

SEEING THROUGH THE SMOKE
AN ANALYSIS OF THE
VOLKSWAGEN EMISSIONS CRISIS

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ABSTRACT

In September 2015, the U.S. Environmental Protection Agency accused German automaker Volkswagen of fitting more than 11 million vehicles with illegal software that caused vehicles to emit reduced amounts of toxic nitrogen oxide when detecting they were being tested but that actually emitted more than 40 times the legal standard of gases when not being tested. These “defeat cheat” devices, along with Volkswagen’s reactionary crisis communication, proved to have detrimental financial, global, and environmental ramifications on the corporation. The automaker’s deception also led to a loss of consumer trust in Volkswagen’s vow to behave as a good corporate citizen. After recalling more than 8.5 million vehicles, ceasing the sale of numerous diesel vehicles in the U.S, and seeing its first quarterly loss in 15 years, Volkswagen managed to regain its title as number one carmaker in the world, despite scrambling to find answers to the company’s worst crisis in its 79-year history. This study examines media coverage of Volkswagen’s communication of its emissions crisis to key stakeholder groups and the effects of that communication on the company’s reputation as a corporate citizen.

DEDICATION

This thesis is dedicated to my family and friends, whose support, patience, and guidance I couldn't go without. A special thank you goes to my parents who are never short of kind words and thoughtful gestures. Thank you for your continued encouragement and grace when my life became hectic throughout the course of this study. I would not be who I am without you all. And last, to Olabode, thank you for challenging my thought process, being my cheerleader, and showing me grace when I was overwhelmed. When swamped with research, every lady loves to have a dozen, hot cookies delivered to her door.

LIST OF ABBREVIATIONS AND SYMBOLS

CARB	California Air Resources Board
CEO	Chief Executive Officer
EPA	Environmental Protection Agency
FTC	Financial Trade Commission
NPR	National Public Radio
PRSA	Public Relations Society of America
SCCT	Situational Crisis Communication Theory
US	United States
U.S.A.	United States of America
USD	U.S. Dollar
VIN	Vehicle Identification Number
VW	Volkswagen Aktiengesellschaft

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CHAPTER 1

INTRODUCTION

It is inevitable that organizations will face crises during some point in their history. Organizational crises can be big or small and can occur in a variety of ways, with varying degrees of impact on people and property, from natural disasters to workplace violence, to technical accidents or organizational misdeeds (Coombs, 2007). Because of this inevitability, an overwhelming amount of crisis literature provides researchers with next-steps and best practices for organizations going through a crisis. These practices give crisis communicators a framework to plan for and respond to crises and evaluate responses post-crisis (Veil & Husted, 2012). Among the most popular best practices suggested by researchers are meeting the needs of the media and remaining accessible, having partnerships with the public, listening for others' concerns, exhibiting honesty, candor and openness and being committed and able to deliver on the promise to be the first and best source of information (Covello, 2003; Sandman, 2006; Seeger, 2006; Veil & Husted, 2012).

A majority of best practices in crisis management literature are associated with helping the affected organization assess its reputation. According to Coombs, Ulmer, Sellnow and Seeger (2007, 2014), this process starts with how publics perceive crisis situations. An understanding of stakeholders and their communicative behaviors is critical to organizations because it can assist the affected organization in creating a stance and developing effective crisis strategies for its numerous stakeholder groups (Kim, Kim & Cameron, 2012). Coombs (2014) proposed, then,

that regardless of public perception, crises should be managed by employing a three-stage process consisting of “macrostages” of precrisis, crisis and postcrisis that, in turn, consist of substages that not only cover sets of actions crisis managers can take but that also allow for the construction of a comprehensive framework necessary to analyze crisis management literature.

According to Sellnow and Ulmer (1995), the consensus at that time in crisis management literature was that organizations should provide accurate information as quickly as possible to all stakeholders. If organizations desired to deal with conflict issues in the most effective way possible, it is imperative they engage in dialogue with their publics (Botan, 1997). Just as these thoughts were prominent in the 1990s, these statements continue to hold true today.

Research of crisis response strategies is important to the body of crisis research because it provides crisis managers with a greater understanding of how to best respond to crises, ultimately helping organizations remain afloat in times of crisis. According to Coombs, “Managers have identified the following as common negative effects from crises: decrease in revenue, cutbacks and/or layoffs, loss of corporate reputation, increased media scrutiny, increased government scrutiny, decreased share price, and increased social media discussions (Reputation in the Cloud Era, 2011; Rising CCO IV, 2012.)

In September 2015, German automaker Volkswagen Group, or Volkswagen Aktiengesellschaft (VW), was accused of fitting more than 11 million diesel vehicles with illegal software that caused them to appear to emit reduced amounts of toxic nitrogen oxide when undergoing testing. However, the vehicles emitted more than 40 times the legal standard of gases when not being tested. These “defeat cheat” devices, along with Volkswagen’s ineffective crisis communication, proved to have detrimental financial, global, and environmental ramifications on the corporation. The automaker’s deception also led to a loss of consumer trust in Volkswagen’s

products and its vow to behave as a good corporate citizen. After recalling more than 8.5 million vehicles, ceasing the sale of all of its diesel vehicles in the U.S., and seeing its first quarterly loss in 15 years, Volkswagen lost its title as the number one carmaker in the world and began scrambling to find answers to the company's worst crisis in its 79-year history.

This study will examine Volkswagen's communicative crisis response strategies to the emissions scandal and explore implications that the organization's efforts may have for future crisis management professionals and researchers. After news of the scandal surfaced, a number of communication professionals and academics weighed in on the organization's response, noting that there was minimal communication with stakeholders immediately after the crisis broke, untimely messages to its publics, dishonesty and lack of transparency. And yet it appears that although Volkswagen's responses seem to counter findings concerning best practices in crisis communication, the company seems to be rebounding a year into the crisis. With an initial drop to \$102.00, the company's stock value was up to \$136.75 by the end of the 2016. That is, this study suggests that despite known crisis communication best practices, organizations that seem to exercise inaction as a crisis response strategy could be successful in doing so.

CHAPTER 2

LITERATURE REVIEW

While early research of crisis communication can be traced back to the 1850s, crisis research began to emerge as a frequent topic in the communications field in the 1940s. As crisis communication continues to become a widely discussed topic among scholars and professionals, research exploring the topic continues to evolve, adapting to new technologies and environments in which organizations plan and execute their crisis response strategies. Previous crisis communication research explores organizational response strategies based on theory, established best practices and management techniques. Some of the most frequently explored topics in the area include natural disasters, emergency response, issues affecting different religions, educational institutions, healthcare, finance, food and transportation. However, more recent crisis research includes topics like terrorism, cyber security threats and social media, none of which are traditional areas of crisis communication that have been studied in the past.

2.1 Crisis

According to Coombs (2014), “A crisis is the perception of an unpredictable event that threatens important expectancies of stakeholders related to health, safety, environment, and economic issues, and can seriously impact an organization’s performance and generate negative outcomes.” This definition is especially important because it expresses crises’ potential impact on organizational performance, which is directly related to the organization’s reputation. While

researchers have debated the value of reputation since the 1990s, there is now a strong consensus among academics and professionals that reputation is an extremely valuable intangible organizational resource (Coombs, 2014). In fact, reputation management, integral to best practices in crisis management, is one of three proactive public relations functions that have been found to help avoid or prevent crises; the other two are issues management and risk management.

2.2 Issues and Risk Management

One area that is frequently confused with crisis management is issues management. An issue can be defined as a situation that evokes the attention and concern of influential organizational publics and stakeholders (Dougall, 2008). According to Coates, Coates, Jarratt and Heinz (1986), issues management refers to the organized activity of proactively identifying emerging trends, concerns, or issues likely to impact an organization in the next few years, and crafting positive organizational responses for that future. It is built upon a foundation of strategy and competitive advantage by tactically seizing opportunity or averting risk before impacts or implications become relevant to an organization's operations and/or reputation (Paltese & Crane, 2002).

Risk management, however, refers to the process by which organizations identify measure, prioritize and mitigate the adverse effect of uncertainties (Chapman & Ward, 2003). Often in pre-crisis phases, risk managers seek to reduce known risks that could lead to a crisis (Coombs, 2007). Communication of risks ultimately assists stakeholders and the public in understanding the rationale of risk-based decisions and helps them arrive at a balanced judgment, reflecting the factual evidence in relation to their own interests and values (Renn, 2014).

One of the major differences among issue, risk and crisis management is the nature of the response. Whereas issues management is proactive, identifying issues and influencing decisions regarding them before they have detrimental effects on an organization, crisis management tends to be reactive, dealing with issues once they have become public knowledge and affected the organization (Gaunt & Ollenburger, 1995; Hainsworth, 1990). However, current best practices prescribe that organizations develop crisis plans that can be executed when needed; in that sense, crisis communication can sometimes serve as a proactive function. Similarly risk management is often used to alert people of potential risks in which they may have partial control (Gaunt & Ollenburger, 1995.) Areas in which risk management is most frequently used include public safety, health care and public policy; whereas crisis is frequently used in almost every business function.

2.3 Best Practices in Crisis Communication

The concept of best practices has been created to improve organizational and professional practice and streamline the process of an organization or industry (Seeger, 2006; Veil & Husted, 2012). Best practices in communication contexts have been studied in numerous areas, included but not limited to corporate communication, health communication, public relations, employee communication, stakeholder communication and the communication of change (Public Relations Society of America [PRSA], 1997). These practices have also been tested by scholars and crisis communication experts and drawn through an exhaustive review of the literature related to crisis communication (Seeger, 2006; Sellnow & Littlefield, 2005). According to Seeger (2006), the best practices approach in crisis communication may be characterized as a form of grounded theory for process improvement. Grounded theory seeks to understand a phenomenon by

identifying and describing thematic categories and patterns within a set of data (Glaser & Strauss, 1968). Once categories have been examined for their context and potential generalizability, they take the form of a general set of standards, guidelines or reference points that are designed to inform practice and assist performance (Seeger, 2006).

Researchers suggest that in terms of crisis communication, there are 11 general best practices for crisis communication (Covello, 2003; Sandman, 2006; Seeger, 2006; Veil & Husted, 2012): plan for a prompt response; establish a crisis communication network; accept uncertainty; form partnerships; listen to public concerns; communicate with honesty, candor, and openness; meet the needs of the media and remain accessible; communicate with compassion; provide suggestions for self-efficacy; continually evaluate and update crisis plans; and acknowledge and account for cultural differences (Covello, 2003; Sandman, 2006; Seeger, 2006; Veil & Husted, 2012). Continued research and development of crisis communication best practices will allow researchers and practitioners to learn from experiences of the past, detect errors, correct them, then determine ways to apply learning and practical knowledge to foster continued improvements (Seeger, 2006; Veil & Sellnow, 2008).

2.4 Situational Crisis Communication Theory

In addition to best practices, scholars also have developed theoretical approaches to crafting crisis responses. Benoit's (1997) image restoration discourse (image restoration theory) was one early example of research that informed message design and evaluation during crises. Since then, a majority of research about image repair strategies and its functions have built on Benoit's work as a foundation for image repair tactics (e.g., Compton, 2016; Smudde & Courtright, 2008). Today, the field features three main theories that scholars and professionals

frequently use when seeking to contribute to the scholarly literature and crafting crises responses: Situational crisis communication theory, dialogic theory and framing theory.

Much like Benoit who understood the importance of image repair tactics for crisis communication, W. Timothy Coombs first introduced situational crisis communication theory (SCCT) to crisis literature in 2007. The theory provides an evidence-based framework to understand how to maximize reputational protection and suggests that crisis managers can use set guidelines to determine crisis response strategies to protect an organization's reputation from the ravages of a crisis (Coombs, 2007). In order to understand SCCT's evaluation of ways to protect and organization's reputation during a crisis, it is important to first define reputation and reputational threat. Coombs defines reputation as "an aggregate evaluation stakeholders make about how well an organization is meeting stakeholder expectations based on its past behaviors" (Coombs, 2007).

Because an organization's reputation develops through information stakeholders receive about the organization, it is critical crisis managers are aware of the aspects of a crisis that shape reputational threat (Fombrun & Van Riel, 2004). According to Coombs, there are three factors in a crisis situation that shape reputational threat: (1) responsibility, (2) crisis history and (3) prior relational reputation. Initial crisis responsibility refers to stakeholders' attributions of control for the crisis- how much stakeholders believe the organization's actions caused crisis (Coombs, 1995). Stakeholders' assessment of responsibility for the crisis allows them to determine the crisis type and how the crisis is framed (Coombs, 2007). When identifying how to frame the crisis, stakeholders will categorize crisis responsibility based on crisis type (Coombs, 2007). SCCT identifies three clusters, based upon attribution of crisis responsibility by crisis type, that stakeholders use for assessment: (1) the victim cluster in which the organization is viewed as the

victim (e.g., natural disasters or product tampering), (2) the accidental cluster in which the event is considered unintentional or uncontrollable by the organization (e.g., technical-error accidents) and (3) the intentional or preventable cluster in which the event is considered purposeful by the organization (e.g., organizational misdeeds) (Coombs, 2007).

After assessing responsibility, crisis history and prior relational reputation, SCCT provides crisis response strategies to reduce negative affects and prevent negative behavioral intentions (Coombs, 2007). Organization crisis response strategies have been studied extensively in management to help organizations produce the best outcome (e.g., Bradford & Garrett, 1995; Marcus & Goodman, 1991; Siomkos & Shrivastava, 1993) and communication (e.g., Allen & Caillouet, 1994; Benoit, 1995).

2.5 Dialogic Communication Theory

In the field of public relations there is extensive research and a wide range of discussion on dialogic communication, or dialogue (Yang & Kang, 2015). This research suggests that when organizations face conflict issues, they need to effectively engage in dialogue with their publics (Benoit, 1997; Botan, 1997; Ki & Nekmat, 2014; Seeger, 2006; Tierney, 2003; Yang, Kang & Cha, 2015). In a rapidly evolving communication world, organizations need to know how, when and where to engage in the most effective dialogue with their stakeholders after a crisis has occurred. For many, that channel is now social media (Chen, 2016; Roshan, Warren & Carr, 2016). While organizations once focused on one-way communication after crises like commercials, letters in the mail or advertisements in newspapers, stakeholders now often expect direct responses from organizations, allowing two-way communication to occur. Because of this, it is more appealing for stakeholders to use social media during crises (Jin, Liu & Austin, 2014; Omilion-Hodges & McClain, 2015) because it allows stakeholders to interact directly with

organizations and enables organizations to respond to stakeholder messages (Pew Internet & American Life, 2006; Schultz, Utz & Goritz, 2011).

2.6 Framing Theory

According to Coombs, an individual's initial assessment of a crisis is based upon the crisis type (Coombs, 2007). Framing theory lends understanding into how individuals perceive crises, define causes of problems, define those problems, and attribute responsibility and solutions to the problems (Cooper, 2002). In general, frames operate on two levels: frames in communication and frames in thought (Druckman, 2001). Frames in communication refer to the way information is presented in a message. This often includes words, phrases or images. (Cappella & Jamieson, 1997; Gitlin, 1980). Frames of thought, however, involve the cognitive structures people utilize when interpreting information. This type of frame reveals an individual's understanding of a situation and what they see as relevant (Druckman, 2001).

When a communicator selects certain factors to emphasize, it is known as the framing effect (Coombs, 2007). The individuals who receive a message then focus their attention on those factors when forming opinions and judgments (Druckman, 2001). Because crisis types are a form of frame, each type features certain aspects of the crisis that in turn can indicate how stakeholders could respond to the crisis (Coombs and Holladay, 2002; Druckman, 2001).

2.7 Automotive Crises

Numerous scholars and professionals have weighed in on crises that have taken place in the automotive industry. Most existing research discusses recalls, ethics of crises responses, reputation management and stakeholder trust (Bowen & Zheng, 2015; Christensen & Kohls, 2003). Some of the most frequently cited automotive crises among scholars include Ford's

Firestone tire crisis of 1998 (Moll, 2003; O'Rourke, 2001), Toyota's 2009 acceleration crisis (Bowen & Zheng, 2015; Pangarkar, 2016), General Motors ignition switch crisis (Blau, 2016; Syndigate Media Inc., 2015) and the 2008-2010 automotive financial bailout (Contoski, 2009; Oh, 2014). Volkswagen's emissions crisis is one that despite limited existing research is projected to be one of the most scrutinized and highly studied crises in the 21st century (Hakim, 2016; Milne, 2015).

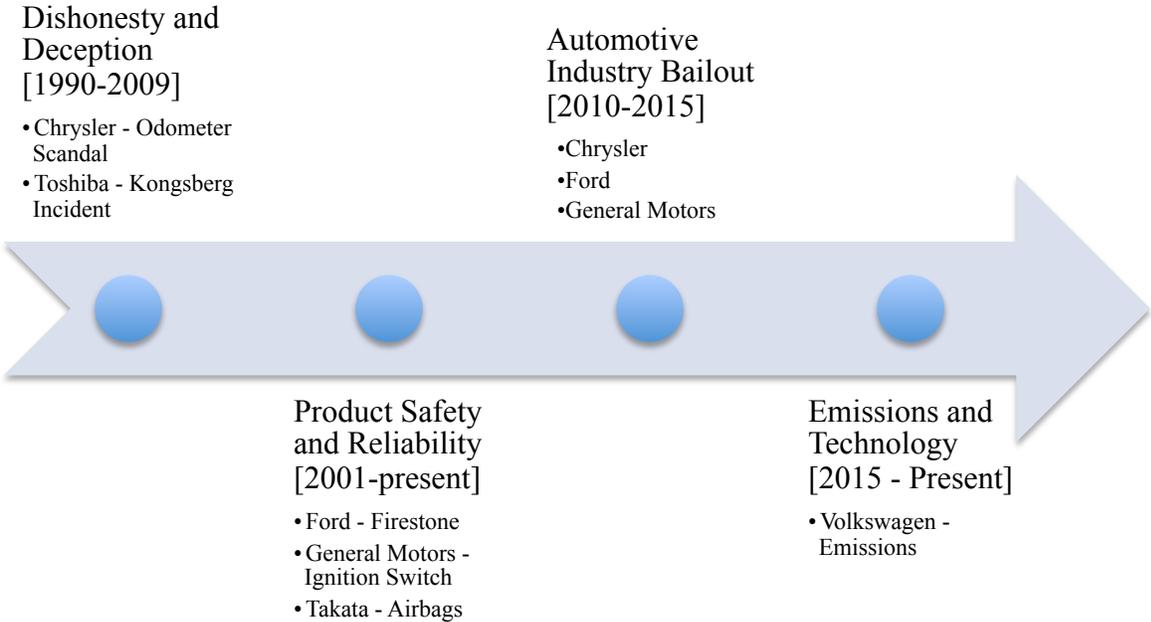


Figure 2.1: Trends in Automotive Crisis Research

Research about Volkswagen's emissions crisis is still being written as the crisis unfolds. Most existing research of the scandal has been based on the media coverage about Volkswagen because so little came from the company itself. These works were then published before the automaker began to make settlements with the EPA and U.S. government in summer and fall of 2016, leaving large portions of the story untold, including an absence of in-depth analyses of Volkswagen's response to stakeholders and their crisis response strategy. Among the current

literature about Volkswagen's response to its 2015 emissions scandal is a focus on the organization's deception (McGrath Goodman, 2015; Patra, 2016; Terry-Armstrong, 2016;), its many mistakes (Hakim, 2016; PRNewsChannel.com, 2015), and Volkswagen's crisis response strategy as an example of "what not to do" in public relations (e.g., Hakim, 2016). Additionally, nothing has been found to date that explores Volkswagen's relative rebound in the marketplace despite its departure from best practices. Yet, understanding more about Volkswagen's apparent unorthodox response to the emissions crisis, could have significant implications for our understanding of crisis communication best practices and future crisis response strategies.

This study of Volkswagen's emissions crisis is focused on Volkswagen U.S.A. and American media because it was the U.S. EPA that revealed the scandal; however, Volkswagen's status as a global corporation will also be taken into account via its media presence and its own controlled but limited media.

RQ1: What makes VW's emissions scandal a crisis and not an issue?

RQ2: How did VW respond to its emissions scandal as reported in the mainstream and niche media?

RQ3: How did stakeholders respond to the emissions scandal as reported in the mainstream and niche media?

CHAPTER 3

METHOD

To determine Volkswagen's response and stakeholder reactions to it, this study will employ an in-depth case study to examine the coverage of both sides of the crisis. The purpose of case study research is to increase knowledge of contemporary communication events in their context and provide an intensive investigation of specific phenomena in its natural context (Daymon & Holloway, 2010). The case study will provide a holistic examination of multiple sources of evidence to allow for the excavation of "rich data," of detailed information across a wide range of dimensions (Daymon & Holloway, 2010). Case studies have become widely used to study organizations across the social sciences, and scholars suggest that this method is a rigorous research strategy on its own (Hartley, 1994; Hartley, 2004; Kohlbacher, 2006; Stake, 2000). Robert Yin, a prominent expert in case study research has said that "using case studies for research purposes remains one of the most challenging of all social science endeavors" (Yin, 2003).

For the present study, then, the focus will be on collecting evidence from controlled media (VW sources), government documents, the mainstream press, business and financial press, and trade press in the public relations and automotive industries from Sept. 18, 2015, the day that the U.S. Environmental Protection Agency (EPA) revealed the emissions scandal, through December 2016, the point at which it was predicted that Volkswagen would be well into its consumer repair/buyback program in the U.S., scheduled to launch in November. Specifically, these search terms—public relations and crisis—will be paired in combinations of ways with

another set of terms—Volkswagen, VW emissions scandal, Dieselgate, VW settlement, and VW buyback—on the UA databases ABI Inform, Academic OneFile, LexisNexis, and ProQuest Newspapers. Particular attention will be paid to the *Financial Times*, *The New York Times*, *The Wall Street Journal*, *PRWeek* and *Automotive News*. These sources provide a breadth of coverage from the world’s leading business, communications and automotive publications that will be necessary to thoroughly analyze evidence and report findings. *The Wall Street Journal*, *PRWeek* and *Automotive News* are of particular importance to this study because they have U.S. and European editions, allowing for comparison and greater knowledge of the crisis from a global perspective. Frequencies of these publications range from daily (e.g. the *Financial Times*, *The Wall Street Journal* and *The New York Times*), weekly (e.g. *Automotive News*,) to monthly (e.g. *PRWeek*).

Analysis of this data will entail identifying and sorting themes emerging from the texts, an examination of themes/categories that arose chronologically across all articles collected, and of themes that arose within certain types of media across the study period. This will be done to determine if there are any differences in the way that various sources looked at Volkswagen throughout the year.

Finally, coverage of Volkswagen’s financial performance and market share compared to other leading car makers during the time period of this study, emerging legal issues in the U.S. and abroad, auto shows, and relevant public policy events, such as the Paris climate talks, will be included to provide important context throughout the 16-month time period of this study.

CHAPTER 4

VOLKSWAGEN HISTORY AND THE CRISIS

Company Background

Founded in Berlin, Germany on May 28, 1937, Gesellschaft zur Vorbereitung des Deutschen Volkswagens mbH was organized by the Nazi trade union Deutsche Arbeitsfront. The company's aim was to build a "people's car" because few Germans owned cars at that time (Bowler, 2015). Gesellschaft zur Vorbereitung des Deutschen Volkswagens mbH served as an integral part of Adolf Hitler's vision for German families to own their first car, which according to Hitler should carry two adults, three children, and cost no more than a motorbike to purchase (Bowler, 2015). The company changed its name to Volkswagenwerk GmbH in 1938.

As the largest automaker in the world, Volkswagen employs 590,000 individuals and produces 41,000 vehicles per day. It currently operates in 150 countries, with its headquarters in Wolfsburg, Germany. The company's 12 subsidiaries include Bentley, Lamborghini, Porsche, Audi, Bugatti, Škoda, SEAT, Ducati, MAN, Neoplan, Scania, and Volkswagen Commercial Vehicles.

A. The Crisis

On Sept. 18, 2015, the EPA accused Volkswagen of cheating on emissions regulations by placing software in 11 million vehicles that enabled the cars to emit reduced amounts of toxic nitrogen oxide when detecting the cars were being tested (Isidore and Valdes-Dapena, 2015). As

a major contributor to air pollution in the world, these emissions are known to cause adverse health effects and severe respiratory problems. The emissions test that led the California Air Resources Board (CARB) to discover Volkswagen's cheating devices took place in May 2014 and was conducted by researchers at West Virginia University. This emissions test utilized two Volkswagen models equipped with 2-liter turbocharged 4-cylinder diesel engine (Russell, Gates, Keller, and Watkins, 2015).

Once detecting that they were no longer being tested, the vehicles would emit toxic nitrogen oxides at up to 40 times the legal standard, causing more detriment to the environment than they appeared to. These emissions, the black gasses that come out of the back of cars from internal combustion engines, are considered harmful to the environment if emitted above the standard and contribute to climate change (Geier, 2015).

Installing this defeat device software on millions of diesel-powered cars allowed Volkswagen to meet the U.S.'s tougher diesel emissions standards as opposed to Europe, where vehicles similar to the defective ones are more common (Geier, 2015). Without installing such a device, many believe it would have been more difficult for Volkswagen to position their diesel cars against other U.S. cars that emit much less nitrogen oxide. Cars affected from the installation of this cheating software included the following: diesel versions of the Beetle, Golf, and Jetta models from 2009-2015, 2014-2015 diesel Passat models, and the diesel Audi A3 model 2009-2015 (Geier, 2015).

Upon the EPA's announcement of accusations against Volkswagen on Sept. 18, 2015, CEO Martin Winterkorn didn't immediately comment, but waited until Sept. 20, 2015 to issue a videotaped message, posted on Volkswagen's website, apologizing about the company's dishonesty, neglecting to provide the public with any additional information about the crisis

(Garcia, 2015). On the same day, Volkswagen released a statement from Winterkorn on its online U.S. newsroom. Winterkorn said that he was “deeply sorry that we have broken the trust of our customers and the public,” (Statement of Prof. Dr. Martin, 2015). He also said that the automaker “will cooperate fully with the responsible agencies, with transparency and urgency, to clearly, openly, and completely establish all of the facts of this case,” (Statement of Prof. Dr. Martin, 2015). Michael Horn, Chief Officer of Volkswagen Group America made statements two days after Winterkorn, admitting the company had “totally screwed up” (Garcia, 2015). Amid the announcement of Volkswagen’s emissions crisis, Winterkorn resigned five days after learning of the EPA’s discovery. Winterkorn said that he was “shocked by the events of the past few days,” and “stunned that misconduct on such a scale was possible in the Volkswagen Group.” However, Winterkorn denied any wrongdoing and noted that his resignation was in the best interests of the company (Bomey, 2015).

In a statement on Volkswagen’s U.S. online newsroom on Sept. 23, 2015, Winterkorn said, “As CEO I accept responsibility for the irregularities that have been found in diesel engines and have therefore requested the Supervisory Board to agree on terminating my function as CEO of the Volkswagen Group. I am doing this in the interests of the company even though I am not aware of any wrong doing on my part.” Later in the statement, Winterkorn said that Volkswagen needs a “fresh start- also in terms of personnel” (Statement By Prof. Winterkorn, 2015).

While Winterkorn’s reason for resignation remains unclear, some critics argue that perhaps it would have been difficult for Winterkorn to escape responsibility, even if he were innocent, because of Volkswagen’s top-down organization structure, where company executives approve most lower-level decisions (Ewing, 2015). Although outside the scope of the

present study, revelations in January 2017 point to Winterkorn's and other executives' knowledge of the use of the deceptive software.

Shortly after Winterkorn's resignation, Matthias Müller, previous head of Volkswagen's luxury sports-car brand Porsche, was named Volkswagen CEO on Friday, Sept. 25, 2015. Müller has spent more than 30 years at Volkswagen, starting as an apprentice toolmaker at Audi and working in the IT and product divisions. At a news conference at Volkswagen headquarters in Wolfsburg, Germany, the same day as Müller's appointment, the new CEO noted that "his first priority would be to win back trust following a plunge in VW's VLKPY -1.42% stock price," (Luckerson, 2015). Müller stressed to the public that under his leadership, "Volkswagen will do all that it can to develop and implement the strictest compliance and governance standards in the whole industry" (Luckerson, 2015). Despite Volkswagen's boast of new leadership, promising transparency and clear vision to consumers and investors, Müller's move to the presidency did not sit well with some, being referred to by the media as a "shuffling of the deck chairs on the Titanic" (Muller, 2015).

During this shift in company leadership, owners of Volkswagen vehicles that may have been affected by the emissions software were not given information as to what they should do with their vehicles, which caused frustration among car owners. The company did, however, provide the public with a website to keep up-to-date with information about any recalled vehicles.



Figure 3.1 Volkswagen’s Initial Crisis Response on Twitter

After announcements of deception and a loss of trust by many, it became clear Volkswagen was under close scrutiny by more than just the EPA and its investors: consumers were demanding answers too. Since the crisis began, Volkswagen was criticized by investors, lawmakers, communication professionals, and customers, who were all frustrated by the automaker’s inability to get to the bottom of a crisis that was costing the company billions of dollars. Mary Nichols, head of the CARB, said, “Volkswagen is so far not handling the scandal correctly,” in an interview with German weekly magazine *WirtschaftsWoche*, (Reuters, 2015). “Every additional gram of nitrogen oxide increases the health risks for our citizens, Nichols said.’ ‘The case is the biggest direct breach of laws that I have ever uncovered...This is a serious issue, which will certainly lead to very high penalties” (Reuters, 2015).

After the EPA’s announcement of Volkswagen’s cheating surfaced, the U.S. media began to buzz about Volkswagen’s need for an extensive image repair for the automaker. “Max Warburton, analyst at Bernstein Research, said Volkswagen needed to “move very fast and very dramatically if it is to stop the spiral and save its reputation with regulators and consumers,” (Bryant, 2015). And Volkswagen chief Müller agreed. “VW requires a massive public relations campaign on the ground in the U.S.” (Bryant, 2015).

Volkswagen owners wasted no time in displaying frustration toward the company's inability to remain transparent throughout the crisis. Within a matter of weeks, it became clear Volkswagen's consumers were in just as deep of a crisis. After some customers tried to resell their vehicles, they quickly realized they would receive much less than they had paid for the vehicles.

"I feel totally ripped off," said John Decker, owner of a 2013 diesel Jetta SportWagen (Mouawad & Jensen, 2015). "It just reeks of fraud and that they intentionally misled the buyers of their vehicles into thinking these were clean diesels, environmentally good cars, that were fun to drive," (Mouawad & Jensen, 2015). Eric Schoenecker, a Minnesota resident and owner of a 2013 diesel Jetta said, "I feel like I'm eventually not going to have the car that I initially agreed to buy" (Rogers & Sylvers, 2015). Other customers expressed cases of buyer's remorse. "I feel very confused," said a customer from Chattanooga, Tenn. (Rogers & Sylvers, 2015).

Volkswagen dealerships quickly found themselves in a bad situation too. Dealers trying to sell new diesel cars had no chance while trying to swim amidst the emissions crisis. "We are sitting here doing the best we can, and we're waiting patiently along with the rest of our customers to see what Volkswagen decides to do," said Lance Willis, manager of a dealership in the Woodlands, Tex. (Mouawad, 2015).

Numerous consumer groups voiced concern of Volkswagen's scandal, including the U.S. PIRG, (the federation of state Public Interest Research Groups). This advocacy group for consumer protection launched a "Make VW Pay Campaign" on Sept. 23, 2015, calling for full rebates in buy backs to the nearly 500,000 customers who were "deceived into joining the scheme by VW's false promises of "clean" diesel cars" (Litt, 2015). Key elements of the group's

campaign called for Volkswagen's buy back of all "defeat device" diesel cars with full rebates to customers; the Department of Justice's cessation to the allowance of tax write-offs for wrongdoing; the EPA demanding tougher penalties; and Congress putting an end to the auto industry's "get out of jail free" loophole (Litt, 2015).

American consumers were not shy when expressing their thoughts about the crisis. When asked about their attitudes toward the 100 most visible brands in early 2016, they ranked Volkswagen dead last (Hakim, 2016).

According to Volkswagen's U.S. online newsroom, Müller addressed more than 20,000 employees at a Wolfsburg plant on October 6, 2015. (Matthias Müller: "We Will Overcome The Crisis, 2015). "Our most important task will therefore be to win back the trust we have lost – with our customers, partners, investors and the general public," Müller noted (Matthias Müller: "We Will Overcome The Crisis," 2015). Müller said the first step to achieving that goal was clarification. "Only when everything has been put on the table, when no single stone has been left unturned, only then will people begin to trust us again," said Müller (Matthias Müller: "We Will Overcome The Crisis," 2015). He then proceeded to announce an action plan that included informing affected customers and setting up a website where customers could check to see if their vehicle had been affected.

On Oct. 15, 2015, nearly a month after accusations arose from the EPA, Volkswagen recalled 8.5 million diesel vehicles in Europe that had been fitted with the cheating software. This decision was made after German regulators mandated that the vehicles be recalled. "[We're] forcing Volkswagen to recall 2.4 million vehicles in Germany. This is part of the 11 million vehicles affected worldwide," said Stephan Immen, spokesman for the KBA, Germany's vehicle registration and safety agency" (Thompson, 2015). At this time, Volkswagen suspended sales of

diesel cars in the U.S, but failed to provide information to the American public about a vehicle recall. While car owners voiced concerns that repairs may harm the performance of their cars, Volkswagen executives simply responded by saying they “hoped to avoid that” (Thompson, 2015). Volkswagen took to social media on Friday, Oct. 16, 2015 to let car owners know it had launched a tool on their website that would allow them to insert their car’s vehicle ID number (VIN) to confirm if the vehicle had been affected by the emissions crisis.



Figure 3.2: Volkswagen’s Online VIN Tool

After Volkswagen’s initial recall in Europe, the automaker admitted that more cars than originally projected might have been fitted with the cheating software. On Oct. 22, 2015, Volkswagen stated two versions of the EA288 – Euro 5 and Euro 6 had not been fitted with the software, but the company was still unsure whether other versions of that engine were left unaffected (Kottasova and Thompson, 2015).

In addition to being one of the world’s largest automakers, Volkswagen is also one of the largest banks in Europe (Ewing, 2016). The automaker’s in-house bank, Volkswagen Financial Services, has been one of the factors that has led the company to its success, helping speed up the

automaker's growth by financing leasing, offering checking accounts, lending money to buyers and providing credit to dealers (Ewing, 2016). However, with Volkswagen's cars (the finance unit's major asset) in trouble, great concerns grew from the scandal and whether or not profits would be in danger (Ewing, 2016). Volkswagen Financial Services could be affected from the emissions crisis in several ways: investors will demand higher interest rates on debt and increase the automaker's financing costs, in addition to the cost of recalls, fines, repairs lawsuits and fines (Ewing, 2016).

While struggling to stay afloat during one of the company's most disastrous crises since World War II, Volkswagen announced its first quarterly loss in at least 15 years on Oct. 28, 2015 (Ewing, 2015). The company saw a decrease in earnings per share by 9.300 compared to its reported earnings in 2014. Volkswagen's earnings report proved just how detrimental a crisis could be to a corporation, revealing a net loss of \$1.84 billion in the third quarter, setting aside a large portion of money to cover damages from the emissions-cheating scandal (Ewing, 2015). This report only provides a glimpse into the hit the automaker took for its deception devices, as reports of the crisis only broke two weeks before the end of the third quarter. "Volkswagen subtracted €6.7 billion from profit to cover the expense of recalling and repairing about nine million cars in Europe and the United States equipped with the illegal software" (Ewing, 2015).

Frank Witter, chief financial officer for Volkswagen, said that it was still too early to calculate the cost of all the legal measures associated with the crisis; but he did say that he expected profits for the entire year of 2015 "to be down significantly" (Ewing, 2015). The crisis's financial impact became significantly larger when the automaker agreed to pay for extra taxes incurred by drivers because of understated carbon dioxide emissions of about 800,000 vehicles in Europe (Reuters, 2015).

In addition to the company's financial loss, Volkswagen ceded the title of world's top automaker to Toyota, struggling to keep sales up and contain its emissions scandal (Riley, 2015). From January to September 2015, Volkswagen sold 7.43 million vehicles while Toyota sold 7.49 million. This drop in sales was largely due to the company's halt in selling diesel vehicles in certain markets. Before the crisis, diesel models accounted for 20% of the automaker's U.S. sales (Riley, 2015).

Volkswagen's investors took no time in responding to Volkswagen's emissions crisis, as the company saw a 30% decrease in values of its share from around \$160 to \$110 within five days of the EPA's initial announcement (Snyder and Jones, 2015). This share price rose slightly on Sept. 23, 2015, when CEO Martin Winterkorn announced his resignation.

While the EPA has not yet said how much the impact of these deception devices will cost the German automaker, analysts and others in the tech industry are predicting Volkswagen's costs could go up to \$21 billion, with fines up to \$37,000 per vehicle because of violation of the Clean Air Act (Bomey, 2015).

On Nov. 26, 2015, South Korea fined the automaker for 14.1 million won (\$12.3 million USD) and recalled more than 125,000 vehicles in South Korea after finding similar devices (Sang-Hun, 2015). Volkswagen Korea chose not to make any immediate comments.

According to *The New York Times* and Breakingviews estimates, "Skimping on emissions technology from 2009 to 2014 probably saved Volkswagen a measly 4.3 billion euros (\$4.8 billion)" (Storbeck, 2016). However, that is less than the amount the automaker had set aside in recall costs (Storbeck, 2016).

November 2015 was the first month the automaker began to show major signs of financial stress from the crisis. On Nov. 9, 2015, Volkswagen said that it would begin talking to

worker representatives about ways to cut costs (Ewing & Mouawad, 2015). However, Volkswagen did note that the crisis was far from over, leaving dealers, consumers and regulators on the edge of their seats. “It will take several months before there are conclusive findings,” Matthias Müller said to a group of Volkswagen managers at a meeting at headquarters in Wolfsburg, Germany (Ewing, 2015).

“There was something like a tsunami,” Hans-Gerd Bode, Volkswagen’s Chief Communications Officer said when asked about the crisis in an interview. “Thousands of calls and emails coming in at the same time,” (Hakim, 2016).

With an initial lack of knowledge about the source of the illegal software, Volkswagen offered employees an amnesty agreement that encouraged employees to provide the company with information they may have in hopes of getting to the bottom of the crisis. This agreement offered employees the opportunity to come forth with information without fear of being fired or the company seeking damages (Associated Press, 2015). This amnesty was announced Nov. 12, 2015 and expired Nov. 30, 2015. Herbert Diess, Volkswagen brand manager, said, “The offer was being made in the interests of “full and swift clarification” of the scandal that has shaken the company” (Associated Press, 2015).

In addition to trying to resolve its scandal internally, the automaker made its first attempt in months to put Volkswagen customers at the forefront of its priority list. However, consumers became even more insulted by the automaker when it attempted to make restitution with all car owners who had been affected by the company’s emissions scandal. On Nov. 9, 2015, two months after news of the scandal broke, Volkswagen announced it would offer a \$1,000 goodwill package to U.S. customers who had been affected by the company’s cheating scandal, hoping this would serve as a first-step to regain consumers’ trust (Sloat, 2015). This package was

announced the same day Andreas Lampersbach, head of corporate communications for Volkswagen, quit his job with no public explanation (Washkuch, 2015). The goodwill package included a \$500 Visa loyalty card, a \$500 dealership card that could only be used at participating Volkswagen dealerships, and free 24-hour roadside assistance for three years. Upon announcement of the automaker's goodwill program, many Volkswagen owners took to social media outlets like Twitter to convey disgust toward the company's inability to effectively address the problem. Volkswagen's plan to give money to consumers seemed reasonable, except that the money could only be used toward another Volkswagen purchase.



Figure 3.3: Consumer Response A



Figures 3.4 and 3.5: Consumer Response B and Consumer Response C

Despite efforts to begin to resolve its emissions crisis, in December 2015 it became known to the public that Volkswagen engineers admitted wrongdoing to the U.S. EPA on Sept. 3, 2015, yet chose to remain silent. Instead, it was the EPA that brought the scandal to light on Sept. 18, 2015, not Volkswagen, disclosing the findings (Milne, 2015). There have been no reports of why Volkswagen engineers chose to disclose this information to the EPA or in the timing by which they did so. "The mismanagement of the crisis will be a classic case study in business schools around the world," noted Professor Erik Gordon of the Ross School of Business at the University of Michigan (Milne, 2015). On Dec. 10, 2015, Volkswagen announced that its emissions cheating was not a one-time incident, but that it had occurred for more than a decade after that automaker realized it could not legally meet U.S. clean air standards (Ewing, 2015). "There was a tolerance for breaking the rules," said Hans-Dieter Pötsch, chairman of Volkswagen's supervisory board (Ewing, 2015).

The crisis intensified when the automaker admitted even more vehicles had been fitted with the illegal software than they had announced the previous two times. This time, Volkswagen admitted its 3-liter V-6 diesel vehicles from the last seven years had violated the clean-air standard, (Bomey, 2015). This extended the amount of vehicles the company had originally claimed as defected, including all Volkswagen and Audi U.S. vehicles with 3-liter diesel engines from models from 2009 to 2016 (Bomey, 2015).

On Dec. 18, 2015, the automaker announced that it hired Kenneth R. Feinberg, well known for his work with compensation funds, including the for the families of 9/11, to conduct a program to deal with claims related to vehicles affected by the emissions crisis (Ivory, 2015). In a statement, Horn, Volkswagen's former U.S. executive said, "His extensive experience in

handling such complex matters will help to guide us as we move forward to make things right with our customers” (Ivory, 2015).

As the crisis continued to unfold in 2016, Bode admitted that the company was unsure of how to communicate during the crisis. “A crisis like this, the company was not prepared for,” Bode said. “We don't know the right way out” (Hakim, 2016). In late September 2015, after the crisis broke, Volkswagen hired public relations firms Keksts in the U.S., Finsbury in Britain and Hering Schuppener in Germany to help with the crisis (Hakim, 2016). Those three firms joined Edelman, a U.S.-based global public relations firm already retained by Volkswagen. In addition to the four public relations firms on board, Volkswagen paid Richard Gaul, former BMW CCO, around \$22,000 USD a month to work 60 hours a month as a part-time consultant (Hakim, 2016).

Additional communicative responses from the automaker included a revived “newsroom,” comprised of 15 to 20 communications, sales and technical employees to quickly respond to media and other inquiries (Hakim, 2016). The company also overhauled its former “Das Auto” advertising message, known by many as the brand’s key tagline. A new tagline “Volkswagen is in” has since been used for rebranding purposes (Hakim, 2016).

However, many continued to scoff at the automakers’ ineffective communication strategy, which was put under the spotlight even further when Müller did a radio apology tour in the U.S. in early 2016 and told NPR, “We didn’t lie,” when Volkswagen definitely did (Hakim, 2016). When referring to the defeat devices and crisis, Müller said the problem was a “technical problem” and not an “ethical one,” (Mouawad, 2016). Müller and Volkswagen received so much backlash from his radio statements that Müller called NPR back and revised his statement.

According to *The New York Times*, “NPR said that VW subsequently requested a follow-up interview in which Mr. Müller tried to back away from his earlier statement to explain what happened” (Mouawad, 2016). He then cited people and employees potentially not working in the right way as a potential reason for a misunderstanding. Volkswagen later issued a statement about the interview, saying that Mr. Müller's choice of words in English "may have resulted in some confusion, (Mouawad, 2016).

In a January 2016 article discussing crises and a brand’s social media responses, *PRWeek* highlighted Volkswagen’s subpar response to its crisis. While the article highlighted best practices in responding to social media, Volkswagen, the only brand mentioned in the article, was highlighted for the poor social media response to its emissions crisis. “When engulfed in a crisis, companies also need to adapt their social activity. Scheduled posts must be changed and the crisis must be the only topic addressed,” (Bennett & Emrich, 2016). “For example, during Volkswagen's recent scandal, the brand's global Twitter handle continued posting marketing information, while its U.S. platforms went silent. This arguably exacerbated the problem,” (Bennett & Emrich, 2016).

As investors, communication professionals, dealers and consumers alike griped at Volkswagen’s sub-par communicative strategy throughout the crisis, the automaker’s strategy became less focused on regaining trust and more focused on producing different products in its brand portfolio and pushing those products to any “worried” persons. “Looking ahead, the car won't be our only core product for much longer. Our core product, our promise to people, is mobility,” Executive Müller said (Boston, 2016). After taking command in March 2016, Müller hired Johann Jungwirth, former executive of Apple Inc., to lead the company’s digital operations. According to Volkswagen, “Mr. Jungwirth is building a team that will have about

100 members tasked with redesigning the interior of the car to improve the passenger experience in an age of digital services and self-driving cars” (Boston, 2016).

In January 2016, The U.S. Department of Justice filed a civil suit against Volkswagen, alleging the automaker violated clean-air laws by selling diesel vehicles polluting the air during government emissions tests (Randazzo & Spector, 2016). In an attempt to ease tensions between Volkswagen and the U.S. government, Müller met with a senior U.S. government official to discuss the crisis (Mouwawad, 2016).

As Volkswagen continued to focus on cleaning up its act in the U.S. through goodwill packages and apology ads in newspapers, its European customers expressed the frustration with the automaker. Although Volkswagen recalled vehicles in Europe, the company claimed that the same behavior was not illegal under European emissions rules (Hakim, 2016). “You’ve treated European customers with disdain,” a member of the British Parliament said to Volkswagen executives in a hearing in Britain in January 2016 (Hakim, 2016). However, Bode expressed his unhappiness with the German media saying, “What the German press did was call everything wrong which is and was done by the company,” (Hakim, 2016).

In addition to postponing the release of its 2015 financial statements, February 2016 proved to be another month of lawsuits and turmoil for the automaker. On Feb. 5, 2016, the state of New Jersey filed charges against Volkswagen (Spector, 2016). John Hoffman, New Jersey’s attorney general, alleged that “Volkswagen violated state environmental and consumer fraud laws when selling more than 17,000 diesel-powered vehicles with software capable of duping government emissions tests,” (Spector, 2016). The lawsuit alleges that Volkswagen “perpetrated a massive fraud upon consumers . . . profited greatly from its misconduct” (Spector, 2016).

Similar lawsuits were also filed from attorney generals in Texas, New Mexico and West Virginia (Spector, 2016).

Just as in 2015, Volkswagen's emissions crisis continued to impact the automaker financially in 2016. Volkswagen intended to share its 2015 results on March 10, 2016 and hold its annual shareholders meeting on April 21, 2016, (Boston, 2016). However, the automaker announced in on Feb. 5, 2016 that it would delay the release of this financial information, saying they did not want to publish results until they had a better picture of the financial impact of the crisis (Boston, 2016). This delay also caused Porsche to delay publication of its financial results (Boston, 2015). "Volkswagen wants to provide the greatest amount of clarity and reliability in the interests of its shareholders and stakeholders," Volkswagen said in a statement in February 2016 (Boston, 2016).

Shortly after the announcement of delayed financial reports, Volkswagen shared that it planned to cut thousands of administrative jobs in Germany. These cuts came from an increased need to trim costs as the automaker dealt with the financial impact of the emissions crisis. However, media reports suggested that the job losses wouldn't include layoffs, but would mainly come from attrition, early retirement plans, allowing temporary contracts to expire and transferring officer workers to unfilled positions (Boston, 2016). When asked about the layoffs, a Volkswagen spokesperson said, "The Volkswagen brand has initiated an efficiency program that is affecting all areas, including personnel costs," (Boston, 2016).

In March 2016, the automaker's legal battles continued as the U.S. Federal Trade Commission (FTC) filed a complaint about Volkswagen's advertising, declaring it falsely claimed its diesel vehicles were environmentally friendly (Randazzo & Spector, 2016). This announcement came after the FTC said that it has been investigating Volkswagen's advertising

practices since October 2015, after the U.S. EPA's initial announcement of the scandal (Randazzo & Spector, 2016). The ads targeted in the FTC suit cost the automaker tens of millions of dollars to produce, and claimed that the diesel vehicles reduced nitrogen oxide emissions by 90%, when they actually produced up to 4,000% more than the legal limit (Randazzo & Spector, 2016).

According to the *Wall Street Journal*, "The agency said it is seeking a court order requiring Volkswagen to compensate American consumers who bought or leased the diesel cars between late 2008 and late 2015, as well as an injunction blocking Volkswagen from engaging in any similar conduct in the future," (Randazzo & Spector, 2016). The FTC's false-advertising complaint against VW was filed in federal court in San Francisco, allowing the FTC to be part of any global settlement the automaker reached in the court. This was because the FTC does not have the authority to impose fines (Randazzo & Spector, 2016).

March 2016 continued to prove detrimental to the automaker after Michael Horn, Volkswagen U.S. CEO, stepped down on March 9 (Wright, 2016). When asked about the resignation, the company gave no indication of why Horn left. Hinrich Woebcken was appointed to serve in the interim head of Volkswagen's North American region and as Horn's replacement.

"Volkswagen is far more than a crisis." These are the words of Müller at a newsconference in April 2016 when Volkswagen began discussions about expanding its product portfolio (Wilmont, 2016). After this statement, Müller quickly began to discuss emerging industry trends such as car sharing, e-mobility and smart data (Wilmont, 2016). The automaker said that it would provide a more detailed strategy of its next steps post-crisis during the summer (Wilmont, 2016). April 2016 also showed signs of disgruntled Volkswagen dealers looking for answers. Filmmaker, three-time Oscar nominee and Volkswagen dealer Steve Kalafer began

working on a documentary about Volkswagen's emissions crisis called "Backfire: The Volkswagen Fraud of the Century" (Beene, 2016). Kalafer said the film will examine the crisis through the stories of dealers, customers and regulators (Beene, 2016). Kalafer noted that when Volkswagen asked him why he was doing this, he responded, "To tell the truth" (Beene, 2016). According to Kalafer, dealers are "No more important than a Hershey wrapper after the piece of candy has been consumed. They've been thrown in the gutter, meaningless. That hurts me" (Beene, 2016).

In May 2016, Volkswagen continued to work on its internal restructure, adding an overhaul of the pay system for top executives (William, 2015). The executive pay system that Volkswagen was using at the time was a combination of "fixed salaries and two variable bonuses--one based on personal performance and one on longer-term performance of the company," (Boston, 2015). This information was made public after Volkswagen's finance chief Frank Witter wrote a letter to Chris Hohn, an activist fund manager. Hohn ran TCI, a hedge fund, with a \$1.2 billion stake in Volkswagen and wrote a letter to the automaker demanding reform of executives' pay (Johnson & McGee, 2016). Hohn said executive pay at Volkswagen was "corporate excess on an epic scale," (Johnson & McGee, 2016). "The dirty secret of Volkswagen group is that for years management has been richly rewarded with massive compensation despite presiding over a productivity and profit collapse," Hohns told *The Financial Times* (Johnson & McGee, 2016).

According to *The Wall Street Journal* who reviewed the letter, "Mr. Witter said the German car maker shared concerns expressed earlier this month in a letter from Mr. Hohn, head of the London-based Children's Investment Fund, or TCI, regarding Volkswagen's underperformance," (Boston, 2016). Hohn's letter to the automaker addressed executive bonuses

and the rise in labor costs (Boston, 2015). In response to Mr. Hohn's letter, Witter said the automaker is "under no doubt that our financial performance needs to improve," (Boston, 2016). Witter also noted that "On many points we are in agreement," (Boston, 2016). While Volkswagen's response didn't say that any definite changes would be made, they did say that they would be addressing the current system as a part of their new strategy," Boston, 2016).

On May 11, 2016 Volkswagen announced results from its internal investigation: there was no evidence of wrongdoing by senior management (Boston & Sloat, 2016). The automaker then asked shareholders to support the board at their general meeting in June 2016 (Boston & Sloat, 2016). According to *The Wall Street Journal*, "German companies generally ask shareholders to formally ratify the actions of their boards at annual meetings, essentially giving the management approval," (Boston & Sloat, 2016). "Although the investigation by Jones Day, a U.S. law firm, is still ongoing, according to information currently available, no serious or manifest breaches of duty of any serving or former members of the Board of Management have been established that would stand in the way of granting ratification at this time," the automaker said (Boston & Sloat, 2016).

At the end of the month, the company also announced that it returned back to profit in the first quarter of 2016 (William, 2016). "We are satisfied overall with the start we have made to what will undoubtedly be a demanding fiscal year 2016," said Müller. "We once again managed to limit the economic effects of the diesel issue and achieve respectable results under difficult conditions," (Boston, 2016). Reported earnings from the same time in the Chinese market, Volkswagen's biggest single market, plummeted. Volkswagen cited China's lack of budget models in demand by Chinese consumers as the reason for this drop (Boston, 2016).

In June 2016, Volkswagen settled to pay up to \$14.7 billion to deal with claims from owners of 475,000 vehicles, state authorities and environmental regulators (Viswanatha & Spector, 2016). “Volkswagen turned nearly half a million American drivers into unwitting accomplices in an unprecedented assault on our country's environment,” said Deputy Attorney General Sally Yates (Randazzo & Spector, 2016). Yates proceeded to say that deception was, “one of the most flagrant violations” of “environmental and consumer laws in our country's history,” (Randazzo & Spector, 2016). When asked about the settlement, Müller said, “We know that we still have a great deal of work to do to earn back the trust of the American people. We are focused on resolving the outstanding issues and building a better company that can shape the future of integrated, sustainable mobility for our customers,” (Randazzo & Spector, 2016). In line with Müller’s statements about the settlement and in an effort to move past its emissions crisis, the automaker also announced a plan to restructure the company and begin focusing on self-driving cars and electric vehicles (Boston, 2016): “Strategy 2025.” “There is a lot more to Volkswagen than diesel,” said Müller, and “Strategy 2025” is designed to boost profits and push the automaker’s new technology services (Boston, 2016). Müller said it is the “biggest transformation in the company's history,” (Boston, 2016). According to Volkswagen, “The automotive sector is in transition: autonomous driving, e-mobility and connected car concepts will determine the future. The rapidly changing conditions along with the diesel issue, which it will take further enormous efforts to resolve, pose major challenges for us as a car manufacturer,” (Volkswagen, 2016).

On June 24, 2016, Mr. Yoon, a Volkswagen executive in South Korea, was the first Volkswagen Korea official to be charged in relation to the emissions crisis (Nam, 2016). Yoon

was accused of filing more than 100 fake emission document and noise reports for vehicles sold in Korea as of 2010 (Name, 2016).

As details of Volkswagen's deception emerged, it became clear to government officials, consumers and investors that the cheating had taken place much longer than many thought. According to a lawsuit filed July 19, 2016 by New York Attorney General Eric Schneiderman, "The decision to use software to manipulate emissions tests traced back as far as 1999, when engineers at the company's Audi luxury unit developed technology to quiet diesel vehicles." (Viswanatha & Spector, 2016). After the technology was released in 2004 and exceeded European emissions standards, the engineers added the "acoustic version," causing the technology to turn off during emissions tests (Viswanatha & Spector, 2016). Sales of diesel vehicles with defeat devices in the U.S. started in 2008.

The automaker also continued to receive backlash about the crisis in regard to treatment of its European customers (Boston, 2016). On July 1, 2016, Müller met with Elzbieta Bienkowska, the European Union Industry Commissioner to discuss the crisis. According to *The Wall Street Journal*, "Mr. Müller made clear that Volkswagen had no intention of offering equal compensation to Europeans who bought tainted diesel vehicles," (Boston, 2016). "He said tougher U.S. emissions standards made it more difficult to fix the cars to make them compliant than in Europe, requiring the hefty payments in the U.S., but not in Europe," said the publication (Boston, 2016).

In August 2016, Volkswagen U.S. dealers became hopeful as signs of potential dealer compensation began to appear (Randazzo & Bach, 2016). According to *The Wall Street Journal*, "Volkswagen expects to pay a collective \$1.2 billion to the dealers, according to a person familiar with the matter, and in addition has said it would buy back unfixable diesel vehicles on

dealers' lots," (Randazzo & Bach, 2016). U.S. dealers expressed the large hits they've taken in profits since the EPA's announcement of the crisis in September 2015 (Randazzo & Bach, 2016). Matthew Welch, general manager of a Volkswagen dealership in Seattle, said he has struggled to keep employees on the payroll and has battled whether he should decrease or heightened advertising (Randazzo & Bach, 2016). Steve Berman, attorney for the dealers told the court, ""They have cars on their lots they can't sell," (Randazzo & Bach, 2016). "Their franchise value has gone down. And they have invested millions in these Volkswagen franchises," (Randazzo & Bach, 2016). Berman's lawsuit, filed in April, was on behalf of dealers who said they build new showrooms, bought new facilities and purchased numerous diesel vehicles that couldn't be sold (Randazzo & Bach, 2016).

Toward the middle of the month, U.S. Department of Justice (DOJ) announced they found what might be criminal wrongdoing in Volkswagen's emissions cheating and began discussions of a settlement with the automaker (Spector & Viswanatha, 2016). This probe by the U.S. DOJ included a thorough examination of around 1.5 million documents (Spector & Viswanatha, 2016). This settlement would include a large financial penalty, though exact numbers were not yet set at the time (Spector & Viswanatha, 2016).

On Sept. 9, 2016, Volkswagen engineer James Robert Liang pled guilty to installing defeat devices in vehicles in the U.S. (Hiroko & Ewing, 2016). Liang had been employed by Volkswagen since 1983 and was considered one of the most respected engine developers (Hiroko & Ewing, 2016). In 2006, Liang helped develop a defeat device for a Jetta diesel car and moved to California in 2008 to help with Volkswagen's introduction of the automakers "clean diesel" vehicles in the U.S. (Hiroko & Ewing, 2016). Liang conducted tests eight years later to help conceal emissions- cheating (Randazzo & Spector, 2016). According to Schneiderman's

lawsuit, “The emissions-cheating scandal began in earnest in late 2006, when Volkswagen, facing engineering challenges, adapted technology Audi had developed to address other emissions problems and installed the defeat-device software on hundreds of thousands of Jetta, Golf and other cars, the lawsuit alleged.”(Randazzo & Spector, 2016). Defeat devices were placed on car models from 2009 through 2015.

According to Liang’s indictment, when he and his colleagues found out about emissions discrepancies in 2014, they “pursued a strategy to disclose as little as possible,” (Viswanatha & Rogers, 2016). Volkswagen expressed that the deception was limited to a small group of employees and that senior leaders were unaware of the cheating software (Hiroko & Ewing, 2016).

October 2016 showed signs of hope for Volkswagen U.S. dealers, who had been waiting for signs of a relief package for more than a year since the crisis broke. More than \$1 billion was allocated to compensate dealers from hardship caused by the crisis (Beene, 2016). In a settlement made public on Sept. 30, 2016, Volkswagen agreed to divide \$1.21 billion among 652 dealers in exchange for their agreement not to sue the company (Beene, 2016). Dealers were given half of the payout in a lump sum and will receive the rest in 18 monthly installments (Beene, 2016). “It’s closure,” said Alan Brown, a partner of a dealership near Dallas, Texas. “The settlement was a big step in restoring dealer confidence by understanding that the dealer has some financial support coming his or her way so he can reset,” (Beene, 2016). However, not all dealers expressed the same sentiment. “Does it cover everything? I don't know how you can figure out how much you've really lost,” said Dan Quirk, president of Quirk Auto Dealers with Volkswagen dealerships in Massachusetts and New Hampshire,’ (Beene, 2016).

As the automaker began to look for signs of an end to the crisis, Herbert Diess, Volkswagen's brand chief presented his first comprehensive global strategy in November 2016. The plan acknowledged the U.S. as a key market that will help drive the brand's profitability in the next decade. Diess also acknowledged "A full recovery there will be a long-term project at best," (Heitzner, 2016). "We want to write a comeback story," Diess said to reporters in Wolfsburg, Germany. "The U.S. is not just a very large market but a highly profitable one as well. Nowhere is more money earned than in the U.S., and that will most likely still remain the case in 2025." (Heitzner, 2016). Diess's plan includes producing 19 SUVs by 2020 and 1 million electric vehicles (EVs) by 2025. The reveal of Volkswagen's first long-distance electric vehicle took place in September 2016, but falls directly under Diess's plan. According to *The Financial Times*, "By embracing electric cars, Volkswagen hopes to restore its tattered image for environmental concern," (Campbell, 2016). When commenting on these plans, "Fred Emich, General Manager of Emich Volkswagen in Denver, Colorado said, "A bird in the hand now is kind of nice," he added, "but the future five or 10 years from now is when we'll really know whether this was good" (Beene, 2016).

Volkswagen announced an even greater job cut in November 2016, citing its emissions crisis as one of the primary reasons it plans to cut 30,000 jobs by 2020 (Campbell & Chazan, 2016). The automaker cited a "need to focus on investment in electric vehicles following the diesel-emissions scandal," as another reason for the large job cut, including 23,000 jobs located in Germany (Campbell & Chazan, 2016).

An area that seems to have been barely touched by the automaker's crisis is its Chinese market. While China is Volkswagen's largest single market, the automaker sells almost no diesel vehicles in the country, where gasoline engines are most popular (Bradsher, 2015). Annually,

Volkswagen sells fewer than 1,000 of its three million vehicles in China. This is because of environmental concerns of Chinese regulators and because the government prefers to reserve only small amounts of diesel fuel for trucks and farm tractors (Bradsher, 2015). Because of this, the only diesel vehicles Volkswagen sells in China are imported from Europe and soled primarily to taxi fleets (Bradsher, 2015).

At last, on Dec. 20, 2016, Volkswagen reached separate agreements with regulators on luxury Volkswagen, Porsche, and Audi 3.0-liter diesel vehicles (“VW closer to resolution,” 2016). This settlement will provide compensation to 80,000 Americans with 3-liter vehicles that were affected by the crisis. According to an official Volkswagen statement in its online U.S. newsroom, the settlement included the following: the recall of approximately 63,000 3.0-liter diesel vehicles model years 2013-2016.; the buyback or termination of leases of approximately 20,000 affected Volkswagen and Audi 3.0- liter TDI V6 vehicles, a contribution of \$225 million to the environmental remediation trust being established under the automaker’s 2.0-liter settlements in the U.S.; and \$25 million to the CARB to support the use of zero emissions vehicles in California. The U.S. District Judge over the case did not disclose the amount of the settlement (Volkswagen Reaches Agreement, 2016).

CHAPTER 5

ANALYSIS AND DISCUSSION

An analysis of findings from Volkswagen's emissions crisis from Sept. 18, 2015 through Dec. 31, 2016 provides significant findings for crisis communicators. Overall, 175 articles were analyzed for the study including the following: 58 articles from *the Financial Times and FT.com*; 26 from *Automotive News*; 16 from *PRWeek*; 30 from *The New York Times*; and 45 from the *The Street Journal*. In addition to previous crisis research, these findings can help communicators assess crises and think through ways to most effectively craft crisis strategies.

RQ1: What makes VW's emissions scandal a crisis and not an issue?

According to Gaunt and Ollenburger (1995), "Issues management is the organized activity of identifying emerging trends, concerns, or issues likely to affect an organization in the next few years and developing a wider and more positive range of organizational responses toward that future." In other words, issues can serve as warning signs that crises are about to occur and can give organizations time to prepare a response, to conduct themselves proactively. Palese and Crane (2002) suggest that issues management is about having the capacity to act quickly in order to seize opportunity or to avert risks before impact or implications becomes relevant to one's business operations and/or reputation. If done properly, issues managers successfully analyze the impact, time and cost that issues may have on an organization, and the potential outcomes the issues may have if not dealt with.

Crises, on the other hand, are much different than issues. According to Coombs (2014), “A crisis is the perception of an unpredictable event that threatens important expectancies of stakeholders related to health, safety, environment, and economic issues, and can seriously impact an organization’s performance and generate negative outcomes.”

Hainsworth (1990) points out the nature of the response as one of the key differences between issues management and crisis management. Whereas issues management is proactive, identifying issues and influencing decisions regarding them before they have detrimental effects on an organization, crisis management tends to be reactive, dealing with issues once they have become public knowledge and affected the organization. Another way to understand the difference between issues management and crisis management is through this common analogy: Issue management is steering the ship out of troubled waters. Crisis management is trying to save the ship after it has struck an iceberg. In Volkswagen’s emissions crisis, the ship had already struck the iceberg, and the automaker fought to keep the company afloat. It is important to note that despite having more than two weeks in 2015 to craft a crisis plan between the time when the U.S. EPA alerted Volkswagen and when the U.S. EPA announced the findings to the public, Volkswagen did not appear to have developed or implemented a response or a crisis plan.

RQ2: How did VW respond to its 2015 emissions scandal as reported in the mainstream and niche media?

As reported in the mainstream media, Volkswagen’s response to its emissions crisis was framed as reactive: inconsistencies in statements and actions, and even with that, limited information to its stakeholders. Using article titles like “BAD TO WORSE; Spiraling diesel crisis deals another blow to Volkswagen's frustrated dealers,” “VW's Crisis Response: Driving in

Circles,” and “Deceit & Disgrace,” the media depicted Volkswagen’s response as incompetent, dishonest, and untrustworthy. It is important to note that despite major worldwide events like auto shows, and relevant public policy events, such as the Paris climate talks that occurred during the time period of the coverage, no correlation was found between those dates and increases or decreases in coverage of Volkswagen’s emissions crisis. The first 48 hours of a crisis are critical to providing stakeholders with information about the crisis and where they can receive updates about it. However, Volkswagen did not do this, and instead waited days before releasing a video, providing stakeholders with little, if any any information. It was more than a month later in November 2015 when automaker made its first real consumer outreach. An overwhelming majority of coverage of the crisis from September 2015 through December 2015 focused on the automaker’s reputation and potential ability to gain back trust. This was the only time period in which one standard theme arose from media coverage. This theme aligns with previous literature of best practices in crisis communication that note that reputation management should be one of the first goals of an organization experiencing a crisis. As stated previously, an understanding of stakeholders and their communicative behaviors is critical to organizations because it can assist the affected organization in creating a stance and developing effective crisis strategies for its numerous stakeholder groups (Kim, Kim & Cameron, 2012). It is evident that Volkswagen’s tactics throughout the crisis did not include an intentional desire to understand its stakeholders or their communicative behaviors, which was seen in Volkswagen’s communication to consumers and dealers. Instead of doing a radio interview and limiting most crisis communication to the organization’s newsroom, Volkswagen could have instead engaged with its stakeholders through social media, television interviews and platforms where they would most likely be present or receive information from. Because recent crisis research suggests that

stakeholders now often expect direct responses from organizations, allowing two-way communication to occur, Volkswagen failed by not finding ways to most effectively communicate with stakeholders. Doing so may have led to an increased positive opinion of the automaker during the crisis.

As frustrated customers quickly sought advice from dealers about their vehicles, Volkswagen also could have strategically utilized dealers as communication liaisons between its consumers and corporate. However, Volkswagen had no active plan for dealer communications and missed an opportunity to rebuild trust with dealers and consumers. Throughout the crisis, Volkswagen executives expressed remorse for the crisis and said that trust was the highest priority of the company. Statements from Winterkorn such as, “we will cooperate fully with the responsible agencies, with transparency, urgency, to clearly, openly, and completely establish all of the facts of this case,” were followed up a communication that was untimely and at times inaccurate. Throughout the crisis, it was apparent that Volkswagen dealers and customers were not of the highest priority to the automaker, escalating the crisis further. For almost a year, dealers were given no information about what to do about their products. It is important to note that despite having four public relations firms on retainer, Volkswagen still struggled to effectively communicate with its stakeholders and there were no apparent public relations efforts in regard to the crisis, suggesting that the four public relations firms on board may have been focusing their efforts elsewhere, like Strategy 2025 or the profitable Chinese market.

As plentiful and as negative as most of Volkswagen’s coverage was found to be during the 16 months examined in this study, news of world events that captured global headlines, such as terrorist attacks in the West, Syria, the UK Brexit vote, and the US presidential campaigns and election, might have made led newsrooms to see the Volkswagen story as paling in comparison.

Still, there were two small spikes in Volkswagen's media attention: April 2016 and June 2016. Both of these months are times in which the automaker released information about future products, Strategy 2025, and changes to its portfolio in the near future. June 2016 also includes the time in which Volkswagen settled with U.S. consumers. While Volkswagen never announced a desire to release information to distract stakeholders from keeping their attention on the crisis, coverage of the crisis shows that during this time, unlike other times during the crisis after February 2016, there was a peak of positive news in coverage of the automaker during these months. If Volkswagen knew that this was going to occur, the automaker may have strategically released major information about itself throughout the course of the crisis to alter the frame from which the media was covering organization. Therefore, findings suggest that Volkswagen intended to utilize its new Strategy 2025 as a way to alter the way in which it was being framed by the media during the crisis, and was able to successfully do so temporarily. However, it is important to note that the increased levels of coverage were not consistent, and only lasted during the two months in which the automaker made announcements about its strategy. These findings, that it is possible for organizations in crisis to strategically alter the way the media covers them, albeit for the short-term, may have future implications for other organizations experiencing crises who desire to be framed in a different light. However, this distraction tactic did not prove to work in the long-term for Volkswagen and is not suggested as a best practice of honesty and transparency in crisis communications.

RQ3: How did stakeholders respond to the emissions scandal as reported in the mainstream and niche media?

As reported in the mainstream and niche media, stakeholders responded with an overwhelming amount of frustration and confusion to the crisis. The media framed a loss of

trust and betrayal, using storytelling of customers and dealers to convey what occurred. Throughout the crisis, dealer and customer interviews were essential to depict just had bad the crisis had become. As Volkswagen waited for internal decisions regarding response and resolution, it halted communicating additional information to customers. In turn, customers found themselves unable to resell their vehicles, not knowing what to do. Investors' responses in 2015 led to a 30% decrease in share value. The corporation's inability to provide its public with timely communication had noticeable ramifications on the company's financial sector. As more accusations about Volkswagen were made, share value continued to decrease. This price rose slightly when former CEO Martin Winterkorn announced his resignation. Consumers desire transparency. Had Volkswagen come clean after its first accusation, the company would have likely retained more valued customers and have lost less money. However, the company continued to take a reactionary approach to public relations, only apologizing and admitting wrongdoing after being caught time and time again.

As mentioned previously, when identifying how to frame the crisis, stakeholders will categorize crisis responsibility based on crisis type (Coombs, 2007). Using SCCT as a reference, most stakeholders categorized Volkswagen's crisis type as the intentional or preventable cluster in which the event is considered purposeful by the organization because it was an organizational misdeed. With this information and according to previous crisis communication literature, Volkswagen should have been able to easily predict stakeholders' responses and used the opportunity to craft its crisis communication plan to reduce the negative perception that stakeholders' frames caused.

While Volkswagen's announcement of its Strategy 2025 caused a shift in frame of the way in which it was being covered during certain months of the crisis, there was no evidence

that suggested this strategy altered the opinion of stakeholders during that time. This suggests that while organizations may be able to somewhat control the way in which they are framed by the media during a crisis, there is no guarantee that the media's framing will have any impact on its stakeholders or their frames, much less a positive one.

Three prominent themes arose from media coverage during that time: Volkswagen's withholding of information; its reactive stance; and its attempts at avoidance, of trying to change the conversation.

First, Volkswagen's choice to withhold information from stakeholders throughout the crisis caused the crisis to spiral further out of control. Throughout the crisis, there were numerous occasions when Volkswagen should have released information to stakeholders but chose not to. While this could have been because they did not have complete information about each incident as it occurred, Volkswagen's silence was perceived by consumers and dealers as a desire to withhold information. The first time this tactic occurred was when Winterkorn chose to wait two days after the EPA's announcement to issue a videotaped message and apologize for the company's dishonesty. Winterkorn's message neglected to provide the public with any additional information about the crisis. The second instance was when Winterkorn, former CEO of Volkswagen Group America chose to resign. While Winterkorn expressed sorrow and sympathy in regard to the crisis, neither he nor Volkswagen ever provided a reason for resignation. This led to increased conversation of critics as to whether Winterkorn had inside knowledge of the crisis or if he was trying to escape responsibility. Volkswagen never chose to address these concerns, but instead looked over them and appointed a new CEO, almost as if the former CEO never existed. Volkswagen took a similar approach when Horn, former Volkswagen

U.S. CEO stepped down on March 9, 2016. Again, the automaker gave no indication of why Horn left, leaving a vacuum for speculation among stakeholders.

The second theme concerned Volkswagen's reactive stance. While the automaker was proactive at times throughout the crisis, Volkswagen's choice to make the right decisions only when forced to tainted the organization's reputation even further. The first example of this took place before news of the crisis even broke. In December 2015 it became known that Volkswagen had knowledge of its emissions scandal on Sept. 3, 2015, but only chose to make a statement about it after the U.S. EPA announced the automaker's wrongdoing. During the 15 days in which Volkswagen had information about the scandal prior to the EPA's announcement, the automaker could have chosen to craft a crisis plan and write and release formal statements to stakeholders about the matter. However, Volkswagen made it seem as though they were only going to do so if they absolutely had to. Another example of this stance took place on Thursday, Oct. 15, 2015, when Volkswagen recalled 8.5 million diesel vehicles in Europe, but only made the decision to do so after German regulators mandated the recall. This suggests that Volkswagen had not initially intended to recall the vehicles and may not have done so if the German government had not mandated it. In yet another instance of Volkswagen's choice to make the right decision only when forced to concerned European stakeholders who were frustrated with the automaker. Because major lawsuits had not yet occurred in Europe, the automaker chose not to provide compensation for dealers or customers of affected vehicles in its European market. This was not received well by Volkswagen's European customers and regulators who felt betrayed that the automaker only focused on its U.S. market, when a majority of the cheating devices were discovered in products throughout Europe. This action suggests that once again, Volkswagen only takes responsibility for actions when it gets in trouble. The automaker also suspended sales

of diesel cars in the U.S. at this time, but failed to provide information to the American public about a recall, leaving customers in the U.S. market only more frustrated.

The last predominant theme in the media coverage examined for this study was that instead of finding solutions for the crisis, the automaker's primary response to its crisis was to change its portfolio instead of dealing with its current problems. This strategy focused less on regaining consumer trust, despite previous statements that the company desired to do so, and more on producing different products in its brand portfolio. After months of remaining in crisis, and despite new findings in the story, it became evident that the automaker was unaware of how to deal with its crisis. In fact, even into 2016 Volkswagen's head of communications admitted the company was unsure of how to communicate during the crisis. Reports throughout 2016 began to cover a surprisingly hopeful automaker, excited to boast a new portfolio of products and services for its customers to purchase. While Volkswagen brought on three additional public relations firms in September 2015 to assist Edelman in the midst of the crisis, Volkswagen's approach did not become better and continued to suffer in 2016, as reported by the media. Despite using four agencies of record, zero media reports throughout the crisis praised Volkswagen for its communications tactics or even presented information that could be interpreted as evidence of public relations in action.

After saying "Volkswagen is far more than a crisis" in April 2016, Müller began discussions about expanding its product portfolio that would be later referred to as Strategy 2025. While initially it appears to be an innovative strategy focused on driving the company forward, it is evident that the strategy was put in place to decrease the production of its diesel vehicles. And while that may stop diesel crises from occurring in the future, the strategy provides no information about how to address the automaker's current state. This allowed Volkswagen to

strategically brush its emissions crisis under the rug while boasting a plethora of new “shiny” features and technologies to awe consumers. While Volkswagen’s attempt to blame employees was a prominent theme in the first month of the crisis, it was not salient throughout the duration of the crisis, as the automaker quickly took responsibility for the actions of its employees. The theme was later brought back into light by the media for a week or two in September 2016, when engineer James Liang pled guilty for his role in conspiracy. However, Volkswagen continued to claim responsibility for the actions of its employees.

Conclusion

As a world leader in the automotive industry, Volkswagen has been challenged by a global crisis that has shaken the foundation of its corporate communications and consumer relations. The corporation’s reactive communication strategy appalled stakeholders who had put trust in Volkswagen’s products and its vow to behave as a good corporate citizen. Despite shifts in leadership and promises of restitution, Volkswagen’s response to its emissions crisis suffered from a lack of transparency and timeliness, as well as the inability to put consumers at the forefront of the corporation’s priorities. For a brief moment, Volkswagen demonstrated that organizations suffering from crises are able to strategically re-frame themselves in a more positive light even if only for a short period of time. And during those moments, it seemed that despite actions that contradicted best practices in crisis communication combined with what might have been a reprieve in coverage due to world events, Volkswagen seem to have emerged from this crisis having somewhat recovered its stock value- to \$136.75, only \$24 less than its price on September 18, 2015 and armed with a new strategic plan. These outcomes though could well be short-lived.

While outside of the scope of this study, it is important to note that the crisis is ongoing. Since January 2017, a South Korean Volkswagen executive received jail time because of the scandal, other German Volkswagen executives were arrested, and six high-level employees were indicted, yet Volkswagen was able to regain its title as the world's number one carmaker, selling more vehicles in 2016 than Toyota. Volkswagen was able to regain its title as the world's number one automaker in 2016 by significantly increasing the number of gasoline products sold in China, its largest market, offsetting the initial decrease of sales it saw in the U.S. (Tan, 2017). Ultimately, during its emissions crisis, Volkswagen defied crisis communication best practices and still remained the world's top automaker by focusing on its business strategy instead of crisis communications. While Volkswagen's plan may have been shortsighted, this study suggests that it nevertheless worked for the first 16 months, and so calls for a rethinking of "best practices" in a larger context of global business strategies.

Limitations

This study sought to focus on U.S. media because it was the U.S. EPA that broke the story in September 2015 and because the U.S. was, at the time, one of Volkswagen's largest markets. The media sources utilized here, then, were primarily of U.S. origin and written in English, despite the fact that the emissions scandal had global impact on Volkswagen's business. Additionally, although the timeline employed in this study was designed to align with when Volkswagen was supposed to settle with the U.S. government and the EPA, the crisis has proven to be not yet over. Since Dec. 31, 2016, the projected end date of the crisis, Volkswagen has since faced continued troubles, including the indictment of multiple Volkswagen executives in relation to the crisis. Revelations emerged at the end of January 2017 that Winterkorn himself had been complicit in the deception.

Future research

Given the limitations outlined above, future scholars could consider focusing on European news outlets to determine whether there was a difference in coverage throughout the duration of the crisis. Studies also could explore the interchange between consumers and Volkswagen on social media to gain a greater understanding of Volkswagen's communicative strategy and consumer impact throughout the crisis. Future researchers may also want to consider comparing coverage of Volkswagen's emissions crisis to a similar crisis of a large automaker (see, e.g., the illustration on p. 18). Doing so would lend more insight into successful and unsuccessful aspects of the other organization's communications strategies and how they compare to best practices in crisis communication.

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APPENDIX

Friday, Sept. 18, 2015:

EPA accused Volkswagen of cheating on emission rules

Saturday, Sept. 19, 2015:

Volkswagen of America instructed dealers to cease the sales of 2014 diesel cars with 2.0-liter engines

Sunday, Sept. 20, 2015:

Volkswagen CEO Martin Winterkorn issued a videotaped apology acknowledging dishonesty, but lacked details of the company's cheating

Tuesday, Sept. 22, 2015:

Michael Horn, chief officer of VW Group America admitted the company, "totally screwed up," according to The New York Times and Reuters (Reuters, 2015).

Wednesday, Sept. 23, 2015:

- Volkswagen CEO Martin Winterkorn resigned amid scandal
- Leading consumer group U.S. PIRG launched campaign demanding VW buy back all "defeat device" diesel cars with full rebates to customers

Thursday, Sept. 24, 2015: Volkswagen dealers began to display frustration with the inability to sell affected cars with no answers from VW

Friday, Sept. 25, 2015: Volkswagen AG named Matthias Müller as its next CEO Friday following the departure of Martin Winterkorn

Sunday, Sept. 27, 2015: Volkswagen launched VWDieselInfo.com to update the public about affected vehicles

Thursday, Oct. 8, 2015: Volkswagen HQ raided by German police

Tuesday, Oct. 13, 2015: Volkswagen's new North American Chief Winfried Vahland quit before taking office for the new position that was created for him

Thursday, Oct. 15, 2015: Volkswagen recalled 8.5 million diesel vehicles in Europe

Friday, Oct. 16, 2015: Volkswagen provided owners with database to see if their car is affected

Thursday, Oct. 22, 2015: Volkswagen admitted more cars may have cheat device

Monday, Oct. 26, 2015: Toyota dethroned Volkswagen as world's top automaker

Wednesday, Oct. 28, 2015: Volkswagen reported first quarterly loss in at least 15 years

Monday, Nov. 2, 2015: EPA found similar cheating software on additional Volkswagen and Audi models and on a Porsche model

Wednesday, Nov. 4, 2015: Volkswagen announces "TDI Goodwill Program" that it will issue debit cards to owners of diesel-powered cars affected by the emissions crisis. One card will be a simple cash gift that VW customers will be able to use at their discretion. The second debit card would be linked to purchases at a VW dealership.

Friday, Nov. 6, 2015: The crisis deepened when it was found that Volkswagen understated the carbon dioxide emissions of about 800,000 cars in Europe. Volkswagen said it had also understated the carbon dioxide emissions and fuel consumption of vehicles in Europe.

Monday, Nov. 9, 2015:

- Volkswagen offered \$1,000 Package to U.S. Customers hit by emissions scandal
- Volkswagen's head of corporate communications quit

Thursday, Nov. 12, 2015: VW announced an amnesty program for informants about the crisis

Thursday, Nov. 19, 2015: Volkswagen America's CEO Michael horn apologized to dealers and customers at the Los Angeles Auto Show, promising to find a fix for the cars soon.

Saturday, Nov. 26, 2015: South Korea Fines Volkswagen and Orders Recall Over Emissions Scandal

Friday, Dec. 31, 2015: Volkswagen announced a 5 % sales fall in 2015 for its U.S. brand

Monday, Jan. 4, 2016: The U.S. Justice Department sued Volkswagen over emission cheating software

Monday, Jan. 11, 2016: Volkswagen offered customers a \$1,000 goodwill payment to 2009-16 Touareg SUVs

Wednesday, March 9, 2016: Michael Horn, Volkswagen U.S. CEO, steps down

Tuesday, March 29, 2016: The U.S. Federal Trade Commission sues Volkswagen over falsely advertising "Clean Diesel" vehicles as environmentally friendly.

Tuesday, Friday, April 22, 2016: Volkswagen announces a \$18.2 billion hit from the crisis

Tuesday, June 28, 2016: Volkswagen agreed to settlements of up to \$15.3 billion to resolve environmental and consumer claims from the scandal

Thursday, Aug. 25, 2016: Volkswagen reached a tentative deal with 650 U.S. dealers to compensate them for their losses. The value of this deal was not disclosed.

Friday, Sept. 9, 2016: James Robert Liang, Volkswagen engineer, plead guilty for his role in conspiracy to defraud the U.S. government, regulators and customers by placing software in vehicles designed to cheat U.S. emissions tests

Wednesday, Sept. 21, 2016: Volkswagen was sued for \$9.2 billion in lawsuits by German investors

Friday, Sept. 30, 2016: Volkswagen agreed to pay U.S. dealers up to \$1.2 billion to compensate them for losses

Friday, Nov. 18, 2016: Volkswagen announced it will cut 30,000 jobs because of emissions crisis

Tuesday, Dec. 20, 2016: Volkswagen and U.S. regulators reached a deal to get 80,000 vehicles fitted with defeat devices off the roads and Volkswagen agrees to buy back up to 20,000 of the units during recall