

CSR Obligation or Myth: What Went Wrong with Volkswagen

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Abstract - Corporate Social Responsibility refers to its obligation to take those decisions and perform those actions which are desirable in terms of the objectives and values of our society. Corporate Social Responsibility can be defined as achieving commercial success in ways that honour ethical values and respect people, society and the natural environment in which we live. CSR means addressing the legal, ethical, commercial and other expectations that society has from corporate who should take decisions and actions that fairly balance the claims of all the stakeholders. The negligence from this responsibility sometimes results in tragic effects on society. The Coca Cola, Cadbury, Bhopal Gas Tragedy and the most recent case of Nestle Maggie in India are examples of negligence of MNCs with regards to corporate social responsibility in Indian context .The paper deals with issue of Volkswagen Emission Violation Scandal with reference to corporate social responsibility and associated implications.

Keywords: Corporate Social Responsibility, Multinational Companies, Ethical Responsibility, Volkswagen.

I. INTRODUCTION

In the twenty first century, corporate social responsibility refers to a comprehensive set of policies, practices and programmes that are combined into business operations, supply claims and decision making process throughout the company- wherever company does business- and includes responsibility for current and past actions as well as future impact of it on society. Recently, Company’s Act brought into force FROM 2013 (Clause 135) has made CSR mandatory for listed companies in India. Corporate Social Responsibility (CSR), being a comprehensive concept, it is difficult to define it concisely. However, few accepted definitions are as under: “The responsibility of enterprise for their impacts on society should have in place a process to integrate social, environmental, ethical human rights and consumer concerns into their business operations and core strategy in close collaboration with their stakeholders.” (European Commission 2011)“CSR is considering impact of company’s actions on society” (Koontz & Weihrich).Ethical Responsibility is the ability to recognize, interpret and act upon multiple principles and values according to the standard within a given field . However, it has been observed that the MNCs focus preferably on economic, legal and philanthropic activities by neglecting ethical responsibilities which are

equally important. This negligence sometimes results in tragic effect on the society. The Coca Cola, Cadbury, Bhopal Gas Tragedy and the most recent Nestle Maggie India are examples of negligence of MNCs with regard to Corporate Social Responsibility in Indian context. The Paper deals with issue of Volkswagen emission violation scandal with reference to CSR and associated implications.

II. BACKGROUND



Volkswagen a German car manufacturer established in Wolfsburg, Lower Saxony, Germany. It is a top-selling and namesake brand of the Volkswagen Group, the holding company created in 1975 for the growing company, and is now the second largest auto maker in the world, behind Toyota. Volkswagen has three cars in the top 10 list of best selling cars of all time compiled by the website 24/7 Wall St.: the Volkswagen Golf, the Volkswagen Beetle, and the Volkswagen Passat. With these three cars, Volkswagen has the most cars of any automobile manufacturer in the list that are still being manufactured, which includes model names that span multiple revisions and generations. Volkswagen means “people’s car” in German. Its current international slogan is “Das Auto” (“The Car”).

VOLKSWAGEN PASSENGER CARS PROFILE

CARS	VARIANTS
Up!	Hatchback
Polo	Hatchback, Sedan, Coupe, Estate
Beetle	Hatchback ,Convertible
Golf	Hatchback, Estate, Convertible
Jeeta	Sedan

Passat	Sedan, Estate, Crossover (All Track)
CC	Sedan
Tiguan	SUV

Source: www.volkswagen.com

III. VOLKSWAGEN INDIA

Volkswagen India Pvt. Ltd. Is a division of the Volkswagen Group India, founded in 2007. Volkswagen Group India has invested over INR 4,000 Cr. for setting up the state-of-the-art manufacturing plant is capable of producing 2,00,000 vehicles p.a. . Along with manufacturing of Volkswagen Polo and Volkswagen Vento, the plant is also shared by Skoda Auto India Pvt. Ltd. for manufacturing the Skoda Rapid. It also inaugurates its new engine assembly facility in Chakan, Maharashtra, India set up at a cost of about Rs. 240 Cr. (Euro 710 million). The plant reportedly holds production capacity of about 98000 engines annually. The plant shall be used for assembling the recently launched 1.5 lt. TDI engine that is capable of delivering two different power outputs of about 90 PS & 105 PS respectively.

VEHICLES MANUFACTURED ASSEMBLED BY COMPANY

VW Passat	2007-Present
VW Jetta	2008-Present
VW Polo	2009-Present
VW Vento	2010-Present

Source: www.volkswagen.com

IV. THE ISSUE

Volkswagen has been under fire since on 18 September 2015 the US Environmental Violation Agency (EPA) Issued a Notice of Violation of the Clean Air Act to German Automaker Volkswagen Group .The company had equipped vehicles with turbocharged direct injection (TDI) diesel engines with software programming that caused NOx emission produced, and measured, during testing to be much lower than those produced during real world driving. Affected vehicles are from model years between 2009 & 2015, and emitted up to 35 times the legal limit of NOx. An estimated 11 million cars worldwide, 5,00,000 in the US, included such programming as a defeat device. These findings stemmed from a study on regional emissions discrepancies commissioned in 2014 by the International Council on Transportation (ICCT) summing 15 vehicles. Among the research groups was a group of five scientists at WEST VIRGINA University, who detected a high level of emission during live road tests on three diesel cars. ICCT also

purchased data from two other sources. They provided their findings to the California Air Resources Board in May 2014.

V. IMPACT ON VOLKSWAGEN

ORGANISATIONAL IMPACT: Volkswagen Group CEO Martin Winterkorn resigned, the Head of Brand Development Heinz NewBer, Audi research and development head Ulrich Hackenberg, and Porsche research and development Head Wolfgang Hatz were suspended.

ECONOMIC IMPACT:



Source: Bloomberg

The German carmaker is facing up to \$18 billion in fine in the US over allegations of cheating pollution tests. The probe came after the company recalled a whopping 11 million units sold since 2006. On 21st Sep. 2015 VW Stock crashes after admitting it rigged US emission test. VW's share price fell 15-17% in early trading Monday following the German automaker's admission that it rigged US emission tests for about 5,00,000 diesel cars. VW Stock price stood at 136.78 Euros (\$156.19) On The Frankfurt Stock Exchange at 10 AM (0800 GMTM) on Monday.

Later, on 30th Oct., 2015: VW suspends sale of some vehicles in Australia. Emission cheating device breach Australian National Safety Standards and the country's consumer watchdog has warned VW could be fined up to Aus. \$ 1.1million (US \$7,80,000) for each pollution cheating device installed and in use in the country.

VOLKSWAGEN SCANDAL ENVIRONMENTAL EFFECT

The test found that the levels of NOx emitted by a Volkswagen Jetta were 15-35 times greater than dictated by the US Standard (31 milligrams per km.) , depending on road and driving conditions. Likewise, those for a Volkswagen Passat were 5-20 times greater. Diesel exhaust is a major

contributor to air pollution, especially in Europe, where diesel engines are much more popular than in the US. Diesel emissions contain carbon monoxide and NO_x, both of which have serious adverse health effects, Volkswagen's manipulations concerned NO_x, which is a precursor to ground level Ozone and can cause severe respiratory problems. In London, where more than 3000 deaths a year are attributable to air pollution, diesel road traffic is responsible for 40% of NO_x emission. Across the EU, some 20% of the urban population is estimated to live in areas where nitrogen-dioxide concentration exceeds air-quality standards.

VI. VOLKSWAGEN SCANDAL INDIA EFFECT

The Automotive Research Association of India (ARAI) has initiated a probe into the VW scandal. Volkswagen Scandal, heeding a request from the Indian Government to determine if the German carmaker manipulated emission test in India. ARAI, a Government Agency has been asked to submit report with in a week said Additional Secretary at the Ministry of Heavy Industry, Ambuj Sharma, stated.

According to The Economic Times : The Global emission Scandal revolves around the working of the Volkswagen EA 189 Engine, which is currently installed in 150000-180000 cars in India. Some of the models likely using this engine include Audi's A3, A4, Q3 & Q5, VW Jetta and Skoda's Superb, Yeti and Laura according to the Times of India. Director at ARAI Rashmi Urdhware she said "We have sought details from VW and are awaiting their response". While the US is Euro VI emission norms compliance, India still follows the older Euro IV standards.

VII. CONCLUSION

The Issue of VW Emission Scandal in preceding sections is an eye opening incident for all stakeholders and a lesson for Indian Automobile Industry also. It is the prime responsibility of every industry to be cautious about the potential impacts of their activities on health of citizen and effect on Environment which is definitely the part of corporate social responsibility. To ensure good quality and environment friendly automobiles without degrading the environment, cheating set standards or norms and health of people is important failing which can result in serious consequences.

It is therefore became the responsibility to incorporate the product quality parameters in production planning not only to adhere the set standards or norms but also to be ethically and socially responsible business. Consideration of social and ethical responsibilities throughout the journey of any automobile industry can definitely lead a company towards

sustainable economic development. In today's scenario what is the power of different Environment Protection Agency can be observed from this above mentioned case and in future too these Environment Protection Agency can play an active role in market mechanism and help in making a better, healthier and prosperous world to live.

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