

Greenwashing in the Automobile Industry

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Notes**

Module code: BMSW4014

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Summary - Nasrin

The prominent Volkswagen “Dieselgate” scandal is one of the biggest examples of corporate greenwashing, showing how false environmental claims can severely damage business integrity and public trust. In 2015, Volkswagen admitted to fitting millions of its diesel vehicles with defeat devices. These enabled cars to cheat laboratory emission tests, giving artificially low nitrogen oxide readings while emitting up to forty times the legal limit in normal driving conditions (BBC, 2023). Apart from exposing a massive business-wide deception, the issue has had an impact on public understanding of ethical leadership, innovation, and accountability in the car manufacturing industry. Immediately following the revelations, the immediate impact on Volkswagen was immense. The company's market value fell by almost a third within days, with the company facing over €30bn in fines, recalls, and settlements across the world (BBC, 2023). Senior executives had been dismissed or prosecuted, while its brand image as a pioneer of “clean diesel” technology collapsed. According to Adair (2019), poor decision-making occurs when organisational leaders fail to consider the long-term ethical implications of their actions. This poor decision-making was evident in Volkswagen's leadership, who focused on market share and ensuring short-term business success instead of sticking to their supposed goals of environmental awareness.

The scandal also underlined how poor internal controls and lack of ethical governance can lead to unpenalised practices, indicating what happens if financial and business performance is prioritised over moral accountability. The case urged businesses across different industries to review their own sustainability claims by showing how one organisation's misbehavior can influence broader industry standards.

But the impact did not stay confined to Volkswagen alone. The Dieselgate revelations led to strengthened emission testing and monitoring regulations across Europe and the United States. The various governments brought about more stringent compliance rules to prevent any repetition of such malfeasance in the future (GOV.UK, 2024). Several other manufacturers also faced public scrutiny, and consumer confidence fell sharply in the automotive industry as far as environmental issues were concerned. As Proctor (2019) points out, problem-solving and innovation must be based on transparency to give rise to sustainable solutions, while Dieselgate showed how creativity pursued without considering ethics results in disaster. Excess nitrogen oxide emission from affected cars had been contributing to air pollution, thereby exacerbating respiratory conditions and affecting public health adversely (European Environment Agency, 2023). Furthermore, the environmentally conscious consumers who felt they were buying 'green' cars felt cheated, and this translated into a general loss of faith in sustainability branding. From a social and ethical perspective, the scandal also highlighted weaknesses in Volkswagen's corporate culture and organisation, internal pressure to meet unrealistic targets for reducing emissions led to unethical behavior, and employees who knew something was wrong were silenced by the fear of speaking up. The case points out that there needs to be ethical leadership so that there is an open organisational culture in which employees can speak against any unethical practice without fear of persecution. So, the fallout from Dieselgate was multifold: financial, environmental, regulatory, and moral. It blew up Volkswagen's reputation, remade global environmental policy, and weakened public trust in green marketing. The scandal was a lesson that innovation without ethics harms society and business alike. It serves to remind

today that any true progress regarding sustainability must be founded on transparency, responsibility, and the truth.

Word count: 550

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