

German car maker Volkswagen is paying out up to [\\$15.3 billion](#) to address the effects of the emission crisis in the United States. This by far the [biggest settlement](#) in the history of the auto industry.

However what happened at Volkswagen, is a symptom that of [an economic system characterised by](#) hyper-competition, enormous stakes and inflated corporate power. This system is ultimately what needs to change if they want to address the root causes of scandals like this.

Since the emissions scandal broke in September 2015 Volkswagen has suffered a fall from grace of mammoth proportions. The whole sorry affair has hit Volkswagen where business hurts most. Share price, sales revenues, pre-tax profit; they are [all down](#) .

The carmarker's new aggressive business strategy and their willingness to [quickly agree to the terms of the recent settlement](#) indicates that they are focused on the future.

But road ahead will be rough. Even after this landmark settlement is agreed in the US, [legal claims in Europe and elsewhere](#) are still outstanding. The US Justice Department and investigators in Germany are working together to establish whether [criminal charges](#) should be laid.

The costs of the emissions scandal are still not fully known, [car dealers are disgruntled](#) , and there are calls from [angry shareholders](#) to have a more independent supervisory board are not being heeded.

The announcement of the settlement in the US has also raised criticisms about how Volkswagen is compensating its other customers. [European Industry Commissioner Elzbieta](#)

[Bienkowska](#) has just called again on the company to pay damages in Europe comparable to those in the US. The company has rejected those calls, with European law lacking the same mechanisms for class action law suits that are available in the US.

Strategy and culture

Despite the public indignation that the emissions scandal produced, it was in fact entirely consistent with the company's strategy. In 2009 Volkswagen announced that within nine years it would become ["the most successful and fascinating automaker in the world"](#).

Focusing on customer satisfaction and technological innovation, including what it used to call 'clean diesel', Volkswagen aimed to be selling more than 10 million vehicles per annum and returning an 8% return on sales before tax.

The strategy was working, and half way through last year [Volkswagen overtook Toyota](#) to become the largest car manufacturer in the world. They were seen as an exemplar of how world leading business performance could be matched with a dedication to ethics and environmentalism.

The emissions scandal revealed a different part of that strategy, and one that reflected a central value of contemporary global business: all that matters is competition and winning. At Volkswagen this was coupled with an autocratic management style. Arguing with a 'superior' was seen as impermissible and work environment was well known for [sunning debate and criticism](#).

Take massively ambitious commercial goals, stir in a 'whatever-it-takes' attitude, and sprinkle liberally with an unwillingness to be questioned. This is a recipe for disaster, and disaster is what it caused.

Volkswagen's future

In what has been dubbed 'Strategy 2025' Volkswagen have switched focus from growth in sales volume to profitability and efficiency. In terms of products, the plan is to put [30 new models of electric car](#) on the

market in the next nine years.

CEO Matthias Müller says [the strategy](#) will involve the ["biggest transformation in the company's history"](#).

Included is an aggressive cost cutting program that is looking for €8 billion in savings per year.

But this is a serious challenge given the

[power of Volkswagen's labour unions](#)

. Resistance to eliminating jobs has so far proved successful.

Dealing with the emissions scandal is central to the new strategy. Müller says that his [top priority](#)

is to support customers affected by the diesel crisis, through compensation and technical solutions.

But you don't have to read between the lines to see that Volkswagen just wants to put the whole thing behind them as quickly and cheaply as possible. Despite the US deal, for example, Volkswagen are still persistent in [defending claims](#) for compensation being made in the Australian courts.

Given how aggressively they are pursuing this strategy there's a good likelihood that the comeback will be successful and while this might work, the conditions that brought it about are where the real problems lie.

Volkswagen is paying the price, but trying to cure one patient doesn't stop the spread of the virus. What happened at the company is a prime example of how big business is treated by some as a game of risk-and-reward where people are encouraged to do what needs to be done to be 'winners', even if that means flouting the law and abandoning personal ethics.

Until that game changes we can expect the corporate scandals to continue.

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Volkswagen's record settlement payout: treating the symptom not the disease

Written by The Conversation

beyond the academic appointment above.

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