

Short Case 5 – Volkswagen’s Governance Crisis

Based on Whittington et al. (2021)
Chapter 5: Stakeholders and Governance

Agenda



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- 1. Characterise Volkswagen
- 2. Identify Volkswagen's main stakeholders
- 3. Classify stakeholders by power and attention
- 4. Assess strengths and weaknesses of the stakeholder governance model
- 5. Recommend what VW should have done after Winterkorn's resignation



1. Characterising Volkswagen

- Global automotive group founded in 1937; one of the world's largest carmakers
- Multi-brand manufacturer with major scale, engineering depth and international reach
- Historically shaped by concentrated ownership, state influence and labour representation
- Case context: strategic success was overshadowed by a major governance and emissions scandal

Case Snapshot: Why This Became a Governance Crisis

- Spring 2015: boardroom struggle between Ferdinand Piëch and CEO Martin Winterkorn
- Autumn 2015: US EPA issued notice over diesel 'defeat device' emissions cheating
- Winterkorn resigned shortly after the EPA notice
- The scandal raised questions about oversight, culture, accountability and stakeholder protection

Chapter 5 Lens: What Matters Here?

- Stakeholder groups and their competing expectations
- Stakeholder mapping through power and attention
- Governance model: who influences strategy, who monitors management, and who bears the costs
- Whether Volkswagen's governance structure encouraged balance—or diluted accountability

2. Volkswagen's Main Stakeholders

- Owners / controlling shareholders (Porsche-Piëch family)
- Supervisory board and top management
- Employees and labour representatives
- Lower Saxony regional government
- Customers
- Regulators and governments
- Suppliers and dealers
- External investors, lenders and wider society

Why These Stakeholders Matter

- Owners shaped strategic direction and board control
- Employees had formal representation and high political weight
- Lower Saxony held a blocking minority and strong influence
- Regulators and customers became central once misconduct was exposed
- Society was affected through environmental and public health consequences

3. Stakeholder Mapping: High Power / High Attention

- Porsche-Piëch family
- Supervisory board chair and top executives
- Lower Saxony government
- Employee representatives / unions
- US and EU regulators after the scandal

Stakeholder Mapping: Other Key Positions

- High attention but lower direct power: customers, NGOs, media, local communities
- High power but lower day-to-day attention: institutional investors and lenders
- Operationally important but lower formal power: suppliers and dealers
- The crisis moved regulators, customers and society much closer to the centre of governance



Suggested Power–Attention Classification

- Players (high power, high attention): family owners, supervisory board, Lower Saxony, labour representatives, regulators
- Context setters (high power, lower attention in normal times): investors, lenders
- Subjects (lower power, high attention): customers, NGOs, communities, media
- Crowd / peripheral in governance terms: some suppliers and smaller external partners

4. Strengths of the Stakeholder Model at Volkswagen

- Broad representation can prevent narrow short-term shareholder logic
- Employee voice can support long-term investment, skills and operational continuity
- Regional/state involvement can protect jobs and industrial commitment
- In theory, multiple powerful stakeholders should improve checks and balances

Weaknesses of the Stakeholder Model at Volkswagen

- Too many powerful insiders can blur accountability
- Board independence may weaken when relationships are politically and socially intertwined
- Consensus-oriented governance can suppress challenge and bad-news escalation
- Stakeholders inside the system may protect each other rather than protect wider society



Core Evaluation

- Volkswagen reflected the stakeholder model's strength in representation
- But it also exposed a major weakness: representation is not the same as effective oversight
- The structure gave voice to many insiders, yet failed to detect or stop misconduct
- So the model was not wrong in principle—but poorly functioning in practice



Governance Diagnosis After Winterkorn

- VW needed more than a leadership replacement
- It needed credible independence, investigation and cultural reset
- The key issue was whether the same governance network could reform itself
- Keeping too much continuity risked signalling denial rather than accountability

5. What Volkswagen Should Have Done

- Separate crisis response from internal power politics
- Appoint a genuinely independent chair or lead director figure
- Launch an external investigation with full transparency
- Refresh the board with more independent non-executives and compliance expertise
- Redesign incentives so legal and ethical compliance mattered as much as growth targets

Management Actions Volkswagen Should Have Taken

- Replace not just the CEO, but also executives tied to the culture of silence or excessive pressure
- Strengthen compliance, internal audit and whistleblowing channels
- Communicate openly with regulators, customers and investors
- Create visible accountability and short-term corrective milestones
- Rebuild trust before returning to 'business as usual'

Discussion Answer in One Sentence per Question

- Q1: Volkswagen is a giant global carmaker whose scale and governance complexity became a strategic vulnerability.
- Q2: Its main stakeholders are owners, board/management, labour, Lower Saxony, regulators, customers, investors and society.
- Q3: The most powerful and attentive stakeholders were insiders plus regulators after the scandal.
- Q4: VW showed both the inclusiveness and the accountability problems of stakeholder governance.
- Q5: After Winterkorn, VW should have pursued deeper governance reform, not just succession.

Conclusion

- Chapter 5 shows that governance is not just structure; it is how power is exercised
- Volkswagen had broad stakeholder representation but weak challenge and control
- The crisis demonstrates that purpose, governance and stakeholder protection must be aligned
- Without independent oversight, stakeholder models can become closed systems



3 Questions for the Class

1. Did Volkswagen fail because of the stakeholder governance model—or because it did not apply that model properly?
2. Should employee and state representation be reduced when a company faces a serious governance breakdown?
3. If you were on VW's supervisory board in 2015, what concrete action would you take first: leadership change, board reform, or full external investigation—and why?