Ford Motor Company: Sustainability

By: Sun Mi Ha

GRADUATE SCHOOL OF INTERNATIONAL RELATIONS AND PACIFIC STUDIES
UNIVERSITY OF CALIFORNIA, SAN DIEGO

Prepared for Professor Peter Gourevitch
Edited by Kristen Parks
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Corporate Overview

Ford Motor Company

Ford Motor Company is an American multinational corporation and the world’s fourth largest automaker based on worldwide vehicle sales, following Toyota, General Motors, and Volkswagen. Based in Dearborn, Michigan, a suburb of Detroit, the automaker was founded by Henry Ford and incorporated on June 16, 1903. In addition to the Ford, Lincoln, and Mercury brands, Ford also owns Volvo Cars of Sweden, and a small stake in Mazda of Japan and Aston Martin of England. Ford’s former UK subsidiaries Jaguar and Land Rover were sold to Tata Motors of India in March of 2008.

In 2007, Ford fell from the second-ranked automaker to the third-ranked automaker in US sales for the first time in 56 years, behind General Motors and Toyota. Based on 2007 Global sales, Ford fell to the fourth-ranked spot behind Volkswagen. Ford is the seventh-ranked overall American-based company in the 2007 Fortune 500 list, based on global revenues in 2007 of $172.5 billion. In 2007, Ford produced 6.553 million automobiles and employed about 245,000 employees at around 100 plants and facilities worldwide. Also in 2007, Ford received more initial quality survey awards from J. D. Power and Associates than any other automaker. Five of Ford's vehicles ranked at the top of their categories and fourteen vehicles ranked in the top three.

Ford was launched in a converted factory in 1903 with $28,000 in cash from twelve investors, most notably John and Horace Dodge. During its early years, the company produced just a few cars a day at its factory on Mack Avenue in Detroit, Michigan.

1 Fortune 1000 list for 2008 – based on 2007 sales
2 www.Ford.com (search 2008.10.30)
3 Edmunds AutoObserver.com – J.D. Power: Ford is Winner - 7 June 2007
Groups of two or three men worked on each car from components made to order by other companies. Henry Ford was 40 years old when founded the Ford Motor Company, which would go on to become one of the world’s largest and most profitable companies, as well as being one to survive the Great Depression. As one of largest family-controlled companies in the world, the Ford Motor Company has been in continuous family control for over 100 years.

Ford introduced methods for large-scale manufacturing of cars and large-scale management of an industrial workforce using elaborately engineered manufacturing sequences typified by moving assembly lines. Henry Ford’s methods came to be known around the world as ‘Fordism’ by 1914.¹

Corporate Social Responsibility (CSR)

View of Company

In recent years, “corporate social responsibility” has become the supposed answer to the paradox of democratic capitalism. Numerous “social auditors” now measure how well corporations have achieved it, and hundreds of companies produce glossy company reports touting the company’s dedication to it. The United Nations’ Global Compact, launched at Davos in 1999, enumerates goals for it, and by 200 more than 3,000 firms had signed on.

One popular argument is that “socially responsible” companies do better by their consumers and investors. Dow Chemical reduces its carbon emissions so it can lower its energy costs. McDonald’s employs more humane slaughtering techniques, which prevent costly worker injuries and yields more meat. Wal-Mart has adopted “green” packaging for its fresh produce – transparent plastics from corn sugars – because it’s cheaper than petroleum-based packaging. Starbucks gives its part time employees health insurance because that reduces employee turnover and helps its bottom line. Alcoa estimates annual savings of about $100 million from reduced energy use and related environmental improvements.

As a customer’s view, when the extra benefits of some product accrue to consumers individually, they may be willing to pay more for it. This doesn’t make the product “socially responsible,” either. Energy-efficient appliances that save consumers money, organic foods that make them feel healthier, gourmet ice cream that’s tastier because it’s made with cream from cows with access to lots of pasture, salmon that’s more delectable because it was caught in the wild rather than brought up in pens, and free-range eggs that make consumers feel more secure against salmonella, may all be worth the higher price consumers pay for them. But consumers don’t pay extra because of any presumed social good; they pay because it’s worth it to them personally. Wendy’s restaurants have stopped frying their food in trans-fats, which have also been banished from Oreo cookies and Frito-Lay snacks. General Mills now makes its Cheerios and Wheaties out of whole
These changes were not occurred because these firms became more socially virtuous but because consumers became more conscious about their own health.\(^5\)

Similarly, companies that pay good wages and offer good benefits in order to attract and retain high-caliber employees are not being “socially responsible”; they are merely practicing good management. “High ideals don’t have to conflict with the bottom line,” says Starbucks in one of its many advertisements touting its special commitment to society. “When we started providing health coverage to our part-time employees, we noticed a lot less turnover.”\(^6\) That’s precisely the confusion. If Starbucks’s bottom line is improved because it provides health coverage to part timers, Starbucks is not acting out of high ideals – regardless of the worthy motives of its founder. Starbucks is acting for the benefit of Starbucks’s consumers and investors. The extra costs are more than justified by the savings. It’s called smart business.

**View of Consumers**

Consumers say they care about social responsibility, but in practice few care enough to pay more for it. In a European survey of 2004, three-quarters of consumers polled said they would change their buying decisions because of the social or environmental records of companies, but only 3 percent said they had actually done so.\(^20\) Even when they’re asked to define “social responsibility,” consumers describe it in terms of personal consumer satisfaction rather than public good. In a survey co-sponsored by The Wall


Street Journal in 1996, people were asked to rank forty-three activities that influence their opinions of corporations as “good citizens.” The two most often cited as very important were “standing behind products/services and honoring warranties” and “producing high-quality products and services.”

Consumers say they want companies they deal with to respect human rights abroad. In 1993, after the events at Tiananmen Square, Levi Strauss decided to phase out its production in China because of that nation’s poor human rights record – a decision widely praised. But Levi’s customers were unwilling to pay higher prices for jeans produced at higher cost in nations that respected human rights. So in 1998, the company reversed its policy. Either rely on Chinese manufacturers “or risk losing out in the competitive game of the global apparel business,” explained Peter Jacobi, Levi Strauss’s president. “You’re nowhere in Asia without being in China.”

Motor Industry and CSR

Among the global automotive corporations, BMW, Honda, Toyota, and Ford ranked highest for corporate social responsibility. The study shows that consumers across the world are very likely to accept or reject a corporation based on its reputation for social and environmental responsibility. Nearly nine out of ten consumers indicated that they were more likely to purchase a product or service from a corporation with responsible business practices while eight of ten indicated that they would refrain from purchasing a

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product or service if the corporation failed to follow environmentally friendly or ethical business practices. And this paper also said, Large corporation are increasingly aware that their social responsibility directly affects their image and brand equity – and consequently, their business success. As a result, many are investing heavily in CSR initiatives – particularly in those markets where they are focusing on expansion. The results of study highlight the public’s growing interest in the field of CSR, and makes a direct link between this and their purchasing behavior – so supporting the case for investment in CSR. Automotive companies can glean vital insight into how their target consumers are viewing their CSR practices, and therefore how these practices are influencing their business success.

Moreover, the general public is a very important stakeholder for the automotive industry as a corporation’s reputation is often judged in the court of public opinion. Corporations that fail to engage society often suffer serious consequences when there is a crisis. In the auto industry, the company that can take the lead in addressing environmental concerns will have a real competitive edge. That is why Ford is investing so heavily in this area. We want to transform ourselves into a leading-edge provider of sustainable personal transportation.

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9 The Global CSR study conducted by TNS
Ford Motor Company’s CSR

Ford’s approach to corporate social responsibility (CSR) was first communicated in its inaugural corporate citizenship report, which uses Global Reporting Initiative (GRI)\textsuperscript{10} guidelines to disclose social and environmental performance in 1999. In the report, Ford started to explore the issue of transparency, accountability and sustainable development. That is the first time Ford has managed to structure and consolidate its sustainability data and reporting for all of its facilities worldwide. This report was praised by many CSR analysts. For example, Andrew Brengle, as analyst with KLD Research & Analytics, a social responsible investment research firm, said “It is a beautiful report in its presentation and Ford makes effective use of the GRI format.”

However, the report was actually weak in terms of environmental and social cost accounting. And Ford should offer lots of information, although they could open themselves up to criticism for the unfavorable data.

Since then Ford has recognized that corporate citizenship was becoming more associated with the narrower focus of philanthropy and not the broader business issue of sustainability. Ford now has adopted a more integrated approach to CSR. Moreover for is more convinced than ever its long-term success depends on how the Company addresses issues such as climate change, energy security, working conditions in its supply chain, safety, congestion, noise and innovative use of renewable resources and materials. Ford’s business connects fundamentally with society and its growing need for sustainable mobility and it is, therefore, in Ford’s material interest to anticipate and respond to that need.

\textsuperscript{10} GRI is an effort of the private sector, investors, analysts, nonprofit organizations and other corporate stakeholders to improve the relevance and reliability of corporate social responsibility (CSR) reporting.
Since 1999, Ford has been working to integrate environmental and social considerations into the company’s operations. The company considers innovative sustainable thinking as the key to delivering great products, a strong business and a better world. CSR’s main areas are human right, climate change and mobility that will be described in the following paragraphs.

Climate Change

As a major multinational enterprise, Ford Motor Company understands the impacts of its activities on the environment. For that purpose the company has a wide range of programmes and policies designed to greatly improve the environmental impacts of its products, plants and processes. These programmes and policies include: developing advanced vehicle technologies, adopting new clean air standards, reducing the environmental impact of the company’s plants, recycling and reusing materials and conserving natural resources.

Shareholders and the public are increasingly interested in Ford’s reaction to climate change. Therefore the Company has published the first climate change report for the automotive industry. Climate change is closely related to issues of energy security, fuel prices and greenhouse gas (GHG) emissions. Therefore, Ford is committed to reducing greenhouse gas (GHG) emissions and energy usage in their operations, develop lower-GHG-emissions products and work with industry partners, oil companies and policy makers to establish effective frameworks for reducing road transport GHG emissions.11

Ford is involved in numerous partnerships and alliances with universities, coalitions, NGOs and other companies to improve our understanding of climate change. For example, Ford is: ① A member of the United States Climate Action Partnership (USCAP), ② An alliance of major businesses and leading climate and environmental groups that have come together to develop an economy-wide, market-driven approach to reduce greenhouse gas emissions, ③ Working closely with BP to explore vehicle and low-carbon fuel technologies, ④ Working with the World Resources Institute on the EMBARQ Istanbul project to reduce vehicle emissions and traffic congestion in that city, ⑤ A founding member of the Carbon Mitigation Initiative at Princeton University to study the fundamental scientific, environmental and technical issues related to carbon management, ⑥ A charter member of the Sustainable Transportation Energy.

Ford must demonstrate environmental stewardship in several areas by voluntarily committing to measure, independently verify and publicly report GHG emissions on an annual basis utilizing TCR’s General Reporting Protocol. Ford will leverage its emissions monitoring and reporting experience with the Chicago Climate Exchange (CCX) to support its commitment to TCR. Ford was the first automaker to voluntarily report facility emissions. And also the first to publish an auto industry report dedicated to addressing the business implications of climate change, carbon dioxide emissions and energy security concerns.

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12 Ford sustainability report 2007-2008 p.17
**Mobility**

As an automotive company mobility is a key interest for the Company. Ford responds to the challenges of sustainable mobility with several initiatives. These include developing and deploying advanced technologies, promoting road safety in developing countries and exploring new models of mobility through innovative partnerships.

The development of advanced technologies affects company operations and includes environmentally friendly mobility in the form of hybrid vehicles, advanced diesel, hydrogen-fuelled internal-combustion and hydrogen fuel cell powered vehicles.

Other mobility topics arise because of a change in mobility patterns and behaviour such as the promotion of road safety in emerging economies or the creation of new mobility models presenting Ford no longer as a manufacturer of vehicles but a provider of mobility solutions.

**Road Safety Project**

The purpose of the initiative is to transfer best practices, with the objective of reducing accidents and building capacity in developing countries to manage road safety. Projects include educational outreach to increase rates of seat belt and helmet usage, and training aimed at improving roadway design. Then first focus of the initiative is China.

**Human Rights**

**Human Rights**

The concept of human rights and its economic, social, cultural, political and civil dimensions are part of Ford's license to operate. As an asset to the company and society
employees should be treated consistently with fairness and respect. This attitude is reflected in Ford's Code of Basic Working Conditions and efforts to make Human Rights a topic of importance at Ford plants and in the supply chain.\textsuperscript{13}

In early 2008, Ford joined the United Nations Global Compact, a framework for businesses that are committed to aligning their operations and strategies with 10 universally accepted principles in the areas of human rights, labor, the environment and anticorruption.

**Human rights violations:** environmental degradation, climate change, fueling wars for oil

The US automobile industry is fueling America's addiction to oil. Automobiles are the single largest consumer of oil in the US, a country that constitutes less than five percent of the world's population but consumes 25 percent of its oil. The US addiction to oil is linked with a host of human rights and environmental problems, including human rights abuses in countries such as Nigeria, Ecuador, Sudan, South Africa and Indonesia. The US oil addiction has prompted the US government to cozy up to human rights violating governments such as that of Saudi Arabia. It has pushed indigenous people off their land and destroyed hundreds of thousands of acres of rainforests, which are home to half the planet and animal species on the planet. It has fueled wars for oil, such as the war in Iraq, which has so far caused the deaths of more than 2,100 US troops and an estimated 27,000 to 100,000 Iraqis. It has polluted cities, endangering the health of millions of people who

\textsuperscript{13} http://www.csrglobe.com/login/companies/ford_motor_company.html
live in high-ozone communities and leading to hundreds of thousands of cases of childhood asthma. And, by being a major contributor to global warming, has increased the likelihood of extreme weather events like Hurricane Katrina, which killed at least 1,289 people.

Among automakers, Ford Motor Company is the worst. Every year since 1999, the US Environmental Protection Agency has ranked Ford cars, trucks and SUVs as having the worst overall fuel economy of any American automaker. Ford's current car and truck fleet has a lower average fuel efficiency than the original Ford Model-T.

Ford is also in last place when it comes to vehicle greenhouse gas emissions. According to a recent report by the Union of Concerned Scientists, Ford has "the absolute worst heat-trapping gas emissions performance of all the Big Six automakers." In fact, if Ford were a country, it would be the 10th largest global warming polluter worldwide, behind Italy.

Amazingly, despite the company's recent green washing PR campaign, its record has actually worsened. According to Ford's own sustainability report, between 2003 and 2004, the company's US fleet-wide fuel economy decreased and its CO2 emissions went up. Ford is also lobbying to prevent the U.S. and state governments from improving the situation: the company has lobbied against lawmakers' efforts to increase fuel economy standards at the national level and is also involved in a lawsuit against California's fuel economy standards.14

The American Family Association also organized a boycott of Ford Motor Company for advertising in publications that catered to gays. In response, Ford stopped doing so. Not surprisingly, Ford’s decision inflamed gay rights advocates. “Where does this leave us if our friends say, ‘Okay, gay people, we’re going to cut you loose because we have the religious right at our heels?’” asked Kevin Cathcart, executive director of the Lambda Legal Defense fund. “You don’t make deals with bullies, and you don’t cut your friends loose.” After meeting with leaders of several gay rights groups, Ford reversed itself, provoking the American Family Association and forty-three other religious groups to reinstate the boycott. “We cannot, and will not, sit by as Ford supports a social agenda aimed at the destruction of the family,” the groups proclaimed in a letter to Ford CEO William Clay Ford, Jr.

Evaluation of Ford’s CSR

While I searched the Ford Motor Company’s CSR, it was the most difficult to find out the third party who monitors or watches the Ford Motor Company. NGOs or auditors mentioned below, they evaluated Ford’s CSR based on the Ford’s annual sustainability report. So I cannot claim these evaluations have a certainty or objectivity.

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S&P 100 Sustainability Report Comparison by SIRAN

In June 2005, SIRAN (Sustainable Investment Research Analyst Network)\(^\text{18}\) issued its first-ever analysis on the sustainability reporting practices of companies in the S&P 100 Index. SIRAN updates this review each year, most recently in July 2008. The last three updates have been conducted by independent investment research firm KLD Research & Analytics, Inc. through an analysis of the public websites of all S&P 100 companies.

Questions covered:

1. Company has separate CSR/Sustainability section of website?
2. Company has annual CSR/Sustainability Report?
3. Company references GRI in report?
4. Company has GRI content index?
5. Company report has goals and benchmarks?
6. Company report is GRI "In Accordance" or “A” level?

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\(^{18}\) SIRAN maintains the website to provide a forum for general information, education and communication about corporate social responsibility issues.
The following chart highlights the reporting status of the companies in our most recent review. The scores may reflect reporting updates made subsequent to the original release of the review. Orange circles indicate positive responses while grey circles indicate negative responses. SIRAN believes that higher numbers of orange circles for a company indicates a greater commitment to transparency and reporting.\(^{19}\)

However, this analysis has a critical problem, because they looked or judged only each company’s paper or web reports. So they could see a view of the companies. Each report could include only positive side of companies’ CSR activities or projects. They tried to gild their CSR efforts to show customers. So SIRAN’s evaluation has lack of objectivity and empty of real information that monitored or watched CSR activities. For getting more credible evaluation, SIRAN has to include more objective and equitable information as a third party.

\(^{19}\) [http://www.siran.org/projects_s_and_p_reporting_comparison.php](http://www.siran.org/projects_s_and_p_reporting_comparison.php) (2008.11.26)
CERES RANKS

The Coalition for Environmentally Responsible Economies (Ceres) and the Association of Chartered Certified Accountants (ACCA) awarded the “Best Sustainability Reporting”. Ford Motor Company has won the award this year and earned the honor in 2004.

Their judging criteria is divided by 3 fields; Completeness, Credibility, and Communication.

Completeness (40%): An excellent sustainability report enables the reader to form a complete view of a company’s operations and impacts. Completeness covers four broad areas: materiality (significance of information disclosed), stakeholder inclusion (identification of audience and stakeholders as well as processes followed), strategy (the level of integration of sustainability in the business) and organizational context (general information and placing activities in context of sustainability).

Credibility (35%): Credibility is defined as assurance from the presentation of evidence that there are organizational structures, processes and controls in place to enable the company to accurately present information on its impacts. This includes having policies, appropriate personnel in place, information gathering systems, management systems and performance targets. Credibility covers five broad areas: management process (the way the company is managed), stakeholder inclusion (how feedback is used and how it influences decision-making), governance (senior management and board involvement), performance data, and assurance (both internal and external).

Communication (25%): Communication is the extent to which the sustainability report communicates to the declared target audiences. Communication covers three broad areas: presentation (how the report looks), stakeholder inclusion (how the report is made available to users) and structure (the style of reporting).²¹

In a summary report, Ceres and ACCA lauded Ford’s Sustainability report for presenting “a very compete picture of the key sustainability issues faced by both the company and its industry and includes a comprehensive materiality analysis.” The judges highlighted Ford’s disclosure of quantified data for product emissions, including average tailpipe emissions per vehicle complete with industry benchmarking. The panel also expressed appreciation for the report’s recognition of sustainable mobility as a key strategic issue as the company expands into emerging markets. The judges also praised Ford’s transparency about key challenges, specifically with regards to climate change and the changing regulatory landscape, as well as the company’s use of both online and print reports.

Suggestions and Improvement

In order to maintain credibility and to build reputation, I try to suggest some methods. For improving CSR activities,

- Ford must have internal and external auditors and verifying institutions as the third party stakeholder to measure and monitor the Ford CSR.

²¹ CERES-ACCA NORTH AMERICAN AWARDS FOR SUSTAIBIALITY REPORTING 2007 p.9
Ford should make communication methods with investor and customers to give information about Ford CSR. For improving the reports,

- Ford reporting needs to describe its road map to success, including long-range goals and milestones to achieve them.
- Ford should provide more evidence of the business implications of progress on the issues.
- To become more credible, the Ford report needs to include sustainable mobility and climate change goals, a plan to reach these goals, and effective performance indicators.
- The Ford report needs more extensive explanation of impact across communities, BU, geographies, employees, and governments, not just a few examples.
- The Ford should report the financial announcement related the CSR projects.

Conclusion

Now Ford Motor Company is in a financial difficulty. So social corporate responsibility would not their hot issue faced in current situation. However, for sustainable development to the corporate and earth, CSR is necessary to every company working. Especially Ford Motor Company has stronger duties about environment and other social problems. Because their products are making harmful results in the world: air pollution, tools for war, accelerating the global warming, and wasting oil. So they have to seek a coexistence and co-prosperity with people. As their reports, their CSR activities are very various and lively, and we can know that they are deeply considering the CSR
for their reputation and future development. However, there is a critical problem. Even their CSR is very excellent job and their report is got good evaluations from many NGOs who assessed the sustainability or sustainable investment of private companies, it is very hard to find an objective and critical evaluation based on the real CSR activities not only the Ford’s reports. Under this current situation Ford Motor Company could make CSR activities were manipulated. Therefore Ford Motor Company is necessary any external monitoring company or auditor. It makes that Ford Motor Company could do the CSR more strictly and actively. And there is necessary objective information which can help evaluate the Ford’s CSR.

Ford Motor Company is the one of the largest company in the world. So a possibility of bankruptcy can cause about many difficulties in many areas of world. I hope that Ford Motor Company overcome their current difficulties and make a better world through their Corporate Social Responsibility Campaign.
Discussion Questions

1. Do you believe that Ford is sufficiently transparent in its reporting practices?
2. Does Ford have any incentives to move beyond green washing?
3. What is the best way for environmental activists to engage with Ford and other automotive companies?
4. Why do you think there is a lack of credible information about Ford’s CSR activities? How can this information gap be filled?
5. What benchmark data would make Ford’s CSR activities more credible?
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