

DISCUSSION BOARD ASSIGNMENT NO. 1**Instructions**

To receive full credit on this assignment, you must do the following:

- 1) Read this document;
- 2) Answer the three questions below by posting them in the Discussion Board, which can be accessed below these instructions in the folder for this assignment; and; and
- 3) Respond to answers posted by **two** of your classmates by hitting “REPLY” and state why you agree or disagree with **each** and every one of their responses. Answers such as “I agree” or “I disagree” without any further explanation are insufficient, and you will not receive any credit. **You are strongly encouraged to number each of your replies to your classmate’s answers. If it is not clear that you answered each question and you responded to each answer to each of the questions posted by two of your classmates, you will not receive full credit.**

NOTE: You will **not** see any of your classmates’ answers until you have posted your own. When you have correctly completed this assignment, you should have posted only **three times**: (1) your answers; (2) responses to “Classmate No. 1”; and (3) responses to “Classmate No. 2.” Please do **not** post a separate message for your response to each of the questions answered by a classmate.

In responding to your classmates’ answers, you should explain **in detail** why you agree or disagree. If appropriate, explain what you believe he or she failed to consider in answering the question(s). Most importantly—be constructive and respectful of other persons’ opinions. Reasonable men and women can have different opinions about these issues.

It should be easy for everyone to receive 10 points (5 points for your answers; 2½ points for each response to your classmates’ answers) on this assignment if you follow these instructions carefully, offer thoughtful, clear, and intelligent responses to the questions below, and provide constructive responses to your classmates’ answers.

ALL ANSWERS AND RESPONSES MUST BE POSTED ON BLACKBOARD BY 11:59 P.M. ON WEDNESDAY, FEBRUARY 17, 2016—NO EXCEPTIONS. IF YOU HAVE ANY QUESTIONS ABOUT THIS ASSIGNMENT, PLEASE CONTACT ME.

The Ford Pinto Memo:
A Lapse in Ethics or a Calculated Business Decision?



In May 1968, Ford Motor Company began designing and developing a subcompact car, which it ultimately named the Ford Pinto. Because Ford wanted to gain a large market share, the entire design and development process was accelerated.

On August 10, 1978, three Indiana teenage girls in a Ford Pinto were killed in a rear-end collision with a van. Two of the passengers were burned to death in the car, and the other was ejected from the vehicle and later died. During the course of the investigation, law enforcement discovered drugs and alcohol in the van that rear-ended the car.

Following an investigation, the prosecutor took the unusual step of pursuing criminal charges against Ford. The charges related to specific design elements of the vehicle. The Ford Pinto was unusual because the fuel tank was located behind the rear axle instead of above it, and the distance between the rear axle and the fuel tank was only nine inches. The fuel tank was also prone to puncture in a rear-end collision because of the placement of bolts. Finally, the fuel filler pipe design made it more likely that it would disconnect from the tank in the event of an accident, which increased the likelihood of fuel spills.

Even prior to the death of the teenage girls, Ford had been aware of the Ford Pinto susceptibility to fire in rear-end collisions. In 1973, Ford conducted an internal analysis of the costs and benefits of retrofitting existing vehicles and altering the design for the production of new vehicles. In addition, Ford considered the option of doing

nothing. The cost-benefit analysis was presented to senior management, and the memorandum outlining the analysis later became public.

The following figures are from that memorandum and compare the two options: (i) repairing existing vehicles and modifying the design of vehicles to be built; and (ii) doing nothing.

Expected Cost of Repair/Modification:

Cost per unit:	\$11.00
Number of units:	<u>12.5 million</u>
Total cost:	\$137.5 million

Expected Costs of Accident Results (assuming out-of-court settlements to pay the victims and their families):¹

Burn deaths:	180 x \$200,000 per person
Serious burn injuries:	180 x \$67,000 per person
Burned-out vehicles:	<u>2100 x \$700 per vehicle</u>
Total costs:	\$49.53 million

Final Analysis:

Cost of Repair/Modification:	\$137.50 million
Less Cost of Accident Results:	<u>\$ 49.53 million</u>
Difference/Savings:	<u>\$ 71.47 million</u>

¹ The figures for burn deaths and serious burn injuries were not figures developed by Ford; rather, these figures were based upon the average value of a lost or injured adult life as determined by the National Highway Traffic Safety Administration. For example, the \$200,000 amount assessed per death was based upon the estimated costs of the deceased adult's direct earnings during his or her lifetime, and indirect costs including hospital and insurance costs, legal and court costs, victim pain and suffering, funeral costs, and property damage. This approach is still used today in wrongful death cases to calculate the "value" of a human life.

Based upon its analysis, Ford decided not to repair existing vehicles or modify the design for vehicles it was producing. Instead, it elected to pay the victims and their families, which was estimated to produce a cost savings to the company of over \$70 million dollars.

It is unclear exactly how this information was utilized by Ford management, and even today, controversy remains about how early senior managers became aware of the problem of crash-induced fires in the Ford Pinto.

Questions

Using the discussion board feature on Blackboard, discuss your answers to the following questions **in detail**:

- 1) Is it ethical for a company, such as Ford, to perform a cost-benefit analysis when human lives are involved? Why or why not?
- 2) Assume that the Ford Pinto met all of the safety requirements imposed by law at the time. Did Ford have a higher obligation because it knew of the gas tank issues but the general public did not? Why or why not?
- 3) Fast forward to the year 2016. If a situation like this arose in 2016, would a company address it in the same way as Ford did in the 1970s? Why or why not?

YOU ARE STRONGLY ENCOURAGED TO NUMBER YOUR ANSWERS AND EACH OF YOUR RESPONSES TO YOUR TWO CLASSMATES.