

Ford-Firestone Lesson: Heed the Moment of Truth.

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My students know one fundamental principle of business ethics that Ford and Firestone forgot. That principle was not culled from years of research or modeled through an Excel spreadsheet. Rather, it is the most basic of precepts: The truth always gets out.

Such wisdom would have served both companies well in averting the current

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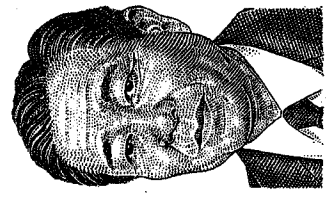
public-relations crisis that will soon ripen into class-action lawsuits managed by lawyers who have been lying idle since hogtying the tobacco companies.

There was a moment of truth for every company that passed through the public spanking lines of the media, Congress and courts that Ford and Firestone now face. That moment of truth comes when those within the company realize something is awry with their product, practices, earnings statements or culture. The moment usually comes when things are peachy in sales and earnings and its truth is ignored in the name of saving face and, perhaps, earnings.

Knowing the inevitable outcome—for truth does percolate—why do bright and experienced people ignore it? For even if the truth is known only within the confines of the company, it will out. Circumstances beyond even the best manager's control take over once the chance has passed to

act on the moment of truth. Johns Manville learned of the "crunching" lungs of asbestos workers in the 1930s, as reflected in the minutes of its board meetings. Instead of working on product development, warnings or even safety equipment, the company forged onward with a strategy of trying to keep the scientific community from disclosing its findings and of limiting the increasing numbers of plaintiffs by settlements for silence.

Dow Corning didn't deserve its bankruptcy or the multibillion-dollar settlements for its silicone implants because the science didn't support the alleged damages. However, there was a moment of truth when those implants, placed on a blotter, left a stain. The company could have disclosed the possible leakage, researched the risk, and warned doctors and patients. Given the congressional testimony on the implants, many women would have chosen them despite the risk. Instead, they sued because they were not warned.



Masatoshi Ono
Firestone CEO

Beech-Nut's crisis was a chemical concoction instead of apple juice in its baby food products. Executives there ignored an in-house chemist who tried to tell them they were selling adulterated products. Kidder-Peabody fell despite warnings from employees about a glitch in its accounting system that was reporting bond swaps as sales and income.

These cases all have several things in common. First, their moments of truth came and went while the companies took no action. Second, employees who raised

the issue were ignored, or, in some cases, fired. Third, there were lawyers along for the ride, as they have been with Ford and Firestone.

Never rely on a lawyer in these moments of truth. Lawyers give controlling legal authority but are not particularly good at controlling damage. Lawyers shouldn't make business decisions; moments of truth require managers. More importantly, moments of truth require managers with strong ethics who will do more than the law requires and less than the law allows.

As a now infamous memo reveals, Ford and Firestone did not feel obligated to reveal to the U.S. Transportation Department that certain tires were being recalled in overseas markets. The companies should have realized that it was not a question of whether the recall would be reported, but by whom.

Do businesses ever face the moment of truth wisely? One great example is James Burke, CEO of Johnson & Johnson at the time of the 1982 Tylenol capsule scare. The minute Tylenol was linked to the cyanide poisonings, Johnson & Johnson recalled and destroyed 31 million bottles of the product, at a cost of \$100 million, and Mr. Burke bent over backward to deal openly and forthrightly with the media and pub-

lic. The result was one of the best crisis-management performances in history; the company won back nearly all its customers.

Perhaps the best example of an industry willing to use the truth to set itself free was the electric utility sector. During the 1980s, the media went hysterical over electromagnetic fields. These EMF, located in areas near electrical power lines, spawned litigation for cancer among those living nearby and produced claims of reduced property values.

In response to these unfounded fears, utilities went to their customers with monthly bill inserts discussing EMF. They funded studies, disclosed studies and encouraged all to study the issue. They took steps of "prudent avoidance," placing power lines sufficient distances away from properties.

The result? The EMF scare, which might have been the utility industry's asbestos, disappeared. Even sympathetic cases involving child plaintiffs did not sway juries; the causal connection was simply not there. EMF was managed with ethics and an attitude: If EMF is a problem, we manage it early and make it right. If it's a false alarm, we have the credibility and trust earned with voluntary action and disclosure at the moment of truth.

Unfortunately, Ford CEO Jacques Nasser and Bridgestone/Firestone CEO Masatoshi Ono did not heed their own moment of truth early enough. They are now paying the price.

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