

'Volkswagen crisis' bad news for German companies

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Volkswagen (VW), one of the world's biggest vehicle manufacturers, has admitted to programming around 11 million of its cars to detect when they were being tested and alter the running of their diesel engines to hide the true record of emissions.

It has been reported VW is likely to face criminal inquiries and fines in the billions of euros. The [company](#)'s share price has plummeted since the scandal broke earlier this week, and forced the resignation of its chief executive.

Victoria's School of Marketing and International Business, Associate Professor Dan Laufer says the revelation is "shocking" and a major breach of the public's trust that could spark the demise of the 78-year-old company.

"For the company to knowingly install software that cheats governmental regulations is shocking. The company has seriously tarnished its reputation and lost its credibility," Dan says.

In his 2009 research on product harm crisis, Dr Laufer established VW had a strong brand that could provide a defence against some crises. "However, this crisis differs significantly from other, more expected scenarios because it represents a serious breach of trust."

The company announced it will launch an investigation, but Dr Laufer says this needs to be conducted by a credible third party if the company's

reputation is to be salvaged.

"The public will be widely sceptical of any findings from a VW investigation, so it is important for the company to hire investigators with impeccable credentials. They need to determine who is responsible for the installation of the software. If it is the result of the corporate culture at VW, the implications could be devastating."

The associate professor warns the crisis could have adverse consequences for other German companies as well. "Volkswagen is strongly associated with Germany. This crisis could raise questions about the ethical behaviour of other German companies. If it does, we could see consumers across the globe move away from other German brands," he says.

Provided by Victoria University

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