

LEVEL 6 ASSESSMENT SPECIFICATION

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Lecturer:	Arpu Kumar	Internal Verifier:	Robyn Griffiths
Assignment Title:	Is greed good? Should modern businesses be concerned about ethics? Explain your perspective with reference to theory and practice.	Word count (or equivalent):	2500 words
Submission deadline:	21st November 2025	Return date of provisional marks and written feedback:	20th December 2025
Submission method:	All written assessments, where practical and possible, must be submitted via Turnitin unless otherwise instructed by the Lecturer. (Please DO NOT put this assessment specification into Turnitin or it will match many similarities with other students' submissions.) Alternative submission method (if applicable): Late submission of the assessment will result in a late penalty mark. Penalties for late submission: Up to one week late, maximum mark of 40%. Over one week late, 0%. Only the Extenuating Circumstances Panel may approve a change to submission dates.		
Academic honesty / referencing:	Academic honesty is required. In the main body of your submission, you must give credit to authors on whose research and ideas your work is based. Append to your submission a reference list that indicates the books, articles, etc. that you have used, cited or quoted in order to complete this assessment.		
Module Learning Outcomes (from module syllabus)			
Upon the successful completion of this module, the student should be able to demonstrate the ability to:			
• Problem solve and critically analyse the importance of management and ethical decision-making within organisations and their impact on the wider social environment. • Evaluate different approaches to ethical judgment and to apply them to real world dilemmas			

WHY GREED FAILS AND ETHICS MATTERS IN MODERN BUSINESS

Abstract: This report addresses the question: Is greed good? Is there any concern with ethics among modern businesses? The report examining the Volkswagen emissions scandal in terms of deontological, utilitarian and stakeholder theoretical perspectives concludes that greed is not good. The use of defeat devices by Volkswagen on 11 million cars led to financial damages of over 30 billion dollars and about 1,200 untimely deaths in Europe. The ethical theory affirms that such deception is not only against categorical imperatives but also not in the utilitarian cost-benefit computations, and it is not based on the legitimate stakeholder interests. Nevertheless, the affirming argument on ethics proves that stakeholder engagement and sustainability create long-term competitive advantage. The report suggests that contemporary companies shift to stakeholder governance systems, create separate ethics boards, and base executive pay on long-term ESG indicators. Ethics does not limit profitability but is a precondition of sustainable value creation.

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1.0 Introduction

The mantra of the 1980s that leaders of corporations must put profit before all things was given theoretical support by shareholder primacy models. However, a series of corporate scandals indicates that this is not the case. The emissions scandal involving Volkswagen in September 2015 involved the automaker significantly installing defeat devices in 11 million vehicles with diesel engines across the world to pass emissions tests leading to financial losses of more than 30 billion and indescribable reputational losses (Schoenmaker and Schramade, 2024). The question that will be addressed in this report is: Is greed good? Are ethics an issue of concern to modern business? According to both the theory of ethics and practice, this report explains that greed is both unethical and unstrategic in contemporary business settings as a pillar of long-term corporate governance. Modern business is thus fundamentally concerned with ethics in order to be able to survive in the long run. The second section discusses the shareholder primacy argument and thereafter provides evidence of Volkswagen misconduct. Part three uses the ethical theories to examine the reason why greed is not working. Section four gives the positive argument in favor of ethics as a competitive advantage. Part five wraps up and recommends sustainable business practices.

2.0 The Case for "Greed is Good" and the Purpose of Business

The most powerful defence of corporate greed is attributed to Milton Friedman (1970), who gave the argument that the only social responsibility of business is to maximize its profits within the confines of the game. This model of shareholder primacy believes that corporate leaders are fiduciaries of owner interests, and any deviation from social responsibility is an illegal tax on owners (Schoenmaker and Schramade, 2024). In this light, it is not only permissible but morally necessary that greed, i.e. disciplined profit-maximisation, be the case. Self-interest in competitive markets distributes resources efficiently, results in innovation and eventually gives the consumers a better product at a lower price. Hart and Zingales (2017) recognize this power but state that the goal should not be only the market value, but the welfare of the shareholders. Business, according to this perspective, is to make financial returns to those who risked their capital. Galanis (2024) notes that corporate purpose is dynamic, alternating as a social process, influenced by legal, political, and cultural pressures. The shareholder primacy model is not only a powerful one, but it is growing increasingly controversial. Marjosola (2025) follows the origin of shareholderism as a political project that justified corporate power, rather than being a truth in itself.

3.0 The Problem

The Volkswagen emissions scandal is a good example of greed that was translated into a corporate disaster. The United States Environmental Protection Agency disclosed in September 2015 that Volkswagen installed so-called defeat devices in about 11 million of its diesel vehicles in the global market (Qureshi, 2025). These devices had programs that could detect when the emissions tests were underway. In cases where a test occurred, the vehicles would switch on full pollution to pass the test. These controls were turned off on the road, however, where vehicles were permitted to release levels of nitrogen oxides up to 40 times the legal level (Truby & Kratsas, 2017). Volkswagen was trying to gain a competitive edge in the performance and fuel economy of its diesel engines. Instead of taking this trade-off, the company engaged in systematic deceit, forfeiting regulation compliance and the health of the population to market share and executive bonuses.

The short-term economic impact of this decision was disastrous. Upon the revelation of the scandal, the Volkswagen shares lost almost half their value in a matter of days. The total monetary losses, government fines, civil settlements, vehicle buyback, and legal expenses reached more than 30 billion (Jung and Park, 2020). In addition to these direct expenses, there was incalculable damage to the reputation of the company. The scandal had far-reaching spillover effects throughout the automotive industry, not just with Volkswagen. In the case of stock and corporate bond markets, Barth et al. (2022) discovered that the share prices of competitors significantly dropped as well, immediately after the scandal was revealed. This was as a result of investors re-evaluating the regulatory and reputational risks that were involved for all automobile manufacturers, and not Volkswagen alone.

The human costs were of greatest concern to society. It is estimated that around 1,200 premature deaths in Europe alone, 500 in Germany, the mother country of Volkswagen, have been caused by the excess emissions of these vehicles (Barth et al., 2022). Emissions of nitrogen oxides are known to cause respiratory illnesses such as asthma, bronchitis and lung impairment. These emissions, together with other pollutants in the air, lead to the development of fine particulate matter that, when inhaled by human lungs, penetrates deep in the body and into the blood. The betrayal was deeply felt by customers who bought Volkswagen diesel cars, having assumed that they were being environmentally friendly.

The Volkswagen is not a single instance of business ethics failure. In other sectors, such wrongdoings, fuelled by the short-term profit motive, have become standard practice in world markets. Wells Fargo

workers in the banking industry had opened millions of unauthorized accounts to meet ambitious sales targets, leading to fines totaling \$3 billion and the departure of its chief executive (Prentice et al., 2020). In the Cambridge Analytica scandal, it emerged that Facebook harvested the personal data of 87 million users without their consent, as the company favored growth over privacy (Kang and Frenkel, 2018). Pharmaceutical firms have been implicated in malpractice several times, such as the Sackler family, which helped to fuel the US opioid crisis by falsely marketing OxyContin. These instances are similar to Volkswagen in that aggressive performance targets were pursued, which fostered organizational cultures that openly undermined ethical boundaries.

4.0 Ethical Theories – Why Greed Fails

Deontological ethics has its basis in Immanuel Kant's philosophy, where an action is judged by its rightness and not its outcomes. The categorical imperative that Kant proposes requires that one should only act in accordance with maxims that can be universalised without contradiction (Hutchings, 2010). The move by Volkswagen to install defeat devices does not pass this test at all. Should every car company have colluded in order to cheat regulators, the whole framework of emissions compliance would be destroyed. The state of the health of the population would be seriously harmed (Marjosola, 2025). Moreover, the second formulation by Kant demands that mankind should be treated as an end, and not as a means. Volkswagen used its customers, regulators and the rest of the population as tools to reach its profit goals. The firm intentionally subjected millions of motorists and pedestrians to unhealthy levels of nitrogen oxide emissions without their knowledge.

Utilitarianism relates to Jeremy Bentham and John Stuart Mill and judges actions by their outcome. Volkswagen's behaviour is also unjustifiable on this calculation. Although the company might have realized short-term gains in market share, sales and executive bonuses, the damage caused was immense, extensive, and enduring (Carter et al., 2018). The emissions of Volkswagen vehicles are estimated to emit excessively to cause about 1,200 premature deaths in Europe (500 of them in Germany alone). In addition to death, the emissions led to cases of chronic bronchitis, hospitalization due to respiratory and cardiac diseases, and poor quality of life for millions of people who lived near major roads. When the health effects are added to the environmental damage, the legal expenses of more than 30 billion dollars, and the loss of trust in automotive regulation by the populace, the net utility is so negative. The number of those who were harmed is enormous compared to the few beneficiaries, the executives who were given bonuses,

and the shareholders who sold their shares before the scandal broke.

A third lens in understanding the failure of greed comes in the form of the stakeholder theory, as explained by R. Edward Freeman. In contrast to shareholder primacy, which only provides priority to the owners, the stakeholder theory believes that managers should consider the valid interests of all stakeholders who might be impacted by corporate decisions (Galanis, 2024). The leadership of Volkswagen failed this test miserably. Shareholders were losing more than 30 billion in the market. They misled customers, depreciated their vehicles, and several experienced decreased performances following compulsory recalls. Collapsing showroom traffic and unsellable inventory occurred among dealers. There was reputational damage to employees, which influenced career mobility. Health costs were transferred to society in general through overproduction. The natural environment was unnecessarily polluted. VW has neglected its duties to all other stakeholder groups by focusing on the short-term interests of the executives who were in need of performance bonuses and domination of the global market.

Nevertheless, both moral systems have their limitations. Universal rules of deontology have a hard time with organisational hierarchy. The Volkswagen engineers were aware of the vice, yet they were unable to raise an alarm because of their careers. The costs and benefits computations of utilitarianism may compromise minority stakeholders. The stakeholder theory is not clear in situations where there are legitimate interests that are at war. Such restrictions show that ethical governance must involve structural changes that safeguard the individuals who raise concerns, and not just theoretical frameworks. The case of Volkswagen shows that, despite the recognition of unethical behaviour by people, the hierarchical pressure and fear of reprisal can suppress people.

5.0 The Positive Case

The case in favor of ethics is positive, based on the growing evidence that stakeholder involvement and sustainability produce long-term competitive benefit, rather than reputational goodwill. Gromis di Trana and colleagues (2022) illustrate that when organisations engage stakeholders proactively through a strategic posture, they will be better placed to handle crises when they arise. Instead of considering stakeholder concerns as limiting profit-maximisation, these firms see them as a source of resilience, innovation, and early warnings (Blowfield and Murray, 2014). When a business takes the time to listen to environmental authorities, the citizens and ethical shareholders, it is informed about the issues that may arise before they can develop into scandals. The defeat devices of Volkswagen could have been identified

within the company years ago should the company created an environment in which engineers could voice their concerns without fear. Such a lack of engagement was disastrous.

Florez-Jimenez et al. (2024) expound this point and reveal that corporate sustainability, organisational resilience, and sharp corporate purpose constitute a triple framework in long-term prosperity. Their study in *Management Decision* reveals that purpose-oriented companies will always beat short-term oriented companies in the long run. When workers realize that their efforts are not meant to enrich the shareholders but to help a cause, they become more committed, innovative and ready to make short-term sacrifices to achieve long-term objectives. Customers will show loyalty when they feel that a company reflects their values, which will last even after a singular product failure or market cycles. When regulators have confidence in the leadership of a company, they will participate in cooperative problem-solving and not enforcement by war.

This principle is demonstrated in practice by Volkswagen's change after the scandal, but the reasons were necessity, not foresight. After the crisis with emissions, the company promised to invest billions of euros in the creation of electric cars and production without impact. Gebler and others (2024) examine the case of zero-impact factories implemented by Volkswagen in its international automotive manufacturing system and find opportunities and challenges in incorporating the concept of sustainability in strategic management. The business case of ethics is backed by empirical evidence of peer-reviewed studies. According to Postiglione et al. (2024) systematic literature review of 122 academic articles, it was discovered the observation that the ESG performance is consistently linked to the low cost of debt and equity financing, with the investors rewarding sustainable practices with low risk premiums.

6.0 Analysis

Wolfgang von Eschenbach's case illustrates an essential dislocation between the shareholder primacy theory and responsible practice. Qureshi and Khan (2025) show that the single direction of the company to be the largest automaker in the world generated perversity in the entire organisation. Top management establishes high sales goals, especially of diesel cars in the US market, without offering legal or ethical ways to realize them. Middle managers, who had career implications in case of failure, corrected the situation by normalising lies. This cascade shows a key weakness of narrow profit-maximisation: where the financial targets are made absolute, and no other values limit behaviour, organisations systematically move towards misconduct (Carroll and Buchholtz, 2014). The agency problem was exacerbated by the fact

that the Porsche-Piech family, the State of Lower Saxony, and Qatari investors, being unique owners of Volkswagen, meant that external accountability pressures, which could have held management at bay, were weakened.

An alternative is proposed by Schoenmaker and Schramade (2024) constructively. As they know, the concept of stakeholder governance is theoretically no longer conflicting with the concept of value creation, but it is a condition of sustainable value maximisation. Using their model in the case of Volkswagen implies that a clear stakeholder governance approach would have demanded that the company address regulatory compliance, customer trust, and the health of the people as valid corporate goals in addition to financial gains. Balancing of this type would have avoided the choice to install defeat devices, as the disastrous risks to other stakeholders would have been apparent in the decision-making process itself rather than in retrospect.

7.0 Conclusion

The question that has been answered in this report is: Is greed good? Is ethics a concern of modern businesses? The facts available force us to respond to the question with a no. The Volkswagen emissions scandal shows that, when companies focus on maximising short-term profits at the expense of every other value, the effects are disastrous. Customers were deceived. The measurable health harms felt by society included the deaths of thousands of people who were premature all over Europe. This empirical fact is supported by ethical theory. Deontology criticizes the deceptive nature. The net harm is calculated in utilitarianism. The inability to strike a balance between legitimate interests is shown in the stakeholder theory. The case of Volkswagen, which, being forced by necessity but not choice, turned to electric vehicles and sustainable production, still demonstrates how modern businesses should go. Ethics do not restrict profitability but are a precondition of long survival and prosperity. The examples of Volkswagen and other companies prove that there is a certain tendency: as soon as organisations focus on short-term financial indicators as the most important values, they lose their way and turn to the misbehaviors that end up ruining the value they are trying to produce. The creation of sustainable value means that the corporate purpose needs a complete overhaul to focus on the stakeholders whose trust the business would not be feasible without.

8.0 Recommendation

Resting on the analysis of the scandalous case of Volkswagen emissions and the ethical theories under consideration, the following recommendations can be offered to contemporary businesses to prevent such scandals and create sustainable value (Moellendorf and Widdow, 2015). Firstly, the stakeholder governance frameworks should be embraced by companies. Organisations should explicitly acknowledge that they have duties which are not limited to shareholders but also to customers, employees, communities and the environment. As evidenced by Schoenmaker and Schramade (2024), stakeholder governance is not only compatible with value creation but also positively influences long-term sustainability. This means the need to go beyond the Friedman doctrine that profit is the most important thing. Strategy-making boards ought to have the representatives of the stakeholders in their strategic decision-making so that the interests of those affected by the corporate actions are taken into account, rather than bearing the consequences of the decisions made. The inability of Volkswagen to strike a balance between the interests of stakeholders made it possible to go unnoticed by this kind of fraud over several years.

Second, create free ethics committees at the board level. The corporate governance systems should have committees that have the power to examine the strategic decisions made and also to raise issues without intimidation (Abdeldayem et al., 2023). The lack of proper ethical control in Volkswagen allowed the emissions cheating to continue. These committees must not be made up of only internal executives but rather include independent members. They need safeguarded whistleblower channels and direct reporting lines to supervisory boards and have to bypass management hierarchies that may hide unpleasant facts. Organisations lose their early warning systems when executives are subjected to career repercussions when it comes to bad news delivery.

Third, tie executive pay to long-term ESG indicators, as opposed to short-term profit goals. Rewards are potent in influencing behaviour. When bonuses are solely based on quarterly sales or annual market share, managers will rationally seek those measures by whatever means they can get them (Keßels, 2022). Organisations that associate compensation with environmental, social, and governance results have better long-term performance. This renegotiation minimises the motivation to favour short-term profits at the cost of long-term stability. In the case of Volkswagen, the intensive sales objectives of diesel cars in the United States market placed the environment in which the idea of emissions cheating seems to make sense to the mid-level managers.

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