



## PEELING LIKE A BANANA: DID FIRESTONE SLIP DURING ITS GLOBAL PRODUCT RECALL?

On a hot day in June, teacher Kelli Gilmore and her two children were riding down 1-87 near Lubbock, Texas, in the family's Ford Explorer when one of the tires suddenly began to tear apart. The tire's tread separated, causing the vehicle to roll over and crash. The crash was so violent that the driver's seat broke into pieces and threw Kelli from the vehicle. When the police arrived at the accident scene, they found Kelli's young son kneeling next to his mother's dead body. Her other child was found alive, but unconscious. Investigators at the scene found a Firestone tire, which they said had "peeled like a banana" and caused the accident.

Harvey Firestone started the Firestone Tire and Rubber Company in 1900 in Akron, Ohio. Early on, Firestone developed a reputation for producing a quality tire, and in 1906 Henry Ford selected Firestone as a supplier for his auto assembly plants. In 1931 Shojiro Ishibashi began the Bridgestone Tire Company in Japan. The name Ishibashi means "stone bridge" in Japanese and the names were reversed to make Bridgestone. Ishibashi admired Harvey Firestone and liked the fact that the two names were similar. Fifty-seven years later, Bridgestone would purchase Firestone for \$2.6 billion.

Bridgestone/Firestone sells 50 million tires a year, and Firestone is the second largest tire producer in the United States behind Goodyear. The company manufactures tires at 38 production plants in Illinois, Ohio, Tennessee, North Carolina, South Carolina, Iowa, and Oklahoma. In addition, tires are produced in Chile, Costa Rica, Brazil, Venezuela, Argentina, Mexico, and Canada. Firestone plants have received the quality certification, ISO 9000. Seventy-five percent of the company's revenue is derived from the sale of tires and the remaining 25 percent comes from the sale of building material, air springs, and various rubber products. Firestone is headquartered in Nashville, Tennessee.

Firestone supplied tires for Ford's popular SUV, the Explorer. Ford in Saudi Arabia first noticed problems with Firestone tires. In 1999 Ford quietly replaced tires on

Explorers sold in Saudi Arabia while reports of tire problems were also being received from consumers in Venezuela and several Asian countries. It was originally believed that the problem of tire failure was associated with more extreme ambient temperatures and that the problem was confined to countries with warmer climates. Ford replaced tires in the Middle East, South America, and Asia, requesting assistance from Firestone, but Firestone refused to help. The auto manufacturer does not normally warrant tires and the tire manufacturer usually takes responsibility for replacing defects. Firestone refused to support the recall and blamed Ford for the tire failures by claiming that Ford advised consumers to under-inflate tires for a smoother ride. Firestone further claimed that the Explorer was an unstable vehicle. Firestone pointed further blame at consumers for negligent driving and for failure to maintain adequate tire pressure. Eventually, Ford did issue an advisory to consumers to inflate tires on Explorers to the manufacturer recommended pressure.



APR PHOTO

Firestone tire failure was also beginning to be reported in the United States. Although most failures were found with the Ford Explorer, the treads on certain Firestone tires were peeling from other vehicles as well. Many of the accidents in the United States were reported in warmer-climate zones, such as Florida, Arizona, Nevada, and Texas. In August of 2000, Firestone president John Lampe announced that a voluntary recall of tires was being made on the ATX and ATX 1115 inch model and the Wilderness AT 15 inch model produced in Decatur, Illinois. Although Firestone maintained that the tires were safe, the company would replace, at no charge to the consumer, certain tires, which were felt to have a higher failure rate. Tires made at the Decatur, Illinois plant seemed to be especially prone to failure. In total, 6.5 million tires were recalled and Firestone was having difficulty finding enough tires to act as replacements. The recall was staggered, with warmer-climate states being given first priority. Firestone began airlifting tires from Japan to try to meet the needs of the recall. Although this recall of 6.5 million tires is substantial,

it is smaller than an earlier recall by Firestone in 1978 in which 14 million tires were deemed defective and replaced. Consumers of other models of Firestone tires were demanding that their tires be recalled as well; however, Firestone insisted that those tires were safe and refused to replace any other models. It was alleged that the problems with tread separation could be traced back to labor unrest at the Decatur plant. Workers reported that during a 10-month strike at the plant, product quality was allowed to slip. Tires were not allowed sufficient time to “cook” and, therefore, the layers of the tires did not permanently bond together. Some tire experts, however, reported that, after examining the failed tires, it was clear that a problem existed with design and that more tires should be recalled. Firestone denied all claims of poor quality or design problems, although it did admit that in its Venezuela plant it omitted a safety layer of nylon in certain tires sold to Ford. Congressional investigations uncovered a study conducted by Firestone in 1996 in which 11 tires failed out of a random sample of 129. Firestone issued no recall. The failure rate was deemed acceptable.

During Congressional testimony, Firestone USA’s CEO Masatoshi Ono took personal responsibility for the problems. He told investigators that he was to blame for the accidents. Ono had no response, however, when he was told that if the company’s negligence resulted in the death of over 100 people it would constitute a serious case of manslaughter. Many observers felt that Ono’s performance during the testimony did not help Firestone’s image. Congressman Billy Tauzin of Louisiana summed up the feelings of many by saying “The whole thing stinks.” Bridgestone’s CEO, Yoichiro Kaizaki, who is

generally credited with saving the American Firestone brand in 1988 when it was purchased by Bridgestone, has not made a public appearance since the recall was announced. In October 2000 Firestone officials were summoned to appear before a meeting of accident victims in Venezuela; however, they refused to attend, stating that the company had “no responsibility” for the accidents.

VEHICLE	TIRE FAILURES	ROLLOVERS	RATE
Explorer	2,450	306	13%
Other Ford SUVs and light trucks	507	24	5%
Other SUVs and light trucks	416	12	3%
Other vehicles	160	4	2%
<b>TOTALS</b>	<b>3,533</b>	<b>346</b>	

Source: NHTSA Firestone Wilderness AT Investigation Database, Safety Forum

In contrast to the hermit-like approach of Firestone officials, Ford CEO Jacques Nasser made several public appearances, and appeared in several advertisements to reassure consumers that the Ford Motor Company was doing everything it could to solve the problem. “This is a tire issue, not a vehicle issue” was a common statement made by the Ford CEO. Nasser told Congressional investigators that Ford had no idea that there was

a tire problem until they “virtually pried the claims data from Firestone’s hands and analyzed it.” Firestone was blaming its largest customer (Ford) for the problem and Ford was blaming Firestone. A very public dispute developed, with Ford finally announcing its decision to end



its exclusive contract with Firestone. Several retailers, including Sears, Discount Tire, and Montgomery Ward announced a decision to limit their sale of Firestone tires as consumer opinion of Firestone began to drop. In a consumer survey by CNW, only 5 percent of tire shoppers said that they would consider buying a Firestone tire. Investors were also losing confidence in the brand and Bridgestone’s market value dropped by \$10 billion. Lawsuits in the United States and Venezuela continue to be filed against Firestone, and some analysts estimate potential liability in excess of \$1 billion. To make matters worse, Firestone’s own public relations agency terminated its relationship with the company.

## Discussion Questions

1. Who do you feel is responsible for the problems presented in this case? Explain.
2. Regardless of your answer to the first question, did Firestone do a good job in its handling of the product recall? Explain.
3. Does culture in any way explain the different approaches used by Ford and Firestone in addressing the tire failure problem?
4. If you were advising Firestone, what suggestions would you make?

# CASE WRITE-UP

*As an outside consultant, you've been asked by Firestone CEO to assess and analyse the situation. Referring to The Standards of Business Practice handout on Case Study write-ups, present the class with your findings by the end of the period.*

## SUMMARY

Identify all the problems with the company, as well as all problems the company is facing. Determine the “**root**” cause(s) of these problems.

*Things to think about:*

Why was this such a problem?  
Was it a wise move to not recall the tires? Did it make sense at the time?  
Why was it done?  
How did this impact the “Stakeholders” of Firestone around the world?  
What insights can be gained from this experience?

## ALTERNATIVES

Assume it is still the year 2000/2001. Make recommendations for solving this problem. Explain reasoning.

## RECOMMENDATION

Select a recommendation and justify it. Remember, this will be an argumentative paragraph.

## CONCLUDE /IMPACT

Use STEEPEC framework here for analysis.  
Note: Submit this work in Case Write-up format.

Category	Criteria	Mark
Thinking/Inquiry	Depth of analysis. All problems identified must be taken to their ROOT cause.	/10
Communication	Spelling and grammar	/5
Application	Proper use and write-up of the case	/5
	Proper use and write up of the STEEPEC framework	/5