

Volkswagen's scandal pestel analysis

[Business](#), [Company](#)



Volkswagen has been involved in a scandal with regards to their diesel cars which were in violation of the Clean Air Act which stipulates that all diesel cars should not bypass the standard carbon emission rate. On the 18 of September 2015, the company admitted to have fitted more than eleven million of their Turbo Diesel Injection(TDI) cars with defeat devices which enabled them to evade emission tests and at a later stage begin to emit a very high rate of infectious gases into the atmosphere. At first Volkswagen denied having done anything which was against the law but after a number of customer cars tested positive for high carbon emission they then made a public announcement regarding the fitting of defeat devices into their cars. This incident had a very big impact on the functionality of the business and the automotive industry at large, the extent of the damage was detrimental to the company as it has been unable to recover to this day. The Volkswagen Group owns Bentley, Audi, Bugatti, Lamborghini and Porsche some of which were also implicated in the emission scandal. Volkswagen was always viewed as a company of a high stature and its involvement in an event of such immoral behaviour resulted in social and environmental damages to a point that cannot be fully perceived but can be seen in their sudden decline in customers and yearly revenue and also in the increasing concern of global warming because of carbon emissions. The resignation of the CEO of the company and eight other board members after allegations arose raises concerns about the solidity of the structure of the management of Volkswagen. Volkswagen then had to face several lawsuits which were issued by VW car-owners which amounted to several million dollars in charges. The Environmental Protection Agency also accused the company of

false advertising because an advertisement was issued enlisting the cars as the most sustainable diesel injector models and promoting environmental friendliness. More than 500, 000 cars in the US alone have been recorded to have been recalled and their owners have been paid out but authorities are still worried about the irreparable damages that have been done to the atmosphere and the remaining vehicles which still linger within the roads of the world. Many customers who were interviewed about their opinions on the matter said that they had completely lost trust in the company and would consider switching car brands. The company is estimated to have lost 18 billion dollars relating to costs from the scandal, analysts also forecast a that they will be facing bankruptcy in 5 years to come if operations are not implemented to do damage control.

This report has been compiled to identify the financial strain of the incident on the business which is one of the fundamental aspects of the businesses growth and functionality (Business Functions), the reputation of the business with regards to environmental friendliness and the negative effect which it had on the business(Ethics), the operations and innovations that the business implemented after the scandal in order to recover from the damage that the incident had on the business(Creative Thinking). The former executive of the business was implicated as being the members who approved the fitting of the defeat devices which develops doubt around the leadership of the business and raises concerns around the businesses internal environment mainly focusing on management(Micro environment) and the procedure which is followed when decisions are made(team-work). The influence that the scandal has on the competition of the business and

how the business can deal with the impairment accordingly, this scandal had a very big effect on their customer loyalty and the reputation which they earned socially (Macro Environment). Volkswagen was in violation of several laws and have no control over the repercussions that they will face (legal), pollution is one of the biggest factors of the scandal because it influences the environment negatively (Environmental concerns). The effects of technology and the extent to which it influenced the matter will be analysed (technological).

The business utilised more than 26 million dollars to purchase the defeat devices which was an expense for the purchasing function which could be viewed as a profit in their pockets because more cars were sold than were recalled but the production function suffered after the escalation of the matter because the business had to withhold production in several firms to await further investigations of the entire scandal. The HR function also suffered because many firms were closed down after they were found guilty of the possession of defeat devices and the employees also had to be retrenched. The marketing function experienced a decline as a result of the false advertising thus it also influenced the public relations function because the businesses image was damaged in the process of resolving the matter with the authorities and it also affected the broader scope of potential buyers of the product because of bad publicity. The financial function of the business saw a 40% decline because of the costs involved with lawsuits and attempting to recover from the scandal.

Volkswagen has a code of conduct which stipulates that the reputation of the company depends on the actions, demeanour and appropriate conduct of each employee. This general conduct was dishonoured by the executive board of the company when they took the decision to illegally promote the efficiency of the cars. Another part of the code of conduct stipulates that the employees of the company shall strive to avoid corruption and conflicts of interest and it is clear that the actions which were taken by the board was not in the best interest of the company and its future development. The mission of the business to become the leading automobile retailer was impaired by the actions of the board and this resulted in a setback in the vision. The organisational culture of the business has been rendered unstable due to the internal conflicts between Oliver Schmidt the CFO and the former CEO of the business Martin Winterkorn regarding the implications in the diesalgate scandal ([www. cnbc. com/diesalgateconflict](http://www.cnbc.com/diesalgateconflict)) A reshuffle was done to the organisational structure, this had a good influence on the functionality and morality of the business as it slowly started to show signs of a possible recovery after this was done. The business launched a strategic plan in 2013 which ultimately was intended to help to position Volkswagen as a economic and environmental leader by 2018. The plan was constructed under 4 main goals which were to:

To deploy intelligent innovations and technologies to become a world leader in customer satisfaction;

To increase unit sales to more than 10 million vehicles a year;

To gain a sustainable return of atleast 8% on sales before tax;

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To become the top employer across all brands in all companies and regions.

This plan was intended to be carried out through the introduction of the cleanest diesel fuel which was in actual fact a scam to sway consumers into buying their product.

Pestle Analysis

Political: the government issued a statement which clearly stipulated that Volkswagen has to recall all their models which were of the make 2011 to 2015 and so Volkswagen had to take back almost 500, 000 cars which could no longer be used due to their danger to the environment

Environmental: the effects of the carbon emission by the cars was detrimental to the environment as the effects on global warming in those 5 years increased by almost 2. 12%. The company had to pay remuneration of almost 58million dollars to the environmental protection agency for the damage done by their cars which is however not reversible.

Social: the dieselgate scandal resulted in a change of peoples perceiving of Volkswagen. It used to be a leader in social influence but the scandal degraded their customer base and also their good social image

Technological: the defeat devices which were installed within the cars show how technological advancement can be negative towards business functionality if not used in the correct manner so the business did not channel their technology towards sustainable development

Legal: the scandal resulted in the company being in violation of many different laws and thus in particular the most costly was the Clean Air which had the company losing more than 1 billion which dropped their net worth by almost 6%.

Economic: the diesel gate scandal had a very huge influence on the Euro exchange rate which saw the economy of Germany losing strength due to the instability in automobile industry which has an influence on the Gross Domestic Product of the country.

Ethics

Media ethics was one of the most influential factors on the company because the dieselgate scandal was considered illegal and unethical and media publications had a very huge impact on the business because it contributed to shareholders withdrawing their shares from the company, the business losing its integrity with suppliers and customers. False advertising led to the business being sued by authorities for millions which dragged the company's brand name and financials down. Volkswagen also exploited their customers by making them believe that their cars were operating sustainably and not harming the environment. Conflict of interest between the business's policy and their wrongdoings which directly contradicted each other.

Creative Thinking

Volkswagen introduced a number of innovations and operations to help them and their customer base to deter away from the dieselgate incident. The first step they took towards recovery was buying out smaller automobile companies to increase their revenue. They also introduced car lending to

customers and insurance dealerships in order to generate good relationships whilst still contributing to financial recovery. Employees were motivated through incentives which rewarded them for their loyalty to the company and also for contributing innovative ideas. A skills development programme was introduced internally to develop the skills of newly hired employees through training by old employees. Processes which enable for protocol to be followed before decisions are made or projects are implemented were introduced to filter out any possible setbacks in production and other aspects of the business. Diversity within the work environment was also put in place in order to stimulate the workers to think critically and also creatively.

Benefits of using the article

The article is highly credible because it has mere personal opinions that does not have factual backup;

It gave me complete clarity of the scandal by discussing and outlining the explanations of the scandal;

It offered focused research which concentrated on the shortened and important information in smaller quantities;

A broadened perspective of the entire scandal was given by including information from interviews;

It gave me ideas on research options so it gave specific ideas which I could research further in depth;

The information from the article came in different forms such as tables and graphs. Reflection on the task:

This task has been a learning experience for me as the scandal exposed how big companies will do anything to increase their revenue even if it means possibly risking their relationship with their customers and also damaging the environment purposefully. I have realized that the resources that we perceive to be essentials for our survival are indefinitely what is causing our own demise as human beings.

This task also showed me the importance of research before purchasing anything because before I had this task I didn't have any knowledge of the Dieselgate scandal and Volkswagen was one of my personal favourite automobile brands especially their diesel cars because they are said to have a very low fuel consumption and offer the same performance as petroleum cars.

I would recommend that future receivers of this task allocate at least 2 to 3 hours to plan the entire task and to analyse their article thoroughly because I personally feel as though I could have issued more time to planning my task by using the appropriate methods such as mind mapping which could have helped me to identify other aspects which I could've used in my task. The presentation of the task also requires inefficient amount of time so I would say that the most important part of the task would be time-management.