Volkswagen and Diesel Vehicle Emissions: An Environmental Scandal

Meg Armstrong
1/16/22
Crisis Communication Management
Dr. Brenda Wrigley

Background

Volkswagen is a car manufacturing company that was founded in 1937 in Berlin, Germany, with the focus of producing cars that regular people could afford. In fact, "Volkswagen" can be translated to "people's car" (Hassan, 2019). The organization was successful and grew quickly, and is currently Europe's largest motor vehicle manufacturer. While it is most well-known for its iconic Volkswagen Beetle, the company has also obtained several notable brands including Porsche, Audi, Bentley, and Skoda in recent years (Aichner, Coletti, Jacob, and Wilken, 2020). In 2015, when the diesel emissions crisis occured, the company's success seemed untouchable due to its prominence in the industry (Mačaitytė, 2018).

At the same time, the past 15 years have contained a drastic increase in concern for the environment, both publicly and politically. The heightened awareness of global warming and its effect on the planet has led to a plethora of regulatory and social movement initiatives. This, in turn, has fostered interest in environmentally responsible cars. Lower emissions and alternate fuel types have become very attractive to consumers, leading to the growth of car companies such as Tesla (Markowitz, Chapman, Guckian, and Lickel, 2017). Volkswagen had taken notice of the trend by the time of the crisis, and were focusing on producing lightweight and fuel-efficient cars. Those positive features, however, did not end up working in the company's favor when some cars turned out to be less fuel-efficient than advertised (Valentini and Kruckeburg, 2018).

Crisis Development

Before the scandal's beginning, Volkswagen was considered to be a reasonably honest company that made good quality cars. In 2009, one of its creations- the Volkswagen Jetta TDI- won the award for Green Car of the Year for its surprisingly efficient diesel engine (Valentini and Kruckeburg, 2018). This award would be retracted later on because the car was not actually clean- Volkswagen simply had installed a "defeat device" in its diesel engines. The device would detect when the vehicle was being tested, and switch on emission controls that caused the car to pass the test. During ordinary driving, those controls would not be turned on. Emissions were generally as much as 40 times higher when the cars were actually in use. (Painter and Martins, 2007).

The bad news went public on September 15, 2015 when the US Environmental Protection Agency sent out a notice that Volkswagen had violated the Clean Air Act by installing the devices in the Volkswagen Beetle, Jetta, and Golf, and the Audi A3 (Bachmann et al, 2019). Martin Winterkorn, the CEO of Volkswagen at the time, resigned a few days later. Volkswagen did not make any substantial attempt to communicate with its publics until September 22, when the corporation revealed that 11 million cars worldwide contained the devices. As they recalled the affected vehicles, Volkswagen initially put aside 6 billion dollars to deal with the crisis (Hassan, 2019). This number would, however, increase as Volkswagen paid several billion dollars in criminal fines to both American and German authorities, and lost billions more due to image loss (Aichner et al, 2020).

Communication Observations

Volkswagen had a communication plan in place and was reasonably successful in executing crisis communication strategies, but fumbled with giving the correct response in the beginning of the crisis. For instance, when the company first admitted to the cheating, they claimed to have only installed the devices in the United States, and not Europe. Two days later, after the CEO in charge retired, Volkswagen confessed that all the impacted models contained the device (Hassan, 2019). Initial press releases also attempted to place the blame on rogue engineers, trying to protect the other members of the company who were fully aware of the deception (Painter and Martins, 2017). In an event where an organization has already lost the trust of its customers, continuing to hide the truth only damages relations further. In order to rebuild the image of Volkswagen, the company needed to prove that it would make a genuine effort to improve.

On October 9, 2015, two weeks after the start of the crisis, Volkswagen ran a campaign focusing on apologizing, as well as answering customer questions on what would happen with their cars. It was titled "*We have broken the most important part of your cars: your trust."* (Stieglitz, Mirbabaie, and Potthoff, 2018). While it was one of many public relations attempts, it was a step in the right direction. Reputation restoration is a process that requires time and consistency. Other positive actions taken by Volkswagen include agreeing to buy back cars in April 2016, and publishing a yearly report with a personal message from the new CEO to shareholders (Hassan, 2019). The company also took its eco-friendly initiatives and made them more of a priority as a way to show how they changed.

Current State/Situation

Currently, Volkswagen is still one of the leading car manufacturers in the world. Its sales dropped moderately in 2020, but have completely recovered from the height of the emissions crisis in 2015 (Bachmann et al, 2019). While its image was significantly damaged, there were some aspects of the crisis that made it easier for Volkswagen as a company to recover. First of all, the company had the wealth to pay its legal fees and buy back the cars while still retaining its ability to operate. Secondly, there was no "human cost" in this crisis. The cars did not kill or injure people due to its emissions. Instead, Volkswagen needed to recover from a betrayal of principle to its publics. While lives cannot returned, it is possible to fire culpable employees and recall cars. A company can grow and improve in its level of corporate responsibility.

Volkswagen's success today, however, does bring up the question: Is the company still negatively impacted by the diesel crisis? And has it really changed for the better? In a study by Aichner et al, views on German carmakers in general are lower as a direct result of Volkswagen's emissions crisis. While it is impossible to measure how many sales the company has lost from its damaged image, it is clear that there is a percentage of the population that not only remembers the deception, but cares about it as well. As for the second question, the best course of action will be to watch Volkswagen's behavior in the future and see. Even if they only learn to cover their tracks better, the financial damages Volkswagen has received serves as a clear warning to other organizations who may believe that covering up problems will permanently eliminate them.

Reference List

Aichner, T., Coletti, P., Jacob, F., & Wilken, R. (2020). Did the Volkswagen Emissions Scandal Harm the “Made in Germany” Image? A Cross-Cultural, Cross-Products, Cross-Time Study. *Corporate Reputation Review*, 1-12.

Bachmann, R., Ehrlich, G., Fan, Y., Ruzic, D., & Leard, B. (2019). *Firms and collective reputation: a Study of the Volkswagen Emissions Scandal* (No. w26117). National Bureau of Economic Research.

Hassan, A. S. (2019). Evaluating the Marketing Communication Strategy of Volkswagen in Post-Crisis Period: Application of Image Repair Theory [J]. *International Journal of Marketing Studies*, *11*(2), 87-94.

Mačaitytė, I., & Virbašiūtė, G. (2018). Volkswagen emission scandal and corporate social responsibility–a case study.

Markowitz, E. M., Chapman, D. A., Guckian, M. L., & Lickel, B. (2017). A corporate scandal that hits close to home: Examining owners’ responses to the Volkswagen diesel emissions scandal. *Environmental Communication*, *11*(6), 740-755.

Painter, C., & Martins, J. T. (2017). Organisational communication management during the Volkswagen diesel emissions scandal: A hermeneutic study in attribution, crisis management, and information orientation. *Knowledge and Process Management*, *24*(3), 204-218.

Stieglitz, S., Mirbabaie, M., & Potthoff, T. (2018, January). Crisis Communication on Twitter during a Global Crisis of Volkswagen-The Case of "Dieselgate". In *Proceedings of the 51st Hawaii International Conference on System Sciences*.

Valentini, C., & Kruckeberg, D. (2018). “Walking the environmental responsibility talk” in the automobile industry: An ethics case study of the Volkswagen environmental scandal. *Corporate Communications: An International Journal*.