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Toyota, Oh What a Feeling? Or Oh What a Mess: Ethics at the Intersection of Industry, Government, and Publics

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Toyota—Oh, What a Feeling, or Oh, What a Mess?

Ethics at the Intersection of Industry, Government, and Publics

Rebecca J. Meisenbach and Sarah B. Feldner

This case considers the role of communication prior to, during, and after a product recall. More specifically, it explores the importance of dialogue and transparency to create public trust and maintain a company's reputation. It also addresses potential conflicts of interest between corporate lobbying and government regulation, as well as the challenges of balancing individual and community concerns.

The Toyota Corporation has a long-standing reputation of quality and safety in the United States regarding its automobiles. However, this reputation was called into question in 2010 when Toyota made three separate significant recalls that affected nearly 8 million vehicles. Beyond problems with the vehicles themselves, Toyota faced challenges about how it communicated the issue of safety concerns with various publics. Despite these challenges, Toyota as a corporation is emerging relatively successfully from this crisis. This case study examines the communication efforts of the Toyota Corporation within the framework of issue life cycle theory (Crable & Vibbert, 1985). In particular, this chapter examines some of the ethical dilemmas of the Toyota case by considering the potential for dialogic transparency, conflicts of interest between corporate lobbying and government regulation, and balancing individual and community concerns. The case suggests how the current organizational environment challenges ethical conceptions and expectations of corporate communication practice.
UNINTENTIONAL ACCELERATION? AN OVERVIEW OF THE CASE

The Toyota recall issue reached a turning point on August 28, 2009, when an off duty highway patrolman called 911 from his Lexus as it sped out of control down a San Diego highway. The call ended with the Lexus crashing into another vehicle and careening over a cliff. All four passengers were killed (Vlasic, 2010). The accident brought the issue into mainstream public conversation because the 911 tape was released publicly and the credibility and driver training of a highway patrol officer highlighted the seriousness of the problem. In fall 2009, Toyota announced that the unintended acceleration problem was solely due to a floor mat design issue that could cause the gas pedal to get stuck on the floor mat. Unfortunately, in December 2009, another acceleration incident occurred that took the lives of another four individuals. The floor mats were found tucked safely inside the trunk as Toyota press releases had instructed customers to do. Thus, 2010 ushered in a series of recalls and congressional inquiries into the actions of the Toyota Corporation.

<table>
<thead>
<tr>
<th>Year</th>
<th>Event Description</th>
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<tbody>
<tr>
<td>September 2007</td>
<td>Toyota issued a Lexus part recall to fasten floor mats to car floors to avoid acceleration problems.</td>
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<td>August 28, 2009</td>
<td>Uncontrolled acceleration crash of a Lexus killed four people, including an off duty highway patrol officer.</td>
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<tr>
<td>September 29, 2009</td>
<td>Toyota issued a safety advisory on floor mats of approximately 4 million cars.</td>
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<td>November 25, 2009</td>
<td>Toyota announced a redesign to address floor mats and brakes.</td>
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<tr>
<td>December 26, 2009</td>
<td>A Toyota Avalon crashed into a lake in Texas after accelerating out of control. All four occupants died. Floor mats were found in the trunk of the car.</td>
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<tr>
<td>January 21, 2010</td>
<td>Toyota recalled 2.3 million vehicles for “sticky” gas pedals.</td>
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<tr>
<td>January 26, 2010</td>
<td>Toyota halted sales and production of certain Toyota vehicles.</td>
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<tr>
<td>February 1, 2010</td>
<td>Toyota announced a part to fix sticky gas pedals, and the part was shipped to dealers.</td>
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<tr>
<td>February 5, 2010</td>
<td>The Toyota president apologized at a news conference.</td>
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<tr>
<td>February 23, 2010</td>
<td>Congressional investigative hearings of Toyota began.</td>
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<tr>
<td>May 18, 2010</td>
<td>Toyota paid a $16.4 million fine to settle regulatory charges that Toyota was too slow to issue a recall for the acceleration problem.</td>
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<tr>
<td>July 2010</td>
<td>Toyota recalled 280,000 cars for engine problems.</td>
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EXAMINING THE LIFE CYCLE OF AN ISSUE

In this case study, we use Crable and Vibbert’s (1985) five issue management stages to organize the details of the case. An issue exists “when one or more human agents [attach] significance to a situation or perceived ‘problem’” (Crable & Vibbert, 1985, p. 5). The first stage, the potential stage, of issue management occurs when very few people are interested in the issue but at least one person or human agent perceives a situation as significant. During the imminent phase, the issue begins being accepted and endorsed as an issue by multiple groups. During the current phase, the issue is an accepted and widely disseminated topic; this includes significant media involvement. In the critical phase, key stakeholders take sides and make decisions for managing the issue. Finally, an issue enters the dormant phase once a decision is made. Whether the issue remains dormant for any length of time or begins moving through the life cycle again depends on the significance that publics attach to the new situation.

An examination of the Toyota recall crisis within the context of the issue life cycle is revealing and raises a number of key questions about the ways in which corporations make decisions about how issues might best be defined and effectively managed. In what follows, we examine key ethical tensions related to transparency and dialogue that were present in the communication choices of various stakeholders in the life cycle of the “sticky pedal” issue.

Silent or Quiet? Communication During the Potential and Imminent Phases

An initial review of this case might suggest that Toyota remained silent during the potential and imminent phases of this issue. However, taking a broader view of Toyota’s long-standing relationships with individuals connected to regulating bodies and lobbyists leads to a different conclusion. The reality for the automobile industry is that manufacturing, technical, and safety problems with vehicles are always a possibility. For example, consider the Ford Motor Company safety problems in the late 1990s involving rollovers in the Explorer and even back in the 1970s involving the infamous exploding gas tanks in the Pinto. As a result of such possibilities, corporations like Toyota invest both time and money in developing relationships with those who create policy about and oversee the industry. In this way, Toyota has actively but quietly managed potential vehicle problem issues through the establishment and maintenance of relationships with key government officials. In recent years, Toyota has had over 31 lobbyists in Washington. According to a New York Times report (Lichtblau, 2010), the $25 million that Toyota spent on U.S. lobbying in the 5 years prior to this incident was the most spent by any foreign automaker. Further, Toyota routinely hires former employees of the National Highway Traffic Safety Administration (NHTSA) and maintains personal and professional relationships with legislators who chair key committees related to automobile industry oversight. Thus, it can be argued that despite any appearance of inactivity, Toyota did, in fact, actively manage this issue (and others) during the potential phase—but in a manner that is rarely seen or understood by the general public.
It is difficult to pinpoint an exact time at which safety concerns over the accelerator pedals moved from the potential to imminent stage. It is possible that Toyota engineers and other officials were the first to be aware of the potential problem with sudden acceleration, but there is no public record of them attaching any significance to it. Thus, the origin of this issue resided in isolated unintended acceleration incidents of particular drivers' experiences, some of which were reported to the NHTSA. A later study found that 20% of a random sample of Toyota complaints from 2002 to 2005 involved acceleration problems in Toyota cars (Vlasic, 2010). During the congressional hearings about the sticky pedals, the NHTSA received documents from the Toyota Corporation that indicated company employees had been aware of some of the design flaws that could cause the unintended acceleration as early as February 2006 (Reuters, 2010).

Further evidence helping identify when Toyota began to recognize the accelerator issue comes from an internal July 2009 PowerPoint presentation that became public in February 2010. The presentation provided an update to Yoshi Inaba, the chief operating officer (COO) and president for Toyota, North America. The presentation, developed by Toyota's extensive government relations office, sketched Toyota's overall stance toward managing vehicle safety issues. Among the points highlighted was the role of the government relations office to “protect our [Toyota’s] interests,” “maintain a receptive environment to grow our business,” and “shape policies & regulations for One voice decisions.” The “one voice” reference repeats throughout the presentation, pointing to a particular culture that promotes a unified front on corporate issues. The presentation also identified legislation that was delayed or abandoned altogether and “favorable recall outcomes” as “wins” for Toyota and the industry.

While evidence suggests that Toyota was aware of the acceleration issue, as is typical in these early phases, the company attempted to manage the issue out of the public eye. Toyota statements suggest that company representatives believed that they were acting correctly in remaining silent or very quiet regarding the sticky gas pedal issue.

Investigation, Defense, and Apology: Current and Critical Phases of the Toyota Recall

Once the September 2009 crash thrust the issue into the current phase, publics called for government investigations and interventions. However, Toyota continued to engage in minimal public communication until February 2010 when the company announced it had come up with a solution to the sticky gas pedal problem. It seems plausible that remaining silent was in keeping with the “one voice” policy. However, the “one voice” stance was challenged on January 16. Five days before it announced a recall of 2.3 million vehicles, a U.S. spokesperson for Toyota e-mailed a Japanese colleague urging Toyota to go public with the issue saying, “The time to hide on this one is over. We need to come clean” (as cited in Maynard, 2010). Such comments from inside the corporation are rare and make it difficult to draw conclusions, but they do suggest that well into the current phase of this issue Toyota continued to rely on its strategy of communicating directly with governing agencies rather than engaging in full, transparent communication with broader publics.

1See http://hosted.ap.org/specials/interactives/_documents/toyota_presentation.pdf
Although certainly Toyota is accountable for its quiet management of the issue at this stage, others have also noted the role of the NHTSA in how the issue was managed. Some have challenged that the agency did not push Toyota hard enough to fully address these early incidents. The *New York Times* reported “Six separate investigations were conducted by the agency into consumer complaints of unintended acceleration, and none of them found defects in Toyotas other than unsecured floor mats” (Vlasic, 2010). Of course, responsibility for the lack of pressure exerted by NHTSA might be due to the powerful influence automobile companies like Toyota have over regulatory agencies. *The Guardian* quoted U.S. Department of Transportation spokesperson Olivia Alair as saying, “It’s not just the federal government’s job to catch safety defects. It’s the responsibility of automakers to come forward when there is a problem” (as cited in McCurry, 2010).

When Toyota did begin publicly to address the issue of the sudden acceleration, its communication strategy focused on public statements that explained the actions the company was taking to address potential problems with the accelerator. An analysis of Toyota’s press statements during this time reveals that up until the U.S. president of Toyota Motor Corporation, Jim Lentz, spoke with Congress on February 23, Toyota was apologizing for the inconvenience caused by the recalls but stopped short of apologizing for the company’s actions to date.²

Toyota’s public response to this current phase of this issue focused on two main areas: (1) responding directly to allegations and requests for information from the NHTSA and other government entities and (2) refuting media reports about the nature of the problem—seeking to define the issue based on scientific evidence. Direct apologies for how the issue and relevant information had been managed and communicated only came much later, when the sheer amount of media coverage seems to have forced the company’s hand. Apologies still comprised a minor focus of the company’s strategy. The president of Toyota even initially refused to appear before one of the investigative committees (Sanchanta & Takahashi, 2010).

During the most public phase of the sudden acceleration issue, a great deal of the comments coming from Toyota were issued via press releases and formal statements posted to the company website—eventually leading to a specific page devoted to the recall information.³ Some of the communication from Toyota was devoted to the specifics of the recall (e.g., identifying how the fixes were to be made and how Toyota owners could handle the situation). Toyota also outlined steps that it would make in the production of future Toyota models. At the same time that Toyota was suggesting the modifications that it would make to both recalled and future vehicles, it stated that a number of fixes (e.g., the inclusion of a brake override in all new models) were not directly related to the problems but rather that they were about making consumers feel comfortable and confident.

Although Toyota did speak to the concerns of Toyota owners, a great deal more attention was given to responding to Congress, the NHTSA, and media accounts of the events. These responses were most often in the form of press releases that specifically refuted individual claims about the causes leading to problems with the vehicles, particularly

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suggestions that the problem was connected to the electrical systems in the cars. Toyota was quick to point out what it felt were inaccurate or misrepresented statements. In this, Toyota emphasized the need to focus on “science not suggestion” when evaluating the situation. Throughout the statements, Toyota outlined the significant testing conducted and focused on the evidence that could be verified—implying that that which could not be supported with scientific evidence (or replicated scientifically) should be ignored. But these defenses were unsuccessful in avoiding fines.

The issue moved toward the dormant stage when investigating committees issued the maximum fine to the company. In the end, Toyota did not contest and paid $16.4 million for waiting 4 months to tell federal authorities about the faulty gas pedals. Six months later, it agreed to pay another $34 million in fines for similar wrongdoing on earlier recalls (CNN Wire Staff, 2010). The assessment and payment of the fines represents the critical decision making involved in this issue’s life cycle. Toyota moved on, offering car buying incentives to potential customers, and sales seem to be recovering. Although Toyota’s U.S. sales dropped in 2010, the company is still the world’s leading automaker in total vehicles sold (Kageyama, 2011). Some of the decline may have been tied to lingering concerns that the problem was still lurking in the electrical system of the cars. However, in February, 2011, yet another federal study found no evidence of any problems in Toyota’s electrical systems (Wald, 2011). In short, Toyota’s sales indicate that the automaker will likely recover.

Beyond direct repercussions to Toyota, a closely related decision involved legislators pulling together to write the Motor Vehicle Safety Act as a result of the Toyota recall issue. It was originally written to abolish the $16 million limit on fines for wrongdoing such as those present in the Toyota case. However, by July 2010, the initially radical auto safety bill that was going to change current corporate practices dramatically was scaled back into something much more familiar. What was going to be a potentially unlimited fine on offending companies was to be capped at $200 million (still much more than Toyota was required to pay). An attempt to set safety standards on vehicle electronics was no longer required but was listed as something that the transportation secretary could “consider,” and there was no mandated deadline for automakers to meet such standards should they be developed. The Los Angeles Times quoted a former head of the NHTSA as saying, “The auto industry has had undue influence on this legislation” (Vartabedian & Bensinger, 2010). In the end, Congress adjourned in December 2010 without passing the bill, effectively killing all versions of the Motor Vehicle Safety Act.

Clarence Ditlow, executive director of the Center for Auto Safety, reacted to the nonvote by releasing a statement that lamented this outcome: “In a year that began with runaway Toyotas & ended with Windstar rear axle fractures, one thing is clear—[NHTSA] does not have the authority or resources to stand up to an auto industry that always has and always will place profits above safety” (Ditlow & Center for Auto Safety, n.d.). Thus, the question of equitable public dialogue regarding automobile safety remains an imminent issue in the United States.

BALANCING GOVERNMENT, INDUSTRY, AND COMMUNITY INTERESTS:
ETHICAL CHALLENGES AND QUESTIONS

Toyota’s troubles continue in 2011 as new recalls continue to be issued on these same vehicle lines, and questions remain about what led Toyota to choose its course of action, one that largely occurred behind the scenes and avoided dialogic communication with many publics. In this context, the case not only leaves us considering the ethical choices made by the Toyota Corporation but also poses challenges to conventional understandings of ethical frameworks.

First, the ways in which the case unfolded, particularly in the potential and imminent phases, suggest a need to consider ethical tensions present in relationships among corporations, governments, and broader publics. Toyota’s relationship-building strategies overwhelmingly focused on inner circles of government. Automobile manufacturers spend a combined $40 to $60 million each year to lobby their interests in Washington, D.C., suggesting a potential ethical tension between individual and community, in this case the individual financial interests of the Toyota Corporation versus the less financially supported automobile safety interests of the general public.

If corporations are representing their own interests, then one might look to nonprofit organizations (NPOs) to represent more general public interests. Yet, finding organizations that lobby for the public’s interest in automobile safety is much more difficult. Consider AAA, the nonprofit auto club that has over 50 million members. Although it is the largest organization representing the community of U.S. drivers, critics suggest AAA as an organization advocates for traffic safety rather than automobile safety in its public documents. That the organization even takes a stance on public policy issues surprises many AAA members. The closest option to a pro-community automobile safety organization is the Center for Auto Safety, founded by the Consumers Union and Ralph Nader in 1970. It is a 501c3 organization, however, and as such is subject to careful restrictions on its lobbying activities.

Typically, 501c3 organizations are automatically governed by a standard judgment that lobbying must be less than “a substantial portion” of the organization’s work. Alternately, the organization may elect to be governed by the 1976 lobby law under which the organization is subject to more explicit lobbying expenditure regulations. Specifically, this law allows an NPO to spend 20% of its first $500,000 of operating expenses on lobbying and 15% of its next $500,000. Many 501c3 organizations do not elect or even know about the 1976 law, yet it is a much safer position for NPOs, setting clear and objective financial guidelines for their lobbying activities.

Thus, these restrictions mean that even the Center for Auto Safety is not primarily a lobbying organization. It is one organization with a $700,000 yearly operating budget for all of its work, and it is allowed to spend up to $130,000 of that annually on lobbying. In comparison, the Toyota corporation spends $5 million annually directly on lobbying, not counting any campaign donations or charitable activities. One might consider whether this kind of difference in financial resources impacts issue management and legislative outcomes. What challenges to ethical public dialogue might be posed by this disparity in financial resources?
As the sticky pedal issue moved into the current and critical phases, publicly involving Congress, other individual versus community tensions were raised about the biases toward Toyota that many of these representatives might have. For example, the chair of the Senate Committee that investigated the recalls was Jay Rockefeller, who had known Toyota’s founding family for 50 years and who lobbied heavily for Toyota to build a factory in his home state of West Virginia. Other members of the investigating committees had similar financial and personal ties to the Toyota Corporation, including Toyota factories existing in many of the committee members’ home states and large personal Toyota stock portfolios. Furthermore, Rockefeller’s committee also was charged with investigating how well NHTSA had regulated Toyota. Media outlets raised concerns that the NHTSA chief had worked on Rockefeller’s staff for 8 years prior to his post as chief (Theimer, 2010). Would Rockefeller and other committee members be unfairly swayed by their relationships and personal and states’ interests in the longevity of the Toyota Corporation? Although not all committee members were reported on by the media, assumedly some members of these committees did not have personal and state interests in perpetuating the Toyota Corporation. But if those in key positions favored Toyota, media outlets and politicians raised concerns about whether a fair dialogue could occur in the hearings (Lichtblau, 2010; Theimer, 2010).

The case also highlights dialogic and transparency dilemmas. Toyota’s decision to focus on political lobbying efforts represents a strategy that focused on stakeholder groups with the most (perceived) power (i.e., government bodies). The company’s close relationships with key legislators raises critical questions about corporate/government relationships. In particular, the imbalance between corporate and organized public interest access to interaction with government bodies creates a situation in which the public’s voice in managing these issues is limited. Habermas’s (1984, 1987) theory of communicative action provides one means by which the openness of communication processes might be judged. To allow for open and balanced communication, all stakeholder groups should have the ability to accept or reject claims made in the public sphere. In this case, because many discussions occurred outside the public eye, it is questionable (though it might be argued that the congressional officials represented the consumer public) whether the consumer public had a genuine opportunity to hear and reject Toyota’s claims that its vehicles were safe.

The case also serves as a cautionary tale against what at best might be called over-confidence and at worst might be characterized as hubris. During the recall crisis, Toyota presented itself as a corporation that was supremely confident in the superiority of its technology. It also seems plausible that company officials were not intentionally withholding information but rather fully believed that they were correct in promoting the vehicles as safe. Along with its emphasis on the science behind the vehicle operations, Toyota continually included references to the strong past reputation of the company. An oft-repeated sentiment was that Toyota officials were confident in the directions that they were taking to address the problem. When read against the backdrop of the “one voice” philosophy, the reliance on science and confidence in the company could have functioned as a particular form of discursive closure. Discursive closure functions to limit options for participation in dialogue and suppresses conflict (Deetz, 1992). In considering Toyota’s communication.

one must wonder to what extent questioning the science or superiority of Toyota was even imaginable within the company.

Many may argue that in this case Toyota's management of this issue was entirely flawed and wholly unethical; others may argue that Toyota was just doing business as it needs to be done. But both stances would belie many of the nuances of the case. In part, the complexity lies in determining what represents the individual and what represents the community in this case. For some, the organization represents collective interests (see Boyd & Waymer, 2011); yet, the corporation has been granted the rights of an individual in the United States. Given this, when we speak of individual interests, whose interests are we referencing? Is it the company, its executives, all its employees, Toyota dealers, Toyota owners, those who share the road with Toyotas, and/or communities whose economies are supported by Toyota? Deetz (1995) suggested considering corporate responsibility through a lens of pro-profit versus pro-people. Yet, in this case study the lines between profit and people, individual and community are blurred.

By way of a final coda, we offer the example of the many Toyota dealers who came to lobby Congress during the Toyota hearings. In short, they argued that their livelihood depended on the ability of Toyota to continue operating. Extending this logic, then, one can begin to see Toyota's dilemma in a different light. Certainly, Toyota was acting in self-interested ways, and clearly the company had many missteps, but if it had decided to engage in full transparency from the beginning of the issue and the company had experienced significant financial setbacks, the negative impacts might have been far reaching in this country and touched the lives of any number of individuals and communities. Finding the tipping point seems to be the issue.

In the end, what at first seemed such a clear-cut case raises more questions than it answers. Despite the many ways in which Toyota failed to engage publics and act transparently, the company has emerged relatively unscathed. This outcome begs the question of what type of event would compel an organization to act more responsibly earlier than Toyota did. In this framing of the issue, the NHTSA, legislators, and the general public also may have needed to play a larger role earlier in the issue. Thus, the Toyota case can be viewed as a call to rethink the role of both external and internal organizational stakeholders in maintaining ethical standards of corporate practice—that is, corporations, employees, consumers, government bodies, advocacy groups, and communities all may need to take more ownership of ethical challenges.

**DISCUSSION QUESTIONS**

1. Is it reasonable to expect corporations to serve community interests above their own corporate interests? What ethical standards that you have studied suggest corporations should serve community interests above their own? In what ways, if any, did Toyota serve community interests above its own?

2. What limitations, if any, should be placed on the ability of corporations to influence government through lobbying and related efforts? How might nonprofit voices be allowed to gain equal influence in policy making and regulatory processes?
3. To what extent were the views of the general public present and/or silenced in the Toyota congressional hearings?

4. How and why do you think Toyota employees may have convinced themselves that their company's technology could not be responsible for the acceleration problems?

5. If you were working for Toyota, would you have recommended a more transparent and dialogic communication stance earlier in the life cycle of the issue? Why or why not?

6. What were the ethical obligations of Toyota, the NHTSA, and the general public in this case? How did each of these stakeholders fulfill those obligations?

REFERENCES


