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Crisis of the Week: Volkswagen Scandal Pollutes Carmaker's Reputation

By [Ben DiPietro](#)



Associated Press

[Volkswagen AGVOW.XE -5.96%](#) and its admission it [distorted the results](#) of emissions tests to pass requirements of the U.S. Environmental Protection Agency is the obvious choice for this week's crisis. The company said [more than 11 million diesel engine vehicles](#) had software installed that manipulated the emissions tests results to make sure levels passed EPA rules.

The company issued several [statements](#) admitting it “[totally screwed up](#),” [apologizing](#) for what happened and saying it was working to find a solution to the problem. It [halted sales](#) of some diesel cars and announced an external investigation. Chief Executive [Martin Winterkorn](#) and other executives issued apologies through [statements](#) and [videos](#), and the crisis so far reached its peak when Mr. Winterkorn [resigned](#). The company named Matthias Müller its [new CEO](#) and the board [said](#) it “will leave [no stone unturned](#)” in getting to the bottom of what happened, and vowed to hold those responsible accountable.

The crisis experts were asked to evaluate how well VW has handled this crisis, and to suggest next steps for what it should do.

Andrew Hennigan, communications consultant: “Volkswagen faces an unprecedented public relations challenge. Typical automotive scandals are usually the result of incompetence aggravated by a bungled cover-up. VW’s problem appears to be the result of a premeditated design decision, making apologies entirely insufficient.

“The company’s initial statement was weak, simply confirming that the company had received notice of the EPA investigation and that the company ‘takes the matter very seriously and is cooperating with the investigation’—a meaningless comment typical of statements made for compliance rather than information. The lack of any personal, human response at this stage was damaging to the company but probably just reflected the state of shock of Volkswagen management.

“A few days later Volkswagen USA CEO Michael Horn finally addressed the crisis more effectively with his comment that ‘we have totally screwed up,’ and this helped to convince people that they understand the seriousness of the situation. Soon after Volkswagen Group CEO Martin Winterkorn went further, admitting he was shocked and stunned at the scale of the misconduct. But what was more effective was his immediate resignation. The board’s statement issued the same day listed further actions, including the promise of ‘further personnel consequences’ and a voluntary submission to the prosecutor’s office.

“Moving forward Volkswagen has a very difficult challenge restoring trust. It will have to combine robust corrective actions with increased transparency, building a new culture based on uncompromising integrity. This will take a long time but the company could even emerge stronger at the end.”

Ira Kalb, assistant professor of clinical marketing at the USC Marshall School of Business: “Volkswagen evaded regulators and deceived the public regarding the emissions of its diesel vehicles by employing a ‘defeat device.’ Because this was a deliberate deception that endangered public health and violated its ‘clean diesel’ branding, Volkswagen seriously compromised its integrity. Even worse, it didn’t disclose the deception. The EPA uncovered it—finding that offending vehicles emit pollutants up to 40 times standard levels.

“Volkswagen executives have taken the first step of proper crisis management protocols by admitting fault and apologizing. Because 11 million vehicles are involved worldwide, it will be difficult to take the next step: narrowing the scope of the deception.

“CEO Martin Winterkorn resigned Wednesday and was replaced by Porsche CEO Matthias Müller, signaling VW’s primary strategy to restore the public trust is to scapegoat the previous regime. This move alone is unlikely to work since Müller is a company insider who faces an uphill battle because of the precipitous drop in the company’s stock price, the possibility of billions of dollars in fines and an untold number of lawsuits.

“This scandal is so serious that many believe that it could spill over to other Volkswagen brands, Audi and Porsche (one Audi model is involved). Even worse, some are concerned that it will damage the ‘made in Germany’ brand.

“Volkswagen put itself in a deep hole. To get out of it, Müller and his team need to right the wrong by engineering and retrofitting a device that brings emissions to standard on diesel vehicles and propose a believable solution so this won’t happen again.”

Jennifer Vickery, CEO, National Strategies Public Relations: “Volkswagen has a long road ahead. With billions of dollars in possible fines and a major tarnish to the brand name for an issue in which the public—particularly millennials—are passionate about, the automaker will need to aggressively communicate during this crisis. This situation has a large impact on many different levels: environmentally, economically, politically—not to mention the potential for class-action lawsuits and more.

“The resignation of Volkswagen’s CEO was a no-brainer. This had to happen. A major problem is the public is unforgiving for lies when it comes to jeopardizing the environment. The U.S. public will tend to forgive and move forward with automotive recalls, correction of issues and deceit. However, when it comes to deception in damaging

the environment in a population where there are now more millennials than baby boomers, and millennials making up a large demographic of customers for the brand, VW is in trouble.

“To really fix things, the company is going to have to communicate in a new way. It should break things down, step-by-step, in terms of where they are in the investigation and correction of all internal corruption. It must be as public as possible, even using social media and media airtime purchases, to reach the public.

“Stakeholders may not like this approach. Typically internal boards want to publicly communicate important findings and positive actions only. However, with an issue of this size and of this type of deceit, it is going to really need to communicate more openly than they might want. It needs to comply with the EPA, take action, investigate hard, prosecute harder and be open every step of the way.”

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