

Carter Racing*

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John Carter was not sure, but his brother and partner, Fred Carter, was on the phone and needed a decision. Should they run in the race or not? It had been a successful season so far, but the Pocono race was important because of the prize money and TV exposure it promised. This first year was hard because the team was trying to make its name and so had run in a lot of small races. A successful outing could mean more sponsors, a chance to start making some profits for a change, and the luxury of racing only the major events. But if they suffered another engine failure on national television ...

“These engine failures are exasperating,” thought John. The team’s car had failed seven times in twenty-four outings this season with various degrees of damage to the engine and car. No one could figure out why. It took a lot of sponsor money to replace a \$50,000 racing engine, and the wasted entry fees were no small matter either. John and Fred had everything they owned riding on Carter Racing. This season had to be a success.

Paul Edwards, the engine mechanic, was guessing the engine problem was related to ambient air temperature. He argued that when it was cold, the different expansion rates for the head and block were damaging the head gasket and causing the engine failures. It was below freezing last night, which meant a cold morning for starting the race.

Tom Burns, the chief mechanic, did not agree with Paul’s “gut feeling” and had data to support his position (see Exhibit 1). He pointed out that the 10 gasket failures had occurred over the entire temperature range, which meant temperature was not the issue. Tom had been racing for twenty years and believed that luck was an important element in success. “In racing, you are pushing the limits of what is known,” he argued, “and that means some things are not going to be under control. If you want to win, you have to take risks, and everybody in racing knows it. The drivers have their lives on the line, I have a career that hangs on every race, and you guys have every dime tied up in the business. That’s the thrill of it: beating the odds and winning.” Last night over dinner he had added to this argument forcefully with what he called Burns’ First Law of Racing: “Nobody ever won a race sitting in the pits.”

John, Fred and Tom had discussed Carter Racing’s situation the previous evening. This first season was a success from a racing standpoint, with the team’s car finishing in the top five in 12 of the 15 races it completed. As a result, the sponsorship offers critical to the team’s business success were starting to come in. A big break had come two weeks ago after the Dunham race, where the team scored its fourth first-place finish. Goodstone Tire had finally decided Carter Racing deserved its sponsorship at Pocono -- worth a much needed \$40,000 -- and was considering a full season contract for next year if the team’s car finished in the top five in this race. The Goodstone sponsorship was two million a year, plus incentives. John and Fred had gotten a favorable response from Goodstone’s Racing Program Director last week when they presented their plans for next season, but it was clear that his support depended on the visibility they generated in this race.

“John, we only have another hour to decide,” Fred said over the phone. “At the end of the Dunham race, before we got the \$40,000 from Goodstone, we were \$80,000 in the hole. If we withdraw now, we can get back half the \$30,000 entry. We will lose Goodstone, they’ll want \$25,000 of their money back and we’ll end the season \$50,000 in the hole. If we run and finish in the top five, we have Goodstone in our pocket and can add another car next season. You know as well as I do, however, that if we run and lose another engine, we are back at square one next season. We will lose the tire sponsorship, and a blown engine is going to lose us the oil contract for sure. No oil company wants a national TV audience to see a smoker being dragged off the track with their name plastered all over it. The oil sponsorship is \$800,000 that we cannot live without. Think about it - call Paul and Tom if you want -- but I need a decision in an hour.”

John looked out the window at the crisp autumn sky. The cars were already on the grid, spectators admiring the gaudy paint, excitement mounting in anticipation of the start. This was what made racing at this level special, the cars on display with crowds mingling around and waiting for the engines to roar to life. In an hour, they would retreat to the stands and the cars would circle the track in anticipation of the start. The temperature sign across the street flashed **“40 DEGREES 8:23 A.M.”**

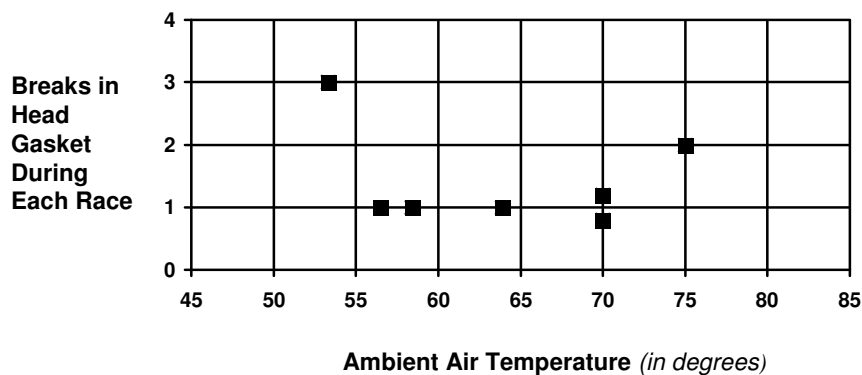
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Exhibit 1: Note from Tom Burns

John,

I got the data on the gasket failure problem from Paul. We have run 24 races this season, with temperatures at race time ranging from 53 to 82 degrees. Paul had a good idea in suggesting we look into this, but as you can see, this is not our problem. I tested the data for a correlation between temperature and gasket failures, and found no relationship.

Table 1.
Relationship Between Temperature and Gasket Failures



In comparison with some of the other teams, we have done extremely well this season. We have finished 62.5% of the races, and when we finished we were in the top five 80% of the time. Our rate of blown engines is 29%, but we are running fast, so we have to expect some difficulties. I am not happy with the engine problems, but I will take the four first-place finishes and 50% rate of finishing in the money over seven engines any day. If we continue to run like this, we will have our pick of sponsors.

Tom