Lessons for transportation

The U.S. economy continues its longest-ever period of strength. Experts agree we have technology and productivity to thank, but this astonishing growth also owes much to globalization, which has opened new markets and kept inflation under control.

But globalization today poses a substantive challenge for the business world. An example: Ford's announcement last month that it would equip most Explorers with Michelin tires as a result of problems facing Bridgestone-Firestone. This situation offers many parallels to the way our global transportation industry operates.

At the heart of the matter lies the concept of partnership. The Ford-Firestone relationship dates to the early 20th century, when Henry Ford and Harvey Firestone forged a personal bond. The relationship grew into a corporate one, and Ford's early cars were equipped with Firestone tires. Many carrier-customer relationships in the transportation industry are similarly born.

The Ford-Bridgestone relationship provides us with a metaphor for the new economy. Finished automobiles resemble the concept of the virtual corporation. Car companies build (and warranty) the car. Tire manufacturers do the same for the tires. In an unbundled operation of this nature, no party carries responsibility for the overall product. (In our industry, third-party logistics providers may manage assembly of a door-to-door product, but unless they issue their own contract for carriage they claim no responsibility for loss and damage.)

Culture played some role in the Firestone-Bridgestone drama.Junzo Tajima, a former judge in Japan, recently commented, "The Japanese judiciary believes it must preserve the social structure, and that means protecting big companies, not individuals." Bridgestone is not alone in its defiant attitude toward consumers. Many global transportation companies struggle with the boundaries of their corporate culture and local identity.

Beyond culture is the issue of data and information. The U.S. has no national data source for reporting automobile accidents. Additionally, each reporting jurisdiction relays information by its own system. The result is an overall lag in transportation data collection. The same problems exist with the tracking of meaningful flows of freight and passengers.

Globalization makes data collection even more difficult. Tire problems in Venezuela, Saudi Arabia and other countries went unreported in the U.S. Although Ford committed to developing an international early warning system for safety, it lacks details. Further, the proliferation of data makes the compiling of information increasingly difficult. Sophisticated analytical techniques are available and should be applied.

Both Ford and Bridgestone are trying to protect their product brands. The current situation is almost eerie in its resemblance to one almost a generation ago. Today's is the second-largest recall of tires in U.S. history. The largest was in 1978 — and also involved Firestone. The brand barely survived, and the company was so financially weakened that Bridgestone acquired it. Japanese corporate traditions (which preclude hostile takeovers) probably prevent such a similar fate befalling Bridgestone.

Crisis management of the Bridgestone-Firestone situation fell short. In fact, Bridgestone's actions were tame enough for their outside public relations firm, Fleishman-Hillard International Communications Inc., to drop Bridgestone shortly after the trouble started "because it became evident we could no longer be of service." Yet Bridgestone apparently either hasn't learned from its Firestone troubles, or has lost its institutional memory. Many transportation companies have struggled with such a problem following their own downsizing.

Experts frequently cite the corporate behavior of Tylenol in 1982, when seven people died from capsules tainted with cyanide. The company, part of Johnson & Johnson, pulled the product from stores and completely involved the media. The product was later reintroduced (to great commercial success) with enhanced safety precautions. This was Tylenol's second crisis. The first was not handled nearly so well — but the lessons were learned and remembered.

For those of us in transportation, all of this points to the need for strong corporate leadership and effective management. Bridgestone's Decatur, Ill., plant, where many of the recalled tires were manufactured, had a robust quality program and had completed ISO 9000 and 14000 certification. Ford's effort to centralize marketing and manufacturing had downsized management ranks, especially locally, when early problems could have been detected. Both of these failures — corporate leadership and effective local management — are easily recognizable to transportation industry veterans.

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