

Accountability mechanisms in volkswagen and nike



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“ An ever evolving set of responsibilities (and accountabilities) for the functioning and welfare of individuals, society and the environment is entrusted to public sector organisations and private business enterprises.”

Using both positive and negative examples discuss the above statement.

Accountability is defined as “ the fact or condition of being accountable; responsibility” (Oxford Dictionary, 2016). It is an essential part of all businesses both large and small. The power that one party has which enables them to demand accounts from another party is through various accountability mechanisms. This essay will examine how a small selection of said accountability mechanisms succeeded or failed in the cases of two large corporations – Volkswagen and Nike.

The environment is entrusted into the hands of businesses. A prime example of when this ‘ trust’ was broken is the Volkswagen (“ VW”) emissions scandal. In this case, the legal accountability mechanism failed miserably. Legal accountability is the obligation that companies have to the law. These accountabilities unlike some others e. g. market accountability are compulsory. The VW emissions scandal erupted on the 18th of September 2015 (Kollewe, 2015). The company was ordered to recall 482, 000 cars in the US after the scandal was unveiled. Due to the deliberate – illegal – installation of a ‘ defeat device’, VW could cheat emissions testing on several models and was cleared to sell them (Hotten, 2015). The ‘ defeat device’ caused cars affected to excel under normal emissions testing conditions. Its purpose was to recognise test conditions – e. g. a locked steering wheel and a stationary test rig – and put the vehicles into a ‘ safety’ mode which

resulted in the cars emitting a significantly lower level of air pollutants than they would under normal driving conditions. The rigging of tests allowed VW to manufacture and sell thousands of cars that were advertised as being ‘revolutionary’ due their low emissions. The stark reality was that when tested out-with normal test conditions, “ the engines emitted nitrogen oxide pollutants up to 40 times above what is allowed in the US” (Hotten, 2015). When the scandal broke, it was unveiled that 11 million cars worldwide could possibly be fitted with the device (Kollewe, 2015). What is questionable, is the fact that the company only suggested that 11m cars could ‘ possibly’ be fitted with the device. One would think that they would know how many times they broke the law considering all the profits that they raked in. This resulted in the emitted pollution totalling almost 1 million tonnes per year (Lee and Vachon, 2016). “ Roughly the same as the UK’s combined emissions for all power stations, vehicles, industry and agriculture” (Mathiesen and Nelsen, 2016). VW did not take care of the environment here because although their deceit caused them to rake in profits, their carelessness and lack of consideration has resulted in a negative impact on the environment and society at large. In the case of this scandal, the legal accountability mechanism failed because although the law stated that cars could not emit more pollution than a set amount, VW used deceitful ways – ‘cunning’ practices – to bypass the law. Since the truth has been unveiled, VW has paid and will continue to pay dearly for their wrongdoings with lawsuits and continued legal action being taken against them.

Furthermore, legal accountability is not the only accountability mechanism that failed in relation to the VW scandal. Another one was market

accountability, accountability to the output market in particular. The output market is where goods are sold and services are provided. This market is especially important as consumers in such markets can take their custom elsewhere in the event of a company's wrongdoing. As such a large company, VW was trusted by millions of users all around the world. They bought their products because of their brand loyalty and belief. They were drawn in by the advertisements promoting "clean diesel" and gave up their hard-earned money in order to receive a product that unbeknownst to them was contributing astonishing amounts of pollution into the atmosphere (Jopson, McGee and Campbell, 2016). A study found that "US [VW] vehicles would have spewed between 10, 392 and 41, 571 tonnes of toxic gas into the air each year.... If they had complied with EPA standards, they would have emitted just 1, 039 tonnes...each year in total" (Mathiesen and Nelsen, 2016). The failure of market accountability is equally even more astonishing due to the astounding volumes of pollution that was emitted due to these 'defeat devices'. Not only did VW show a lack of regard for the environment, but they also did not act responsibly with the trust bestowed onto them by the output market – society. The market penalized VW for its unsustainable behaviour with many customers taking their custom elsewhere. "Volkswagen faces a consumer backlash against its brand" (Lee and Vachon, 2016) and deservedly so. The VW scandal is a perfect example of the impact that both legal and market accountabilities can have on a company when they are ignored.

On the contrary, public reputational and market accountability succeeded in the case of Nike. The company began their 'Reuse-a-shoe' initiative in 1990

and since then have recycled more than “ 28 million pairs of shoes and 36, 000 tons of scrap material into Nike Grind for use in more than 450, 000 locations around the world” (Ekström, 2014). The material – Nike Grind- is created using the ‘ slice-and-grind’ method. This meant that the shoes were sliced into three separate parts: rubber outsole, foam midsole and fibre upper. The three separate parts would then be ground and refined for use (Nike, 2016). The three different types of Nike Grind can then be used for different purposes, all for benefitting communities and society in general. What is remarkable is the fact that Nike saw an opportunity to make use of all the old trainers that were being incorrectly disposed of. By beginning this initiative, it is easy to see that Nike could build a strong brand loyalty. Consumers are always eager to support an initiative that will better the planet in any way, shape or form and Nike realised this and have succeeded. Nike’s Grind website states:

“ Nike’s vision is that our products will be “ closed loop”-that is, they will use the fewest possible materials and be assembled in ways that allow them to be readily recycled into new products. Our long term vision is to create a continuous loop without waste.” (Nike, 2016)

Nike has been very successful with this initiative and it shows that they care for the environments and the well-being of society as a whole. This point is derived from the fact that all the old trainers were being disposed of incorrectly and this led to an increase in landfill. Also, the burning of the rubber led to increased toxic gases being released into the atmosphere.

Nike’s decision to begin the ‘ Reuse-a-shoe’ initiative was a great one

because it improved the regard with which the company was seen. In <https://assignbuster.com/accountability-mechanisms-in-volkswagen-and-nike/>

addition, their pledge to use “ sustainable, long-lasting materials designed for professional level performance” has only further increased its popularity with millions of consumers around the world (Nike, 2016). Nike’s swift action to try and reduce the impact that their old products had on the environment worked in their favour as Nike Grind is now well established and continues to boost the Nike brand image.

In conclusion, yes, it is true that society and the environment is entrusted into the hands of public sector organisations and private business enterprises. These are regulated using accountability mechanisms. All companies are accountable in many ways. However, where VW failed in their legal, market and public reputational accountabilities due to their deceitful actions, Nike succeeded in their market and public reputational accountabilities by identifying and devising a way to fulfil its objectives whilst making a positive impact in many communities and society. While, VW fitted the ‘ defeat device’ to cheat emissions testing and eventually make more profit, Nike’s outward thinking resulted in even more brand loyalty than they started out with. It simply demonstrates that accountability is an essential part of every organisation and when the accountability mechanisms fail, there are serious consequences.

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