

TASK DESCRIPTION

Using IBE (2020) as a guide to method and topic selection, **select an international business ethics story** from at least two media sources. Analyse the story from at least **two opposed perspectives** using **ethical models, concepts** and **theories** you have encountered. Your report should adopt the following format:

- a. An account of the details of the story (15%)
- b. An analysis of the story from two perspectives (60%)
- c. An evaluation of the story's coverage by the two media sources (15%)
- d. Reflections on using the media as a source for academic debate.
(10%)

Front cover:**Assignment 1 - Global Ethics - Business Management****Programme:**

- BA Business Management
- BA Business Management (Marketing)
- BA Business Management (Human Resource Management)
- BA International Business Management
- BA International Finance
- BA (Hons) Public Services

Executive summary:

In this essay I will be conducting an ethical assessment of the 2015 Volkswagen emissions scandal. Considering internal perspectives from the organisations view as well as the external impact that their decisions had, not only on the consumers, but also on the external environment due to the nature of the scandal. Using ethical models, concepts and theories I will break down the cause of this ethical violation by Volkswagen from 2008-2015, by discussing the ways in which the business was constrained by cultural, political and social factors, analysing the response of management and the overall impact their decision made on the wider social environment. Finally evaluating different approaches to ethical judgement, to highlight where Volkswagen went wrong and to analyse the issue to determine the appropriate solutions and alternative courses of action.

Plan:

- An account of the details of the story (15%)
- b. An analysis of the story from two perspectives (60%)
- c. An evaluation of the story's coverage by the two media sources (15%)
- d. Reflections on using the media as a source for academic debate.
(10%)

Volkswagen

Intro: Introduce the topic and selected company. Mention ethics and what I will be discussing. My two perspectives are: From **Internally** - why Volkswagen thought this was a good idea and was necessary to remain competitive despite the ethical and moral cons. Opposed view = **externally**, the public and media sources; to the view of the public and the loss of brand image for Volkswagen for why they cheated emissions tests.

Para 1: Detail the story of the Volkswagen ethics scandal, keep it brief at this point and just explain the issue, will delve into theorists and concepts deeper in the essay.(15%)

Para 2: Now the story is explained, start to Highlight certain areas from 1st PERSPECTIVE (- negatives for Volkswagen acting this way) **critically analyse the importance of management and ethical decision-making**

Para 3: link the story to ethics models and ethics stances on the issue. Start to mention theorists and ethical modules. **their impact on the wider social environment.**

Para 4: Now go onto the second perspective (positive) why Volkswagen behaved this way. **Explore critically the response of management functions to ethical challenges**

Para 5: the ways in which business is constrained by its cultural, political and social environment. Start to evaluate and highlight which side you're leaning to. Still link to ethical modules and concepts

Para 6: Reflections on using the media as a source for academic debate.
determine the cause of a problem and identify and select appropriate solutions.

Conclusion: Round off findings and sum up evidence based findings

Content Page:

- Brief of assigned assignment
- Executive summary
- Plan

Introduction

Para 1

Para 2

Para 3

Para 4

Para 5

Para 6

Conclusion

- Harvard Reference List

Start:

Business ethics is the moral conduct of companies between themselves, stakeholders and consumers. Macroeconomics would state that it is an approach that influences the way that the entire economic system functions, as immoral behaviors can contort the functioning mechanisms of a market. The Volkswagen 2015 emissions scandal was one of the biggest and most well known business ethical disasters of current times. Within this report I will detail the events of the scandal and how they were reported on by differing media sources, as well as delving into internal and external view points of the ethical effects that this scandal had on the business and the public. By analysing Volkswagen's managerial ethical decision making I will evaluate different approaches to ethical judgment and apply them to how Volkswagen actually responded to this scandal back in 2015. Ethical models, concepts and theories will help to break down the cause of this ethical violation by Volkswagen, discussing the ways in which the business was constrained by cultural, political and social factors and finally analysing the response of management to the overall impact their decision made on the wider social environment.

Referred to as the “diesel dupe,” in September 2015 the Environmental protection agency discovered a “defeat device,” in roughly 480,000 Volkswagen and Audi cars that sold in the US between 2009 and 2015. This device was designed to detect when an emissions test was being performed on their cars and would produce false results in order to allow Volkswagen to pass the emissions tests. Volkswagen backed a huge marketing campaign triumphing their cars for low emission rates which resulted in roughly 11 million cars being sold with these so called “defeat devices” inside. The Volkswagen vehicles were emitting up to 40 times more toxic fumes into the environment than was permitted due to the effect of these defeat devices. Nitrogen dioxide was being pumped out at such a huge rate by these millions of cars that it was predicted that the hidden damage from these Volkswagen cars could equate to all the emissions of the United Kingdom's NOx emissions from all of our power stations, vehicles, industry and agriculture combined, as an estimated extra 1 million extra tonnes was being emitted every year. This really puts into perspective the enormous ethical situation Volkswagen had on its hands. High NOx levels have been linked to 9500 premature deaths yearly in London alone. The company faced huge investigation once caught out, a possible £16 billion fine for compensation as well as criminal charges and civil actions could follow.

The internal perspective of Volkswagen was one of a profit based, engineering problem that was tried to be covered up discreetly and deceptively. Müller the Chief executive officer (CEO) of Volkswagen stated in a radio interview; “We didn’t lie, the problem was a technical issue and not an ethical one.” Volkswagen announced in 2015 that its emissions cheating had been an ongoing incident for over a decade

now, due to the fact that the company could not legally meet US and UK clean air standards with the product that they had produced. In another statement the CEO stated: "There was a tolerance for breaking the rules." The company was worried that it would not reach predicted sales projections and profits if it was truthful about the cars real emissions, as they were not only high, but 40% over the normal emissions for a standard road car today. Volkswagen is well known as an autocratic company with a reputation for avoiding discussion, its culture is very hard to work in, with employees knowing that they are easily replaceable if they underperform. This led to large pressure being placed on the engineers of Volkswagen. It was not possible for the engineers to meet the logistical needs of the EPA requirements for the cars along with the need for Volkswagen to profit and get the cars produced and sold. Therefore they made the mistake of deciding to try and cheat the system by producing the software that allowed the EPA's emissions test to be passed falsely. This links closely to the ethical theory of Deontology as the Volkswagen engineers were put under huge pressure to perform and produce, with fear that failing to do so would result in unemployment. Deontology ethics states that at least some acts are morally obligatory despite what their consequences might be for human welfare. The Volkswagen engineers were acting in this way. Their disregard for the environmental pollution and human lung damage that could be caused by falsifying these results was pitted against their need for employment and to appease their autocratic managers who were pushing results and need for profits.

Volkswagen was unable to meet the UK and US clean air standards and therefore made the decision internally to place the defeat device software in 11 million vehicles that allowed the cars to appear to emit lower amounts of nitrogen oxide into the atmosphere. However not everyone would agree that what Volkswagen did was a bad internal move. Friedman was an advocate that businesses do not and should not have any (CSR) Corporate Social Responsibility. Stating "business is not the kind of thing that has responsibilities social or otherwise." Friedman believed that businesses do not have an obligation to promote desirable social ends such as, a clean environment, fulfilling jobs and a prejudice-free society. In this way Friedman agrees with the initial internal perspective of Volkswagen. Volkswagen completely overlooked all environmental and ethical reasoning for why they should not cheat their emissions tests and then sell that item worldwide on a huge scale. Friedman would back Volkswagen's position as he believed that sometimes businesses were treated by the law as artificial individuals that are assigned a set of responsibilities. However he did not agree with this, stating that this is only done for specific legal purposes, such as establishing a source of funding for product liability cases. Volkswagen knew that their cars could not meet the EPA's standards and knew that it would cost a huge amount of money to remodel and change all the cars that they were producing and had already started marketing. From the perspective of Friedman the company was not in the wrong. Friedman argues that it is not necessary for a company to embark on socially responsible programmes as there is little incentive for the expenditure and would rather focus on repaying its owned

money to the companies shareholders. This view would be seen by most as extremely anti-climate and having no regard for human and environmental health, however Friedman thinks of himself as solely a businessman that is just trying to succeed through any means necessary. His approach is similar to social Darwinism, as he is applying a 'survival of the fittest' principle to his business model in order to ensure the best outcome for himself and his shareholders. His ideas take the form of the thinking that put Volkswagen into the situation that they are currently in. It is the opposite of a teleological view, that would state that the standard of morality is precisely the value of what the action brings upon the world. Volkswagen's initial internal perspective was to pressure its engineers to produce these defeat devices and install them in all cars in order to pass all checks and for the company to make a profit and remain competitive without running the risk of decreasing market value or upsetting stakeholders and shareholders. This matches with Friedmans 'shareholder theory' that states that the business's decisions are to be made by the people who own the equity of the corporation, as a business should be seen as a morally neutral legal construct that is simply trying to maximize returns for shareholders and create profit.

The external perspective of Volkswagens 2015 emissions scandal was one of outrage and a lack of stakeholder confidence in Volkswagen as a brand, due to the trust that had been violated by the companies lack of corporate social responsibility to the health of the public and external environment. Edward Freeman stakeholder theory details how a healthy company never disregards any of its stakeholders or anyone who is involved in the company's success. This is in direct contrast to Friedman's theory who focuses on just the profit generated. Freeman is more concerned with appreciating the value created by the company's share and stakeholders. In Freeman's book on stakeholder theory he states that if a company treats its employees badly, it will eventually fail. "A company cannot ignore any stakeholders and truly succeed." "There may be short-term profits, but as stakeholders become dissatisfied, and feel let down, the company will not survive." Freemans words ring true here when applied to Volkswagen's situation in 2015. Volkswagen's autocratic management style has forced them to make and try to cover up mistakes that should never have been allowed to happen. Volkswagen's sales in the first month since the scandal broke were down by 3.5% and their brand sales declined by 5.3%. In January 2017 the US Justice department announced that Volkswagen had been tried and agreed to pay \$2.8 billion dollars in criminal charges after pleading guilty to the scandal. This result holds closely to the ethical theory of teleology, where in which the basic standards or morality is exactly the value of what the action brought into being. Although the company was charged in court and fined, the environmental damage caused by these cars is something Volkswagen cannot take back or change.

Upon the discovery of this scandal, news outlets from around the world covered the story from a very similar perspective. The Guardian titled one of its articles from

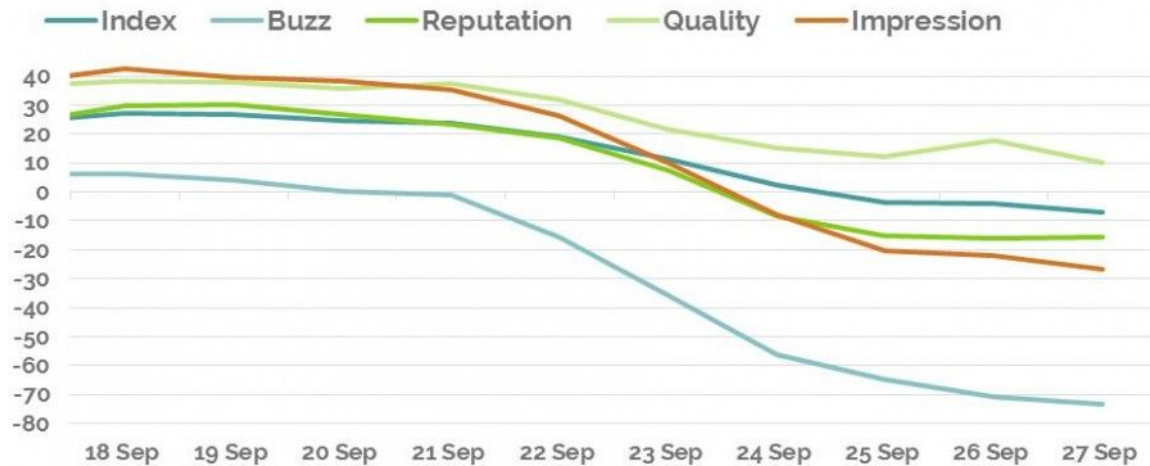
2015 as; 'VW scandal caused nearly 1m tonnes of extra pollution, analysis shows.' Volkswagen is going to struggle to find a news article that is backing their decision to install defeat devices into their cars, as the act is seen as immoral and extremely unethical for the environment. The guardian goes on to say: 'Volkswagen's rigging of emissions tests for 11m cars means they may be responsible for nearly 1m tonnes of air pollution every year, roughly the same as the UK's combined emissions for all power stations, vehicles, industry and agriculture.' Articles such as this hugely affect the brand image of any corporation due to the vast reach the media sources have. The specificity of the news article also goes in favour of a negative outlook on Volkswagen as a brand. The article goes on to state specific statistics and backed data to further their point; "US vehicles would have spewed between 10,392 and 41,571 tonnes of toxic gas into the air each year, if they had covered the average annual US mileage. If they had complied with EPA standards, they would have emitted just 1,039 tonnes of NOx each year in total." The article here is clearly bashing Volkswagen's public persona, making it very hard for the company to make any excuses or give any valid reason for their actions. The BBC portray the incident in a similar manner. Titling their article: "The Volkswagen Scandal." BBC news takes a much less biased approach in their use of words, however the narrative is very similar to that of the Guardians. BBC news makes a point of pointing out that Volkswagen backed a very large marketing campaign to sell the cars that they knew had these devices in; "VW has had a major push to sell diesel cars in the US, backed by a huge marketing campaign trumpeting its cars' low emissions." Articles like these really get environmental protection corporations and people who hold strong ethical morals, very annoyed. The lack of regard for the damage that these devices cause, coinciding with the fact that Volkswagen then backed their own deviance, claiming through marketing that their cars have low emissions, all the while knowing that they were cheating the tests. This is a PR disaster for the company. Unlike the Guardian, the BBC then gives Volkswagen a section of the article to defend themselves, titled: "Volkswagen's response." Volkswagen state in this section: "We've totally screwed up," said VW America boss Michael Horn, while the group's chief executive at the time, Martin Winterkorn, said his company had "broken the trust of our customers and the public". Mr Winterkorn resigned as a direct result of the scandal and was replaced by Matthias Mueller, the former boss of Porsche." Through analysis of these articles and their responses to this scandal, you get a strong sense that Volkswagen has really been caught red handed and have no solid response for their actions. It is hard to use this scandal as an example for academic debate as the public opinion towards the scandal was so linear and agreed upon; that it was a terrible decision by Volkswagens management due to the external damages it did to the environment as to Volkswagens brand image. Volkswagen were acting in a competitive and profit orientated manner, with complete disregard for the damaging affects their decisions had on the environment and public health.

Two very differing forms of business management are under scrutiny here. The question of whether Volkswagen was just playing the corporate, capitalist game of trying to succeed by any means necessary and put profit first; pitted against the management style of putting corporate social responsibility first and giving value to those who help create your business. Their very controversial approach was the reason that this story caught so much traction and caused Volkswagen to lose so much brand loyalty. When looking at approaches, there are many different ethical approaches that Volkswagen could have taken. For example the Utilitarian approach; which looks at what benefits and harms will each course of action produce, examining which option will produce the greatest benefits and harm. There is also the Rights approach, which details what moral rights the individuals affected by their decisions have. Finally there is also the common good approach and virtue approach which details which course of action develops moral virtues and advances the common good. All these ethical theories and management styles were disregarded by Volkswagens management when they made the decision to install defeat devices and cheat their emissions tests. It is obvious that none of the ethical theories held any weight in the minds of Volkswagen's management, they simply just wanted results and progress by any means necessary.

Upon reflection of the 2015 Volkswagen emissions scandal one can ascertain the importance of following corporate social responsibility due to the impact that negative business decisions had on the brand image of Volkswagen. A good management is one that takes into consideration all aspects of what and who their decisions may affect, taking into consideration the internal as well as external impact that these decisions could have. One must look at cultural, political and environmental effects when making decisions high up in a company, as it is not only the companies duties to make a profit and remain competitive in market share but also to take into consideration how this will affect the general population, if it does. Failure to do so can result in bad press and big scandals such as this one, which damages brand image and customer trust, ultimately resulting in less sales and less growth for the business entity.

Selected Volkswagen brand health measures over past 10 days

Impact of the emissions scandal on the brand's public perception



YouGov | yougov.com

YouGov BrandIndex data: 18-27 September 2015

Source = <https://www.thedrum.com/news/2015/09/28/study-reveals-how-public-perception-volkswagen-changed-throughout-scandal>

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