

## BRIDGESTONE / FIRESTONE INC. JOHN LAMPE – CASE STUDY



On October 10, 2000, Mr. John Lampe was named Chairman and Chief Executive Officer (CEO) of Bridgestone/Firestone Inc. Lampe is currently 53, and has been with Bridgestone/Firestone for 27 years, starting as an international trainee in 1974. Prior to his promotion, Lampe served as Executive Vice President of Bridgestone/Firestone and President of Bridgestone/Firestone Tire Sales Co. Earlier, he was the President of Dayton Tire Operations (Bridgestone/Firestone's subsidiary company) and its director of sales and marketing. Lampe was also involved in a number of international management positions in Singapore, Denmark, Costa Rica, and Brazil. He is an active member in industry organizations, such as the Rubber Manufacturers Tire management committee and the American Trucking Association. Lampe possesses a Bachelor of Science degree in business administration from Kansas State College, as well as a Masters degree in International Management from the American Graduate School of International Management in Glendale, Arizona.

Bridgestone/Firestone Inc. is based in Nashville, Tennessee. It is the largest subsidiary of Tokyo-based Bridgestone Corporation, the world's largest tire and rubber company. Bridgestone/Firestone develops, manufactures, and markets Bridgestone, Firestone, Dayton, and associate and private brand tires. Its product mix also includes Firestone air springs, roofing materials, synthetic rubber, and industrial fibres and textiles.

On August 9, 2000, Bridgestone/Firestone announced a recall of 6.5 million tires. The models affected included the P235/75R15 ATX, ATX II, and Wilderness AT, all are standard equipment on 1991-1996 Ford Explorers, Rangers, and some F150s. The reason for this massive recall is that there have been 148 deaths related to Firestone tires in the United States. The troubled tires were reported to burst or peel off at speeds of 100 to 120 km/h (60 – 72 mph), causing vehicles to spin out of control and roll over, inhibiting injuries and fatalities. Bridgestone/Firestone claimed that the problematic tires were manufactured at the Decatur, Illinois plant. The tires showed lower belt adhesion, the chemical process that bonds together tire components, than other tires produced at other plants.

On the other hand, Masatoshi Ono, the former CEO of Bridgestone/Firestone, blamed Ford for their faulty designs with the Explorer. Ono claimed that the Explorer was unstable, and its suspension system may have contributed to tire failure. Ford recommended Explorer owners to inflate their tire pressure to only 26 psi, or pounds per square inch, before the recall. What Explorer owners did not know was with the 26-psi tire pressure, their vehicles could only carry 1 025 pounds, even less than the 1 100 pounds for a Taurus. Also, the lowered tire pressure contributed more to the problem with driving in high speeds in high temperatures. Firestone had always recommended a 35-psi pressure, which is found on the Ranger. Whether overloading played a role in the Firestone tire failures is not clear; some of the Explorers that crashed were filled with people and luggage, while some were not.

As a result of this dilemma, Bridgestone/Firestone was sued by a number of victims and their families. In fact, there were as many as 200 lawsuits filed against the company on tire-related crashes. These lawsuits, along with some actions and testimonials of ex-CEO Masatoshi Ono, have not helped Firestone to earn the trust of its consumers at all. In one testimony, Ono said that Bridgestone/Firestone was well aware of the tread separation with the tires, and was taking steps to address the situation without advising the Government or public until NHTSA (National Highway Traffic Safety Administration) ordered a recall. Ono even reassured Ford that their tires were perfectly safe.

In Venezuela, Bridgestone/Firestone refused to send representatives to attend a government-arranged meeting with victims of accidents involving Firestone tire failures on Ford Explorers. The management of Bridgestone/Firestone said that to attend “would imply an admission of guilt that is not ours.” Bridgestone/Firestone continued to blame Ford that the Explorer SUV is more prone to rollovers due to design faults and not the tires. Meanwhile, Ford insisted that the Explorer met government test results that confirmed the stability and manoeuvrability of the vehicle.

Consequently, the US Congress passed a bill requiring auto manufacturers to conduct driving tests in order to determine the risk of rollovers. The new bill also requires manufacturers to install new systems in automobiles and trucks that will measure tire pressure to alert consumers if tire pressure is too low. Additionally, it increases civil and criminal penalties on auto executives who withhold safety information from the Government.

In terms of internal affairs, the company’s claim against the Decatur plant had made the workers very unhappy. The employees felt that the company was “pinpointing” Decatur. The union leader argued that the problem lied within the design of the tires and not the workers themselves. He said that his members were simply following instructions from their managers when making the tires. Decatur used the combination of rubber pellets and a lubricant to create the rubber that coated the steel belts of the tire. Other plants use rubber slabs, which require less lubricant. Bridgestone/Firestone maintained their position in saying that Decatur’s unique way of manufacturing (by using lubricants) was the main cause of the problem.

Since the announcement of the recall, sales of Firestone brand tires have fallen to nearly half. The public has also criticized Bridgestone/Firestone for slow crisis management. John Lampe is now the new Chairman and CEO of Bridgestone/Firestone Inc. He has the support of the management team in both the United States and Japan. If Lampe continues with the recall, it will cost the company at least \$350 million US, which will account for approximately 26% of its earnings for the fiscal year ending December 31, 2000. Combined with any potential legal liabilities, Bridgestone/Firestone will face a loss of \$500 million US, its first loss in eight years. With the current economic downturn, can Bridgestone/Firestone withstand the pressure of falling stock prices? What should Lampe do to revive the Bridgestone/Firestone name?

