

## **Narrative Formation as a tool to influence Public Sentiment – The Case of Volkswagen's Diesel Emissions Scandal**

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### **Abstract**

Volkswagen group (also known as Volkswagen AG) is home to some of the biggest and most successful automotive brands in the world. In September 2015, the organization came under scrutiny when it was uncovered that Volkswagen had been manipulating data to illegally pass emission tests in the US for its diesel cars. This was a major crisis for the organization which ended up in several legal charges and costing the company billions of dollars. Several high-ranking executives, including the then CEO of Volkswagen were also indicted both in the US and in Germany. This research analyses news articles from reputable news sources that reported on the scandal in order to understand how the sentiment towards the organization changed over time. This research sheds light on how Volkswagen AG was able to distance itself and its brands from this infamous emissions scandal that received global criticism. The research uses content analysis to analyze secondary data from reputable news sources to achieve the research aim.

### **Introduction**

Volkswagen is one of the most recognizable brands in the automobile industry, founded in Germany in the first half of twentieth century and has been producing motor vehicles since 1937 (Raj, 2017). Volkswagen group, formally known as Volkswagen AG has experienced steady growth over the years and is currently the parent company of many iconic automobile brands, including Bentley, Bugatti, Porsche, Audi, and Lamborghini (Raj, 2017). The company became one of the leading manufacturers of diesel engine cars and the largest automobile manufacturer in the world in 2014 when it sold 10 million units globally (Raj, 2017).

The continuous success of the company was however hindered when in 2015 Volkswagen received a formal notice of violation from the Environmental Protection Agency (EPA) about its diesel-powered light vehicles which were found to be exceeding the minimum emission standards (BOVENS, 2016). Volkswagen later admitted to deliberately falsifying data on the emission tests by installing software in their diesel engine cars that would detect test conditions and artificially reduce emissions in order to pass the tests (BOVENS, 2016). This event has attracted massive media attention and has initiated legal actions against the organisation and its employees, which has had lasting implications for not only Volkswagen, but the global automobile industry.

Despite the major scandal, Volkswagen continues to be amongst the most prominent names in the global automobile industry. This research aims to explore how Volkswagen managed to stay a relevant and major player in the global automobile industry despite the infamous diesel emissions

scandal.

## Literature Review

As human understanding of the environment enhanced and with it the impacts of various human activities, there has been a global focus towards preserving and ensuring the longevity of the earth's ecosystems and the environment at large (Mansouri, 2016). This led to the formation of various governing organisations and bodies that would regulate and control the effects of various human activities. One such organisation is the US based Environmental Protection Agency (EPA), which tightened its standards for the harmful gasses emitted by vehicles and therefore put pressure on auto manufacturers in the US to comply with those standards (Klier, & Linn, 2016 as cited in Mansouri, 2016).

The new regulations meant that it had become extremely difficult for diesel engine light vehicles to meet emission standards in the US which led to many auto manufacturers like Honda, Mazda, and Hyundai abandoning their plans of selling diesel-powered light vehicles in the US market (Mansouri, 2016). On the other hand, Volkswagen continued manufacturing efficient light vehicles with their diesel engines that met emission standards to become a major player in this segment of the market (Davenport, & Hakim, 2016 as cited in Mansouri, 2016).

Although, diesel powered light vehicles have been found to be effective in controlling the emission of particulate matter, however, these cars have been known to struggle with meeting the emission standards for Nitrogen Oxides, commonly known as NO<sub>x</sub> gases (Tanaka, 2018). Nitrogen Oxides produced by the diesel engines are believed to be the cause of smog, which can be linked to several respiratory problems in human beings (Tanaka, 2018). At the time it appeared that Volkswagen had cracked the code for controlling NO<sub>x</sub> emissions produced by their diesel-powered light vehicles, while still offering competitive pricing and performance (Cavico & Mujtaba, 2016).

However, in September 2015, the company received a formal notice of violation of the Clean Air Act, issued by the Environmental Protection Agency, followed by a second notice of violation in November 2015, alleging that the diesel light vehicles produced by Volkswagen AG under the brands of Volkswagen, Audi, and Porsche were not compliant of the emission standards and were fitted with software that would falsify data in order to pass the emission tests (Environmental Protection Agency, Volkswagen Violations, 2016 as cited in Cavico & Mujtaba, 2016). A software that is designed to falsify data in order to pass regulatory testing is classified as a "Defeat Device" according to the Clean Air Act, 1970 (Environmental Protection Agency, Volkswagen Violations, 2016 as cited in Cavico & Mujtaba, 2016). In essence, US regulators accused Volkswagen of installing these defeat devices in 11 million cars that were sold globally, where the cars could produce up to 40 times higher NO<sub>x</sub> emissions in normal on-road conditions, while artificially reducing emissions when the software detected that the car was being tested (Cavico & Mujtaba, 2016).

In the years leading on to the scandal, there had been a push from European manufacturers, especially Volkswagen for promoting diesel engines in light vehicles as it was argued that these new sophisticated diesel engines were superior to their gasoline counterparts due to their inherent fuel efficiency owing to the superior volumetric energy of diesel fuel (Tanaka, 2018). This argument, as would later be discovered was not entirely valid as Volkswagen had resorted to using fraudulent means in order to make their cars pass emission requirements which amounted to 40% of the total new cars sold by the company in Europe between 2009 and 2015 (Tanaka, 2018). Although small, yet the human health studies estimated that these fraudulent vehicles will have some positive impact on the number of human deaths in the US, while similar health impacts are also expected in Europe (Tanaka, 2018).

There has been an increased focus on ethical and moral principles in the operations of organizations in many political discourses, as observed in recent times (Brujil, 2017). Understandably, the scandal raised high ethical concerns about the organization, even categorized as, "a blatant consumer

deception and environmental damage” by the German Environmental Minister (Boston, 2015, p. B7 as cited in Cavico & Mujtaba, 2016). Ethical corporate governance requires managers to ensure a system of shared and transparent governance in the interest of the society at large in order to avoid damaging behaviors in the organization (Dessain, Meier, & Salas, 2008). Ethical corporate culture would mean that the organisation is aware and conscious of the consequences of its actions and actively strive to safeguard the interests of all stakeholders and the society.

According to the Stakeholder Theory, which is derived from the Corporate Governance Theory, an organisation is the amalgamation of expectations, interests, and objectives of various stakeholders (Dessain, Meier, & Salas, 2008). The company’s stakeholders, according to Freeman and Reed, do not just include shareholders and employees, but also include customers, suppliers, and any other groups or individuals that have or can be influenced by the company (Freeman and Reed, 1983 as cited in Dessain, Meier, & Salas, 2008). Stakeholder Theory, in light of corporate social responsibility entails that the organisation’s main goal should be to ensure and safeguard the interests of all stakeholders rather than mere amplification of shareholder’s profits (Bruijl, 2017).

In the case of Volkswagen, which is a huge organisation with global presence, the relevant stakeholders in the Diesel emission scandal included customers, shareholders, government regulatory organisations, suppliers and environmentalists (Bruijl, 2017). Theoretically, Volkswagen has a responsibility to safeguard the interests of its stakeholders, however, by installing defeat devices in their vehicles, the organisation essentially betrayed its stakeholders.

Further insight into the event can be gained when we view it under the lens of Legitimacy theory, which maintains that an organisation is restricted to act within the bounds of the society it exists in (Guthrie, Cuganesan, & Ward, 2007). There is a social contract between the organisation and its society, which when breached, can endanger the survival of that organisation (Guthrie, Cuganesan, & Ward, 2007). In case of Volkswagen, the social contract of honesty and transparency were breached by Volkswagen, hence raising questions about the organisation’s legitimacy.

The mega deception had grave consequences for Volkswagen, where the company’s stock prices plummeted, proof of the society reacting to the organisation’s breaking of that social contract. On the legal front, there were various cases filed against not only the organisation but also multiple high-ranking officials, while the company was estimated to pay up to 18 billion dollars in fines in the US alone (Cavico & Mujtaba, 2016). These losses later totalled \$30 billion, far higher than initial expectations (BBC, 2017). The effects of this event were not only limited to Volkswagen but the entire German auto industry as stock prices for BMW and Mercedes dropped as well after the scandal (Cavico & Mujtaba, 2016).

It has also been pointed out that the EPA has placed strict emission requirements for diesel powered vehicles in order to favour manufacturing of gasoline powered cars while foreign manufacturers like Volkswagen were bringing in more efficient diesel cars (BOVENS, 2016). Diesel engine cars produce higher NOx emissions, yet they are more efficient when it comes to CO2 emissions as compared to gasoline engines, CO2 being a major greenhouse gas (Tanaka, 2018).

Asymmetric environmental regulations have cost implications for the affected organisation and in most cases increases the direct costs of production, while in some cases it might also affect the indirect costs (Dechezlepretre & Sato, 2017). In case of Volkswagen, it was clear that the EPA regulations had huge cost implications given their high dependence on diesel powered cars, while multiple other brands abandoned selling diesel-powered cars in the US (Mansouri, 2016). An amalgamation of all factors like fierce competition, strict regulatory requirements, unhealthy organisational culture, faulty leadership, and pressure from shareholders to increase profits might have played a role in Volkswagen’s decision to go ahead with its dubious plan (Bruijl, 2017).

In the midst of tightening regulations and increased focus on environmental protection, Volkswagen was focused on achieving its goal of becoming the world’s largest auto manufacturer by the year 2018, which the organisation managed to achieve in 2014, four years earlier than what was initially

anticipated and sold 10 million cars worldwide that year (Raj, 2017). The success of the company and its unprecedented growth was largely associated with the leadership of the then CEO Martin Winterkorn, who resigned after issuing an apology when the scandal of emission fraud broke (Raj, 2017).

It has been argued that Volkswagen's ambitious targets for growth might have put great stress on the employees to meet those growth targets and employees might have foregone compliance standards in order to achieve them (Crête, 2016). This however raises the question of how these misconducts went unnoticed in the presence of the company's monitoring and control mechanisms that were in place (Crête, 2016). It was also later revealed in an investigation that some employees had reported the higher on road emissions of the vehicles back in 2011, yet no action was taken to rectify the situation (Boston, Varnholt, & Sloat, 2015 as cited in Mansouri, 2016).

These contentions raise serious questions about the internal culture within Volkswagen at the time which allowed employees to feel comfortable taking grave compliance related risks in order to meet sales targets. An organisation's culture is the amalgamation of the behaviours, beliefs, norms and principles that develop over time and gives an organisation its unique character (Willcoxson & Millett, 2000).

Volkswagen's initial response to the allegations was to try and blame the scandal on a small group of 7 employees, but later it was revealed in an investigation that at least 50 employees, mostly in Volkswagen AG's global headquarters in Wolfsburg, confessed to being completely aware of the dubious activities related to the emission tests (Mansouri, 2016). Volkswagen later admitted that that organisational problems might also have contributed towards this behaviour (Crête, 2016).

This is even more concerning when considered that other European manufacturers had managed to continue producing diesel powered light vehicles despite the tightening regulations. It however remains largely unexplored how Volkswagen managed to remain relevant and successful in the highly competitive global automotive landscape after going through a crisis as major as Dieselgate. The internal and external challenges that the organisation had to overcome were massive, and careful strategies needed to be implemented to overcome those challenges.

## **Methodology**

The aim of this research is to explore how Volkswagen managed to stay a relevant and major player in the global automobile industry despite being involved in the infamous diesel emissions scandal. This is addressed by answering the following research questions.

*RQ1:* How did Volkswagen manage to maintain a positive brand image after the diesel emissions scandal?

*RQ2:* What strategies has the company adopted to distant the Volkswagen brand from the infamous emissions scandal?

One of the fundamental steps in any research is identifying the research method that would be most suitable, keeping in view the research problem and the questions the research intends to address. From an Epistemological perspective, this research will be taking an interpretivist approach, which can be explained as the interpretation of reality and its meaning by focusing on the meaning attached to human actions (Dudovskiy, n.d.). This implies that based on the actions of various players involved, this research will focus on attempting to reflect light on various aspects of the scandal, from both an organisational and individual point of view.

Once the philosophical approach of the research is determined, we move on to determining the most suitable research method. The research problem and the nature of the topic means that content analysis would be the preferred method of research on this topic. This method has been chosen due to the vast amount of content from reputable sources being available on the topic. The narrative of the organisation, regulatory authorities, shareholders, analysts, and the consumers is fairly documented on the topic. Through the analysis of that content, we attempt to provide answers to the

research questions. Content analysis will also help us systematically transform textual data into concise an organised summary of key findings for the research (Erlingsson & Brysiewicz, 2017).

Secondary qualitative data sources have been analysed in this research, which primarily comprise of articles and interviews from reputable news sources. This is the chosen data source as it would help us identify the main events, factors, and players related to the event. Under the umbrella of relational content analysis, lies discourse analysis, which will be utilised to identify the changes in tone, through tracking the words of power associated with various players involved in the scandal. Discourse analysis implies that in this research we will be focusing on studying written or verbal language in its social context that is relevant to the research topic (Luo, 2019).

Keeping in mind the research aim, this study relies on qualitative data from reputable news sources that have reported on the incident from September 2015 till April 2021. The news sources that have been shortlisted for this research include The New York Times, The Wall Street Journal, The Washington Post, The Economist and the BBC. These platforms have been chosen based on their reputation of superior journalistic integrity and proven track record as verified by various sources including Forbes (Glader, 2017). Identifying data sources for the research will not only help us collect reliable data but will also help in narrowing down the material for the purpose of analysis.

The search for relevant content for this research mainly took place online and the keywords used to search and gather an initial pool of news articles included Volkswagen, Diesel, Scandal, Emissions, Dieselpgate, and EPA. These keywords were searched on the official websites of The New York Times, The Wall Street Journal, The Washington Post, The Economist and the BBC. The initial pool of articles was then evaluated, and articles relevant to the research problem were shortlisted. Only the shortlisted articles were considered for the analysis, helping the researcher identify the major conversations surrounding the topic. This process has been explained in the below figure.

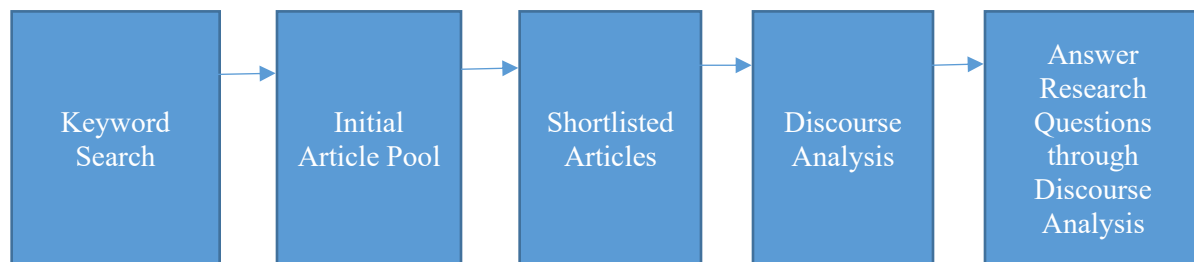


Figure 1: Explaining the Research Process (Author's own work)

### Content Analysis

To conduct content analysis, all the articles were read carefully and excerpts from the articles describing or commenting on the scandal were highlighted. For the purpose of this research, we have ignored parts of the article providing background about the organisation, regulatory authorities, or the executives working within the organisation. We only took the excerpts where the author of the article was specifically discussing or describing the scandal and expressing or portraying an opinion about the scandal. This distinction was necessary as we were interested in identifying patterns of evolution of perception and attitude towards Volkswagen. The parts of the article containing background of the organisation or other general information were not relevant to this research as it was not indicative of the attitude towards the company.

The content analysis process recommended by Erlingsson and Brysiewicz, published in the African Journal of Emergency Medicine has been adopted for this research (Erlingsson & Brysiewicz, 2017). There were five steps that were followed in the analysis as explained below.

*Step 1:* The relevant excerpts identified in each the articles made up the **meaning units**. The meaning units were identified, keeping the research aim and purpose in mind and were arranged into a table,

along with the year of publication. The year of publication was relevant to the research as understanding the evolution of the sentiments towards Volkswagen as a company over time was important.

*Step 2:* Once meaning units were identified, **condensed meaning** units were devised through the process of condensation. Condensed meaning units are a shortened version of the same text which conveys the same essential message (Erlingsson & Brysiewicz, 2017). Condensed meaning units were put in a separate column of the chart. This process helps the researcher navigate the meaning units more efficiently.

*Step 3:* The third step in the research process was assigning **codes** to the condensed meaning units. Codes are descriptive labels that concisely describes the condensed meaning units and help the researcher identify connections between them (Erlingsson & Brysiewicz, 2017). Coding also helps the researcher identify the meaning units that discuss similar topics.

*Step 4:* The next step in the research process was to put similar codes under the same **categories**. Categories consist of codes that address similar issues (Erlingsson & Brysiewicz, 2017). Creating categories are essential as it helps the researcher distinguish different topics addressed by majority of meaning units which helps deeper analysis.

*Step 5:* The final step in the research process was the identification of **themes**. Themes are aimed to highlight the underlying meaning of the categories and are therefore descriptive (Erlingsson & Brysiewicz, 2017). In this research, we were able to identify three major themes, which are discussed in the following segments.

The limitations of the research include completely relying on secondary data sources for the content. Due to limitation of time and resources, primary data collection methods like in depth interviews with journalists, analysts, or executives involved in the scandal could not be used. Moreover, the secondary data sources were limited to 5 most reputable sources worldwide. Inclusion of more sources would have required us to allocate more time, which in our situation was limited.

## Findings

After the initial pool of articles were evaluated, 16 articles were shortlisted for this study. The shortlisting criteria was based on the relevance of the content towards the research topic. Figure 2 displays the shortlisted articles in a horological order.

	Source	Article Title	Publishing Year
1	The Economist	Dirty secrets	2015
2	The Economist	Good in parts	2015
3	The New York Times	How Many Deaths Did Volkswagen's Deception Cause in the U.S.?	2015
4	The New York Times	Lawyers Jostle for Lead Position in Volkswagen Diesel Suits	2015
5	BBC	VW scandal: Company warned over test cheating years ago	2015
6	The Washington Post	97.5 percent of Volkswagen diesel owners have chosen buyback, not repair	2017
7	The New York Times	Engineering a Deception: What Led to Volkswagen's Diesel Scandal	2017
8	BBC	Volkswagen diesel emissions fixing bill hits \$30bn	2017

9	The New York Times	Volkswagen's Diesel Scandal: Who Has Been Charged?	2017
10	The Economist	What really happened at VW	2017
11	The Washington Post	Audi CEO arrested in Germany over diesel emissions scandal	2018
12	BBC	How VW tried to cover up the emissions scandal	2018
13	The Wall Street Journal	Volkswagen Tries to Change Workplace Culture That Fuelled Emissions Scandal	2020
14	The Wall Street Journal	Volkswagen's Ex-CEO Is Ordered to Stand Trial Over Emissions Scandal	2020
15	The Wall Street Journal	Volkswagen to Seek Damages from Former CEO Winterkorn in Diesel Scandal	2021
16	The Economist	Volkswagen's boss lays out his electric plans	2021

Table 1: List of shortlisted new articles in a horological order (Author's own work)

A common trend was observed when analyzing the content that the narrative and attitude towards the Volkswagen and its executives would shift with the passage of time. In a similar fashion, the words of power used to describe the scandal would also change with time. Similar trend was also observed when Volkswagen's executives would be discussed in these articles. Therefore, we have taken the year of publication into consideration when performing the content analysis.

Through analyzing the 16 news articles, 84 meaning units were identified on which the content analysis is based. Those 84 meaning units were condensed, and codes were assigned to each of them. Overall, 7 categories were identified covering all these codes, which led to three overarching themes. The summary of the complete content analysis, sorted according to the three themes is shown in Appendix 1, 2, and 3. The themes are discussed in detail below.

*Theme 1: Volkswagen as an organization has paid the price for its actions.*

The content that comes under this theme addresses Volkswagen group as an entity which acted a certain way and faced consequences for its actions. The entire content under this theme is shown in *Appendix 1*. The two categories that come under this theme are as following.

1. Volkswagen as an organisation was responsible for the scandal:

All the articles that held Volkswagen as an organization responsible for manipulation and malpractice were amusingly published in 2015, during the initial months of the scandal. Words with negative connotations like skullduggery, cheating, illegal, and deception were associated with Volkswagen in that period. Negative feelings were expressed towards the organization for betraying the consumers and the regulators and it appeared Volkswagen was mostly portrayed as a dishonest organization.

2. Volkswagen facing consequences for its actions:

Articles describing why and how Volkswagen was facing consequences for its actions were mostly published from 2015 to 2017. In 2017 the financial losses for Volkswagen related to the scandal reached \$30 billion. A subtle shift in the tone was observed between the early articles describing the consequences for the company and the ones published later. Words like cheating, rigging, deception, and gloomy were used to describe the situation of the company in the early days. However, in the articles published later in 2017, a more neutral tone is observed from the authors. A hint of concern regarding the organization's long-term survival was evident as words like difficulty and financial burden were frequently used to describe its situation.

Theme 2: Top executives were the real offenders.

The content that comes under this theme discusses the role that top executives at Volkswagen played in connection to the diesel emissions scandal. The content that comes under this theme is shown in *Appendix 2*. The three categories under this theme are as following.

1. Factors that drove the decision to manipulate emission tests.

Articles that discuss the factors that were behind executives deciding to manipulate data can clearly be divided into two groups. The first category comprises of the articles published in the initial months of the scandal in 2015. These articles touch upon the regulatory complexities and organizational growth plans.

However, the second group of articles published mostly in 2017, highlight the autocratic and oppressive culture enforced within Volkswagen by top executives. These articles highlight how fear and intimidation was a major part of the management style of the top executives at Volkswagen. These authors also highlight how employees would be silenced by the autocratic culture so the top executives could have their way. “Headquarter mentality” and “managers kept quiet through fear”, were some of the ways the culture at Volkswagen was described.

2. Top executives were responsible for the scandal.

Most of the articles that discuss how high-ranking executives were responsible for the scandal were published from 2017 to 2021. These articles talk about how Volkswagen’s CEO at the time, Mr. Winterkorn, along with other executives were well aware of the of the malpractice going on in the organization and despite warnings, these executives would actively encourage it.

The authors shed light on how these executives were involved in devising a coverup plan to obstruct and misguide authorities from discovering the truth so the organization could continue with the malpractice. “Organized deception”, “appalling fraud”, and “extraordinary executive wrongdoing” were some of the ways the articles described the actions of VW’s top executives at the time.

3. Executives facing consequences for their actions.

Articles discussing how the executives involved in the scandal are facing consequences of their actions were published all throughout 2015 to 2021. These articles discuss the various legal and criminal cases against those executives, including the CEO of Volkswagen group, and the CEO of Audi. The tone in these articles from 2017 to 2021 can is slightly sympathetic towards the organization and unfavorable towards the executives involved in the scandal.

*Theme 3: Volkswagen has transformed for the better.*

The content that comes under this theme discusses Volkswagen’s efforts to drive real transformation within the organization and its commitment to changes that would discourage malpractices within the company. The general tone towards the company is positive and encouraging in this theme. The analysis of this theme is shown in *Appendix 3*. The two categories under this theme are explained below.

1. Health concerns were less important for some stakeholders.

Early articles in this category raise concerns about how law firms and lawyers might not necessarily look out for the interests of their clients who were the consumers affected by the scandal. There was a concern that law firms would rather safeguard and maximise their own profits by leveraging legal loopholes to keep the cases open and squeeze out as much money as they can from the organisation. Concerns were raised about law firms not transferring consumers their fair share in compensation and charging hefty fees, which would be unfair for the consumers.

Articles published later, around 2017, highlighted how consumers were not really interested in getting their cars fixed, fearing that it might hamper performance of their vehicles. Consumers either preferred their cars to stay the same or take the buyback option that Volkswagen was offering at the time. Theses narratives swayed the conversation away from the health and ethical concerns around the scandal and Volkswagen’s involvement in that.

2. Volkswagen's effective recovery from the scandal.

Articles under this category started coming out in 2017 and the narrative kept on getting stronger till

2021. These articles highlight how Volkswagen have been trying to make right with consumer by buying back the cars that were affected or fixing them at the discretion of the consumer. Moreover, Volkswagen also received praise for its cooperation with authorities, and going through a complete transformation, focusing on transparency, and a strong internal controls program. Volkswagen's initiatives of showing regret and taking legal actions against the executives involved in the scandal have also been highlighted. These articles also shed light on the company's growing sales, satisfied consumers, and positive reviews of industry analysts. The company's recent efforts and commitment towards ecofriendly technologies like electric vehicles have also been well received. Words like promising, transform, and reform have been associated with the organization.

## **Discussion**

The content analysis provided an interesting perspective into the diesel emissions scandal that engulfed Volkswagen in September 2015. A pattern was uncovered of how at the beginning of the scandal, critics were focused on Volkswagen group as an organization, but as time went by, the conversation moved away from the organization and focused more on the individuals responsible for the malpractice. Moreover, the narrative of top executives being responsible for the scandal got stronger with time and recent articles even displayed a sympathetic tone towards the organization. This helped the Volkswagen group to distance its brands from the scandal and reemerge, seemingly untainted by the by it.

The content analysis reveals that this shift in attitude from the critics and journalists happened due to two main reasons. First, there was a clear effort from the Obama administration to not only punish the organizations and their shareholders through heavy fines, but also go after the individuals behind corporate malpractices (Ewing, Volkswagen's Diesel Scandal: Who Has Been Charged?, 2017). This meant that serious criminal investigation cases were filed against the top executives involved in the scandal. These executives did not have the liberty to quietly resign from their positions after the scandal and avoid media attention. Top executives who were involved remained in headlines as the cases ramped up against them not only in the US, but also in Germany. This shaped the narrative of Volkswagen being held captive by corrupt individuals who used their positions of power to betrayed the consumers, shareholders, and regulators for their personal benefits.

The second reason for the shift in narrative was the strategy adopted by Volkswagen group to act responsibly and accept the consequences without any noticeable resistance. This included issuing an apology, accepting the massive fines, taking care of affected consumers, and committing to an organization wide transformation. Volkswagen even filed cases against some executives involved in the scandal on grounds of not performing their duties and committing fraud. The commitment from the organization to cooperate, transform, and maintain transparency paid off in the long run. Moreover, the organization also committed to move to cleaner electric car technology for its vehicles and have been delivering promising results on that front (The Economist, 2021). These strategies have paid off, which is also reflected in our research.

From the perspective of stakeholder theory, Volkswagen's stakeholders included shareholders, consumers, regulatory authorities, and the population whose health might have been endangered by the illegally high emissions. Theoretically Volkswagen had an obligation to strive towards safeguarding the interests of these stakeholders. However, by manipulating emission tests, the organization failed to fulfill its responsibilities. This is further elaborated by legitimacy theory, which asserts that by not abiding by the society's norms, Volkswagen violated the social contract with its society. This violation would endanger Volkswagen's legitimacy in its society. If not corrected, this might have endangered the organization's existence in that society.

Volkswagen earned its legitimate place in the society by distancing itself from the individuals involved in the scandal. Moreover, the organization also accepted consequences and compensated the society through financial fines, compensation for consumers, and committing to an internal

structural and cultural transformation. Volkswagen also issued apologies and expressed sincere regret for its actions. By taking all the steps, Volkswagen upheld its social contract and maintained its legitimate status in its society. Volkswagen received positive results for its actions and those were reflected in the organization's growing sales and positive sentiments towards the organization. All in all, Volkswagen ensured that the interests of all its stakeholders were safeguarded through these steps. By evaluating and analyzing the content published by reputable news platform identified for this research, the research questions have successfully been addressed. The research has successfully achieved the research aim of identifying and explaining how Volkswagen managed to stay a relevant and major player in the global automobile industry, despite being involved in the infamous diesel emissions scandal. We also established how external factors, like the policies from Obama administration in the US helped Volkswagen in re-emerging as a reliable automobile manufacturer. However, the adopting the strategy of accepting its mistakes, and commitment to change for the better eventually helped Volkswagen regain the confidence of its stakeholders.

The research limitations of being confined to using secondary data sources can be addressed in further research. Future research can benefit from adding primary data sources through in-depth interviews with journalists and executives from Volkswagen. Research of that nature can provide further details on the internal strategies of the organisation, and the internal challenges that the organisation faced during the diesel emissions scandal.

### **Conclusion**

In September 2015 Volkswagen admitted to manipulating emission tests conducted by the Environmental Protection Agency for its diesel-powered light vehicles. Volkswagen received heavy criticism for the scandal and incurred billions in losses. The company managed to successfully redeem itself and remained a major player in the global automotive market. Strategies adopted by Volkswagen included issuing an apology and expressing regret and pushing an organisation wide transformation to ensure the company conducts its business in an ethical manner. The company's strategy of accepting responsibility and maintaining transparency after the scandal helped it distance itself from the scandal and avoid long term damage to its brand equity. Six years after the scandal, Volkswagen group sales are going strong and the company's commitment to ecofriendly electric vehicle technology has helped the brand maintain a positive image.

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## Appendix 1

### Theme 1: Volkswagen as an organization has paid the price for its actions.

Year of Publication	Meaning Units	Condensed Meaning Units	Codes	Categories
2015	"The German carmaker (Volkswagen) has admitted that it installed software on 11m of its diesel cars worldwide, which allowed them to pass America's stringent NOx-emissions tests" (Dirty secrets, 2015)	Volkswagen admits to manipulating emission data	Volkswagen manipulated data	Volkswagen as an organisation was responsible for the scandal
2015	"VW's skulduggery raises the question of whether other carmakers have been up to similar tricks" (Dirty secrets, 2015)	Doubts about all European automakers after the scandal	European automakers under scrutiny	
2015	"Volkswagen's diesel deception unleashed tons of extra pollutants in the United States, pollutants that can harm human health" (Sanger-Katz & Schwartz, 2015)	Volkswagen cars emitted illegally high amounts of harmful pollutants	Volkswagen risked human health	
2015	"the cheating engines are not a highway safety concern, safety — as in	The scandal is a health hazard rather	Human health at risk	

	health — is still an issue” (Sanger-Katz & Schwartz, 2015)	than a safety hazard	
2015	“it is clear to public health researchers that the air pollutants the cars illegally emitted damage health” (Sanger-Katz & Schwartz, 2015)	It is clear the Volkswagen cars illegally endangered public health	Volkswagen’s actions were illegal
2015	“Volkswagen said it had installed software that deceived emissions tests in 11 million diesel cars” (Sanger-Katz & Schwartz, 2015)	11 million cars sold by Volkswagen illegally produce high emissions	Illegally sold 11 million cars
2015	“The chemicals that spewed illegally from the Volkswagen diesel cars — known as nitrogen oxides or NOx — have been linked to a host of respiratory and cardiovascular illnesses, as well as premature deaths” (Sanger-Katz & Schwartz, 2015)	Volkswagen cars illegally emitted high number of harmful gases that may cause premature deaths	Illegally high emissions
2015	“Older people, who are more likely to have these ailments, are particularly vulnerable” (Sanger-Katz & Schwartz, 2015)	Emissions produced by Volkswagen cars put older people at higher risk	High risk for older people
2015	“The estimated Volkswagen pollution, about 46,000 tons since late 2008 ... could be expected to cause an estimated 106 deaths in the US” (Sanger-Katz & Schwartz, 2015)	The cars sold illegally by Volkswagen may have caused 106 deaths in the US	106 estimated deaths caused
2015	“internal inquiry had found that parts supplier Bosch had warned Volkswagen not to use its software illegally” (VW scandal: (Company warned over test cheating years ago, 2015)	Parts supplier had warned Volkswagen against using defeat device	Volkswagen was warned

2015	“Bosch had warned Volkswagen as early as 2007 that its software should only be used in company tests and not for normal driving” (VW scandal: Company warned over test cheating years ago, 2015)	Parts suppliers had warned VW back in 2007 against using defeat devices	Software should be for inhouse testing only	
2015	“the company is setting aside €6.5 billion (\$7.3 billion) to cover the coming financial hit” (Dirty secrets, 2015)	Volkswagen expects great financial costs due to scandal	\$7.5 billion expected loss	Volkswagen facing the consequences for its actions
2015	“in the first four trading days since the scandal broke on September 18th, VW’s shares fell by one-third, cutting its value by €26 billion” (Dirty secrets, 2015)	Volkswagen share prices plummet after scandal	Share prices drop	
2015	“America’s Department of Justice is quite right to open a criminal investigation into the company” (Dirty secrets, 2015)	US authorities open criminal investigations into Volkswagen	Criminal investigation against Volkswagen	
2015	“VW’s finances and reputation will certainly suffer after its attempts to fool American regulators” (Good in parts, 2015)	The scandal will hurt Volkswagen financially	Financial losses for VW	
2015	“The extent of VW’s cheating is becoming clearer, as is the mounting bill for the damage” (Good in parts, 2015)	The financial costs associated to scandal are mounting with time	Financial losses increasing	
2015	“Across the United States, more than 350 lawsuits have been filed on behalf of consumers against Volkswagen over its rigged diesel vehicles” (Meier, 2015)	More than 350 cases filed against Volkswagen in the US	350 cases against VW	
2015	“Volkswagen recently acknowledged that the	Volkswagen expecting the	Losses might be higher	

	deception's eventual costs may be far higher than estimated" (Meier, 2015)	financial costs of the scandal to be higher than expected	
2015	"For an industry that has rarely returned its cost of capital over the years, the future looks gloomy" (Good in parts, 2015)	Prospects for automakers are not great due to capital intensive nature of the industry	Challenging future for automakers
2015	"One ramification is that rules are likely to be tightened around the world ... for petrol as well as diesel engines" (Good in parts, 2015)	High likelihood of stricter regulations in future for automakers	Stricter regulations in future
2015	"following the admission by the carmaker that it cheated emissions tests, the ECB (European Central Bank) is reviewing its purchase of debt from VW" (VW scandal: Company warned over test cheating years ago, 2015)	ECP is looking into its financial dealing with VW	Financial institutes hesitant
2017	"The additional cost, for fixing engines in the United States, takes the total bill to \$30bn" (Volkswagen diesel emissions fixing bill hits \$30bn, 2017)	The scandal has cost VW 30 billion by 2017	\$30 billion loss
2017	"News of the additional financial burden from dealing with vehicles in the United States underlines the difficulty the company is having extricating itself from the scandal" (Volkswagen diesel emissions fixing bill hits \$30bn, 2017)	VW facing difficulties in avoiding further financial costs related to the scandal	VW worries about further losses

## Appendix 2

### Theme 2: Top executives were the real offenders.

Year of Publication	Meaning Units	Condensed Meaning Units	Codes	Categories
2015	“Selling large numbers of “Clean Diesels” was central to VW’s scheme for cracking the American market ... which in turn was a vital part of the plan to overtake Toyota of Japan as the world’s largest carmaker” (Dirty secrets, 2015)	Diesel cars were integral to Volkswagen’s plan of becoming the largest automaker	VW’s growth plan	Factors that drove the decision to manipulate emission tests
2015	“in Europe, emissions-testing is a farce” (Dirty secrets, 2015)	Regulations in Europe are relaxed	Regulations in Europe	
2017	“the firm has been adapting its cars to meet legal requirements. But the process in the United States is proving tougher than expected” (Volkswagen diesel emissions fixing bill hits \$30bn, 2017)	Adapting cars to meet regulations in the US has been difficult	Regulations in US	
2017	“It is also amending cars in Europe, but the process there is more straight forward, VW said” (Volkswagen diesel emissions fixing bill hits \$30bn, 2017)	Adapting cars to meet regulations in the Europe has been easier	Process in Europe	
2017	“Wolfsburg bred a headquarters mentality that insulated the firm from outside influence” (Ewing, What really happened at VW, 2017)	Wolfsburg promoted an autocratic culture and shielded outside influence	HQ mentality	
2017	“Unprecedented union power ... gave outside shareholders little say. This allowed autocratic	The structure of VW enabled autocratic	Autocratic bosses	

	bosses to have their way” (Ewing, What really happened at VW, 2017)	executives to have their way		
2017	“To keep workers onside, the company had to carry on growing. Managers were kept quiet through fear” (Ewing, What really happened at VW, 2017)	Fear was used to keep people quiet and maintain growth	Employee oppression	
2017	“In the US market, where VW was weak and emissions regulations much tighter than in Europe ... To meet that demanding target, though, VW had to cheat” (Ewing, What really happened at VW, 2017)	To meet targets in US where regulations were tight, VW decided to cheat	Tough regulations in Europe	
2015	“Whether or not Mr Winterkorn bore any personal responsibility for the scandal, it was appropriate that he should lose his job over it” (Dirty secrets, 2015)	CEO, Mr Winterkorn should have lost his job over the scandal	CEO, Mr Winterkorn holds responsibility	Top executives were responsible for the scandal
2017	“If there was any argument that Volkswagen’s diesel scandal was carried out by a small group of low-level employees, charges filed by the Department of Justice sharply undermine it” (Ewing, Volkswagen’s Diesel Scandal: Who Has Been Charged?, 2017)	Legal actions in the US show that high level executives were behind the scandal	High level executives behind scandal	
2017	“The executives charged worked across multiple Volkswagen divisions, painting a portrait of an organized deception carried out over several years. Prosecutors allege that they collectively directed engineers to fit the company’s cars with defeat devices” (Ewing,	Executives across the board were involved in supporting the deliberate manipulation emission data	Multiple High level executives involved	

	Volkswagen's Diesel Scandal: Who Has Been Charged?, 2017)			
2017	"This wasn't simply the action of some faceless, multinational corporation", said Sally Q. Yates, who is the deputy attorney general (Ewing, Volkswagen's Diesel Scandal: Who Has Been Charged?, 2017)	There were real people responsible for the scandal	Real people are responsible	
2018	"It was an appalling fraud that went to the very top of the company. That is the striking allegation made by US prosecutors looking into the emissions-cheating scandal" (Leggett, 2018)	US prosecutors deemed it an appalling fraud that was led by the top executives	Fraud by executives	
2018	"former CEO Martin Winterkorn was not only fully briefed about what his engineers were up to, he also authorised a continuing cover-up" (Leggett, 2018)	Mr Winterkorn was aware and authorised the manipulation of data	CEO authorised manipulation	
2018	"if true, they paint a picture of extraordinary executive wrongdoing at one of the titans of German industry" (Leggett, 2018)	The allegations painted a corrupt image of the top management	Corrupt top executives	
2018	"managers repeatedly sanctioned the use of this system despite objections from some employees, and encouraged engineers to hide what they were up to" (Leggett, 2018)	Despite internal resistance by some, the practice was sanctioned and hidden by VW managers	Internal resistance subdued	
2018	"the CEO himself was made well aware of what the engineers were doing and authorised a	Mr Winterkorn was made aware, and he	CEO encouraged manipulation	

	continued cover-up” (Leggett, 2018)	authorised the coverup	
2018	“senior managers were informed, and warned that the study might result in VW's deception being uncovered” (Leggett, 2018)	Senior management was warned against the practice	Top executives were aware
2018	“they pursued a strategy of concealing the defeat device in responding to questions from US regulators, while appearing to cooperate” (Leggett, 2018)	Management adopted the strategy of hiding the truth while appearing cooperative with authorities	Executives participated in coverup
2018	“CEO was sent a PowerPoint presentation to provide him with "a clear picture of how VW was deceiving US regulators ... and the potential consequences of being caught" (Leggett, 2018)	Mr Winterkorn was sent a presentation highlighting the risks associated with the malpractice	CEO briefed on potential risks
2020	“it took the German car maker months to provide a clear explanation of how the cheating happened and identify those in the company responsible for it” (Sun & Hagel, 2020)	VW took months to identify those responsible and provide explanation	Identifying offenders was difficult
2020	“It was on Mr. Winterkorn’s watch as CEO that Volkswagen, realizing its new “clean diesel” vehicles couldn’t meet tough U.S. emissions standards, proceeded to install illegal software to enable them to pass emissions tests” (Boston, 2020)	Mr Winterkorn is held responsible for the emissions scandal	CEO was responsible for scandal

2020	“state’s attorney alleges that Mr. Winterkorn became aware of the full extent of the deception as early as May 25, 2014, but did nothing in his role as CEO” (Boston, 2020)	Regulators allege that Mr Winterkorn was aware of the malpractice since May, 2014	CEO did nothing to stop malpractice	
2021	“Mr. Winterkorn became aware of the software cheat ... that he had failed to act swiftly and comprehensively to clarify the facts and hadn’t ensured that questions posed to the company by U.S. authorities were answered quickly, completely and honestly” (Boston, Volkswagen to Seek Damages From Former CEO Winterkorn in Diesel Scandal, 2021)	VW believes Mr Winterkorn failed to fulfil his duties as the CEO of Volkswagen Group	CEO failed to fulfil duties	
2015	“VW's chief executive Martin Winterkorn was forced out over the scandal and replaced by Matthias Mueller, the former head of Porsche” (VW scandal: Company warned over test cheating years ago, 2015)	CEO, Mr Winterkorn lost his job over the scandal	CEO forced out	Executives facing consequences for their actions
2015	“America’s prosecutors ought to honour their promise to go after the individuals responsible for corporate crimes, instead of just punishing companies’ shareholders by levying big fines” (Dirty secrets, 2015)	US authorities should hold individuals responsible for the scandal accountable	Authorities should punish executives	
2015	“Lawyers are preparing class-action suits. Some executives may face prosecution” (Good in parts, 2015)	Executives may face charges as lawyers prepare cases against them	Executives may be prosecuted	

2017	“Revelations of the deception led to the resignation of the company’s chief executive” (Ewing, 2017)	CEO, Mr Winterkorn had resigned due to the scandal	CEO lost job
2017	“Munich prosecutors made an arrest in connection with the scandal” (Volkswagen diesel emissions fixing bill hits \$30bn, 2017)	Arrests made in connection to the scandal in Germany	Arrest made in Germany
2017	“One man has so far been jailed in connection with the scandal: Volkswagen engineer James Liang received a 40-month sentence in a US court last month” (Volkswagen diesel emissions fixing bill hits \$30bn, 2017)	One VW executive has so far been jailed in the US	Executive jailed
2017	“So far, six men have been formally charged, accused of defrauding the United States and Volkswagen customers there, of violating the Clean Air Act and of committing wire fraud” (Ewing, Volkswagen’s Diesel Scandal: Who Has Been Charged?, 2017)	Six people have been charged so far in the US for fraud	6 executives charged
2017	“The Obama administration ... hopes the latest allegations could lead to more action against higher-level executives” (Ewing, Volkswagen’s Diesel Scandal: Who Has Been Charged?, 2017)	Obama administration wants to be strict on high level executives	US government going after executives
2017	“German prosecutors are investigating nearly 40 employees and have begun a probe into Matthias Müller, the latest CEO” (Ewing, What really happened at VW, 2017)	Multiple VW employees are also investigated in Germany	Investigations in Germany

2018	“The chief executive of Audi, the luxury automaker owned by Volkswagen, was arrested Monday on suspicion of fraud in relation to the German carmaker’s emissions-cheating scandal” (Marte, 2018)	CEO of Audi arrested in Germany in connection with the scandal	Audi CEO arrested
2018	“U.S. prosecutors charged Winterkorn, 70, with conspiracy and wire fraud in relation to the diesel emissions case” (Marte, 2018)	Mr. Winterkorn charged for conspiracy and fraud in US	Conspiracy and fraud by VW CEO
2020	“The company’s former CEO Martin Winterkorn was ordered this month in a German court to face trial on charges of defrauding customers” (Sun & Hagel, 2020)	Mr Winterkorn currently faces trial in Germany	Trial in Germany
2020	“the former CEO Martin Winterkorn was ordered Wednesday to face trial on charges of defrauding customers in a case that could shed new light on one of Germany’s largest corporate scandals” (Boston, 2020)	Charges of fraud against Mr Winterkorn in Germany	Fraud by CEO
2021	“Volkswagen AG said it would seek compensation from former CEO Martin Winterkorn and the former CEO of its Audi luxury car unit, Rupert Stadler” (Boston, Volkswagen to Seek Damages From Former CEO Winterkorn in Diesel Scandal, 2021)	VW decided that it would seek compensation from Mr Winterkorn and former CEO of Audi, Mr Stadler for the scandal	VW going after VW and Audi CEO
2021	“Mr. Winterkorn has been indicted on charges of fraud in Germany” (Boston, Volkswagen to Seek Damages from	Mr Winterkorn is indicted for fraud in Germany	VW CEO indicted

	Former CEO Winterkorn in Diesel Scandal, 2021)			
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### Appendix 3

#### Theme 3: Volkswagen has transformed for the better.

Year of Publication	Meaning Units	Condensed Meaning Units	Codes	Categories
2015	“concern is growing among legal scholars that a small circle of law firms has come to dominate the process and that some settlements have benefited the lawyers more than their clients” (Meier, 2015)	Experts fear that lawyers might favour their own benefits at the expense of the client’s interests	Ethical concerns with law firms	Health concerns were less important for some stakeholders
2015	“worry is that lawyers may fear opposing settlement terms because they do not want to be frozen out of future cases” (Meier, 2015)	Lawyers might focus on safeguarding future benefits and not secure the client’s interests	Lawyers concerned about profits	
2015	“consumers are arguing that Volkswagen defrauded them with false claims about the performance of its diesel engines and are asking to be compensated for the premium prices paid for the vehicles and the cars’ diminished resale value” (Meier, 2015)	Consumers demanding compensation from VW for charging premium for their products did not deliver promised results	Consumers angry due to low resale	
2015	“legal scholars such as Ms. Burch are concerned that lawyers may be open to settlement terms that might favour them more than some clients” (Meier, 2015)	Scholars worry that lawyers might favour their own interests instead of the client’s	Lawyer’s interests above client’s	

2017	“Diesel owners expressed concern--not that Volkswagen had equipped their cars with illegal defeat devices, but that they might be forced to have their vehicles repaired, and the repairs would ruin their cars' performance” (Read, 2017)	Diesel car owners fear that fixing their cars might ruin performance	Consumers concern about fixing their cars	
2017	“that means that just 2.5 percent of diesel owners chose to have Volkswagen fix their cars ... A whopping 97.5 percent got out while the getting was good” (Read, 2017)	Most diesel car owners have opted to let VW buy back the vehicles instead of fixing them	Consumers favour buyback option by VW	
2015	“Last week VW apologised for cheating on emissions tests in the US” (VW scandal: Company warned over test cheating years ago, 2015)	Volkswagen apologises for its actions	Volkswagen apologises	Volkswagen's effective recovery from the scandal
2017	“To date, Volkswagen says that it has bought back or repaired 244,200 of the 475,000 illegally rigged Audi and VW 2.0-liter diesels registered in the U.S” (Read, 2017)	In the US, VW has bought back or repaired substantial number of vehicles by 2017	VW buys back affected vehicles	
2017	“Volkswagen's U.S. sales numbers suggest that some folks who've opted for buybacks are simply sliding behind the wheel of other VW and Audi models” (Read, 2017)	Most consumers compensated for their vehicles are buying new VW cars	Consumer rebuying VW cars	
2017	“VW sales are up 10.1 percent for the year, and Audi's are up 8.8 percent” (Read, 2017)	VW sales have substantially improved	VW sales are growing	
2017	“figures don't show that every Volkswagen	As time passes, more	Consumers returning with	

	customer is ready to forgive and forget, but some likely are. As the scandal recedes further into history, more shoppers will join those ranks” (Read, 2017)	and more consumers are expected to buy VW vehicles again	time
2017	“Volkswagen deeply regrets the behaviour that gave rise to the diesel crisis ... we have worked tirelessly to make things right for our affected customers,” Matthias Müller, chief executive of Volkswagen said (Ewing, Volkswagen’s Diesel Scandal: Who Has Been Charged?, 2017)	Volkswagen regrets the scandal and is working hard to fix things	VW expresses regret and trying to fix things
2020	“Volkswagen AG is betting that a reformed compliance culture and an expanded whistle blower program ... will help prevent another scandal and go a long way in restoring its reputation” (Sun & Hagel, 2020)	Volkswagen is trying to reform its culture and strengthen whistle blower program	Cultural reforms
2020	“The car maker has spent the past few years trying to resolve issues related to its 2015 ... to dodge government emissions tests” (Sun & Hagel, 2020)	VW has been trying to sort the problems that came with the scandal for years	VW addressing internal problems
2020	“The company says its years long, multipronged transformation and ongoing surveillance are essential to its survival” (Sun & Hagel, 2020)	VW is confident that the transformation will safeguard its long-term survival	VW’s internal transformation
2020	“A culture of tolerance for rule-breaking internally allowed the	Supervisory board blamed the internal	Internal culture was bad

	deception to continue for a decade, Hans Dieter Pötsch, chairman of the Supervisory Board of Volkswagen, said” (Sun & Hagel, 2020)	culture for scandal		
2020	“The monitor, Larry D. Thompson ... a former U.S. deputy attorney general, certified earlier this month that Volkswagen has completed the three-year mentorship” (Sun & Hagel, 2020)	VW has successfully completed the mentorship program for transformation	VW completes transformation goals	
2020	“The company said that under the mentorship it improved its workplace culture, focused on improving its whistle blower program” (Sun & Hagel, 2020)	VW claims that the mentorship helped in improving organisational culture	Mentorship program for VW	
2020	“Volkswagen Chief Executive Herbert Diess said, “change. “Our objective is more transparency, a more open culture of discussion, more accountability, and greater tolerance of errors”” (Sun & Hagel, 2020)	Current CEO said that VW is focused on transparency and healthy workplace culture	Transparency and good culture	
2020	“Investors and analysts are encouraged by the changes. It is promising to see the steps Volkswagen has taken, said Richard Hilgert, a senior equity analyst” (Sun & Hagel, 2020)	External observers have shown confidence in the company	Improved confidence in VW	
2020	“It is of the utmost importance to our company, its employees, and shareholders that the actions that led to the diesel crisis are resolved legally,” the company	VW said it supports a legal solution to the scandal	Volkswagen supports legal solution	

	said” (Boston, 2020)			
2021	“VW’s board said its internal study found no other top executives in breach of their duties” (Boston, Volkswagen to Seek Damages from Former CEO Winterkorn in Diesel Scandal, 2021)	VW said the internal investigation against employees has been concluded	Volkswagen completes internal investigation	