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Abstract

The present paper focuses on discussing the nature of crises and their impact on organizations, particularly focusing on communication strategies during such events. More specifically, the present paper examines the Volkswagen emissions scandal, known as Dieselgate scandal, which began in September 2015 when the company was caught violating the Clean Air Act. This case exemplifies a preventable crisis where technology failures led to harmful products. Overall, the present paper sets the foundation for exploring crisis management and communication strategies, particularly in the context of the Volkswagen scandal. The research, in conclusion presents how Volkswagen tried to restore its reputation through public announcements as a result of the adoption of corrective measures.

Keywords: Communication, crisis, management strategies, VW scandal.

Introduction

The literature on corporate ethics, governance, and crisis communication has extensively debated the so-called Dieselgate or VW emissions scandal. While there is extensive literature on corporate misbehavior and its financial punishment, only a handful of studies have particularly investigated corporate communication behavior in the case of such a severe crisis. This research contributes to the growing list of studies in crisis communication, which will look at how VW addressed its crisis through official statements, press releases, and communications with executives. This paper has identified several research gaps in the literature. Although most of these studies dwell on the financial, legal, and environmental implications of these corporate scandals, a detailed examination of how companies employ communication strategies in restoring brand reputation is beyond the scope of their various analyses. There is also a deficiency in more empirical tests of the responses towards corporate communications during crisis situations. The purpose of this paper, therefore, is to try to fill such gaps by testing the communications strategies of VW against

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the Coombs' Situational Crisis Communication Theory, or SCCT, in an effort to determine how the responses would impact public perception and corporate reputation. This paper tries to shed some light on what communication strategies VW employed after the beginning of the scandal, and further evaluates their effectiveness in mitigating the crisis. By systematically analyzing the responses of VW, this study will contribute to the extension of our understanding of the relationship between corporate communication and crisis management. (Coombs' Situational Crisis Communication Theory (SCCT))(Coombs, 2007; Coombs, 2015; Coombs, 2021).

Context of Study-Literature review

The VW scandal has been also widely known as either Dieselgate or Emissiongate. Chronologically, the event falls into September 2015 when, after the inspection from the US Environmental Protection Agency or the EPA, a conclusion was made on the violation of the Clean Air Act by the car manufacturer VW.

The same article by Yannis Skoufis reported that the cars selected to be violators were certified to either the US EPA Tier 2/Bin 5 emissions standard, or the ULEV California LEV-II standard. Both of those standards mandate that nitrogen oxide emissions may not exceed 0.043 grams per kilometer (0.07 g/mi) for engines with a full useful life, defined as 190,000 kilometers or 120,000 miles and 240,000 kilometers or 150,000 miles, correspondingly, depending on the vehicle and also specific optional certification options (Boston, W., Varnholt, H., & Sloat, S. 2015).

This is one of the most stringent nitrogen oxide standards in the world. For example, the current standards in Europe- Euro 5 (2008 "EU5 compliant", 2009 –2014 models) and Euro 6 (2015 models)-limit nitrogen oxide emissions to only 0.18 g /km (0.29 g /mi) and 0.08 g /km (0.13 g /mi), respectively.

It was revealed that the company had deliberately designed turbocharged direct injection diesel engines to turn on emission controls only when the car was being used in a laboratory test but not otherwise. As a result of this, cars did not pass the US standards when undergoing controlled testing and sometimes emitted as high as forty times more on the highway .

The company had fitted this software in almost 11 million cars worldwide, all 500 000 of which were sold in the US from 2009 to 2015.

In 2014, ICCT presented a study that reported data from three different sources on 15 vehicles regarding the difference in emissions between European and American cars. This is because the independent body, pressed by the CEO, had decided to conduct this very common test of emissions on three cars through road testing in the US because regulations there are more strict compared to Europe. What they want to prove is that the cars will be able to pass this test; however, two of the three cars, the VW Passat and the VW Jetta, presented discrepancies, while there were no

differences in the BMW X5. More specifically, five scientists from West Virginia who worked at the university of the same name detected, during live tests, additional emissions in a percentage of 66% of diesel cars. These cars, as mentioned above, were namely a VW Passat, a VW Jetta and a BMW X5 (Topham et al., 2015).

All the three above-mentioned vehicles had been previously certified to fall below emissions limits at standard laboratory tests conducted at a California Air Resources Board facility. For the VW Jetta and the BMW, the test was a real 2400km drive. For the final test, however, they wanted even more mileage for the Passat, driving the route from Los Angeles to Seattle and back again, more than 3200 km. While the BMW actually met or stayed below the standard, under real-world driving conditions, the other two vehicles were found to surpass US limits.

The general conclusion was then that the cars' emissions are far above not only the strict limits of the USA but also the less strict ones of Europe. According to the testers, there were so many tests conducted that there is no probability of mistake in them that could justify the result. US real test results confirm Europe's from ICCT:.

Scientists at the University of Virginia could not find the tampering device, but this was exposed after a year-long study by a group of researchers who found that the device was actually a piece of the cars' programming code which was activated every time it underwent testing. These findings sparked the interest of regulators in various nations who started investigating VW and led to the company's share price falling by a third (Ruddick, 2015).

Headed by then CEO Martin Winterkorn, VW's CEO resigned while heads of brand development, the head of research and development at both VW Group's Porsche and Audi were all put on suspension. In April 2016, the company announced it would spend 16.2 billion euros to fix emissions issues and replace affected vehicles through a recall campaign (Mansouri, 2016).

In January 2017, he pleaded guilty to the charges and signed a statement of facts which said that an investigation ordered by the company itself to US attorneys found that its engineers had developed the specific emissions concealment devices for its vehicles to pass the US tests and deliberately concealed their use.

During the same period, that is in April 2017, a US federal judge ruled and ordered VW to pay a fine of 2.8 billion dollars while the CEO of the company charged with fraud and conspiracy on May 3, 2018. Today, and to be clear from as of June 1, 2020, this scandal cost the company $33.3 billion in fines, penalties, financial settlements, and buyout costs (Chue, 2015). Most of the affected cars are in the US and Europe where consumer groups as well as governments are seeking to secure compensation for all regardless of whether they are considered illegal in the US and legal in Europe as their owners were defrauded (Topham et al., 2015).

Obviously, this scandal made people more aware of the high emissions of all diesel cars and sparked several new investigations and other related emissions scandals. VW insisted for one year that the differences had to do with technical glitches, until, after it was revealed in testing how the company had manipulated the emissions, it came out and admitted its mistake.

German and US company executives officially acknowledged that fact in a teleconference to NRA and California officials on 9/3/2015 during which written material was presented proving that the software used in the engines bypassed the emissions tests of the USA. They agreed to introduce them as Europe threatened it with a market ban for 2016. The company also announced that more than $7 billion will be devoted to the software fix (Bachmann et al., 2023).

Previous research in crisis communication has largely focused on theoretical models such as Benoit's Image Repair Theory (Benoit, 1997; Benoit, 2021) which categorizes corporate responses into strategies such as denial, evasion of responsibility, and corrective action. Coombs' Situational Crisis Communication Theory (SCCT) (Coombs, 2007), (Zhang et al., 2016) which focuses on matching crisis types to appropriate response strategies, has also been a valuable framework for analyzing corporate responses to crises.

However, few studies have applied these frameworks specifically to the automotive industry or explored how companies navigate a complex crisis like the VW emissions scandal. This literature review will assess the theoretical foundations of crisis communication and identify how the Volkswagen case fills a gap by focusing on a large-scale environmental scandal with significant international repercussions.

Methodology

This study employs a qualitative content analysis approach to examine the case study of Volkswagen's communication strategies during the Dieselgate crisis. The primary sources of data include press releases, statements from VW executives, and video announcements released from September 2015 to December 2017. Additionally, consumer reactions to VW's communications were analyzed using social media comments and online forums to capture public sentiment.

Data were coded and analyzed based on Coombs' Situational Crisis Communication Theory (SCCT), which classifies responses into strategies such as denial, diminishing, and rebuilding (Coombs, 2015). By applying SCCT, this study identifies the strategies VW used at different stages of the crisis and assesses their effectiveness in managing public perception.

We have made a summary of the announcements that have been made from the VW from September 2015, when the scandal was found and until 2016 which is the last recall of the scandal from the company.

Announcements

September 20, 2015: First Response

Key Messages:

- Volkswagen acknowledges the findings and expresses deep regret for the erosion of customer trust, which they vow to restore.
- The company commits to cooperating fully with authorities and conducting a thorough investigation into any legal violations.

September 22, 2015: Technical Investigation and Customer Reassurance

Key Messages:

- Volkswagen emphasizes ongoing investigations to address potential irregularities in their software.
- New vehicles meet legal standards, and profits from affected models will be used to remedy the situation and rebuild trust.
- The CEO releases a video reiterating commitment to a thorough investigation, formal apology to customers, and defense of the workforce. He emphasizes the company's focus on transparency.

September 23, 2015: CEO Resignation

Key Messages:

- The CEO accepts responsibility for the diesel engine irregularities and announces his resignation.
- Volkswagen's Executive Committee acknowledges the financial cost of the crisis and the loss of trust. They support the CEO’s resignation and announce plans to investigate involved employees and file a criminal complaint.
- A committee is formed to oversee the investigation, ensuring transparency and collaboration with external partners.

September 25, 2015: Announcement of New CEO and New Investigations

Key Messages:

- Matthias Müller is announced as the new CEO, tasked with regaining trust and ensuring compliance with industry standards.

- The supervisory board suspends employees and authorizes investigations by legal teams in Germany and the U.S. to clarify the issue with diesel emissions.
- An acknowledgment of 5 million affected vehicles, with plans to inform customers and ensure cars meet legal standards.

September 29, 2015: Action Plan for Correcting Emissions

Key Messages:

- Volkswagen announces its action plan to correct the emission problems. The company will begin offering solutions from October to affected customers, ensuring compliance with legal standards.

October 2015: Supervisory Board Changes and Investigations

Key Messages:

- Volkswagen outlines continued collaboration with external partners and law firms to provide documented answers over several months.
- New supervisory board members are announced due to resignations.

October 6, 2015: CEO Address to Employees

Key Messages:

- The CEO reassures employees, stating the company's solid foundation and promising quick clarification of the scandal.
- He also emphasizes the safety of the vehicles and outlines a customer outreach plan.

October 7, 2015: Chairman's Address

Key Messages:

- The chairman of the supervisory board pledges cooperation with law firms and commits to rebuilding trust with customers and partners.

October 22, 2015: Clarification of Legal Compliance

Key Messages:

- Volkswagen announces models that meet legal standards and provides customers with online tools to check whether their vehicles are affected.
- The company prepares for remediation actions starting in January 2016.

October 28, 2015: Five-Pillar Strategy for Recovery

Key Messages:

- CEO Matthias Müller outlines a five-pillar strategy focusing on supporting customers, investigating the crisis, decentralizing management, improving internal communication, and adjusting the Group's strategy to focus on quality over quantity.
- A new cultural shift towards openness and collaboration is emphasized.

November 2, 2015: Response to U.S. Environmental Protection Agency (EPA)

Key Messages:

- Volkswagen acknowledges software issues with its 3-liter V6 diesel engines but denies the installation of any illegal emissions-altering software.
- The company commits to full cooperation with the EPA.

November 3, 2015: Additional Findings and Financial Impact (Eger & Schhfer, 2018)

Key Messages:

- The supervisory board expresses concern over new findings affecting 800,000 cars and a projected financial impact of €2 billion.
- The CEO pledges uninterrupted transparency and emphasizes that the truth will guide Volkswagen’s recovery.

November 9, 2015: Joint Decision Making for Future Success

Key Messages:

- The CEO and the workers' council agree to make joint decisions, prioritizing future technologies to safeguard the company’s success and employment.

December 9, 2015: Clarification of CO2 Issues (Kollewe, 2015)

Key Messages:

- Volkswagen announces the completion of its internal research into CO2 emissions, revealing that the vast majority of vehicles meet their original figures, with only nine models requiring minor adjustments.
- The company reassures customers that no major financial impact will occur, and affected vehicles will undergo technical adjustments.

December 16, 2015: Technical Solutions for Affected Vehicles

Key Messages:

- Volkswagen presents technical measures to the Federal Motor Transport Authority (KBA), and affected customers will be informed about recall procedures in 2016. The solutions will be implemented throughout 2016.

February 2, 2016: Summary of Recall Measures

Key Messages:

- Volkswagen provides a summary of the recall process, emphasizing customer-friendly solutions and efficient implementation.
- The company reassures customers that their vehicles are safe to drive and will meet all legal standards after modifications (Eger & Schhfer, 2018).

This structure presents Volkswagen's communication strategy in a detailed, timeline-based format, highlighting the company's crisis response efforts and commitment to transparency, customer support, and legal compliance.

Results

The results of the analysis reveal that VW primarily employed corrective action and apology strategies throughout the Dieselgate crisis. In the early stages, VW leaned heavily on denial and scapegoating, but as the crisis unfolded, the company shifted toward corrective action by announcing software fixes and compensation plans.

Announcements summarize the communication strategies employed by VW across key announcements, categorized by SCCT strategies. Consumer reactions varied, with early responses characterized by outrage and skepticism. However, as corrective measures were implemented and apologies issued, consumer sentiment showed signs of recovery, though trust was slow to rebuild.

Discussion and Conclusions

This study highlights the effectiveness of using corrective action and apology strategies during corporate crises (Ashby-King & Aragón, 2022). In the case of VW, while initial denial and scapegoating strategies may have exacerbated the situation, the eventual shift toward transparency and corrective measures helped stabilize public perception. These findings corroborate Coombs' SCCT, which suggests that companies facing preventable crises should focus on rebuilding trust through sincere apologies and corrective actions.

VW's strategy was based on accepting responsibility, acknowledging wrongdoing, and committing to full cooperation with the authorities. The company has made significant management changes, while a new action plan to comply with emissions standards has been announced.

The study also provides practical insights for companies in similar industries. It underscores the importance of timely communication, clear accountability, and a long-term commitment to rectifying harm caused by corporate malfeasance.

Solutions to regulatory issues to address such problems go beyond public regulation. In contrast and in addition, Germany and the EU have significantly more restrictions on many levels, in terms of civil liability and consumer protection. The weaknesses of civil liability force us to rely heavily on public regulation to protect victims of environmental damage. However, many legal hurdles remain that make it difficult for affected auto consumers to claim compensation, either in contract or under tort law, even when the damage is attributable to.

Instead, societies around the world, and now Asia as well, are facing the pressing issue of air pollution, and demands for "cleaner cars" have grown in both the US and Europe. Decisions by car manufacturers and consumers must be made based on the total cost of mobility, including all externalities related to oil and petrol consumption. In addition, emission standards must be clear and strictly enforced, reflecting current knowledge of emission risks. This can be achieved through better public regulation and the removal of legal barriers that make it difficult for landlords to take mass legal action.

Therefore, future research should expand the scope by comparing the communication strategies of other companies in similar crises, or by exploring consumer reactions more deeply using sentiment analysis tools.

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