THE VW DIESEL SCANDAL: ENGAGING STUDENTS VIA CASE RESEARCH, ANALYSIS, WRITING, AND PRESENTATION OF FINDINGS

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ABSTRACT

The following research project involves the combined efforts of faculty, staff, students, and the business community in order to investigate and report upon the current status of one of the most egregious scandals in automotive history. As a result of this joint, comprehensive project, a research team consisting of four faculty members and four undergraduate students will uncover and report the details surrounding the Volkswagen (VW) diesel scandal, and provide recommendations for how VW may regain its stature as the world’s largest and most highly regarded automobile manufacturer, and how other manufacturing companies may prevent similar acts of fraud. The team will present its findings and recommendations in a variety of formats and settings including written cases and a host of case presentations.

Approval of the project was granted in March, 2016 and recruitment of faculty and students was completed in April, 2016. Students embarked upon their initial research assignments during the summer of 2016 and their research will continue through October, 2016. Presentations and the writing of cases will take place during October, November, and December of 2016.

INTRODUCTION

Comprised of select students and faculty from a large Midwestern university, with input from the business community, the VW Diesel Scandal Research Team (VWDSRT) will provide an innovative academic experience for those involved through the research, development, and presentation of an academic case that summarizes the VW diesel scandal. In turn, the VWDSRT will provide stakeholders in both the academic and business communities with well-documented insights into one of the most deplorable scandals in automotive history.

The student members of the VWDSRT team include an undergraduate German Business Translation student with a marketing minor, two undergraduate accountancy students specializing in international finance, and one undergraduate management major with a marketing minor who is specializing in business ethics. Working with and coaching the students are three faculty members who specialize in marketing strategy – one of whom has an extensive background in the automotive industry, and two who specialize in international marketing - and the university’s business librarian, a member of the faculty with expertise in online and international business research.

MOTIVATION – THE CASE DEVELOPMENT METHOD

Cases provide an excellent pedagogical tool for teaching business ethics as they build a halfway house between abstract concepts and real life experience (Richardson 1993). Business cases are available through a number of sources including CasePlace.org, Harvard Business School, etc. and textbooks frequently include cases as a part of their offerings. Cases offer real world decision scenarios from which students can apply moral values and principles, explore conflicting interpretations and viewpoints, and move the reader from doctrine to judgment (Falkenberg & Woiceshyn 2008, Cagle & Baucus 2006;
McWilliams and Nahavandi 2006; Murphy & Boatright 1994; Stiles, Jameson & Lord 1993) and in so doing they provide the base link to managerial and moral competence (Falkenberg & Woiceshyn 2008; Pamental 1989). Cases can shed light on the complex myriad of information and stakeholder pressures that are part of the decision-making environment (Falkenberg & Woiceshyn 2008).

Most ethics cases, however, are written from the perspective of a CEO or other executive making corporate decisions (Falkenberg & Woiceshyn 2008; Mathison 1988). Many cases also consist of complex contextual factors aimed at pinpointing an obvious correct answer while others identify villains and cast blame rather than analyze reasons for the decisions that were, or could be, made (Falkenberg & Woiceshyn 2008; Heames & Service 2003). Others still are far too long and descriptive, especially for the undergraduate audience, and focus on minutiae of data rather than the application of moral principles. There is also a significant time lag between when a case is researched and when it is published making many cases dated well before they are read (Falkenberg & Woiceshyn 2008).

Richardson (1993) and Urbanae (1998) provide excellent insight into the makings of sound business ethics case, and much is written on how faculty can incorporate the traditional case method approach to teach ethics in the classroom (Falkenberg & Woiceshyn 2008; Cunliffe 2002; Mingers 2000; Gandz & Hayes 1988; Feldman et al., 1986; Gilbert 1992). Additionally, a limited amount of marketing education literature highlights the benefits of students writing case studies as class assignments. Yet, essentially no literature exists highlighting the inherent educational rewards garnered from undergraduate students developing, writing and publishing ethics cases, and delivering tailored case presentations of their findings.

THE VW DIESEL SCANDAL UNFOLDING BEFORE US

The auto industry is by no means immune to scandals. The “unsafe at any speed” Corvair, exploding Ford Pintos, Audis and Toyotas with unintended acceleration, Ford Explorers with exploding Firestone tires, faulty Takata airbags, and GMs with malfunctioning ignition switches, have all seen extensive time in the public eye. But none of these former scandals are akin to the one VW currently facing. Volkswagen implemented a major marketing push promoting its diesel cars as high fuel economy, strong performance automotive alternatives for decades. But in September of 2015 the US Environmental Protection Agency (EPA) found that many VW diesel vehicles being sold in the US had a computer controlled “defeat device” that could detect when the vehicle was being tested, and subsequently change the performance of the vehicle in order to improve emissions tests (Hotten 2015). Approximately 500,000 cars sold in the US and 11 million vehicles sold worldwide, including those sold by VW, Porsche, Audi, (along with Skoda, and SEAT vehicles sold in Europe), were equipped with such a defeat device (Hotten 2015). Initially thought to affect only the 2.0 liter diesel model, 85,000 vehicles equipped with the 3.0 liter V6 diesel were recalled in the US (EPA 2015). By incorporating the defeat device, such equipped vehicles produce up to 40 times the nitrogen oxide pollutants allowed in the US (Hotten 2015).

In response to the scandal VW is set to recall the more than a half million defeat device equipped vehicles sold in the US, over 8.5 million cars in Europe, and a total of more than 11 million vehicles worldwide. Numerous VW executives have been suspended including Heinz-Jakob Neusser (Head of Technical Development), Ulrich Hackenberg (Audi Head of R&D), and Wolfgang Hatz (VW Group’s Engine Chief and Porsche’s Head of R&D) (Ciferri 2015). Martin Winterkorn, VW CEO, resigned in September, 2015 (Thompson & Liakos 2015). The sale of VW diesels in the US has halted, and VW has hired a legal firm to address American claims. VW has also placed Kenneth Feinberg, a prominent compensation attorney who handled the September 11 victim compensation fund, the BP oil spill, and the GM ignition compensation claims resolution facility, in charge of the administration of US claims and will create a claims program that will address the needs of car owners affected by the scandal (Bartlett 2015). However, VW has yet to announce a fix for affected vehicles in the US market. But in Germany, the Federal Motor Vehicle Agency gave preliminary approval to a repair procedure for engines not sold in the US where emissions standards are much stricter than in Europe (Boston & Dauer 2015). As a financial consequence of the scandal, recently the largest auto manufacturer in the world, VW reported its first quarterly loss in 15 years in October (Hotten 2015).
BOSCH’S ROLE

VW is not the only firm that may be responsible for wrongdoing in the scandal. Robert Bosch GmbH is the world’s largest automotive parts supplier. Bosch is responsible for many of the components directly involved in the VW scandal including the engine control software. Bosch is currently under investigation in Europe but no Bosch employee has yet been charged with wrongdoing. Bosch has acknowledged that it warned VW in a letter in 2007 that the car maker’s intended use of the software provided by Bosch could be illegal. In the US, a civil suit was filed against Bosch in US district court in December, 2015 under charges of civil fraud and racketeering all within a 56-page court filing (Boston & Dauer 2015).

Several cases focusing on the VW diesel scandal have already been published, including: “Volkswagen: The Scandal Explained” (Hotten 2015), “Volkswagen’s Clean Diesel Dilemma” (Frederick A. and Barbara M. ERB Institute 2016), “VW: A Case Study in Failed Governance” (Wilson 2015), and “The Volkswagen Scandal” (Blackwelder et al. 2016), among others. However, each takes a unique look at the scandal and has either a relatively narrow perspective or very thin overview. The VWDSRT, consisting of four eager undergraduate students and four experienced, tenured faculty, will focus primarily upon the ethics aspects of the case from a historical perspective.

METHODOLOGY

The VWDSRT will conduct extensive primary and secondary research surrounding the scandal. The team will write a detailed research plan which will include research of both domestic and international online and print business periodicals, auto industry trade journals, editorials, etc. The team will also conduct primary research via interviews of automotive industry executives, auto dealer executives, VW diesel owners, etc.

As a result of its thorough research, the team will develop a solid understanding of what has transpired, develop options the indicted parties could consider in order to rectify their situation, and subsequently, identify the best viable option available.

STUDENT RECRUITMENT

The VWDSRT faculty members decided that they would limit the team to four students seeking independent study credit. All four students were to have a business major or minor, with at least one fluent in German or a having a German business translation major, and at least one international business and/or international finance major or minor. All students on the team have to possess skill sets including: strong interests in the auto industry; strong research, writing, and presentation skills; and strong interests in business ethics. The faculty members also decided to that at least one student had to demonstrate strong automotive technical skills. Students were recruited by making in class recruiting announcements in mass lecture classes and mass emails sent to business students of all majors, as well as students with business minors, at the university. Interested students went through extensive interviews and four students meeting the above criteria were selected.

Students on the VWDSRT will earn three hours of marketing independent study credit. The German translation student will also earn an additional three hours of independent study credit toward his German translation degree. Very preliminary research will begin during the summer of 2016, with the bulk of the research to take place during the Fall 2016 semester.

Initial planning sessions will take place during the months of May and June, 2016. Students must sign a VWDSRT contract, written by the four faculty members, which will provide details surrounding their involvement. Each student will choose very detailed topics for research and receive specific writing and presentation assignments with due dates. Students will “sign off” on assigned topics and due dates for all primary and secondary research assignments. Students will deliver their writing and presentation assignments (described below) will during the course of the Fall 2016, and if necessary, Spring 2017 semester.

Students will be evaluated based upon a detailed rubric designed and approved by faculty members on the VWDSRT. At the time of the writing of this paper the rubric had not yet been written.

AVOIDING PITFALLS

The case will be researched and written by undergraduate students in the first semester of their senior year. The team’s experience itself will help in avoiding the CEO perspective identified as a problem by Falkenberg & Woiceshyn 2008 and Mathison 1988. The fact that many cases employ complex contextual factors will also be minimized.
due in part to the experience of the undergraduate students on the VWDSRT. Falkenberg and Woiceshyn (2008) also warns writers no to be too long and description. This will be stressed by the faculty on the team all of whom have extensive research credentials. The time lag issue also identified by Falkenberg and Woiceshyn (2008) will be limited due to the fact that this scandal is currently ongoing while the students are conducting their preliminary research.

**PRIMARY RESEARCH TOPICS AND METHODOLOGY**

The VWDSRT research team will initially focus their efforts on finding answers to the following questions:

1) How does the VW scandal compare to other, recent (1970s-present) automotive scandals including: Nature of the mechanical/electromechanical problems, resulting consumer/dealer/other stakeholder issues, legal ramifications, steps taken by the auto companies, and the scandal’s impact on sales, the brand, etc.?

2) Technically, how was the defeat device developed and employed? What technical devices, both software and hardware, were deployed? What products and engines were affected?

3) How was Bosch involved in the scandal and what impact will the scandal have upon the world’s largest automotive supplier?

4) What legal suits have been, and could be filed? What penalties will be, or could be handed down to VW, Bosch and other possible defendants by all parties involved including the EPA and all its European counterparts, dealer groups, consumer groups, other stakeholders, etc.?

5) How do American and German opinions differ regarding the scandal, particularly those of individuals in the media?

6) How will the scandal impact future R&D and product introductions?

7) What viable options are available to VW and Bosch, to address the damage caused by the scandal, and what recommendations appear most viable?

8) How should VW and Bosch reprimand employees who are involved in the scandal?

9) To what extent has VW and Bosch, brands been damaged, what should be done regarding brand damage control, and how have firms within the auto industry handled similar cases?

10) How do VW dealers, owners, and auto executives feel that the scandal will impact the manner in which they conduct their business with VW and Bosch in the future?

11) How might the VW scandal impact its major competitors?

Other topics will obviously surface as research is conducted. VWDSRT members must be willing to adapt as the study uncovers details previously unknown by the team.

**PROJECT DELIVERABLES**

Tailored presentations surrounding the research findings and recommendations will be made available to. The university’s undergraduate marketing, management, finance, accountancy, operations management/information systems classes, business principles, MBA classes, and in an MBA colloquium. At least three-four case presentations will be made within the university’s College of Business. A formal presentation as part of an MBA colloquium has been approved by the MBA department.

At least three written cases summarizing the findings will be produced and submitted for publication to: Marketing Strategy (MBA level text), and the Journal of Business Ethics for publication. A paper summarizing the speed by which VW could expect to rebound from the scandal which will involve secondary research on media coverage will be written and submitted to the Journal of Macromarketing.

Of equal importance is the hope that student involvement in the research project will provide for an outstanding learning experience how sound business cases are written, analyzed, and presented.

**CONCLUSION**

Adhering to the university’s mission statement by incorporating students in researching, developing, writing and presenting one of the most egregious scandals in automotive history brings with it an outstanding learning opportunity for a variety of the university’s stakeholders. Students on the VWDSRT team will learn not only current, online, domestic, and international research techniques, but teamwork, writing, and presentation skills as well. Those watching and reading the case and its presentation(s) will learn
about the the specific details surrounding the case itself, viable options available to VW, and those recommended by the team. A host of topics including ethical decision making processes, unique management styles, brand value (and devaluation), financial consequences of poor ethical decisions, international marketing, etc. will be addressed and thoroughly investigated, and presented. The hope is that this will not only serve as an outstanding learning experience for the team members, but an extremely memorable one that will remain with the university’s stakeholders for years following the development of the VWDRST.

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