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Dan Pontefract chronicles a cautionary tale of a major US company that forgot its commitment to Open Thinking and paid a heavy price

The flat tyre of Open Thinking



Good thinking is required by all of us if we wish to explore new landscapes or decide how to travel from point A to B. If your thinking style is closed — like a flat tyre — chances are you are going to be stuck going nowhere for a long time.

However, if you practise “Open Thinking” — founded on an easy-to-remember mantra: dream, decide, do and repeat — you stand a far higher chance of being successful and engaged. When you, your team and your organisation exhibit Open Thinking habits, long-term prosperity is far likelier. There may be flat tyres but you have tools at the ready that allow you to be innovative, timely and productive.

Open Thinkers are continually alert, consciously navigating the wheel of life and work. They balance reflection *with* action. They pause, ponder, determine and then move forward. How?

Open Thinkers first exercise “Creative Thinking”, where they generate new ideas and opportunities unleashed from constraints. They allow themselves to dream and mind wander. They do not get bogged down by society’s penchant to be busy all the time.

Next, they employ “Critical Thinking”, the thorough analysis of their creativity — emboldened by facts and truths not opinions and falsities — to make an ethical and timely decision.

Finally, that decision has to move to action. Critical Thinking becomes “Applied Thinking” where the Open Thinker commits to attentive execution. If need be, the Open Thinker remains flexible and will repeat the Creative or Critical Thinking stages. Dream. Decide. Do. Repeat.

Firestone Tire and Rubber Company – Early Days

We must be in control of our thinking, even when there is a flat tyre. Open Thinking demands responsibility. However, skid marks on the road today and from our past indicate we have a lot to learn if we want our driving to be smoother.

Take the example of Firestone Tire and Rubber Company. Before and during the aftermath of the second world war, the company was a very successful and profitable organisation. It operated in several US cities with headquarters in Akron,

Ohio. It was a family-first type of company, proud to provide high-paying jobs to Americans of all classes.

Firestone possessed responsive managers, a sound strategy, efficient manufacturing processes and superb customer relations. All of it benefited its culture and its bottom line. Innovation, inclusion, and collaboration were at the forefront of its ethos. Bottom-up budgeting, for example, ensured team members across the organisation were involved in surfacing customer feedback that led to new ideas. It was Creative Thinking at its finest.

Indeed, Firestone was an Open Thinking type of business by including everyone in the creation of new ideas, decision making *and* action. The company was empathetic and continually dreaming up new ways to innovate to serve both its customers and employees. Revenues in the late 1960s averaged close to \$3 billion annually, second only to Goodyear Tyre but well ahead of rivals Uniroyal, B F Goodrich and General Tyre. Profitable, productive, engaged, purpose-driven and open in its thinking, Firestone might be considered a model organisation during the days of Woodstock and flower power.

Over a few years, however, the doggedness that was once behind Firestone’s Open Thinking DNA slowly began to erode. As the 1970s dawned, bias rubber tyres — which had fuelled Firestone’s growth for decades — were under threat from more efficient and cheaper products.

Initially, Firestone was able to see off the challenge posed by the belted bias tyre, making a few modifications to its assembly lines and maintaining its Open Thinking approach.

However, darker times lay ahead. A far more efficient and technologically superior tyre was about to sweep across North America and render the Firestone story a footnote in the history of tyre manufacturing.

In 1946, the French company Michelin developed the radial tyre, which lasted twice as long as the bias models. As Michelin also owned leading European automaker Citroën at the time, it was an easy way to hone and test the new tyre with its customers. In the following decades, the radial tyre gained widespread popularity in Europe though

making no inroads into North America. That was about to change. Was Firestone going to continue acting like an Open Thinking organisation?

The Flat Tyre at Firestone

In 1966, Michelin partnered with retailing giant Sears and began to sell its radial tyres across North America under the Allstate brand. By 1968, the independent guide *Consumer Reports* recognised that the radial tyre delivered less rolling resistance and better steering for the driver than belted bias tyres. It resulted in better fuel economy for automobile owners. Radial tyres were taking over the market while air simultaneously began to leak from the Firestone brand.

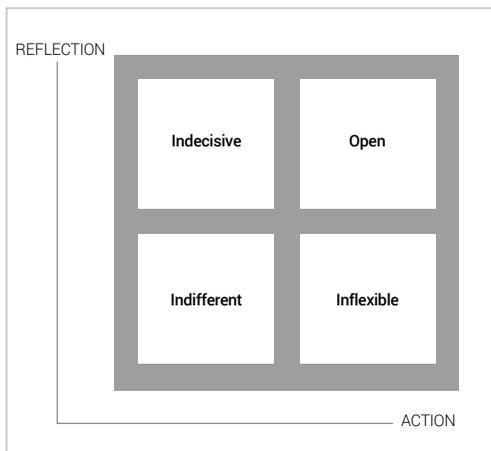
In 1973, pre-tax profits at Firestone were \$52 million but by 1980 the company was posting a \$32 million loss in a single quarter. By the end of 1980, it had suffered losses totalling close to \$100 million. Through the early 1980s, Firestone's debt climbed to over one billion US dollars.

A new CEO entered the picture who divested the company of many of its assets and lines of business, as well as closing nine of its tyre production facilities. The company even moved its headquarters from Akron to Chicago. By 1988, Firestone was no longer. Rival Bridgestone swooped in and acquired the company cheaply.

What Went Wrong at Firestone?

There is much to glean from the example of Firestone and how both individuals and organisations think. Firestone watched Michelin enter its tyre-making landscape in North America – skipping over its Open Thinking culture to address the threat proactively – and then witnessed its biggest competitor, Goodyear, adapt to radial tyres with speed and effectiveness. What happened? Arguably, Firestone executives demonstrated three cardinal sins of thinking over several years. In doing so, it failed to balance reflection *and* action. These poor habits led to the eventual sale of the company.

• **Indifferent Thinking:** By resting on the company's bias tyre-making success, Firestone ignored the competitive threat of Michelin and radial tyre advancements over several years. Given radial tyres were introduced in 1946 across Europe, it had plenty of time to rethink or adapt its existing



North American tyre-making strategy. Instead, it decided to remain with the status quo of belted bias tyres for far too long. Only when radial tyres started to impact North American market share significantly – and *Consumer Reports* provided third-party evidence – did Firestone begin to change course. Consequently, Firestone lost out on a first-to-market opportunity. Indifferent Thinking maintained the *status quo*, which, ultimately, cost the company dearly. It failed to invest any time in new reflections or new actions.

• **Indecisive Thinking:** While Firestone did eventually upgrade its production lines to accommodate the newer belted bias tyre designs, it did not correctly decide to take action with radial tyres until it was too late. It spent too much time reflecting, and not enough taking action. Michelin had entered North America in the mid-1960s while its biggest competitor – Goodyear – began building brand new radial tyre plants almost immediately in response. Firestone became indecisive about radial tyres. “Should we or shouldn't we enter the market,” executives would have asked each other before it was too late. Eventually, the company decided to retrofit many of its existing facilities for radial tyres instead of building new production plants. However, it also kept many of its facilities open to continue producing legacy products no one wanted. This poor thinking – creating both types of tyres in facilities meant for one while continuing to deliver



\$1bn

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\$2.6bn

In 1988, Firestone's board accepted an offer by Bridgestone to acquire the company for \$2.6 billion. Firestone was no longer, (in part) due to its Inflexible Thinking



an unpopular tyre — resulted in massive quality issues with its radial tyres, a fall in profits and a plummeting stock price. Their Indecisive Thinking also led to a significant executive and personnel shake-up at the company.

• **Inflexible Thinking:** By the late 1970s, as a result of the quandary it faced, Firestone's board dismissed President Mario DiFederico in December of 1979 and hired John J. Nevin, a newcomer to the tyre industry. He subsequently terminated 22% of the workforce, closed 30% of Firestone's tyre-making plants and reduced inventories by 42%. He also eliminated its bottom-up budgeting process and any shred of the engaged and Open Thinking culture it formally possessed. Nevin had instituted a top-down, hierarchical workplace. Inflexible Thinking was commonplace. Top-down action versus company-wide reflection became the norm. Its engaged culture evaporated and the mission became focused on maximising shareholder return. In 1988, Nevin's unilateral, action-driven thinking style resulted in Firestone's board accepting an offer by Bridgestone to acquire the company for \$2.6 billion. Firestone was no longer, (in part) due to its Inflexible Thinking.

The Road Ahead

Today, radial tyres possess 100% of the available tyre market share in North America. Sales of radial tyres now surpass \$50 billion annually. It makes you wonder where Firestone might be

today if it had not exhibited such poor thinking — showing Inflexible, Indecisive and Indifferent Thinking — in the face of competitive threats and technological advances. It makes you wonder how the company forgot how to be Open Thinkers.

The ultimate question that this story begs is whether you — or your organisation — is thinking like Firestone. Are you an Open Thinker or have you closed off your mind, allowing external forces and Indifferent, Indecisive and Inflexible Thinking habits to dictate your fate?

Are you adequately balancing the time needed to reflect and take action? Have you found yourself stuck in the *status quo* of yesterday's strategy? Are you spending too much time stressed out in a constant state of urgency and busyness, feeling compelled to complete task after task? Are you not paying attention to the signs of change?

An Open Thinking mindset requires you — and your organisation — to properly balance Creative, Critical and Applied Thinking. Dream. Decide. Do. Repeat.

Otherwise, you may end up with a flat tyre, or worse, like the fate of Firestone Tire and Rubber Company.

Put simply, are you Open to Think?

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About the Author

Dan Pontefract is the author of OPEN TO THINK: Slow Down, Think Creatively and Make Better Decisions; Chief Envisioner of TELUS; and Adjunct Professor at Gustavson School of Business, University of Victoria, Canada