

# Culture – The VW diesel crisis

**Matteo Cristofaro**, Ph.D Candidate

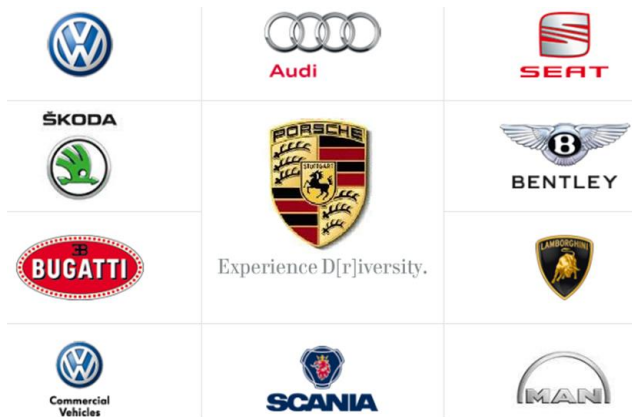
University of Rome 'Tor Vergata'

Management&Organization 2015-2016

# Agenda

- Volkswagen
- Resources&Capabilities (with focus on culture)
- Competition in the automotive industry
- VW strategy 2018
- Diesel VW crisis & timeline
- VW strategy 2025
- Culture in pills
- Let's analyze the VW culture!

# Volkswagen



The Volkswagen Group with its headquarters in Wolfsburg is one of the world's leading automobile manufacturers and the largest carmaker in Europe.

Each brand has its own character and operates as an independent entity on the market. The product spectrum ranges from motorcycles to low-consumption small cars and luxury vehicles.

The Volkswagen Group is also active in other fields of business, manufacturing large-bore diesel engines for marine and stationary applications, turbomachinery (steam and gas turbines), compressors and chemical reactors. It also produces vehicle transmissions, special gear units for wind turbines.

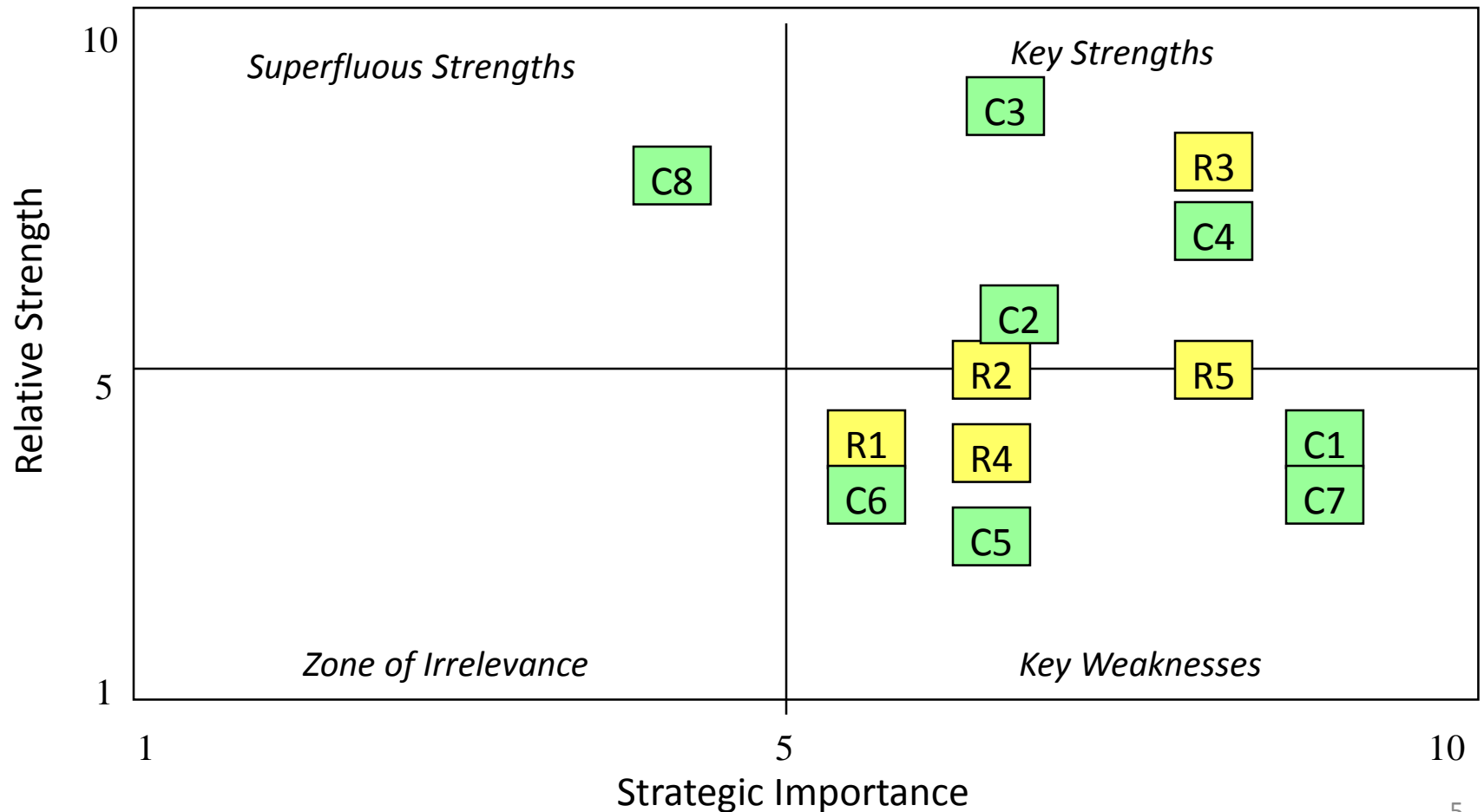
In addition, the Volkswagen Group offers a wide range of financial services, including dealer and customer financing, leasing, banking and insurance activities, and fleet management.

**Numbers:** 12 brands; 10 million cars sold per year; 12-13% mkt share; 119 plants; about 600.000 employees; 153 countries; Ordinary share value: 160€ (09/09/2015) 102,85€ (12/04/2016).

# VW Resources & Capabilities

RESOURCES	<i>Importance</i>	<i>VW's Relative Strength</i>	CAPABILITIES	<i>Importance</i>	<i>VW's Relative Strength</i>
R1. Finance	6	4	C1. Product development	9	4
R2. Technology	7	5	C2. Purchasing	7	5
R3. Plant and equipment	8	8	C3. Engineering	7	9
R4. Location	7	4	C4. Manufacturing	8	7
R5. Distribution	8	5	C5. Financial management	6	3
			C6. R&D	6	4
			C7. Marketing & sales	9	4
			C8. Government relations	4	8 <sub>4</sub>

# VW Resources & Capabilities Analysis



# VW Culture

## Top performance

To survive in the face of competition and to achieve top performance, the Volkswagen Group needs employees who enthusiastically give their best. A good balance between demands and ability is the basic precondition for optimum performance and results. For this reason, we do not want our employees to be overstretched, but also not understretched, so that they are able to deliver top performance and advance the success of our company.

## Leading by example

The management assumes a decisive role in this entire process. Our principle has to be "Lead, Demand and Promote". The Group will only be able to achieve its goals with exemplary leadership and constructive cooperation between management and workforce. This includes both targeted and continual personnel development and work organisation, which we continue to develop with the so-called "Volkswagen Way".

## Active involvement

A standard survey of employees across the Group was introduced in the form of the so-called "mood barometer". The "mood barometer" gives employees the opportunity to anonymously voice their opinion and so to become actively involved in the organisation of the company. The results form the basis for continually developing our strengths and for exploiting potential that is brought to light. The high rate of participation shows that employees have positively accepted this instrument as an expression of their esteem. In this way, they make a contribution to the continued development of the company.

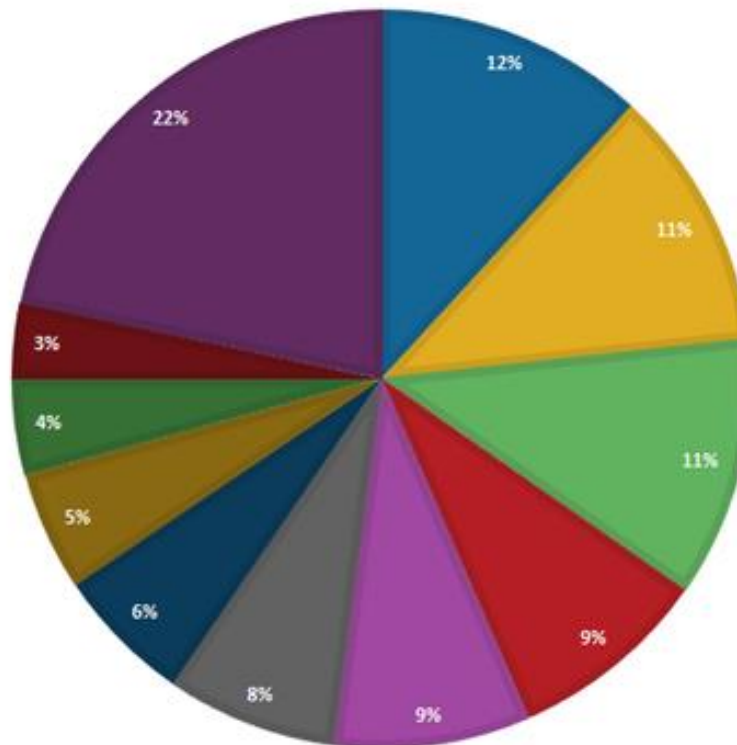
## Social responsibility

Not only does Volkswagen's corporate culture focus on people, it also represents the sustainability of economic and social goals, "corporate social responsibility". The "Declaration on Social Rights and Industrial Relations" expresses Volkswagen's global understanding of social responsibility on the basis of minimum standards.

This includes Volkswagen's active cooperative conflict resolution between the Works Council and the company management. We created European and Global Works Councils early and without any statutory obligation. We do not cling to traditional questions of co-determination. Rather, we discuss the development of the company with our Works Council representatives. This is the way from co-determination to shared responsibility.

# Automotive Industry - Competition

## GLOBAL AUTOMOBILE MANUFACTURER MARKET SHARE 2013



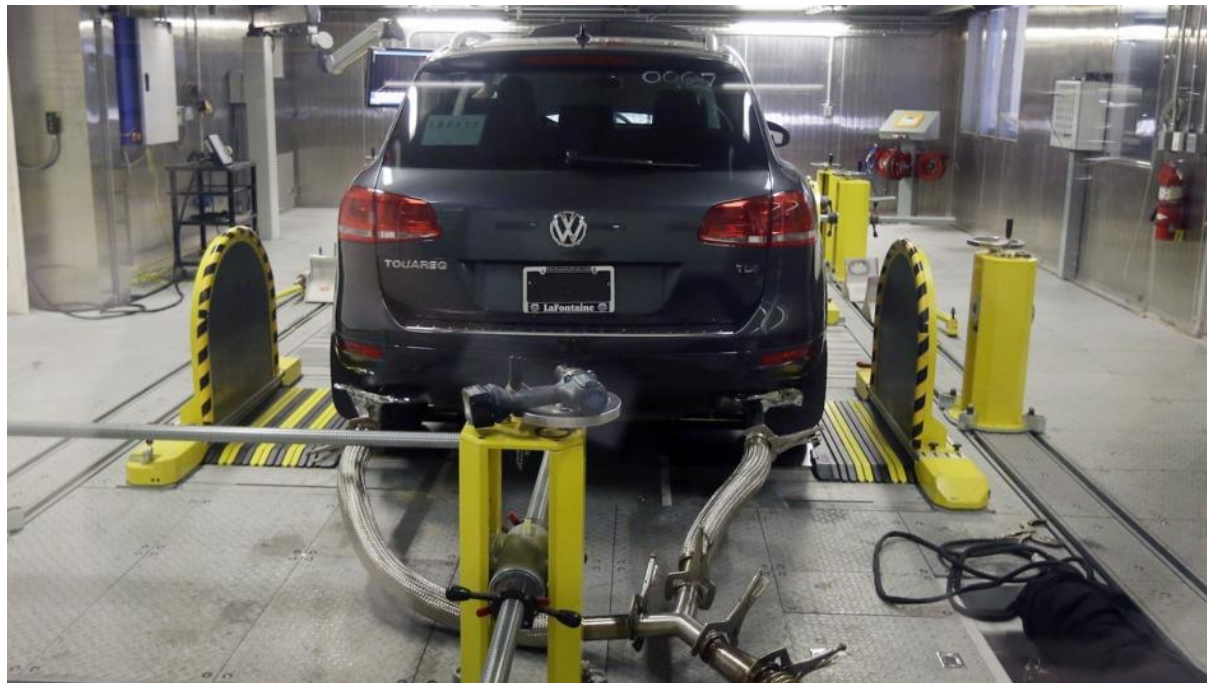
# VW Strategy 2018

- Volkswagen intends to deploy intelligent innovations and technologies to become a world leader in **customer satisfaction** and quality.
- The goal is to increase **unit sales** to more than 10 million vehicles a year; in particular, Volkswagen intends to capture an above-average share of growth in the major growth markets.
- Volkswagen's aim is a sustainable return on **sales before tax** of at least 8% so as to ensure that the Group's solid financial position and ability to act are guaranteed even in difficult market periods.
- Volkswagen aims to become the **top employer** across all brands, in all companies and regions; this is necessary in order to build a first-class team.

...We are focusing in particular on the **environmentally friendly orientation** and profitability of our vehicle projects so that the Volkswagen Group has the right products for success even in more challenging economic conditions.

# VW Diesel crisis

When the Environmental Protection Agency conducts emissions testing, automakers have to disclose "auxiliary emissions control devices" (AECD). These devices affect a car's emissions system based on situational factors, such as how hard the engine is running or how hot it is. The EPA calls AECDs "defeat devices" only if they reduce the effectiveness of emissions controls outside of testing parameters and are not necessary for safety or engine startup.



# VW diesel crisis timeline - 1

## Emissions fraud uncovered

Mar 2014 A study by the International Council on Clean Transportation outlines emissions irregularities involving VW diesel cars

Jul 27 VW employees discuss diesel issue at a meeting with Mr Winterkorn and Herbert Diess, head of VW brand (right)



Sep 3 VW admits to US regulators that it has used illegal defeat devices in 480,000 diesel vehicles



May 23 A memo mentioning the ICCT study is sent to Martin Winterkorn, VW CEO (right)



Nov 14 Mr Winterkorn receives another memo estimating the cost of the diesel issue in North America at €20m

Aug VW technicians explain the technical causes for the emissions discrepancies to the company's lawyers

# VW diesel crisis timeline - 2

DATE	EVENT
18.09.2015	The EPA concludes that such software constitutes an <b>AECD defeat device</b> , and says that VW has violated the Clean Air Act. The cars in question should not have been EPA-certified, and the Department of Justice can enforce up to \$37,500 in civil fines per vehicle. In total, that means VW could face fines ranging up to \$18 billion.
22.09.2015	VW announces that some <b>11 million diesel cars</b> worldwide have the same "defeat device" software that evades emissions testing. The automaker says it's set <b>aside 6.5 billion euros</b> , or \$7.3 billion, to cover the cost of fixing affected cars.
23.09.2015	Volkswagen <b>CEO Martin Winterkorn resigns</b> , saying in a statement that he's unaware of any personal wrongdoing but accepts responsibility for the crisis.
27.09.2015	Volkswagen launches a consumer site, <b>vwdieselinfo.com</b> , with company statements and answers to frequently asked questions.
10.12.2015	Volkswagen says it's uncovered individual misconduct, <b>weak processes and a culture in some parts of the company that "tolerated breaches of rules"</b> . VW admitted to a "chain of errors" that began once the automaker decided to push hard for U.S. diesel expansion in 2005 but found that its early diesel four-cylinders wouldn't be able to meet U.S. nitrogen oxide emissions targets under existing budgetary and time constraints.
09.03.2016	Michael Horn steps down as president and CEO of Volkswagen Group of America. Hinrich Woebcken will replace Horn on an interim basis.

# VW Strategy 2025

Staff and wire reports

Automotive News Europe

October 29, 2015 06:01 CET

MUNICH -- Volkswagen Group is working on a **new business plan** - dubbed Strategy 2025 - that will focus on improving the automaker's **profitability** rather than on volume growth, said CEO Matthias Mueller.

**Strategy 2025** will be developed over the coming months and will be unveiled mid-way through next year, **Muller** said in a statement on Wednesday.

Mueller outlined key steps that will help the automaker restructure amid its diesel emissions cheating scandal.

His priorities include **reducing the number of models** built by VW Group, whose portfolio includes luxury brands Bentley, Porsche and Audi, along with sports car maker Lamborghini and mass-market marques VW, Skoda and Seat. Analysts have long criticized the automaker for developing costly halo projects such as the Bugatti Veyron supercar.

"We will review in detail our current portfolio of more than 300 models and examine the contribution that each one makes to our earnings," Mueller told analysts on a conference call Wednesday.

# Culture in pills

- Hofstede Model, 1984. Individualism VS Collectivism; Large Power Distance VS Small Power Distance; Strong Uncertainty Avoidance VS Weak Uncertainty Avoidance; Masculinity VS Femininity. They have strong implications for organizations.
- What is culture?
- Human nature, Culture and Personality. Three interconnected silos.
- Where we can find the manifestation of culture? Practices.
- The link with strategy in Peter Drucker's opinion.
- How to measure culture.
- How to change culture.

# ENRON

Enron headquarters



- **Integrity**
- **Communication**
- **Respect**
- **Excellence**

Their 4 values were chiseled in marble in the main lobby, but had little to do with the real values of the organization.

# Sources

- [http://www.volkswagenag.com/content/vwcorp/content/en/the\\_group.html](http://www.volkswagenag.com/content/vwcorp/content/en/the_group.html)
- Grant, R. (2013). *Contemporary Strategy Analysis*. Wiley
- [http://www.volkswagenag.com/content/vwcorp/content/en/human\\_resources/basic\\_principles.html](http://www.volkswagenag.com/content/vwcorp/content/en/human_resources/basic_principles.html)
- Bloomberg – Global Mkt industry
- [http://www.volkswagenag.com/content/vwcorp/content/en/investor\\_relations/Warum\\_Volkswagen/Strategy.html](http://www.volkswagenag.com/content/vwcorp/content/en/investor_relations/Warum_Volkswagen/Strategy.html)
- <https://www.cars.com/articles/vw-diesel-crisis-timeline-of-events-1420681251993/>
- <http://www.ft.com/cms/s/0/ef00293c-e0f1-11e5-8d9b-e88a2a889797.html#axzz45ijPKnLf>
- <https://www.vwdieselinfo.com/updates/>
- Hofstede, G. (1984). Cultural Dimensions in Management and Planning. *Asia Pacific Journal of Management*, Vol.1, No. 2, pp. 81-99.
- Culey, S. (2012). Leadership and Culture: Part 1 – The Case for Culture. *European Business Review*, May-June.
- Culey, S. (2012). Leadership and Culture: Part 2 – Engaging the Enterprise: Creating a Growth Mindset Tribe. *European Business Review*, June-July.
- Fortune (2016). What the latest management shake up means for the future of VW. By Newman Rocky, March 12th 2016.