

Ethics Matters

## PART II: MISHANDLING AUTOS

### **Toyota ads wrongly assume end of crisis**

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*Editor's note: This is the second of a two-part series on Toyota's massive automobile recall.*

Toyota's late recalls of possibly defective autos damaged consumer confidence in its products and hurt the company financially. While other automakers increased their sales in 2009, Toyota's sales dropped 9 percent and the company lost \$27 billion in value. The decline may not be over.

For awhile, Toyota stopped sales in the U.S. of certain auto models. Consumer Reports magazine suspended its "buy recommendations" on all recalled Toyota's models. Trying to gain control of the crisis, Toyota began taking measures beyond the recalls. Those measures proved ineffective to regain consumer trust. For example, after remaining silent for months, Toyota's reclusive CEO Akio Toyoda made a tepid apology for the company's defective autos. Toyoda – the grandson of the company's founder - in an aside to an interview in Davos, Switzerland said he was "deeply sorry" for the recalls.

Toyoda's critics questioned why he failed to take the lead in representing the company. Instead, he let lower level Toyota executives handle the growing crisis. Chief of U.S. Motor Sales, Jim Lentz III, became the face of Toyota in America. Lentz, however, refused to admit acceleration problems existed in any Toyota autos.

A U.S. House congressional committee scheduled hearings demanding answers about the defects and Toyota's remedial measures. CEO Toyoda caused controversy by initially declining the invitation to appear. Toyoda's critics accused him of being arrogant or afraid of answering tough questions under oath. Toyoda relented, and both he and Lentz appeared before the committee.

A day before his committee appearance, the Washington Post published an op-ed piece written by CEO Toyoda. He wrote the months of controversy humbled everyone with Toyota, but that great companies learned from their mistakes.

Toyoda announced “We are taking this experience to heart, making fundamental changes in the way we do business”. Toyoda’s op-ed piece made his committee appearance much easier.

Toyota launched a series of commercials to regain consumer confidence. The first commercials consisted of Toyota employees admitting the company failed to meet its high standards, promising to return to building safe and reliable autos. In later commercials Toyota employees expressed their personal commitment to excellence in building autos. Toyota’s most recent commercials assume the crisis of faith in Toyota autos is over, as employees thank the public for standing by the company.

Toyota’s crisis is far from over. Criminal and civil investigations by government agencies continue. Plaintiff lawyers claim defective Toyotas caused at least 55 deaths. Claims made by Toyota owners that some Toyotas suddenly accelerate recently gained momentum when federal investigators found information damaging to Toyota.

In a 2009 confidential presentation, Toyota executives brag about saving the company \$100 million by getting the National Highway Traffic Safety Administration to limit its investigation of sudden acceleration in Toyotas.

In late February, David W. Gilbert, an automotive technology professor at Southern Illinois University, challenged Lentz’s assertions that Toyota’s fail-safe system made surges in speed impossible. Gilbert told a congressional committee he caused sudden acceleration in Toyotas by short-circuiting the electronics behind the gas pedal.

The Attorneys Toyota Action Committee, a consortium of 22 law firms from 16 states, plans to sue Toyota for loss of resale value in owners’ autos.

Northeastern University law professor Tim Howard leads the ATAC. He says “This is the strongest and largest case for economic damages to American consumers we’ve ever had”. Howard previously helped the state of Florida get a \$20 billion dollar settlement from the tobacco industry.

Toyota’s CEO says he no longer sees Toyota as a company that never makes mistakes. If true, he joins millions of consumers who hold the same view.

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