

DIESELGATE: THE CORPORATION IN THE DOCK

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ABSTRACT

This case for teaching in management challenges the traditional perspective that is dedicated to the cases of best practices and decisions faced by the managers in the managerial activities. In this direction, the purpose of this teaching case is to provoke reflections and debate on the dark side of contemporary organizations, more specifically, on corporate crime. The case in point is the so-called "dieselgate", a crime carried out by the German corporation Volkswagen, in the falsification of pollutant emissions results in diesel engines. Unlike teaching cases that stem from a manager's dilemma, this case focuses on corporate practices that are detrimental to the environment, on factors that encourage companies to act in a criminal manner, and how those conditions can be altered.

Keywords: Corporate Crime. Dark side. Dieselgate.

THE CASE

Our company was dishonest, with the EPA and the California Air Resources board, and with all of you and in my German words, we have totally screwed up [...] We have to make things right, with the government, the public, our customers, our employees and also very important, our dealers [...] Along with our German headquarters we are committed to do what must be done, and to begin to restore your trust [...] (SEIB, 2015).

The above passage is part of the speech given by Michael Horn, executive presidente of the Volkswagen Group of America, during the launch of the Passat 2016, after the German automaker was accused of falsifying the US emissions test. This is an apology for an intentional act, committed to achieve corporate goals, with drastic consequences for the environment and society.

Corporate scandals such as these have become increasingly common, prompting reflections on how corporations operate and their power over nations and societies. Some questions to ask are: why do organizations cause damages? What is the responsibility of top managers when this happens? In this case, specifically, a fraud was committed in the course of the company's operational processes, forming a social and environmental irresponsibility, given the consequences of the act for the environment, besides being a criminal conduct.

Pressure to achieve corporate goals: an arrogant culture

The case became public in September 2015 in the United States, but it was previously suspected of fraud practiced to respond to the pressures of the American government, started in 2004, in relation to the high standards required for emission of nitrogen oxide (Nox), a pollutant emitted in the combustion of diesel. In 2009, Volkswagen announced the production of clean diesel cars, produced with a different system to comply with US rules, which were much stricter than the European ones, because it allowed only about one-sixth of Europe allowed. This system uses EA189 engines, that

exclude the use urea in the gas and water mixture, which alleviates the harmful effect of nitrogen oxide (NOx) in the environment (HOTTEN, 2015; JUSTIÇA, 2018).

VW's strategy to increase sales in the United States, which was in decline, was born by then CEO Bernard Pischetsrieder and continued when Winterkorn replaced him in January 2007. Winterkorn was the protected of the president of the supervisory board of VW, Ferdinand Piëch, who had been CEO of the company from 1993 to 2002, being considered the most influential personage in the history of the company. A talented engineer and prophetic leader, he was also implacable: Piëch boasted of his willingness to lay off executives if they did not meet the goals. In early 2008, VW announced the strategic planning of 10 years, which set a sales target for the company to outperform General Motors and Toyota, until 2018, that would take the company to the lead in automobile manufacturing in the world. The pressure to achieve goals can lead those involved to make decisions without analyzing the consequences, for example, in this case, the former engineer of Audi, Pamio, accuses the top managers of knowing that the engines would not be able to meet the parameters set by the US and European authorities (EWING, 2017).

This event shows: an arrogant and corrupt corporate culture, protected by the vital role played by the company in the German economy; the close relationship of its employees with German politicians; and its unusual almost public status (the state of Lower Saxony controls 20% of its voting shares). Piëch survived major scandals, including a corporate espionage debate in the 1990s, which ended in a US \$ 100 million deal with General Motors, and a decades-old work scandal that erupted in 2004, when the company made illegal payments to labor and political representatives.

Predictions of crime and denial

In 2013, the low level of VW diesel engine emissions attracted the attention of the International Council on Clean Transportation (ICCT), an independent group. In conjunction with the University of West Virginia, ICCT has

initiated a project to “study the system to show how diesel could be a clean fuel”. From then on, three cars were analyzed: two from the VW brand, one from the BMW brand. In the cars of the first brand, it was noticed that there was a difference between the emission level of NO_x in the laboratory tests and those observed in the study of the streets. With this results, in 2014, the ICCT and the University of West Virginia informed the US Environmental Protection Agency (EPA) and the California Emissions Board (CARB) about the results of the comparative tests. Despite the denial, the company chose to recall 500,000 car in the US, promising resolve the case (JUSTIÇA, 2018).

From the suspicion to the accusation of Crime

Continuing the tests, the CARB and the EPA attempted to find out the reason for the differences in data found in laboratories and on the streets. In 2015, EPA discovered software installed in the VW car electronics plant, which altered pollutant emissions in vehicles undergoing inspections. The software worked as follows: after tracking the position of the steering wheel, vehicle speed, the time the car was on and barometric pressure, the device lowered pollutants emitted by recognizing a test condition, and, under normal conditions, the exhaust controls are turned off and the cars pollute beyond the allowed indicators. On September 18, 2015, the company was accused by the US government of fraudulent data on emissions of polluting gases to comply with the country’s regulations, opening a criminal case (HOTTEN, 2015; JUSTIÇA, 2018).

The United States Department of Justice indicted Martin Winterkorn and others of conspiracy on March 14, 2018:

From at least in or about May 2006 until in or about November 2015, DORENKAMP, NEUSSER, HADLER, GOTTWEIS, PETER, WINTERKORN, and their co-conspirators agreed to defraud U.S. regulators and U.S. customers, and violate the Clean Air Act, by misleading U.S. regulators and U.S. customers about whether the Subject Vehicles and the Porsche Vehicles complied with U.S. emissions standards (THE UNITED STATES, 2018, p. 13).

On 13 June, 2018, Volkswagen was ordered by the prosecution of Braunschweig, Germany, to pay the fine of 1 billion euros, for the manipulation of emissions of gases in the diesel engines. The company did not contest the conviction, declaring itself guilty of the accusations (ESCÂNDALO, 2018).

Apologies and laments

With the news stamped on the world's major media outlets, executive's reactions were mixed. On September 20, 2015, Chief Executive Martin Winterkorn released a note regretting: "Personally and deeply, I am very sorry that we have broken the trust of our customers and the public", and announced his resignation three days later saying he was not involved in the fraud. The company's board said the executive "was not aware of the manipulation of emissions data. Volkswagen does not tolerate any violations of laws or regulations" (JUSTIÇA, 2018).

On September 21, 2015, it was the turn of Michael Horn, the president of the company in the USA, who took the company's blame during the launch of the new Passat in New York, although he said he had not been aware of the facts. However, the investigation found emails addressed to the then president alerting him to the problem. On September 23, a new president takes command of the group and announces a reorganization. In 2016, the new executive president apologizes publicly, saying: "We are not a criminal brand" and announces an investment of US\$ 900 million in the USA (JUSTIÇA, 2018).

It was only in December 2015 that VW issued an official statement stating that the fraud began in 2005 with the adoption of an aggressive tactic in the diesel segment for the American market, "but there is still no evidence of involvement of board or board members" (JUSTIÇA, 2018).

According to the US Department of Justice prosecutor's note, US prosecutors have understood that Winterkorn, although he did not order his subordinates not to disclose the fraud, agreed to continue to deceive the US authorities (THE UNITED STATES, 2018).

Government, regulators and justice

The testimony in the US Congress began in October 2015, and the President Michael Horn was the first executive of VW to testify, who said he knew the automaker's diesel emissions exceed those permitted by US regulations. The president also said he knew of the fraud in early September in a meeting with US regulators. Also in 2015, Germany, France and the United Kingdom announce measures to retake the emissions tests (JUSTIÇA, 2018).

In 2017, executives were convicted and arrested: Oliver Schmidt, the department head who was expected to comply with regulatory standards, was sentenced to 7 years in prison in December 2017 (MARQUET, 2017; GOLDMAN; TABUCHI; EWING, 2017; JUSTIÇA, 2018). In addition to the prison sentence, the US judge ordered Schmidt to pay a criminal fine of \$ 400,000 for conspiracy to commit fraud against the United States, to commit electronic fraud, and to violate the Clean Air Act (THE UNITED STATES, 2017). Five other executives were indicted by the US Justice Department on accusations of conspiracy and intent to commit fraud (MARQUET, 2017).

In Oliver Schmidt's conviction, the FBI special agent in charge of the case said that "americans expect corporations to follow laws and regulations designed to protect consumers and environment" (THE UNITED STATES, 2017).

Actions taken by the company

In October of 2015, the automaker informs that it will do a recall of 8.5 million cars to reverse the problem, starting in 2016 in Germany. In the US, the recall solution was only approved by the US government in 2017. In addition, the automaker said that a fraudulent software update is under way in Germany (JUSTIÇA, 2018) and its president says that "deeply regrets the behavior that gave origin to the diesel crisis". Since all of this has surfaced, we have worked tirelessly to make things right for our affected clients and have already made some progress on this path" (MARQUET, 2017).

The company's financial losses began to be announced still on October 2015: "The VW group announces its first quarterly loss in at least 15

years. The result is affected by the reserve of € 6,7 billion to cover costs with fraud”. The reported loss was 1.3 billion euros in 2015. Other losses include:

- a. fines of Ibama and Procon-SP, of the Brazilian subsidiary of the company, at R\$ 50 million and R\$ 8.5 million, respectively;
- b. the financial compensation program offered by the company to customers who purchased cars with the TDI (turbodiesel) engine in the amount of US \$ 1,000;
- c. civil judicial process filed by the US Department of Justice with penalties of up to US \$ 48 billion;
- d. dozen of large shareholders threatened to sue the automaker to obtain compensation for all their actions caused by the fraud committed; and
- e. agreement of \$ 10 billion to finish consumer lawsuits in the US (JUSTIÇA, 2018).

To get an idea of the consequences of this fraud:

- 482,000 vehicles with diesel engines violate federal standards in the United States, including Jetta, Beetle (called “fusca” in Brazil), Golf, Passat and the Audi A3 of the brand that belongs to the Volkswagen group. The vehicles were manufactured between 2009 and 2015;
- there were 11 million diesel vehicles worldwide in models of various brands belonging to the group;
- In January 2018, VW celebrated the annual record of cars sold in 2017, surpassing the 6.23 million mark worldwide in 2017 (JUSTIÇA, 2018).

Outcome: the admission of guilt

In 2017, the company admitted it’s guilt in the crime that resulted in damages to the environment, customers and shareholders. According to the United States Department of Justice,

Schmidt also admitted that knew during the his conspiracy briefing that VW's "clean diesel" vehicles were being marketed to the public as being environmentally friendly and promoting greater fuel economy while complying with US environmental regulations. Schmidt knew that VW's diesel vehicles were not in compliance with US standards and regulations and that these representations made to domestic customers were false, he admitted (THE UNITED STATES, 2017).

The company also reported in June 2016 that it had reserved "7.8 billion euros to buy back and repair vehicles outside environmental laws. And another \$ 7 billion to cover costs with fines and lawsuits worldwide". In the billion- dollar deal, VW has promised to pay \$ 4.3 billion in fines to finish civil and criminal cases against it in the US and it's operations will be overssen by an independent monitor. Other deals have been made: \$ 157 million to indemnify 10 states, including New York, Massachusetts and Pensilvânia, and pay penalties for violating emission standards; \$ 1.2 billion to repair or buy back 80, 000 3.0 liter diesel cars; \$ 154 million to the state of California, in addition to the \$ 533 million previously awarded (JUSTIÇA, 2018).

TEACHING NOTES

Educational Goals

The purpose of this teaching case is to lead material management students to stimulate their reflections on the consequences of their decisions on business activities when they are confronted with criminal and illegal practices. In this direction, the following educational goals are proposed for this case:

- a. Recognize the contextual, economic and organizational conditions that precede corporations crimes;
- b. Analyze the consequences and scope of criminal corporate conduct;
- c. Understand the literature oriented to the questioning of management science;
- d. To argue about the factors that encourage and those that discourage the company's engagement in corporative crimes;
- e. To propose strategies of change to situations similar to the one presented in the case, in order to avoid criminal corporate practices.

Utilization of the case

The case can be applied in courses of administration and business, as well as in public management courses, at undergraduate and postgraduate levels. Disciplines such as Leadership, Organizational Culture and Change Power in Organizations, Organizational Theory, Ethics, Public Management have the potential to explore the case in several aspects, mainly considering that corporate crimes are not accidental, are part of corporate operations, and may be intentional. The case is also interesting to be discussed in courses and trainings for executives and middle and high level managers, from the public and private sector.

Suggested lesson plan

The case can be applied in four (4) hours/ class, after having concluded the theoretical classes on the theme that will be the background for the discussion : ethics, organizational behavior, public management, business management, culture, power, etc. The teacher can recommend reading the texts of Fournier and Grey (2006) and the metaphor of domination (MORGAN, 1996) to bring students closer to critical studies in administration. So, for the application of the case, we suggest starting with the individual reading of the case in the classroom, in the first class, for that information is more present at the moment of discussion. Then, in the second class, the case should be discussed in small groups preparing for debate, when the teacher will explain that the participants should position themselves on the case and it's unfolding, weaving their arguments based on the case presented and the reading of the material indicated. The teacher should then encourage the students to do a research on the case to obtain additional information, and may then indicate the first episode "Mortal Emissions" of the documentary "On the dirty money route", from Netflix. This episode explains the fraud in a very didactic way, from almost accidental discovery of the crime by the ICTL, the emails that guided the company's technicians to delay the answers given to the research entities, to testimony of former executives in the US court. The documentary shows the cynicism of company executives in dealing with this case, caring little for the thousands of people affected by toxic emissions. In the third and fourth classes, the teacher encourages students to discuss alternative organizations and management models that discourage such practices.

Suggested questions for discussion in class

1. What are the contextual and organizational conditions that have allowed and encouraged those involved to engage in falsification of results of pollutant emissions?
2. What formal and informal VW's practices and structures allowed and encouraged fraud?

3. What organizational factors could have discouraged fraud and the reasons that did not?
4. How do you analyse the performance of governments and agencies in this case?
5. How do you analyse the behavior of executives and managers in relation to the case?
6. How do you analyse the performance of technical and P&D teams? Do they comply with legal standards or do they comply with unqualified superior's orders on their (i) legality?
7. How do you analyse the participation of investors (shareholders) in the case?
8. Discuss the interrelationships between formal and informal levels among governments, agencies, and companies to create organizations and alternative management ways that support conditions that encourage workers and executives to talk about criminal behavior and practices as well as those that are morally inappropriate.

Data Sources

The case was elaborated on the basis of secondary sources available in the internet, including: newspaper and magazine reports in their electronic version, and videos containing the statements of company executives and others involved in the case. Given the repercussion of the scandal, we found a vast amount of material, which led us to delimit the material published in the following sources: Folha de S. Paulo, Forbes Magazine, BBC News, Globo.com, New York Times, Volkswagen International website and the United States Department of Justice.

Analyse of case

This case can be discussed without reference to conceptual and theoretical approaches, however, an analysis that encourages students to reflect on criminal conduct of corporations requires specific conceptual resources. Among other possibilities of conceptual approaches to analyze the case, we suggest readings oriented to the understanding of:

Corporations and the dark side – In order for the students to take a stand on the case, a visit to critical management perspectives is recommended, starting from the idea that, at the same time that corporations produce goods and services for society, they produce harmful actions that result at high social and environmental costs. This implies that the same characteristics of a system that produces the bright side are capable of generating the dark side of the organization, which is generally not central to the organizational theories (VAUGHAN, 1999) taught in management courses. This implies a foundation for the nature of corporations, corporate objectives and how this business model expands the power of large corporations by leveraging the existence of “organizations that kill” (MEDEIROS; ALCADIPANI, 2017).

The emergence of corporations in the nineteenth century changed the mechanisms of corporate ownership, even within the legal framework, and these quickly between 1840 and 1860 became the preferred model by capitalists for organization business. Corporations are defined as the economic and social institution that operates large business, in a free enterprise system capable of making possible the development of large-scale operations in the field of transportation, communications, distribution and production, which requires large amounts of capital (CAREY JR., 2011).

In the 1870s, the major corporations in most industries were oriented to reduce competition and increase their profits by means of a horizontal combination that allowed them to control the raw material and the market, as well as other advantages. Already at the time, corporations were accused of price fixing, exploitation, and other abuses, resulting in a political reaction from the US government that instituted new forms of regulation for this type of organization in the late nineteenth century (CAREY JR., 2011). The main characteristic of this type of business organization is its capacity of influence and power over a wide and extensive geographic, cultural and social scope, besides the possibilities of obtaining greater profits (CLINARD et al., 1979). According to the Barley analysis

(2007, p. 214), corporations influence social institutions in three ways: (1) “promoting legislation that benefits corporate citizens to the detriment of citizens”; (2) “hindering or redirecting the creation of agencies to protect the public good from the acts of corporations and the externalities they create”; and (3) privatizing functions that have been historically performed by local, state, and federal governments.

Great business imply high economic power in the hands of a few; employees have limited bargaining power with their employers and are more vulnerable to economic crises, in addition to being forced to accept precarious working conditions with long working hours and low wages (PEARCE; TOMBS, 1999; CAREY JR., 2011). Contemporary corporations enjoy the power of mobility, which allows them to choose the resources, conditions and location of their operations in order to achieve advantageous product conditions, while eliminating any kind of limitations and constraints, and each “the world economy will be even more dominated by open international corporations” (SOROS, 2001, p. 199), which increasingly pay less attention to social and environmental interests.

Corporate crime

For the analysis of this case, as the focus is on management, one must seek the understanding of corporate crime in its sociological conception, despite the controversies over the term. Several authors propose conceptualizations, and Kramer’s concept is appropriate for the analysis of the case: “criminal acts (omission or commission) that are the result of deliberate actions (or negligent negligence) by those occupying positions in the structure of the organization as executives or managers” (KRAMER, 1984, p. 18). For the author, decisions to commit corporate crime are based on organization, being “taken in accordance with the normative objectives (mainly corporate profit), standard operating procedures, and cultural norms of the organization- and are intended to benefit the corporation itself” (KRAMER, 1984, p. 18).

The study of background of corporate crimes has taken a number of directions, resulting in a wealth of material to examine corporate motiva-

tions for engaging in criminal conduct. Sz wajkowski (1985), for example, propose the analysis of the stimuli to organizational illegality by means of the theoretical integration of three elements of variables that determine its occurrence, which commonly converge in the studies on the subject namely: (1) environment (pressures, need or economic recession); (2) structure (corporate, industrial or legal); and (3) the process of internal choice (pathology, intention, or proactive exploration).

The model of Baucus e Near (1991) for analysis of the process of illegal behavior considers the antecedents in three levels: environmental, internal and situational. In relation to the **environmental antecedents** that create conditions for criminal management action, the authors cite: the scarcity of resources increases environmental uncertainty, leading managers to action to reduce this uncertainty; the dynamism of the environment demands faster and not standardized responses; the heterogeneity of the environment makes organizational actions more complex due to the diversity of organizations and individual firms operating in the same environment. The **internal antecedents** are: the low organizational performance; the large size of the organization; and the low organizational backlash. As a **situational background**, Baucus and Near (1991) consider: previous violation of the law, which can encourage corporate crime; the type of industry, which can favor corporate crime by virtue of industry characteristics; and the type of violation, because, as the authors defend, it is possible that a combination of antecedents could lead a specific type of violation.

Later, Baucus (1994) extends the understanding of corporate illegality by developing a model that considers **pressures, opportunities and predisposition** as **antecedents** of illegal behavior and **individual characteristics** as a **moderating** variable. The **model of corporate illegality** proposed by Baucus (1994), which are divided into two categories: intentional and not intentional illegal behavior.

In addition to these studies on the antecedents of corporate crime, other researchers (MCKENDALL; WAGNER, 1997; MON, 2002; MacLEAN, 2008) included variables internal and external to the organization and some of them sought to understand corporate crime by analyzing in-

stitutional characteristics, organizational and individual. In general, the following antecedent factors are common in studies: pressure for results, pursuit of superior performance, emphasis on corporate objectives and operational procedures and standards, so institutional and organizational factors influence the occurrence or not of corporate crime. In this sense, Michalowski and Kramer (1987, 2007) propose an analytical framework to integrate organizational crime theory, which links the three levels of analysis (individual, organizational and institutional) to three catalysts for action, namely: reason or **pressure for performance**; structure of opportunity, and the operationality of control. In relation to conditions that create pressure for results, these arise when individuals, including shareholders/ investors or organizations put urgente demands or restrictions on a company, causing it's employees to respond in some way, or even when suppliers, creditors, agencies regulators and other agentes use the availability of resources, threat of sanctions or other means to force a firm to act in a certain way, engaging in illegal practices (BAUCUS, 1994). Thus corporate crime is a complex social phenomenon whose understanding does not overlook a more in-depth look at the way in which corporations are social actors that intermediate the institutional forces and the action of individuals.

The costs and consequences of corporate crimes are highly relevant aspects. Common crimes carry consequences for individuals and communities, but corporate crime entails a set of damages and losses that go beyond those, reaching inestimable proportions (CLINARD et al., 1979; PAYNE, 2012). Although these costs are not easily identifiable and measurable, given that in many of these crimes the actual losses are not reported in order not to constrain the businesses involved, several authors contribute with the subject in the way of classifying them and, therefore, make it easier to identification of the dimensions reached. Still on this aspect, Clinard et al. (1979) highlight that official cost statistics do not take account of diseases caused by environmental pollution, the sale of products that cause harm to consumers, potentially dangerous working conditions due to exposure to toxic product, psychological trauma of victimization and called the social

crime of the factory to refer to the alienation of labor, the erosion of trust in institutions, which provokes a process of “delegitimation”, and the cynicism that emerges within the framework of the institutions that are the protagonists of the crimes, and these costs are therefore undersized.

To discuss the role of executives in forgery, an important theoretical contribution to be discussed is about top managers, those who have the power of strategic decisions in corporations. Daboub et al. (1995) introduce the **characteristics of the top management team of executives** not as a predictor of corporate crime, but as a factor that indicates the extent to which increasing pressures from past factors may lead to illegality, since the role played by executives in company’s influence on decisions related to organizational and environmental factors and, consequently, can neutralize or encourage the occurrence of illegality.

One aspect that should also be at the center of the student’s reflections on the case is the corporation’s reactions to their apologies, which makes it pertinent to discuss the “moral disengagement” of corporations when criminal practices come to the public. The moral disengagement of the corporation, by means of mechanisms or maneuvers to minimize the reprobation of workers and of society in general, reduces the negative effects of criminal and illegal practices, reducing the possibilities of denunciations and boycotts of consumers (MEDEIROS; SILVEIRA; OLIVEIRA, 2018).

The concept of Michalowski and Kramer (2007) for state-corporate crime contributes to the understanding of relations between governments and corporations. This concept, which in a sense can be a typology of corporate crime, comprises the intersection between governments and corporations to produce social damages and consists of “illegal or socially harmful actions that occur when one or more institutions of political governance pursue a goal in direct cooperation with one or more institutions of economic production and distribution” (MICHALOWSKI; KRAMER, 2007, p. 270). Deviant interorganizational relations are participated by government agencies and business corporations, which operate within the capitalist system with damaging consequences. The state-corporate crime occurs in two distinct ways: when corporations hired by the government engage in

deviant practices, or have government approval to do this; and when government regulatory institutions fail to restrict deviant business activities.

Given the contemporary relevance of business ethics and corporate social responsibility, having employees who value moral behavior and obey the law is an important component for criminal practices to stop to occur. Despite formal and legislative restrictions to punish criminal practices, informal elements should be considered to create and sustain an organization where employees are discouraged from engaging in such practices and even denouncing them. There are several studies that focus on discussing related issues. Zahra, Priem and Rasheed (2005), for example, list the composition of the board of directors, leadership and organizational culture as factors that can stimulate the occurrence of managerial fraud. The separation of ownership and control, characteristic of the modern corporation, demands attention for the board of directors, because the shareholders, while delegating decisions to contract managers, seek to diversify the risk of their investments, not having the resources to monitor managers. It happens that the lack of follow-up by the shareholders allows the managers to act opportunistically, according to their own interests. Ethical behavior is also considered a factor capable of influencing the actions of top management, as well as the permissive organizational culture, in which illegal conduct is institutionalized as a natural practice.

Understanding that organizational misconduct becomes entrenched in organizations, MacLean (2008) seeks in Symbolic Interactionism a broader understanding to explain the nature of the relationship between pressures, opportunities, and organizational misconduct. This broader understanding is necessary because other approaches offer partial explanations, since they do not consider cognitive schemas or cultural manifestations (language, symbols, images, stereotypes, among others) constructed and shared by members of the organization. The symbolic interactionist perspective is anchored in a conception that meaning is central and social objects are constructed and reconstructed by the actors involved endlessly in their social interactions (BLUMER, 1986). In this perspective, during social interactions, individuals do not react to the actions of others, but rather in-

interpret them and, based on the meaning attributed to them, act in the social context. The symbolic interactionist tradition inspired neoinstitutionalist in the argument that institutionalization, following Berger and Luckmann (1996) perspective, is a process of creation of reality, and institutions are systems of values and norms that shape social contexts (SCOTT, 1992).

In this sense, in the wake of the symbolic interaction perspective, it is assumed that organizational bad conduct, according to MacLean (2008), is built on the social interactions that take place in organizations. The results of these interactions are frames of meaning shared by members that determine their choices and behaviors. The organizational culture, understood as the social context created and shared by the members of the organization, constitutes a link between the macro level and micro level for the analysis of what occurs in organizations, including corporate crimes. This understanding is in line with Vaughan's theoretical proposal, which emphasizes the role of organization and culture in the internalization of culture and the normalization of deviant behavior (VAUGHAN, 2007). Sedimental schemes in the organization can provoke the naturalization effect of organizational misconduct, it occurs that misleading practices can be seen as a normal behavior and acceptable in that organizations.

In summary, the analysis of this case can tell a lot about the problems stemming from the weaknesses of the broader system in which corporations operate, as well as the relations between organizations, society and governments. The case is an opportunity to explore with students alternative management models that consider social responsibility beyond rhetorical discourse.

Closure

This case study was designed to stimulate reflections and debates on the dark side of organizations, in this case a corporate crime. By articulating the effects of the presuppositions, values and organizational systems of a real case with the characteristics of the capitalist paradigm, the case provides a space for the debate of ideas related to alternative ways of organizing work and production, and to think about the consumption of goods.

Unlike traditional cases, this case provokes reflections on the conceptual frameworks on corporations and management. This is an opportunity for students to reflect on seeking alternative management practices, or models of organizations with objectives that may bring better living conditions for the general population, rather than discuss management models that replicate contemporary capitalism.

The VW regrets the behavior that led to the diesel case, but in fact, what it did was: a) pollute the environment up to 40 times what was claimed and b) defraud more than half a million customers, and c) deceive the government regulatory bodies. Despite of admission of his guilt and the attempts to omit it, the company, on the same day that it announced the agreement, also announced the record of sales in 2016, being in first place in the world ranking of the automakers. Six company executives have been charged and are expected to be criminally liable for fraud. According to an environmental review, 5,000 deaths from diesel pollutants for year in Europe could have been avoided if emissions were at the same level as the tests required by the US government. The account for the company has already exceeded \$ 30 billion, which it can recover with new records in sales. For who is the count of 5 thousand deaths a year? These questions should also be part of the reflections of management students and researchers.

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