Volkswagen Case Study

Student's Name

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Information on Leadership

When Volkswagen's CEO, Martin Winkerton, assumed office in 2007, he devised an ambitious scheme to stamp the company's authority in the automotive industry. In effect, the entity aimed at selling more than 10 million cars yearly, dislodging Toyota from its frontline position. However, Winkerton seems to have inherited the autocratic leadership style of his mentor, Fedinand Piech, who steered the automaker through a centralized and tightly controlled system. As Coleclough (2015) observes, the corporate culture was founded on a single command and control system, resulting in aggressive objectives. As a consequence of this approach, employees feared contracting the executive. With engineers avoiding making decisions that would jeopardize their contracts, they did not report any existing design and utility flaws. Simply put, Wilkerton's leadership style plunged the corporation into a serious ethical challenge that ruined its longstanding reputation.

The Ethical Issue

Instead of competing in the hybrid sector, the enterprise concentrated on the manufacture of diesel-powered cars, which controlled only 5% of the market share. The choice was influenced by the ability of diesel to generate higher fuel efficiency without compromising the power. While the chemical produced more nitrogen oxide than in gas-driven vehicles, Volkswagen was unable to address the standards of emission without sullying the fuel efficiency. In an attempt to eradicate this problem, engineers installed a gadget that was commonly referred to as "defeat device" in subsequent cars. In the vehicle's software unit, they embedded algorithms that reduced the degree of emission with respect to wheels in use. As Rothfeder (2016) cites, even though the tests were functional in the lab, once on the road, the control apparatus failed to hinder emissions that eventually surpassed the federal regulations. When the discharge regulating gadgets were discovered by researchers who remained curious of the safety of diesel technology in Europe and the United States, investigations were launched. In the end, the automobile giant discontinued manufacture and sale of its 2015 models. Worse still, the CEO resigned followed by suspension of several managers whose decisions caused the crisis.

Analysis

Volkswagen's emission scandal is a classic case of corporate ethics that culminates in a deceptive corporate culture. Amidst this predicament, the company's leadership led to establishment of an environment that violated its economic and social responsibility through the sale of faulty stock. In this way, the management failed to introduce a form of rule-bending to notify regulators of their engineering pitfalls; instead, they lied outright. Given its market reputation, people believed the narrative with the knowledge that there is always something special about Volkswagen. According to Rothfeder (2016), the administration style at Volkswagen imposes impractical goals and reprimands lower-level staff who are unable to match the pace. Evidently, the organization's top-down control bore serious moral damage, considering that strategies were formulated with minimal collaboration. Here, the conceit was a belief in brand's autonomy and that novel ideas would emerge only to be adopted for other purposes that did not serve business interest. Owing to pressure to meet deadlines and disregard core principles, the engineering teams failed to share insights amongst themselves, withholding mechanical and design intricacies. As Coleclough (2015) observes, the crisis is an indicator that no critical breakthroughs were communicated as adversarial employees worked to subvert one another when the opportunity emerged. On the whole, as much as Volkswagen discarded the perilous vehicle production paradigm, ethical misdemeanor entrenched in leadership means that its renewed efforts in engine design trail those of other manufacturers.

Ethical Analysis

Kant's Logic

According to Kant, morality only coincides with the motive of duty; that is, performing the right actions for the right purposes. In this way, actions hinged on moral worth must outlive personal preferences or self-interests. Applying this reasoning to Volkswagen's case, it utilizes the principle of categorical imperative that individuals or organizations must act in a way that not only validates the maxim of their actions but also makes them universal laws. While an entity's maxim may connote any motive, it must convey the moral fabric and please everyone in contact. Therefore, the maxim at Volkswagen revolves around indulging in a deceptive corporate culture and using false advertisement that they would not do the right thing until they are investigated and compelled to stop. Should companies follow the entity's maxim, the automobile industry would be ruined since it is founded on trust. Buyers need to have confidence on commodities and the responsibility of manufacturers with respect to market confines (George, Dahlander, Graffin & Sim, 2016). As such, the company ought to have held that they are going to lie or deceive potential customers but conform to a universally accepted maxim that compels all rational beings to view cases impartially and objectively regardless of who executed such functions. Obviously, Volkswagen would not like to be deceived by its suppliers. Astonishingly, it chose the same path while motivated by financial gains, an indication of disregard for its customers as well as the administration that checks its operations.

On the other hand, it is right to assert that Kant's principle requires humanity to act as an end and never a means. When the business contravened public trust through its unscrupulous actions, it utilized people's trust as financial tool. Whereas Volkswagen needs to please its stakeholders through profitability, the goal was unjustly accomplished. Yet, in the face of continuity and growth, it had goodwill to ensure justice by doing right. The right action, for that reason, can only lie in universally acceptable tenets that would have required the management to adjust to these standards. Using this argument, the corporation would acknowledge that its actions were not acceptable; therefore, it would modify their cars to pass emission tests. Acknowledging that this type of deceit would not conform to moral principles of scores of individuals, being caught on this path may hurt a firm's reputation severely. Given that Kant's theory focuses on the moral authority of actions and not just the outcomes, Volkswagen is morally wrong in all circumstances. In this way, the actions ought to have been reviewed right from the outset, considering their veracity and the people that they were to be performed against. Customers, who are the direct casualties of this dilemma, would not accept the company's actions as they resulted in deceiving emission tests. Having considered the moral compulsion of this principle, Volkswagen would not view its consumers as a means to an end; instead, it would find that it is morally right to manufacture cars that pass emission tests instead of cheating the system.

Mill's Utilitarianism

Based on producing the greatest level of good for the greatest number of individuals, this theory encompasses inconsequential ethics to determine the legitimacy of actions. Ultimately, this concept is applicable to Volkswagen as it establishes the perspective of benefit or harm emanating from the company's move. Given this, the actions contravened the thinking of utilitarianism. In the course of the entire dilemma, the firm's activities did not produce any noticeable good. As a result, consumers had to grapple with the question of what to do with their defective vehicles. Worse still, employees lost their jobs over a matter that would have not occurred in the first place. The only good thing that emerges from this scandal is steps for moving forward. However, it is apparent that an initial utilitarian concept was considered when making the move to deceive emission tests since the repercussions at the outset were positive to maximize shareholder wealth. Sinnott-Armstrong (2003) cites that consumer satisfaction was attained that they were satisfied with their cars and the enterprise remained competitive albeit shortly. Meanwhile, the scandal overrode the derived maximum happiness and unearthed the harmful pollution that ensued. Volkswagen's activities in this case were not aimed at creating greater good. Nonetheless, such repercussions could have been avoided if the company considered the process rather than the outcome, spending a little more time to develop cleaner diesel engines. Even so, it could have focused on the consequences by producing quality vehicles as opposed to sales. The company relinquished its duty to guarantee safety of their cars to customers and the community. In correction, the entity should have pursued an honorable route of common good that is devoid of devastation to humanity. Simply put, it ought to have ensured that behavior merged with the goals to minimize harm even to the smallest fraction of users.

Stakeholder Theory

The theory maintains that a business should be operated for the benefit all those involved and not just the proprietors. In a move to achieve a larger market share, Volkswagen lied, overlooking the interests of other parties in process. Even though it attained its own objective of maximization, one end of stakeholders faced unwarranted courtesy at the expense of others. Claiming to have manufactured cleaner cars while producing harmful emissions indicates the company's egocentric perception and disregard for people's lives. As Friedman (1970) asserts, businesses that focus of profitability at the expense of other aspects are likely to jeopardize their status in addition to that of their stakeholders. Despite the company's goals, it must observe a sense of corporate social responsibility in caring for society rather than just meeting its strategic objectives. The firm ought to have appreciated that making profits and improving the external environment are key pillars of value creation. Activities such as availing returns for stakeholders, job creation, as well as health treatment of employees guarantee continuity while bolstering the welfare of stakeholders. Simply put, Volkswagen's responsibility to shareholders is paramount. Value provision, for example, the provision of vehicles with safer emission magnitudes is an assurance to stakeholders as far as their interests are concerned. With such an environment, stakeholders themselves may consider the reliability of social endeavors in light of the company's image. Gardberg and Fombrun (2006) note that such assertions imply that there exists one stakeholder responsibility that the automaker violated: using its resources to indulge in transparent actions that ensure competition without fraud or deception. What emerges is that as long as Volkswagen's misdemeanors were not exposed, then it would continue with its tricks. The organization deceived both consumers and government agencies, thus it failed in its stakeholder responsibility.

In response, the company could have used this theory to acknowledge the need to provide superior and safe mobility given its corporate social responsibility. All the same, it could have acknowledged the significance of this ethical principle and voluntary commitments as integral elements of corporate culture that offers a frame of reference and a guide for decision-making. In this way, the company may reaffirm its conviction that sustainable economic success is only feasible through adherence to rules and standards of daily business practices. The stakeholder model accords the organization the moral fabric to follow principles that balance business and interest simultaneously. The software engineers may have discarded the idea of defeat devices if they realized that it was dishonest to do considering both stakeholders and customers. Notably, the internal integrity and character of individuals flourishes within organizational ethical framework. According to Hotten (2015), had the company pursued this option, it would not have landed in a scandalous situation. By remaining open to interests and exhaust standards, Volkswagen could have delayed the process until it struck a balance between profitability and stakeholders' interest instead of pursuing unethical avenues. In spite of pressure from organizational leadership, the company's management could have realized that its activities defied industry wide regulations. Above all, the theory not only resolves the entity's problem of establishing proper objectives but also considers economic and morality in a way that guarantees fairness to everyone. In addition, it is clear that Volkswagen cannot attain prosperity if it only relies on capital from shareholders. Hence, regarding the interests of stakeholders increases their value and social wealth. In other words, the theory is a powerful combination between ethics and economy that provides an opportunity for growth and creation of social worth.

Leadership Theories

Transformational Leadership

Considering that the CEO's autocratic style of leadership led to the stalemate as junior employees avoided exposing design flaws since they would risk their contracts, transformational leadership is typically applicable in this scenario. In the first place, this management approach provides an individualized consideration in that the leader attends to follower's needs as a coach. The CEO could use this concept to solicit useful feedback from followers, communicating openly and handling challenges that each follower cites in the team. Consequently, employees may have the will and inspiration for self-actualization and even reveal pertinent issues. On the other hand, this leadership style allows intellectual stimulation and fosters creativity. In this respect, the employees at Volkswagen could can have devised a better approach to include the emission regulator if possible. Since the style encompasses the need for a leader to take risks and challenge presumptions, it is likely to develop an independent thinking team. For such a management style, unexpected circumstances such as the one above are opportunities for learning. More importantly, followers have the liberty to ask questions and derive better ways of executing their tasks. In such an environment, this stalemate may not have occurred as employees are intrinsically motivated to execute their tasks and highlight systematic anomalies. According to Gomulya and Boeker (2014), this feeling gives them a strong sense of purpose and belonging. Unlike in situation where they seemed disfranchised to take unquestionable decisions, this leadership enables followers to communicate with optimism regarding issues in their respective domains and provides the impetus to propel the company forward. By embracing this management approach, Volkswagen will adopt a communication paradigm with precise and meaningful correspondence. In the end, followers' desire to invest more in their tasks increases even as they become confident in their abilities. Lastly, transformational leadership provides an idealized influence and acts as a model of esteemed ethical behavior. Employees at Volkswagen can remain ethical to protect their dignity and uphold their pride that they are not willing to perpetrate a situation as witnessed. By adopting an open communication culture and making the company's vision understandable, transformational leaders are likely to provide greater meaning in their various tasks. On the whole, transformational leadership can streamline the organization through redesigning perceptions and values in a give and take relationship to articulate vision and goals ethically.

Charismatic Leadership

Relying on charm and persuasiveness of the leader to rally their followers towards the completion of goals, this type of leadership is relevant to the case at Volkswagen. As explicated, flaws in leadership were the source of the scandal as leaders did not value input from all stakeholders. Rothfeder (2016) contends that charismatic leaders are moved by their convictions as well as commitment to purpose, preserving the company's status quo that was initially founded on value and corporate social responsibility. Equipped with excellent communication prowess, such leaders can overhaul Volkswagen's dilemma at profound emotional levels with the potential to influence their contribution. Moreover, such leaders perform well in a crisis through exuding exceptional devotion and expertise in their domains coupled with the ability to engage a diverse group such as Volkswagen's. Therefore, such leaders have the potential to motivate their followers to operate for the greater good of a corporation. Perhaps, Volkswagen could have avoided the stalemate if it provided a democratic environment for employee-employer for the exchange of knowledge.

Overall Take

Volkswagen's emission scandal indicates how established organizational ethical practices are no barrier to, or may facilitate the widespread pursuit of business ethics through well-aligned and profound conspiracies entailing lawlessness, fraud, and cheating. In fact, the situation is society's depiction through individuals and institutions as well as the latent to refute such commercial malfeasance. The liberal business ethics discussed in the discourse construct a scenario where civil society strives to keep corporations responsible for their actions, disrupting corporate autonomy in the process. Ethicality derives pragmatic purchase in the guise of dissent to direct power away from the sections of organized capital and wealth. Ultimately, corporate social responsibility founded on sound values and integrity provides clear-cut business prospects, hence participating in societal well-being. At the same time, the case portrays society and business as autonomous with the constant need for each other's success. Given the time taken before unearthing the stalemate, Volkswagen's situation signifies the bureaucracies in government as far as its shared assumptions on ethical conduct are concerned. From the three ethical theories incorporated in this research, it is evident that the steps taken by Volkswagen are not less than justifiable. As it appears, the whole scenario could have been evaded if the company did the right thing: manufacturing cleaner diesel engines. Volkswagen ruined its reputation through activities, which could have been handled at the onset. From the beginning, executives at Volkswagen ought to have taken the right route even if it meant violating their personal beliefs.

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