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Something seems to have gone seriously awry in the global auto industry. First, highly revered [Toyota was accused](#) of selling cars with unintended acceleration problems that the company failed to take seriously for over one year. Then [General Motors had a faulty ignition switch](#) that led to hundreds of accidents and 124 deaths. And most recently, [Volkswagen has admitted](#) that it added software to its diesel engines to fool environmental agencies into thinking that the engines met emissions standards.

Each of these sins has resulted or is likely to result in billions of dollars of costs to the automakers, with VW getting hit the hardest by far. While not of the same magnitude, [Fiat Chrysler](#), [Hyundai](#), [Kia](#), and [Honda](#) also have paid large U.S. fines in the last year.

It is difficult to know what to make of these serious cases. Is the competitive pressure so great that serious rule breaking is increasing in the industry? (I doubt it.) Is the U.S. government getting better at detection? (Probably not.) Are we more outraged as a society when large corporations violate rules involving safety and the environment? (I suspect this is so.)

It does seem to me that if one were keeping score, Toyota got a more serious punishment than GM for a far lesser crime. It even appears that the relative cost to VW of its nefarious manipulation of emissions is disproportionate compared to the cost to GM when so many lives were lost. It also seems that the United States is the primary watchdog of the global auto industry and is the country that's coming down the hardest on automakers.

Let's consider the facts.

Toyota. According to the [U.S. Department of Justice statement](#) issued in the \$1.2 billion settlement with Toyota:

Contrary to public statements that TOYOTA made in late 2009 saying it had “addressed” the “root cause” of unintended acceleration through a limited safety recall addressing floor mat entrapment, TOYOTA had actually conducted internal tests revealing that certain of its unrecalled vehicles bore design features rendering them just as susceptible to floor mat entrapment as some of the recalled vehicles. And only weeks before these statements were made, individuals within TOYOTA had taken steps to hide from its regulator another type of unintended acceleration in its vehicles, separate and apart from floor mat entrapment: the sticky pedal problem.

I admit I was surprised to see an accusation that Toyota had evidence that non-recalled vehicles were also susceptible to floor-mat entrapment. In reality, the case that set off the firestorm, the [Saylor family tragedy](#) in California, was the result of a Lexus dealer installing the wrong all-weather floor mat in a loaner vehicle. Designed for a sports utility vehicle, it was too large for the passenger car and was not clipped down properly. So the pedal seemed susceptible to entrapment if the wrong floor mat was improperly installed. There have not been cases of floor-mat entrapment in Toyota vehicles since that tragic accident.

In the case of sticky gas pedals, it is true that Toyota learned about the problem in Europe about one year before taking action in the United States. It was a rare problem and ultimately Toyota reported to the National Highway Traffic Safety Administration (NHTSA) less than 20 sticky pedals in the United States, and there were no documented accidents. Nonetheless, Toyota treated this too lightly for a long time since anything involving the accelerator is a serious safety issue.

General Motors. The GM situation was quite different. There seems to be evidence from a variety of communications internally and with the supplier that GM engineers knew even in the test phase that an ignition switch was designed in such a way that the ignition key could jar loose (if it was hit with a knee, for example), causing the engine to turn off. This created a deadly situation when combined with the fact that the airbag would not deploy when the ignition was turned off. One hundred and twenty-four people were killed and at least another 274 were injured over a span of 10 years. Hiding this information and failing to act on it led directly to actual deaths and serious injuries. Like Toyota, GM executives spent time before Congress and the Department of Justice and [settled with them](#) for \$900 million.

Volkswagen. VW's case is a different animal entirely. It did not involve a failure to recall defective vehicles that could cause safety issues. Rather, the company's engineers intentionally added software designed to allow its diesel engines to evade emissions standards and then, in normal driving, emit 40 times the acceptable levels. This was a deliberate, and quite ingenious, way to break the law and avoid detection. It was a fluke that Volkswagen got caught. This could lead to the most severe penalties in the United States, where VW is dealing with the Environmental Protection Agency (EPA) and not NHTSA. The very powerful EPA could [fine Volkswagen up to \\$18 billion](#). Add to that a U.S. Department of Justice settlement, along with investigations in other countries, and the sky is the limit on the cost. It was enough to make VW stock plummet 20% in just one day. There was no immediate harm to individual drivers in the VW case, but the disclosure of the excessive emissions comes at a time when there is grave concern about climate change.

It is still a bit early to judge the long-term impact of the ignition crisis on GM. On the other hand, Toyota for the last two years has sold more vehicles than ever and made the largest profits in the history of the auto industry; so it does not appear to be hurting for the long term. We do not know how VW will handle its crisis, but it seems to be in the deepest trouble, at least in the short term.

So crime clearly does not pay. That said, it seems that [if a company apologizes](#) and carries on, [it can survive and prosper in the long term](#). (For the most part, automakers have been quick to recall vehicles and contrite when accused of taking too long to do so.) In the meantime, many lawyers and the U.S. government are making a lot of money from the auto industry.

What is less clear is why there have been record numbers of U.S. recalls, and the United States has become so vigilant in going after automakers. In the Toyota recall, NHTSA, which had previously had been criticized for being soft on automakers, seemed to want to prove how tough it could be. In this relatively hostile environment in the United States, Volkswagen will now pay dearly for brazenly cheating on diesel-engine emissions.

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