cabin safety. Firestone on the other end, failed to exercise due care in their production of tire. The tires produced at Decatur plant found to be having highest number of defect. Furthermore, both parties did not provide the information of how risky and dangerous their product is. Instead they hide these critical information and completely failed to exercise due care.

#### **4.8 Strict liability**

Strict liability theory emphasize that regardless of a manufacturer aware or not about the injuries that the product is about to cause, he is still liable over the product failure or defects. Relating this theory to the case, it is responsibility of the Ford and Firestone to be liable over their product if it failed. This is why firestone recalls their faulty tires and replaces it because they have the strict liability over the product or services. As well as Ford is liable for all the Ford suspension or handling failure. They had later revamped the design with good safety features. Somehow, this strict liability is in direct conflict over the compensatory justice theory because compensatory justice mentioned that one does not need to compensate if they did not forecast the problem is going happen or the product is going to fail. But strict liability mentioned you are liable under all circumstances as long as the product failed.

#### **5.0 Conclusion**

It is obvious that running from a moral obligation or not following appropriate moral practice in business would lead to many failure and disputes. Ford and Firestone is best example for the statement as they produced the Ford Explorer ignoring the warning alarm that it is dangerous to the consumer and at the end of it, the both parties lost millions and billions on correcting their mistake. Avoiding a moral obligation would not lead to anything else than trouble because we placing the business reputation and goodwill in a high risk. It is visible that Firestone gone unethical just to secure their supplier relationship with Ford Motors but yet at the end they still terminated their contract and ended the relationship as well. The goodwill and reputation of a firm is the most important aspect when an ethic question arises. And placing the priority of the society's wealth without losing the firm's interest of profit would be the right ethical action to execute.

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