

Running on Fumes

VW's Dieselgate scandal has only got one good thing going for it – it isn't as visually spectacular as the disastrous explosion on the BP drilling rig in the Gulf of Mexico that happened six years ago. But BP and VW share one thing in common - appalling PR handling of the crisis.

BP listened to their lawyers and decided that the wisest approach was silence and obfuscation. VW has been slightly more enlightened, publicly acknowledging that the company was at fault, but in many ways the statements made by officials have only served to make the problem worse.

VW's management appears to have been paralyzed by the problems involved in dealing with the US Department of Justice. Appointing an independent law firm to conduct an investigation is both standard operating procedure and a smart thing to do. But deciding that nothing should break the cone of silence surrounding that investigation is, in this case, the corporate equivalent of self-harming.

There is no question that VW has committed fraud. The issue is what is the company doing to begin rebuilding trust? Regulatory intervention and class action suits are par for the course in the US. Consumers and investors expect companies at the heart of such a situation to demonstrate how they expect to be reborn.

The equity market is a good barometer of the health of any company. A struggling share price indicates a lack of confidence in the future of the firm by investors, because they don't think consumers are likely to buy the company's products. Employees look at a depressed share price and lose heart.

Faced with this, VW has done next to nothing to rekindle hope. The messages are missing. VW needs to develop a coherent reason why its future will be different. But it also needs to acknowledge its communication failings; shockingly some major investors in the US do not know what marques VW owns. That in itself is "criminal".

VW is an impressive company that temporarily lost its moral compass. Addressing the culture that allowed such a lapse to occur seems to be underway. But communicating vision while addressing the sins of the past is, at least for now, a work in progress.