

Ford Motor Company Responds to Ethical Challenges

INTRODUCTION

Ford Motor Company was founded by Henry Ford, an inventor and entrepreneur on June 16, 1903 in Detroit, Michigan. The Model-T became one of the most popular vehicles because it was inexpensive. During this era, he opened a factory in Canada making the company a global transportation leader. His moving assembly line for manufacturing was to revolutionize the auto industry.

In July 1919, the Ford family bought out all non-family shareholders, making them the sole owners of the company. Ever since, all Ford Company Chairmen/CEO's have been direct descendants of Henry Ford. It is the fifth largest family-owned business in the world. Today Ford remains one of the world's top automobile companies. In 1927, Chevrolet surpassed Ford in the number of cars sold, and a rivalry continued for the next 100 years. The Ford Focus was the world's bestselling automobile in 2013.

The Ford Company mission also known as the vision statement is "People working together as a lean, global enterprise to make people's lives better through automotive and mobility leadership." Today, Bill Ford is Executive Chairman; under his leadership, the company was named the Best Global Green Brand among all companies in the world in 2014, and one of the World's Most Ethical Companies for the eighth year in a row in March 2017.

In 2017, Mark Fields was forced out as CEO, after a 40 percent drop in share price over the last three years. Chairman Bill Ford immediately appointed Jim Hackett to replace him. Prior to this appointment, Hackett served as Chairman of the Ford Smart Mobility LLC subsidiary. Hackett's growth strategy is to take the car maker from conventional production to new kinds of vehicles and new advanced manufacturing processes which includes ridesharing and autonomous vehicles. His strategy is to move from a traditional car company to a more flexible and technologically advanced mobility company.

Hackett's management strategy is to cut costs, focus on trucks and SUV's, and move some manufacturing, including the Ford Focus, to China. Ford will cut internal combustion engine spending by one-third while moving these resources toward electrical technology with a goal to add 13 new electric cars by 2020. Ford has pledged to redesign its factories and add 3-D printing, robotics and virtual reality tools to speed up design for development and production of all product offerings.

Ford will explore emerging markets as they seek new ways to address urban congestion and park and ride desires of the driving public. Recently, the company acquired Chariot, a crowdsourced shuttle service, and opened the company's Smart Mobility Innovation Office in London, which will target near term development of smart mobility technologies while focusing

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on the specific requirements of European cities. Hackett plans to push Internet connectivity and promises that 100 percent of new U.S. vehicles will have the capability. It will include Wi-Fi technology which is critical for driver assistance systems and autonomous vehicles. Ford's biggest competitors or Tesla, Google and Uber.

Henry Ford said, "there is a most intimate connection between decency and good business," The company has a strong code of conduct; it is published in the *Ford Code of Conduct Handbook*. It focuses on ethical risk, provides guidance on how to recognize and deal with ethical issues, provides policies and methods to report unethical conduct and to help create a culture of accountability and honesty. It also provides an on-line reporting system as well as questions and answers.

The Handbook covers the workplace environment; gifts, favors and conflicts of interest, use of company assets and data safeguarding integrity of financial records; product quality; safety and environmental matters; intellectual property; working with the governments political activities; competition and antitrust laws; international business practices. *The Code of Conduct* provides a list of items employees are forbidden to accept, gifts from those who do business ,or wish to do business with Ford (unless under a \$50.00 value), including cash, discounts on products (unless offered to the whole company) and tickets that do not meet entertainment requirements. The company has strict guidelines on international business and maintains strict oversight over its global operations and provides an online global ethics training program for employees, written in 13 languages.

Even with a strict Code of Conduct, Ford has encountered problems through the years. In 1970-1980 while sales of the Ford Pinto were high, design issues arose regarding placement of the gas tank behind the rear axle instead above it. Bolts were added which increased the likelihood of a puncture in the tank and causing a fire. In 1977 the flaws were made public in a *Mother Jones* article criticizing Ford's decision-making process for the product. The flawed design cost Ford Motor Company \$125 million in compensatory and punitive damages.

The verdict remains controversial even after many appeals as Ford maintained the Pinto was safe and only involved in 1.9 percent of fatal accidents and less than half were the result of rear-end collisions. A California Court of Appeals upheld the original verdict although the amount of punitive damages was reduced to \$3.5 million. Ford was found by the jury to be negligent. Later Ford engineers indicated that management was not made aware of the design problems because of a company culture of firing the bearers of bad news. Ford's reputation was significantly impacted when the jury viewed Ford was more interested in saving money at the expense of society.

Another embarrassing Ford ethics issue involved Firestone/Bridgestone Tire Company in 1998. A State Farm Insurance investigator studied claims and discovered tire tread failure with the Firestone tires which was then reported to the NHTSA. Almost 84 percent of the tire retread issues were found on Ford vehicles that were manufactured at the Decatur, Illinois plant. Further investigation revealed the plant did not have adequate air conditioning which directly impacted the adhesive properties of the tire. Old equipment combined with temperature-

control problems led to the safety issues. The Ford Explorer recommended a lower tire pressure, and many felt it contributed to the Ford Explorer rollover problems and tire tread failure. Firestone issued a tire recall, and Ford implemented a tire replacement program that affected 1.3 million tires. Each company blamed the other for the problems which ultimately severed the long-term business relationship the two companies had.

Ford was criticized for lack of due diligence and should have had more quality control over their vehicles. Ford also failed to acknowledge to the public that they had identical problems with the Ford Explorer in foreign countries. This resulted in their stock price decline, loss of consumer faith, and ultimately cost the company more than \$1.3 billion.

SUSTAINING – SUSTAINABILITY.

Ford Motor Company has made a commitment to sustainability; they created the **Sustainable Work Force** that focuses on strategic hiring, training, protection, safety and healthcare. Ford has a policy for safeguarding human rights and working conditions as they seek to be a good corporate citizen. They also encourage their suppliers to develop and enforce similar policies for their own suppliers and subcontractors. Sustainability creates an opportunity for engagement, collaboration and innovation. Ford has created an employee wellness and wellbeing program, expanded benefits beyond the traditional ones, including increased paid leave time.

The company is a strong supporter of employee diversity and education. An employee program called **Ford Interfaith Network** was created to help employees learn about and respect different religious beliefs and customs. Every year, Ford holds a National Day of Prayer at its world headquarters and invites employees of all faiths, ethnicities, and religion to participate. The company also created **GLOBE** to support a safe and supportive work environment for gay, lesbian, bisexual and transgendered employees. Employees are encouraged to participate in health risk appraisals and health promotion programs.

COMMUNITY SUSTAINABILITY

Ford employees gave 204,000 volunteer hours last year working in poverty areas. The Ford Global Day of Caring volunteers engage in building projects in communities through the world. Ford Community Day is a fair for the public that introduces the customer to their product line. Local Ford dealerships sponsor major events and initiatives. The Ford Partnership for Advanced Studies (Ford PAS) is an academic program that has students, teachers and community leaders providing free tutoring to participants. In 2016, Ford provided \$32.8 million to support Community Life; \$18.4 million for Education, and \$7.7 million for driving safety programs.

The **Environmental Sustainability Program for Climate Change** addresses ethical business practices; product carbon footprint and fuel economy; customer satisfaction; product quality and safety; supply chain management; assessment; capacity building and performance, and government regulations. Ford was named to CDP's Water List for corporate water stewardship for the second year in a row. Ford Value Chain includes product design that addresses the impacts at every stage of the automotive life cycle, from use of natural resources and materials

to product quality and safety. Ford tries to use sustainable materials throughout the manufacturing process. They also hold their suppliers and subcontractors to the same standards they adhere to.

CONCLUSION

Ford today has operations in more than 100 countries and works to maintain the core values of improving performance while addressing social, economic and environmental challenges while living in compliance within the *Ford Code of Conduct*. There will always be new ethical issues and Ford will need to continue to assess risks and respond to new challenges.

QUESTIONS

1. How is James Hackett's leadership going to transform Ford's ethical culture?
2. What are the problems with using a cost-benefit analysis to analyze a problem dealing with human life?
3. What actions has Ford taken to restore its reputation as an ethical company?
4. What can other organizations learn from Ford's approach to ethics and social responsibility?
5. What else should Ford do to improve its concerns for stakeholders?

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