



Motor of change

Crises can only be overcome if they are resolutely used as a lever for change. The greater the crisis, the greater the need to radically question the structure out of which it grew.

Illustration — Mathis Rekowski

As Einstein once said: "We cannot solve our problems with the same thinking we used when we created them." This means that the crisis must serve as a starting point for a whole new mindset without taboos. The company must ask how and why such a drastically misguided decision to manipulate the emissions system was conceived of, acted on, and covered up.

The diesel emissions scandal is the very definition of the term "worst-case scenario." It stems from a premeditated circumvention of legal requirements and consequent mass deception of customers. The company as well as diesel technology overall have suffered a loss in credibility and public trust, in Germany and around the world. Technical defects can be fixed by recalling cars to the shop, but repairing trust isn't so simple.

I. Tackling the causes

A fundamental change in the corporate culture must therefore be the first step in overcoming this crisis of confidence. The breeding ground that made wrongdoing on this scale even conceivable, and that created an atmosphere in which the deception was covered up to both outsiders and, in part, also insiders, must be credibly and transparently eliminated. It is time for a clean sweep. A way of thinking which not only enables, but obliges, every employee to openly address weaknesses or mistakes and entitles

them to a convincing, objective response must become second nature. There must be no fear of reprisal. The change in the corporate culture must span every level, especially the executive echelon. The ombudsman system must be vested with absolute confidentiality, and whistleblowers must be protected from stigmatization as traitors.

There is also an urgent need for review of the company's attitude toward civil society. Environmental organizations and institutions, especially, were persistent in their efforts to draw attention to the diesel issue. Instead of taking

their advice seriously and changing tack, the company took a hostile, defensive stance. Firms from other industries have long viewed critical voices as valuable partners for proactive trust-building measures, and use them in shaping long-term, transparent, verifiable sustainability strategies.

II. Establishing transparency

Changing the corporate culture also means appointing independent, critical experts to the Supervisory Board and advisory committees. A corporate culture of transparency without taboos benefits the company with respect not only to its customers, but also to its workforce – an asset which can't be valued highly enough in this time of technological upheavals that demand ever more of employees.

A longer-term view of sustainable forms of transport for the future is also needed. Technologically outdated products, even if still marketable, should no longer be pushed. Dead ends should be spotted early and avoided – especially when they can be quickly and elegantly driven into.

Full and unsparing transparency must finally also be established in the relationship between manufacturers and regulators. Clearly defined, verifiable areas of responsibility are key. A transparent factory might enhance the corporate



Prof. Dr. Klaus Töpfer, 78, was Germany's second Minister of the Environment and served for many years as Executive Director of the UN Environment Programme. He has received numerous awards for his contribution to environmental protection.

image, but a transparent corporate structure will do so immeasurably more. While legal limits no doubt apply, these have by no means been reached.

III. Developing solutions

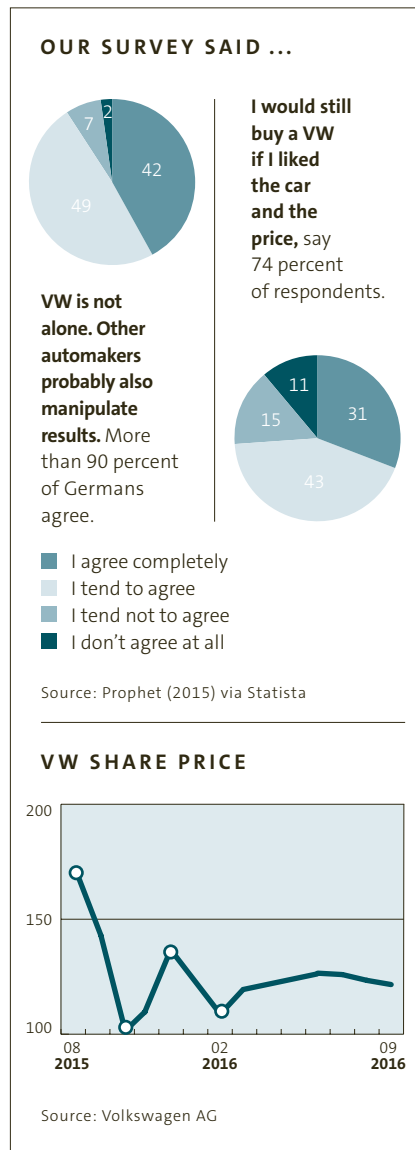
Germany's diesel subsidies incentivize the marketing of products which have largely fallen out of favor in important automotive markets. The air in Asia's urban centers – in China, India, and Indonesia alike – exceeds the limits established to protect people from particles and other traffic-related emissions. The populations of German cities like Stuttgart also face noticeably rising air pollution risks. Only massive lobbying has prevented countermeasures, such as nitrogen oxide windshield stickers, from being realized to date.

In short, the next generation of diesel vehicles must – and will – be the electric car. With the diesel motor, we are committed to the wrong path. Its sales success is delaying a bold realignment, with disastrous consequences. The implications are wide-ranging and the commercial risk is huge – especially with regard to suppliers.

IV. Driving innovation

Heretofore essential automobile components – such as the clutch and gearshift – aren't needed in electric cars. However, there is a much greater need for electrochemical products. This change in paradigm calls for a smooth, carefully planned transition encompassing business management, the economy, and working conditions.

Every further delay in opening the market to electric vehicles, and to shared transportation involving multiple products, heightens the danger of structural breaks that could have incalculable consequences for the German economy, where



the automotive industry plays an exceptionally important role in employment and value creation. A firm of Volkswagen AG's size and structure also has a duty to society as a whole to work with the "hidden champions" in its supply sector.

Lastly, the globally accepted aims agreed at the Paris climate conference mean that the energy used for electric vehicles must come from renewable sources. It is therefore time that the auto-

motive industry used its lobbying power to actively support the expansion of renewable energies and the associated urban infrastructure. At present, the expansion of renewables is being financed by electricity consumers alone. It must be in the interest of automakers to extend this arrangement to transportation energy as well. The industry must make credible investments in renewables as a contribution toward this.

V. Securing the future

Dealing with the dramatic mistakes of the past will be expensive. It will tie up funds unproductively, making them unavailable for forward-looking projects. As a result, a future perspective for Volkswagen 4.0 can only be gained by doing without certain accustomed entitlements. In the interest of credibility, the Management Board must take the lead here as well.

The banking crisis showed that it was possible to make drastic cuts to bonuses which had been justified virtually as natural law. In a case like the diesel crisis, there should be no hesitation to go the next step and impose actual financial penalties. Given the level of future investment needed to bring about the transformation in mobility, some may view such fines as "peanuts" – a dangerous mistake. Within the company and among customers, their psychological impact will rapidly take on the figurative financial weight not of millions, but of billions.

The collateral damage from this crisis reaches far beyond a single company and industry. It contributes to a larger picture of growing distrust in state institutions in our democracy. This makes it all the more critical that Volkswagen tackle the unprecedented disaster of "Dieselgate" with unprecedented honesty, transparency, and rigor.