

## DOCTOR OF PHILOSOPHY

### **The influence of non-governmental organisations on a multinational company's corporate social responsibility approach during a crisis**

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# **The Influence of Non-Governmental Organisations on a Multinational Company's Corporate Social Responsibility Approach during a Crisis**

**By**

**Malte Busch**

**PhD**

**June 2018**





# **The Influence of Non-Governmental Organisations on a Multinational Company's Corporate Social Responsibility Approach during a Crisis**

**By**

**Malte Busch**

**June 2018**



***A thesis submitted in partial fulfilment of the University's  
requirements for the Degree of Doctor of Philosophy***



## **Certificate of Ethical Approval**

Applicant:

Malte Busch

Project Title:

The Influence of Non-Governmental Organisations on a Multinational Company's  
Corporate Social Responsibility during a Crisis

This is to certify that the above named applicant has completed the Coventry University Ethical Approval process and their project has been confirmed and approved as Medium Risk

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## ABSTRACT

The purpose of this thesis is to investigate and understand the direct and indirect influence of German non-governmental organisations (NGOs) on the corporate social responsibility (CSR) approach of the Volkswagen Group (VWG) within the German institutional framework in the context of a crisis. It builds on previous studies that identified gaps in the understanding of NGO influence and the role of contextual factors.

This research applied a qualitative methodology with semi-structured interviews as the main method of data collection. The case-study approach has been chosen as a methodological strategy to analyse the direct and indirect influence of six NGOs on the German multinational corporation (MNC) VWG within the context of the emissions crisis. For this study, 34 semi-structured interviews were conducted with NGOs, one of VWG's CSR representatives, employees, suppliers, CSR and automotive experts, and representatives of German political institutions.

The findings of this study not only explain the trajectory of an unfolding scandal but also the effects those events may have in reconfiguring the role and influence of key stakeholders. It shows that current stakeholder conceptions must be reassessed regarding the role of NGOs and political actors. The results reveal that the strong intertwining between German policy makers and VWG is a determinant that limits NGO influence, which leads to conditional direct and conditional indirect influence on VWG via policy makers. The findings indicate that the coercive stakeholder pressure instrument 'lawsuit' is a means of unconditional indirect influence with which NGOs successfully operate to exert influence. It also illustrates that the simultaneous and successive use of the multiplicity of direct and indirect influence instruments can lead to effective influence on an MNC's CSR approach.

This work builds on stakeholder theories and CSR concepts and contributes to the stakeholder literature by expanding our collective understanding of the direct and indirect influence of a particular stakeholder group (NGOs) on the CSR approach of an MNC. Moreover, this thesis contributes to the NGO influence debate by putting an emphasis on the perspective of NGOs. This thesis also intends to contribute to management practices by providing a better understanding of how MNCs may use existing stakeholder models more effectively to engage in effective dialogues with NGOs.

**Keywords:** Stakeholder theory, NGO influence, direct and indirect influence, CSR approach, automotive industry.

## LIST OF ABBREVIATIONS

ACEA	Association des Constructeurs Européens d'Automobiles European Automobile Manufacturer's Association
AGM	Annual General Meeting
BITC	Business in the Community
BMAS	Bundesministerium für Arbeit und Soziales Federal Ministry of Labour and Social Affairs
BMVI	Bundesministerium für Verkehr und digitale Infrastruktur Federal Ministry of Transport and Digital Infrastructure
BUND	Bund für Umwelt und Naturschutz Deutschland Alliance for the Environment and Nature Conservation Germany
CARB	California Air Resources Board
CDP	Carbon Disclosure Project
CDU	Christlich Demokratische Union Deutschlands Christian Democratic Union of Germany
CEO	Chief Executive Officer
CO <sub>2</sub>	Carbon Dioxide
CSI	Corporate Social Irresponsibility
CSO	Civil Society Organisation
CSR	Corporate Social Responsibility
CSP	Corporate Social Performance
DCGK	Deutscher Corporate Governance Kodex German Corporate Governance Code
DJSI	Dow Jones Sustainability Index
DKA	Dachverband der Kritischen Aktionäre Association of Ethical Shareholders
DUH	Deutsche Umwelthilfe Environmental Action Germany
EMAS	Eco-Management and Audit Scheme
EBB	European Environmental Bureau
EC	European Commission
EP	European Parliament
EPA	United States Environmental Protection Agency
EU	European Union

FAZ	Frankfurter Allgemeine Zeitung
FDP	Freie Demokratische Partei Free Democratic Party
FoE	Friends of the Earth
FTSE	Financial Times Stock Exchange
DCGK	Deutscher Corporate Governance Kodex German Corporate Governance Code
GRI	Global Reporting Initiative
GTAI	Germany Trade & Invest
IAA	Internationale Automobil-Ausstellung International Motor Show
ICCT	International Council on Clean Transportation
ILO	International Labour Organisation
ISO	International Organisation for Standardisation
KBA	Kraftfahrt-Bundesamt Federal Motor Transport Authority
MNC	Multinational Company
MoP	Member of German Parliament
NABU	Naturschutzbund Deutschland Nature and Biodiversity Conservation Union
NGO	Non-Governmental Organisation
NOx	Nitrogen Oxide
OECD	Organisation for Economic Co-operation and Development
PEMS	Portable Emission Measurement System
PR	Public Relations
RDE	Real Driving Emissions
RDT	Resource Dependence Theory
SPD	Sozial Demokratische Partei Deutschland Social Democratic Party of Germany
SZ	Süddeutsche Zeitung
TI	Transparency International Germany
UBA	Umweltbundesamt Federal Environment Agency
UN	United Nations
UNGC	The United Nations Global Compact



US	United States
VCD	Verkehrsclub Deutschland
VDA	Verband der Automobilindustrie German Automobile Industry Association
VW	Volkswagen
VWG	Volkswagen Group
WBCSD	World Business Council for Sustainable Development
WLTP	Worldwide Harmonized Light Vehicles Test Procedure
WWF	World Wildlife Fund

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## CHAPTER 1: INTRODUCTION AND STRUCTURE

### 1.1 Research Background and Rationale

The purpose of this thesis is to understand the direct and indirect influence of German non-governmental organisations (NGOs) on the corporate social responsibility (CSR) approach of the Volkswagen Group (VWG)<sup>1</sup> within the German institutional framework in the context of the VWG emissions scandal.<sup>2</sup> This study contributes to the debate over the influence of the civil society stakeholder group 'NGO' on multinational corporations (MNCs)<sup>3</sup> by drawing on stakeholder theories and CSR concepts. The MNC VWG is Germany's biggest company with traditionally close relationships to political and other societal actors, which makes it interesting to study the influence of NGOs.

This work intends to contribute to the stakeholder influence literature by providing a better understanding of the direct and indirect mechanisms with which NGOs exert influence on MNCs' CSR approaches. Therefore, this study shows how the strong interweaving between German policy makers and the automotive industry affects where and how stakeholders may exert influence. Although the stakeholder theory contributes to a conceptualisation of the various firms' stakeholders and their roles and importance, 'it does not provide explanatory mechanisms of how stakeholders influence firms' (Lee 2011: 284). Therefore, this study expects to unearth the influence mechanisms in the context of an MNC's crisis and explains the NGOs' interactions with VWG and policy makers. Thus, this study follows the call for more empirical research 'to reveal the broader relationship among corporations and NGOs' (Arenas, Lozano, and Albareda 2009: 176). To do so, it examines how NGOs in Germany influenced VWG's CSR approach with data gained before and after the scandal at the German MNC. By doing this, it considers that the influence of NGOs has been underestimated and under researched in the literature (Arenas, Lozano, and Albareda 2009; Lyon 2010).

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<sup>1</sup> The abbreviation 'VWG' will be used throughout the text. The term 'Volkswagen (VW)' will only be used when referring to the car brand or in connection with subsidiaries, such as VW Financial Services.

<sup>2</sup> The case study takes place within the German institutional environment of the corporation headquartered in Wolfsburg. However, the role of important international institutional actors, such as the environmental authorities in the USA and the European Union (EU) will be considered as well.

<sup>3</sup> The term 'MNC' has been chosen, as it refers to corporations that operate 'in more than two countries' (Ritzer 2010: 198) and have a national headquarters and a management approach that is shaped by the origin of the company. VWG fulfils these criteria. Whereas, according to Hirst, Thompson, and Bromley (1999: 11) a transnational company 'would be genuine footloose capital, without specific national identification'.



Authors such as Frooman (1999) and Hendry (2005) approached questions regarding stakeholder and NGO influence by applying the resource dependence theory (RDT). This theory states that organisations depend on critical resources inside and outside the organisation. People in control of these resources are powerful and influence the organisations' behaviour (Pfeffer and Salancik 2003). However, the RDT lacks to explain the influence of changing relationships among more than two stakeholders. Therefore, this thesis uses stakeholder theories and CSR concepts to understand the influence of NGOs on MNCs and the overall interplay between these groups and policy makers. The work considers Harrison and Freeman's (1999: 484) demand, subsequently repeated by Frynas and Yamahaki (2016: 9), that research must develop a better understanding of the 'many differences within stakeholder groups...and fine-grained ideas about each' of these groups. To gain a better idea of the stakeholder group NGO, this study emphasises the perspective of this civil society actor. Thus, it contributes to the stakeholder theory by improving the understanding of the perceptions of NGOs on their role and influence in the interactions with MNCs. It addresses the call from scholars to better understand stakeholder views and their different demands and requirements (e.g. Arenas, Lozano, and Albareda 2009; Burchell and Cook 2013; Frooman 1999). In addition, NGOs play an increasingly important role as critics, advisors, co-creators of CSR programmes, and moderators between businesses and policy makers (Baur and Palazzo 2011; Bendell 2000; Curbach 2003; Yaziji and Doh 2009). The influence of NGOs has grown in the last decades (Doh and Guay 2006), and civil society organisations (CSOs) have developed into 'important actors influencing the conduct of business, including business–government interactions and the broader role of business in society' (Dahan, Doh, and Teegen 2010: 20).<sup>4</sup> The importance of the work of NGOs was illustrated in 2015 when the International Council on Clean Transportation (ICCT), along with researchers of West Virginia University, discovered that VWG cheated on diesel-emissions tests (Franco et al. 2016; Topham et al. 2015).

Moreover, this thesis addresses the real-world problem practitioners have described as the discrepancy between existing theoretical frameworks and the reality of MNCs that requires a more dynamic understanding of the needs and expectations of NGOs. This discrepancy is reflected in the complex tension between MNCs and civil society actors who are aware of the success factors of interactions but still struggle to manage them

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<sup>4</sup> In this thesis, the terms 'NGO' and 'CSO' are used interchangeable. 'CSO' is the broader term and 'NGO' is more specific. Unions and professional associations can be counted as CSOs and as NGOs.

effectively. This real-world problem might be due to 'differences in defining and tackling problems' (Kieser and Leiner 2009: 517), as well, as 'differences in logics between academics and practitioners' (Bartunek and Rynes 2014: 1184). One of the reasons for a certain lack of understanding among the various actors is the different priorities that they assign to each other. While MNCs, such as VWG, focus strongly on shareholders and customers, such a market concentration is not a stakeholder orientation that encompasses the needs of a variety of stakeholders (Ferrell et al. 2010). The strong focus on shareholder value shapes the formulation of business strategies and may lead to the failure of recognising opportunities to integrate stakeholder values (Jones and Nisbet 2011). This could be considered one reason that there is a lack of understanding of 'secondary' stakeholders, such as NGOs. The shareholder value focus may lead to a MNC's neglect of legal and economic risks, as shareholders' interest may dominate the stakeholder interaction. High sales numbers and satisfied shareholders might lead to the false belief that a corporation has done all right and that there is no need to engage in sustainable dialogue. Therefore, this thesis also integrates a practical perspective on how NGOs influenced VWG within the CSR stakeholder interaction with the intention to minimise the gap between the theoretical comprehension and practical complexity.

News of the VWG 'device defeat scandal'<sup>5</sup> reached the public in September 2015 and revealed that the MNC used software to cheat in emissions tests in its diesel cars. This study intends to show that a scandal of these proportions may recur if a critical interplay of forces, such as corporations, unions, political actors, and NGOs, changes to a one-way relationship in which a corporation has a strong say in legislative decision-making processes. In addition, it refers to a relationship in which political authorities do not fulfil their obligations to critically monitor the actions of MNCs and in which unions primarily care about their own position of power and intention to retain jobs at any price. The thesis also demonstrates that the system of checks and balances on the behaviour of MNCs is failing. It reflects the ambivalence of the role of NGOs. On one hand, the organisations have played a crucial role in exposing the 'Dieselgate' scandal (as it has become known colloquially), and it can be considered 'an achievement of civil society that a major corporation was brought to justice' (Rhodes 2016: 1510). On the other hand, the case showed that NGOs have not been taken seriously for many years by car producers, such as VWG. The underlying issue is that different levels of power in the MNC-NGO

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<sup>5</sup> The 'device defeat scandal' at VWG became public on 18 September 2015 and is referred to as the 'emissions scandal' or 'Dieselgate'. The term 'CSR scandal' will also be used.

relationships may lead to a limited change of behaviour of the MNCs. MNCs such as VWG may not see the obligation to invest resources (time and money) in dialogues and the implementation of discussed solutions.

The events at VWG are a good example of a mixture of organisational and institutional failure. Meanwhile, there is well-documented evidence that several political institutions, such as the German Government and the European Commission<sup>6</sup> (EC) (Zerfass and Seiwert 2015), knew of the situation or at least could have anticipated the problems that VWG now faces with several authorities, most notably the United States Environmental Protection Agency (EPA). For many years, internal and external observers praised the closeness of political, corporate, and labour actors as an important factor of the German economic upswing. This tripartite system, also referred to as *Modell Deutschland* (German Model), has been considered a major positive point of the German economy. However, experts and journalists now posit that these linkages between political institutions, unions, and MNCs are among the reasons for the crisis at VWG (e.g. Dudenhöffer 2016a; Mayer 2016; Seiwert et al. 2015). After this substantial crisis, companies now better understand the financial and reputational damage that may be caused when the core business goes diametric to the proclaimed corporate values (Bovens 2016; Painter and Martins 2017). In other words, the best CSR is worth nothing, if companies do not adapt their corporate policies and strategies to an ethical way of working and do not consequently implement existing CSR approaches. Therefore, it is essential that corporations take the various stakeholders, such as NGOs, and their concerns and expectations seriously.

Thus, to summarise:

- Drawing on stakeholder theories and CSR concepts, this thesis aims to understand the influence of NGOs on the CSR approach of the MNC VWG in the context of Dieselgate;
- It contributes to stakeholder influence literature by elaborating on the direct and indirect mechanisms of NGO influence under consideration of contextual factors;
- This study contributes to the stakeholder theory by emphasising the perspective of NGOs and their perception of their role and influence; and

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<sup>6</sup> In 2012, current President of the European Parliament Antonio Tajani (since 2017) was informed by a manager of a German supplier about the modified software according to the German magazine *Wirtschaftswoche*. Tajani was the former vice-president of the EC (2010-2014) and the European commissioner for transport (2008–2010).

- It shows that such a major scandal recurs if there are no sustainable and transparent relationships between MNCs and other societal actors, such as NGOs.

## **1.2 Research Questions and Objectives**

The review of the relevant stakeholder and CSR literature raised the following research questions and objectives. The overall guiding research questions are as follows:

- How do NGOs influence the CSR approach of an automotive MNC during a major organisational crisis under consideration of contextual factors?
- How do NGOs perceive their role and influence on an automotive MNC?

The following three research objectives will help answer these research questions. The first research objective is to examine the development and chronology of VWG's 'Dieselgate' scandal in the German political institutional context in which the scandal took place. It is important to create the context of the case study and to understand how the scandal evolved, who the relevant actors are, and what the scandal means for VWG and the industry as a whole. It not only explains VWG's crisis but also the roles of key actors, such as NGOs and the German Government. In doing so, it contributes to a better understanding of one of Europe's biggest corporate scandals. It considers Painter and Martins' (2017) recommendation for more research that triangulates the current data on the crisis with material gained from sources other than VWG. Several scholars have investigated the influence of stakeholders on MNCs in general and of NGOs more specifically (den Hond and de Bakker 2007; Hendry 2005); however, studies on stakeholder theory 'often overlook the national and regional contexts and their particular legal, social and political backgrounds' (Arenas, Lozano, and Albareda 2009: 177). When examining NGO influence, this study addresses the gap by considering the contextual factors: the intertwining of policy makers and industry and VWG's crisis.

The second objective is to explore the influence of NGOs on the CSR approach of a MNC in Germany in the context of a crisis. There are various studies that investigated the effect of stakeholder influence quantitatively (e.g. Henriques and Sadosky 1999; Kassinis and Vafeas 2006; King 2008; Surroca, Tribó, and Zahra 2013). However, there is a lack of qualitative studies that examine how influence is gained and exerted (Hendry 2005). By studying the direct and indirect mechanisms of NGO influence, this research

contributes to stakeholder theory and builds on Hendry's (2005: 98) recommendation to further research NGOs' 'reasons for pursuing [...] tactics in a given situation'.

While there is a good understanding in the literature that NGOs occasionally influence MNCs and policy makers successfully, there is not much 'agreement on the factors that make NGO lobbying [on international organisations] effective' (Tallberg et al. 2015: 213). As previously stated, the contextual knowledge is required to understand better the influence of NGOs on the MNC and the perception of NGOs of their influence in the situation of a crisis. This study examines how NGOs exert influence under the condition of a strong and long-lasting intertwining between policy makers, VWG, and the car industry as a whole. Thereby, it explains the platforms and forums with which NGOs influence VWG. In particular, the study identifies how the NGOs intended to exert influence on the MNC in direct interactions, such as partnerships and stakeholder dialogues. Lyon (2010: 1) stated that 'despite their prominence, NGOs remain poorly understood'. This study responds to this call for more research on NGOs by showing how NGOs effectively exert influence on an MNC's CSR approach. In doing so, the role of NGO alliances will also be studied.

The third research objective is to understand the NGOs' perception of their role and influence on a major MNC's CSR approach in the context of 'Dieselgate'. It follows the request from different scholars to understand stakeholders' views and perceptions better (Arenas, Lozano, and Albareda 2009; Burchell and Cook 2013; Frooman 1999). This study also considers Camerra-Rowe and Egan's (2010: 416) conclusion that 'the growing role of environmental and social interest associations' has been neglected. Further, it builds on Friedman and Miles' (2002: 2) finding that stakeholder theory almost exclusively focused on the 'analysis of stakeholders from the perspective of the organisation'. Building on these authors, this thesis contributes to a better understanding of how NGOs perceive their influence on the MNC. This objective also aims to discover the discrepancy between MNCs' and political institutions' affirmations on the importance of NGOs and their actual or perceived relevance.

In short, the guiding research questions and objectives are the following:

- Research Question 1: How do NGOs influence the CSR approach of an automotive MNC during a major organisational crisis under consideration of contextual factors?

- Research Question 2: How do NGOs perceive their role and influence on an automotive MNC?
- Research Objective 1: To examine the development and chronology of VWG's 'Dieselgate' scandal in the German political institutional context;
- Research Objective 2: To explore the influence of NGOs on the CSR approach of a MNC in Germany in the context of a crisis;
- Research Objective 3: To understand the NGOs' perception of their role and influence on a major MNC's CSR approach in the context of Dieselgate.

### **1.3 Research Design**

For this research, a qualitative research approach has been chosen to answer the study's research questions and objectives. The approach enabled the researcher to understand the mechanisms of direct and indirect NGO influence and the NGOs' perception on their role and influence on VWG's CSR approach. This study positions reality from the perspective of the participants, reflecting the researcher's subjectivist ontological stance and interpretivist epistemological position. The ontological standpoint posits that social phenomena are the result of the perception and actions of social actors (Klenke 2016). The interpretivist epistemological view sees the world through the perspective of the participants and acknowledges that different actors perceive the same reality differently.

This research conducted semi-structured interviews as the main method of data collection. The case study has been chosen as a methodological strategy to analyse the direct and indirect influence of key NGOs on the German MNC VWG. The phenomenon of NGO influence forms the case study, and the six NGOs are the units of analysis within the context of the VWG emissions crisis. For this study, 34 semi-structured interviews were conducted with NGOs, VWG's CSR representative and employees, suppliers, CSR and automotive experts, and representatives of German political institutions. The data were collected in two phases between November 2015 and February 2018. The first broad round of interviews included various stakeholders and was aimed to gain a better understanding of stakeholder views on CSR, their role in the interaction with VWG, and the perspective on NGO influence. The preliminary analysis showed that the data gained from the stakeholder group NGO was most significant and promising. Therefore, the second stage focused on the depth by interviewing NGOs about their influence and perception on VWG's CSR approach and their perspective on Dieselgate.

Secondary data from various sources, such as automotive associations, industry experts, NGOs, and policy makers, were analysed. This information complemented the data gathered from the semi-structured interviews, helping to offer important context on the wider issues surrounding the crisis and the influence on stakeholder interactions. The secondary data and relevant literature were analysed iteratively by applying open, axial, and selective coding. The following aggregate dimensions emerged: 'structures of intertwining', 'mechanisms of conditional direct NGO influence', 'mechanisms of indirect NGO influence', and 'NGO perception of (conditional) influence'. These dimensions formed the data structure that has been adapted iteratively throughout the study. The findings in Chapters 5, 6, and 7 are structured according to the aggregate dimensions.

## **1.4 Structure of the Thesis**

This chapter has provided background information and presented the research questions, objectives, current gaps in the literature, and the research design being used to address the research questions. Chapter 2 will set out the research setting by giving an overview of the German automotive sector and a chronology of the VWG emissions crisis. Moreover, the role of NGOs in Germany will be explained by presenting profiles of the organisations and controversies around them. The contextual chapter closes with a section on VWG and its CSR approach before and after the crisis. Then, the MNC will be introduced, and how VWG reacted upon the diesel crisis will be discussed.

Chapter 3 presents the literature review and consists of two parts. The first part defines CSR and describes the key concepts to understand a systematic, integrative, and strategic CSR approach. These concepts serve to better understand how MNCs approach stakeholder interactions with NGOs and how they translate the outcomes of these exchanges into corporate behaviour. The second part of the literature review introduces and explains various stakeholder theories, which form the core perspective of the study. Stakeholder concepts will provide insight into the various direct and indirect stakeholder influence approaches, stakeholder categorisations, and typologies. Moreover, the chapter describes the roles NGOs may play in the interaction with MNCs and the factors for a successful MNC-NGO dialogue.

Chapter 4 outlines the methodological framework by providing information on the qualitative case-study approach and the data collection methods. Thereafter, the data structure and the diagram of the gathered data will be presented. Chapter 5, 'Structures

of Intertwining', is the first dimension of the data structure and presents findings regarding the contextual factors that limit NGO influence.

Chapter 6, 'Mechanisms of NGO Influence', considers the insight of the previous chapter and is divided into two areas. The first constitutes the direct approaches of NGO influence, which are limited by the interconnection between policy makers and industry and therefore are considered to be conditional. The second part is about indirect approaches of NGO influence, of which the coercive approach 'lawsuit' was identified as an unconditional means of influence.

Chapter 7 focuses on the perception of NGOs and identifies greenwashing and corporate social irresponsibility (CSI) elements that are salient in the MNC-NGO interaction. Chapter 8 will discuss the key findings based on the literature and is structured according to the three research objectives. The final chapter, Chapter 9, brings the key aspects together, presents the theoretical contributions, and derives practical implications for NGOs, MNCs, and policy makers. It presents the author's reflective comments and concludes with the limitations of the study, recommendations for further research, and concluding remarks.





## CHAPTER 2: RESEARCH SETTING

### 2.1 Introduction

This chapter outlines the context of the study by providing information on the German automotive industry, the emissions crisis, the NGOs involved and VWG's environmental approach. It is crucial to understand the players, the environment, and the scale of the scandal as well as the implications for the relationships between NGOs, VWG, and policy makers before analysing and discussing the data findings. The automotive sector is very particular for Germany's economy and policy makers and therefore needs to be explained. Together with Chapter 5, this section attempts to answer the first research objective that aims to understand the context in which NGOs influence MNCs.

The chapter starts with explanations regarding the German automotive industry. Thereafter, information on the background, development, and chronology of the VWG case will be provided. The subsequent section introduces the interviewed NGOs and presents key information about these organisations (refer to Table 1). The chapter closes with a profile of VWG and a summary of VWG's CSR and environmental approach before and after the crisis.

### 2.2 German Automotive Sector

Automotive manufacture is the biggest industrial sector in Germany, it employs 792,000 people<sup>7</sup> and has a turnover of over €400 billion (*Verband der Automobilindustrie* [VDA] 2016). The biggest German automotive producer is VWG (with its brands Volkswagen, Audi, and Porsche), followed by the Daimler Group, BMW Group, Opel, and Ford. In 2016, one-third of Europe's automobile manufacturing took place in Germany (*Association des Constructeurs Européens d'Automobiles* [ACEA] 2018). German car manufacturers have long benefitted from the high worldwide demand for premium cars, which is reflected in the strong export orientation of the industry. In 2015, 77% of all cars that were produced in Germany were exported (VDA 2016: 7). Cars and automotive parts are the most important export goods with a share of 19% (or €226.7 billion) of Germany's exports in 2015 (*Bundeszentrale für politische Bildung* 2017). The importance of the German automotive industry sector has been emphasised in various statements in the interviews. For example, it was called the 'backbone of the German economy' (Interview

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<sup>7</sup> The 792,000 jobs relate to car manufacturers (458,800 jobs), suppliers (300,900), and producers of trailers (32,800).

#15, opposition party). According to Germany Trade & Invest (GTAI), cars 'made in Germany' have been associated with 'quality, reliability, durability, efficiency, and safety' (GTAI 2016: 5). However, the positive image has been eroded due to scandals and revelations, most notably Dieselgate in 2015. The self-acclaimed technological leadership of Germany's automotive industry has been overshadowed by those occurrences and the realisation that foreign companies, such as Toyota and Renault/Nissan, are more advanced regarding future, non-fuel technologies. The much smaller and specialist niche manufacturer Tesla could also be named among these companies; however, it specialises entirely on the production of electric cars. The upcoming structural change due to new propulsion technologies and alternative fuel-source vehicles will be a litmus test for the German automotive industry. Experts forecast major changes in the automotive industry due to the advancing developments of battery-driven cars, autonomous driving, and the 'sharing economy' (Dudenhöffer 2016b; VDA 2016). The electrification of cars will change the automotive landscape in Germany, and it remains to be seen how MNCs such as VWG, BMW Group, or Daimler Group will react to these changes. In particular, the planned quota on electric vehicles in one of the most important markets, China, alarms car producers, as German companies mostly sell petrol-driven and diesel cars in China (Ankenbrand 2017). In 2016, every third car produced by a German automotive manufacturer was sold in China (Fuss 2017).

The EC identified the automotive market in Europe as one of the key sectors, and in 2012, it published a CARS 2020 Action Plan that might have wide consequences for the German industry, especially the initiative towards a 'new driving test-cycle and test procedure' (EC (COM) 636 final 2012: 11).<sup>8</sup> This will put the producers under pressure considering that VWG was not the only producer that designed its cars so that these only meet the regulatory requirements in laboratory environments. The CARS 2020 Action Plan was published in a phase in which the 'European automotive industry was facing severe difficulties from a fall in demand' (EC (COM) 636 final 2012: 11) and had the intention to improve the market conditions for the manufacturers. Now, after Dieselgate, the plan might have gained in importance by showing a pathway to the automotive companies towards alternative fuels.

In addition, VWG has always played a dominant role in the German automotive industry 'generating a 45.7% share of the industry's volume' in 2015 (Marketline 2015: 2).

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<sup>8</sup> The Coventry University Guide to Referencing in Harvard Style has been used.

Traditional German automotive companies, such as the Audi Group and Porsche Group, were acquired by VWG in the 1960s and 2009, respectively (VWG 2008, 2016a). Other brands, such as the premium producers Bentley and Lamborghini and the bus and truck manufacturer MAN, also belong to the corporation. VWG sells more and more of its cars in China, which is the world's biggest single car market (VDA 2016). While China is the most important market for VWG with almost 4 million cars sold in 2016 (40% of its passenger cars), the car market in the USA remains significant and was the fourth biggest single market for VWG in 2016 (after China, Germany, and the UK) (VWG 2016a). Although the corporation is confident that it will benefit from the slow recovery of the US car market, it is aware that 'success here will largely depend on how transparently, thoroughly and quickly we deal with the diesel issue and restore customer confidence' (VWG 2016a: 185).

The next section will describe in detail the background, development, and chronology of Dieselgate and explain the role of the EU before the scandal became public. Moreover, it will introduce some of the players that were involved in the scandal.

### **2.3 Background, Development, and Chronology of VWG Crisis**

In 2006, VWG decided to enter the US market with its 'clean diesel' technology. The news magazine *Der Spiegel* reported that, in autumn of the same year, there was an argument among engineers and managers including colleagues from the software department about how to fulfil the strict exhaust gas regulations in the US (Kröger 2017). After the discussion, a top manager decided to use the software programme, the 'defeat device', that detected when a car was tested and improved the performance temporarily (the car emits less exhaust gases). He added the request that the software should be untraceable.

In the same report, Kröger stated that, in 2007, the side effects of the software manipulation became apparent, as the filters of the exhaust systems clogged up quickly. It would have cost VWG €250 per car to solve the problem and reduce the damaging effects on the hardware. The decision regarding whether to solve the issue or not could have only been made by the highest level of senior management. This was one of the first indicators that the former chief executive officer (CEO), Mr Winterkorn, should have known about the manipulation.<sup>9</sup> From 2007 to 2013, the manipulated software created

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<sup>9</sup> The manager became VWG's CEO on 1 January 2007.

continuous technical problems, which required a more ‘fine-tuned’ software to ensure that the manipulation remained uncovered (Kröger 2017). Reports stated that the EU received detailed information in 2012 that none of the tested diesel cars complied with the nitrogen oxides<sup>10</sup> (NOx) laws (Pauly 2016). There is well-documented evidence that several political institutions, such as the German Government and the EC, were aware of the ‘defeat devices’ at an early stage and could have anticipated the issues that not only VWG faced but all diesel car producers would later confront (EC (COM) ENTR D5/PÅ D 2010; Zerfaß and Seiwert 2015).

In 2014, the ICCT published a report that showed the discrepancy between the values that manufacturers of diesel cars published and the on-road fuel consumption, also called real driving emissions (RDE; Franco et al. 2014). Moreover, VWG was aware of the explosive force of this report and held a conference to address the topic. According to the magazine *Handelsblatt*, Winterkorn received two notifications of the outcome: first in May and then again in November 2014 (Handelsblatt 2016). However, there is no evidence regarding whether he read the notes.

In 2014, researchers at West Virginia University and the ICCT tested Volkswagen diesel cars with the intention of comparing them with the US manufactured vehicles (US Department of Justice 2017a). The scientists found a significant discrepancy between their findings and those that VWG published claiming that their cars were among the most efficient and environmentally friendly on the market. The researchers presented the results of the testing to the EPA in May 2014 (Ramsey 2015). In the same year, the EPA and the California Air Resources Board (CARB) asked VWG to explain the emerging questions. However, the corporation stated that it could not explain the mistakes and pursued a strategy ‘to disclose as little as possible’ by presenting data and testing results ‘in an attempt to make it appear that there were innocent mechanical and technological problems to blame’ (US Department of Justice 2017a: n.p.). On 18 September 2015, the EPA announced its intention to investigate VWG (EPA 2015). During the same period, CARB sent a letter to VWG summarising the events including ICCT’s, WVU’s, and their own test results. During the discussions with VWG, the corporation admitted that it used a ‘defeat device to circumvent CARB and the EPA emission test procedures’ (CARB 2015: 2). The chief of CARB’s emissions compliance, Hebert, stated in the letter that VWG had the chance to fix the NOx issues with a recall in December 2014. However,

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<sup>10</sup> NOx are air pollutant gases resulting from burned fuel at high temperatures.

the 'fixed' cars still failed the NOx standards, and VWG was not able to provide a solution to the problem. That meant that the managers at VWG must have known about the problem for around a year and had the chance to fix or at least to reduce the extent of the consequences. The corporation admitted to the existence of a defeat device in late August 2015, when it could no longer be denied. It showed that VWG's management, or at least parts of it, were not taking the emissions and investigations seriously. The focus on passing regulatory tests in Germany might have clouded the view on the RDE tests in the USA, which revealed the real emissions of the cars. Among the most surprising discoveries in the VWG scandal, and their use of defeat devices for diesel cars, was the fact that it had been known to all involved parties for many years. For example, political actors, manufacturers, and NGOs knew about it or had the chance to retrieve relevant information.

The EU defined defeat devices in 2007 as any 'element of design which senses temperature, vehicle speed, engine speed (RPM), [...] delaying or deactivating the operation of any part of the emission control system [...]' (Council Regulation (EU) No 715/2007: 5). That is a rather broad definition for Grabel and Grabel (2016), who were commissioned by ICCT to analyse the situation of defeat-device systems in the EU. They demanded a modification of the definition of the emission control system in the context of a defeat-device system.

In 1998, the EPA (1998b) sent an open letter (one of several that were sent) to car manufacturers defining criteria to evaluate and identify 'defeat devices'. The authority stated it would do everything to enforce the Clean Air Act of 1963 that prohibits defeat-device systems. In an enforcement alert, the EPA (1998a) described the cases of Honda and Ford, which had to pay millions of dollars because they built in defeat devices in their cars. Clearly, VWG should have been warned that the US authorities would take this offence seriously. A relevant difference among the US and the European legislation is that the American Clean Air Act prohibits defeat devices in vehicles, whereas the European law leaves a loophole. Defeat devices are allowed if these serve to protect the engine (Regulation (EC) 715/2007).

The NGO *Deutsche Umwelthilfe* (DUH 2015) reported that the diesel car emissions of German automotive manufacturers were more than 25 times higher than allowed. More recently, the NGO sued the Federal Ministry of Transport and Digital Infrastructure (BMVI), as the ministry refused to grant access to files related to the emissions scandal

at VWG (DUH 2016d). The DUH (2017a) won this lawsuit, and the BMVI was forced to release these documents. More precisely, the NGO stated that the ministry refused to share documentation that showed evidence of the proceedings of the meetings between the BMVI and representatives of the automotive company. Moreover, according to the DUH (2016d), the ministry does not grant insight into the proceedings of the meetings of the parliamentary investigation committee, protocols of results, and raw data of the tests that were done on behalf of the committee. Jürgen Resch, the federal executive director of DUH (2016d: 1), stated that the 'Federal Minister of Transport, Dobrindt, systemically impedes the clarification of the diesel emissions scandal'. Resch complained that 'while authorities in Washington, California and even in South Korea demand the compliance of limit values for NOx on the street, his Ministry [of Transport] permits car companies to exceed limit values multiple times' (DUH 2016d: 1).

The *Verkehrsclub Deutschland* (VCD 2016: n.p.), an ecological traffic club, stated that Federal Minister of Transport Alexander Dobrindt, who was called 'the best friend of the automotive industry', should be put under pressure by his fellow ministers and that the clarification of the emissions scandal should not be left to him. Similarly, Oliver Krischer, the vice parliamentary party leader of The Greens and one of the eight members of the 5<sup>th</sup> parliamentary investigation committee, put his hopes in the various ministers of states for the environment to increase the pressure on the German Government and Minister Dobrindt (*Deutscher Bundestag* 2015). In summary, political actors from the opposition and NGOs accused the minister of lacking objectivity and being too closely aligned with the industry. This section provided a chronology and background information to VWG's emissions crisis. The next section is about the NGOs' role in this study. It introduces the selected NGOs and explains why they play an important role in Germany.

## **2.4 Definition, Role and Importance of NGOs in Germany**

There is no clear and official definition of NGOs (Baur and Palazzo 2011; Curbach 2008). Martens (2002: 272) stated that 'remarkably, despite the increasing interest and the growing literature on the issue, NGOs have not yet sufficiently been defined'. An NGO may be understood completely differently by companies or international institutions, such as the World Bank or the United Nations (UN). Part of the problem is that the expression 'non-governmental organisation' is a negative definition that simply describes what NGOs are not: governmental organisations. There are differentiations among NGOs, for example, by categorising them into international NGOs (INGO), environmental NGOs

(ENGOS), northern NGOs (NNGO), southern NGOs (SNGOs), or more broadly into CSOs. However, this work follows the first principle of the definition of the Committee of Ministers of the Council of Europe that NGOs are 'voluntary self-governing bodies or organisations established to pursue the essentially non-profit-making objectives of their founders or members' (Council of Europe 2007: 1). In this study, the terms NGO and ENGO will be used; however, ENGO refers only to the four environmental NGOs: *Bund für Umwelt und Naturschutz Deutschland* (BUND), DUH, Greenpeace, and *Naturschutzbund Deutschland* (NABU).

In its 2012 'Stakeholder Universe', VWG mentioned the NGOs BUND, NABU, and Transparency International Germany (TI). Other named NGOs, such as 'terre des hommes', the German Red Cross, and SOS children's villages, do not focus on environmental matters and did not issue statements after Dieselgate. In addition, VWG listed organisations such as Globescan and Sustainability as NGOs; however, these are strategic consultancies rather than NGOs. Moreover, VWG's CSR representative stated in the interview (Interview #3) that NGOs are very important stakeholders and that there is an intensive contact with NABU to re-establish the relationship. However, the data presented in the findings chapters will show that this might be a rather difficult endeavour.

The business magazine *Wirtschaftswoche* named Greenpeace, Foodwatch, DUH, NABU, BUND, and the World Wildlife Fund (WWF) as the six most important NGOs in Germany (Krumrey et al. 2013: 1). Similarly, Vondenhoff and Busch-Janser (2008) stated that NABU, BUND, and Greenpeace are indispensable in the political landscape and have considerable influence. Markham (2011: 9) stated that BUND, NABU, and Greenpeace belong to the 'most important environmental organisations in Germany'. Greenpeace is one of the world's biggest NGOs and is described to be 'the most widely recognised organisation of its kind' (Warkentin 2001: 66). Along with BUND and NABU, Greenpeace is among the strongest NGOs in members in Germany (see Table 1). Etscheid (2016), who sees the big environmental organisations critically, stated that NABU and BUND developed into influential pressure groups with powerful voices in policy. Senior representatives of these six NGOs were interviewed in this study. In this work, the four ENGOS play a more important role than other NGOs because of their size, experience, budget, status as established NGOs, and more importantly, because of the situation regarding the events around the Dieselgate scandal, which fall within the ENGOS' domain of expertise. Moreover, all the selected NGOs direct their activities in both directions: to companies and to political decision makers. Rucht and Roose (1999:



63) considered BUND and NABU to be organisations that represent a ‘mix between a public interest lobby and a participatory pressure group’, whereas they classify Greenpeace as a professional protest organisation.

In the debate regarding the role and influence of NGOs, it is important to consider that the *Umwelt-Rechtsbehelfsgesetz* (Environmental Appeals Act)<sup>11</sup> (European Directive 2003/35/EC 2003) enables certain ENGOs ‘to appeal against violations of environmental law’ (*Umweltbundesamt* [UBA] 2018a: n.p.). To be able to exercise this right, an ENGO has to be recognised by the UBA (Federal Environment Agency), and the Federal Environment Ministry. The NGOs BUND, DUH, and NABU are among these associations that are recognised environmental organisations, whereas Greenpeace is not part of the list (UBA 2018b).<sup>12</sup> The three NGOs are therefore entitled to file a lawsuit if they perceive that environmental laws were violated or not enforced. For example, the NGOs may sue German federal states or cities if they do not ensure that air pollution control plans are complied with. The right to sue would also enable NGOs to file a lawsuit against a federal authority, such as the *Kraftfahrt-Bundesamt* (KBA; Federal Motor Transport Authority), if it does not enforce existing laws.

The criteria for becoming a recognised organisation are, for example, that the association pursues charitable purposes, is organised in a way that it is able to exercise its participatory rights and applies the ‘everyman principle’ (i.e. that the association should take everyone who wishes to become a member) (UBA 2017). It is speculation that Greenpeace does not fulfil the last criteria, as the association resembles corporations in its organisational structure. It is hierarchically organised with only 40 voting members (Greenpeace 2016b).

#### **2.4.1 NGO Profiles**

In the following subsection, the six NGOs interviewed during fieldwork will be introduced and briefly described; however, there will be a greater focus placed on the ENGOs, as they play a bigger role in the study due to their orientation on environmental and

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<sup>11</sup> The Environmental Appeals Act is the implementation of a European directive about the ‘UN/ECE Convention on Access to Information, Public Participation in Decision-Making and Access to Justice in Environmental Matters’ (better known as the Aarhus Convention) (European Directive 2003/35/EC 2003). The Aarhus Convention enables the public to access information and participate in decision-making processes with effects on the environment. It grants, for example, ENGOs, which were recognised under national law, rights to act on behalf of the environment and access to justice.

<sup>12</sup> While the DUH is only a recognised environmental organisation, BUND and NABU are also recognised nature protection associations, which must be involved in issues that affect ecological measures (UBA 2018b).

automotive topics. These NGOs are not industry specific, which means that they deal with various companies from different sectors. Table 1 shows a summary for each ENGO (BUND, DUH, Greenpeace, and NABU) that plays a role in this study and provides information on the year founded, annual budget, funding sources, number of staff and members, affiliation with other NGOs or umbrella organisations, headquarters, other office locations, and geographic focus.

Table 1: Comparison of ENGOs Studied

Demographics	BUND	DUH	Greenpeace	NABU
<b>Year Founded</b>	1975	1975	1973 In Germany: 1980	1899
<b>Annual Budget</b>	€27.1 million	€8.1 million	Income: Greenpeace International €82.2; Greenpeace Germany €19 million	€44.7 million
<b>Funding Sources</b>	71% membership dues; 29% other sources (BUND 2016: 38)	16.7% donations; 4.4% sponsoring; 38.2% grants for projects (50% of that from public sources); 40.7% other sources (DUH 2016a: 36)	100% supporters: donations and contributions from 580,000 German members	45.11% membership dues; 8% sponsoring and consulting to firms; 20.61% grants (NABU 2016: 39)
<b>Staff Members</b>	Full-time: no information; Unpaid: 30,000	Full-time: 90	Full-time: 220; Unpaid: 4,700 members who work in 100 groups.	Full-time: 182
<b>Members and Supporters</b>	Supportive/passive members: 584,000+	273 members ( <i>Deutscher Bundestag</i> 2017: 313). Supportive membership possible	40 voting members; Supportive/passive members: 580,000+ in Germany, 3 million worldwide.	Members: 620,000+
<b>Affiliation</b>	German member of Friends of the Earth (FoE); European Environmental Bureau (EBB)	Tight cooperation with Global Nature Fund; member of the EBB	-	German member of BirdLife International; member of EBB
<b>Headquarters</b>	Berlin	Berlin and Hannover	Hamburg; International: Amsterdam	Berlin
<b>Other Locations</b>	There is a national association in each of the 16 federal states	Further branch offices in Radolfzell and Hannover	Political representation in Berlin	Project locations all over Germany
<b>Geographic Focus</b>	Germany & Europe	Germany & Europe	Global	Germany & Europe

Sources: Compiled from annual reports BUND (2016), DUH (2016), Greenpeace (2016b), and NABU (2017)

### ***Bund für Umwelt und Naturschutz Deutschland (BUND)***

With more than 584,000 members, BUND is one of the big NGOs in Germany. The core themes of the politically committed lobbying organisation are climate and nature conservation; however, there are also experts working on renewable energies and traffic. The NGO regularly publishes articles and reports on transport issues and the VWG emissions crisis. BUND can be described as a rather cooperative NGO that is willing to engage in interactions and actively seeks dialogue with MNCs and policy makers. The organisation regularly publishes reports and comments on energy transformation, environmental developments, new regulations, and laws. According to BUND, the NGO lobbied successfully at EU level for a directive for the protection of birds and against the readmission of glyphosate (BUND 2016).

### ***Deutsche Umwelthilfe (DUH)***

This NGO leads campaigns that are well-covered by the media against carbon dioxide (CO<sub>2</sub>) emissions and plays a major role in the NGOs' intention to decarbonise the automotive industry. The organisation regularly receives support from the established environmental expert Axel Friedrich,<sup>13</sup> cofounder of ICCT and 'one of the whistle-blowers in the Volkswagen exhaust gas scandal' (VWG 2016b: 38). In addition, DUH is not a typical environmental organisation like BUND and NABU with local groups and hundreds of thousands of members. Rather, it is a small organisation that initiates lawsuits, campaigns, and projects and has frequently been cited in the media as part of the reporting about Dieselgate due to the organisation's own measurements of car emissions and lawsuits against federal authorities.

### ***Greenpeace***

Greenpeace is a worldwide active and a highly professional environmental protection network that executes campaigns at company headquarters, on production plants, or on the Transport Ministry (Greenpeace 2017; Behrmann and Jennen 2017). One of the campaigns that increased the public awareness of Greenpeace took place in 1995 when the organisation 'occupied' the Shell oil platform Brent Spar for three weeks with the objective that the corporation did not dump the platform (Greenpeace 2016a). For various scholars, the pressure of Greenpeace on Shell is a prime example of the influence of NGOs (Ditlev-Simonsen and Wenstøp 2013; Detomasi 2007; Porter and

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<sup>13</sup> Axel Friedrich is an established environmental expert and was head of the Traffic Department at the UBA.

Kramer 2006). In the annual report, the NGO listed various examples of recent successful pressures on MNCs: Shell dissociated itself from drillings in Alaska; companies such as Aldi, Lidl, and Tchibo obliged themselves to detoxify their textiles; and 'Austria and England announced decarbonisation plans' (Greenpeace 2016b: 2). The aspect that differentiates Greenpeace from BUND, DUH, and NABU is that it states that the government and industry do not contribute to the NGO's financing (Greenpeace 2016b). According to Koch (2014), Greenpeace's power is formed by a combination of professionally executed campaigns and the support of members and citizens who will be informed by public activities. The resulting 'power resource' (Koch 2014: 132) enables Greenpeace to take part in political decision-making processes and to represent its interest to the top management of corporations.

### ***Naturschutzbund Deutschland (NABU)***

More than 620,000 members belong to NABU, which is one of Germany's biggest NGOs. More than 2,000 groups are spread throughout the country, building a strong local network (NABU 2016). Its original focus was on animal and nature conservation; however, NABU's work resolves around various environmental policy issues. The NGO maintains several departments, among others, one that works on transport policy issues (NABU 2016). The organisation is regarded as a peaceful and solution-oriented NGO.

In addition, NABU has always been more open than other NGOs for partnerships with companies (Markham 2011). Until the end of 2015, NABU had a cooperation with VWG, in which the NGO advised VWG regarding environmental aspects and initiated projects with the corporation (e.g. the 'green fleet' programme and the renaturation of moors) (NABU 2013). The cooperation has not been extended due to the scandal at VWG. Moreover, NABU would only consider a return to the partnership if VWG demonstrably changes its corporate governance and environmental practices (refer to Section 6.2.1 for a detailed analysis of NABU's demands on VWG). However, NABU still works with Volkswagen (VW) Financial Services, which has contributed around €2 million since 2012 to NABU's moor protection projects and plans to add another €1 million by 2019 (VWG 2016c). Information on and controversies around this cooperation will be explained in more depth in Sections 6.2.1 and 6.2.2. Below are the descriptions of the other two interviewed NGOs, the *Dachverband der Kritischen Aktionäre* (DKA) and TI.

### ***Dachverband der Kritischen Aktionäre (DKA)***

The DKA (2018: n.p.) was 'founded in 1986 by several non-governmental organisations like environmental, human rights and anti-Apartheid groups'. The association currently has 28 member organisations. The NGO often speaks at the annual general meetings (AGMs) of MNCs, including those at VWG, at which the DKA criticised VWG's governance structures and their lack of investigations after the emissions crisis (Dufner 2016).

### **Transparency International Germany (TI)**

As an international organisation that fights against corruption and supports the prevention of criminality, the NGO TI published reports after the VWG scandal and criticised the corporation's internal structures and compliance system (TI Deutschland 2015).

DKA and TI were interviewed and included in the study as these NGOs provided a different perspective on the VWG scandal and how NGOs may exert influence. Both NGOs concentrate more on the corporate governance implications of the scandal and less on the technical details of how VWG cheated and the concrete environmental consequences of the company's behaviour.

## **2.4.2 Criticism and Controversies of NGOs**

There has always been criticism of the approaches of NGOs and how organisations such as BUND, DUH, Greenpeace, and NABU try to achieve their objectives. Some of the controversies are connected to the status of ENGOs as recognised environmental and nature protection associations, which have the right to file suits, for example, regarding environmental regulatory decisions for industrial installations and infrastructure measures (UBA 2018a).

One of the critiques offered is that NGOs misuse their special status to threaten companies with lawsuits, then negotiate a deal with the involved companies and withdraw the lawsuit after money has been paid into a foundation, which is then usually managed by the suing NGO. In 2012, a TV report, that was shown on the channel *Das Erste* ('The First'), spoke of a 'sale of indulgences' (Burgschat and Hilbert 2012) and addressed examples in which the NGOs BUND and NABU took money from companies and withdrew lawsuits. For example, BUND put €800,000 that the NGO received from a wind farm operator into a foundation and abstained from suing the company. Another

example is the NGO NABU, which received €920,000 from the car company Daimler Group and withdrew a lawsuit against the construction of a proving ground (Biederbeck, Neubacher, and Traufetter 2013). However, two years later, both NABU and BUND were not satisfied with the progress of the planning and demanded that Daimler Group fulfil the requirements regarding the nature conservation law (BUND press release 2014). In the TV report (Burgschat and Hilbert 2012), the environmentalist Knake stated: 'The functionaries of the nature conservation associations are currently completely withdrawn. They have lost sight of their goals, have doubled their efforts, but not towards nature conservation, but in the direction of money'.

Furthermore, the journalists argued that it is not clear what exactly happens with the money in the foundations (Burgschat and Hilbert 2012). Moreover, NABU rejected the accusations that were presented by Burgschat and Hilbert (2012) and stated that 'mediations' would often reach better results than lawsuits against companies and federal authorities (Ludwichowski 2012). These 'mediations' are often concomitant with conditions and restrictions that are imposed upon the company and which would, according to the NGOs, frequently exceed legal requirements (Ludwichowski 2012). These reports and occurrences raise the question about who watches CSOs. There is the impression that the ENGOs of this study improved their image because of their reporting, investigations, and educational work in the aftermath of the VWG emissions scandal. However, NGOs might easily lose legitimacy if the public feels that they have transformed into groups that lose sight of their original purpose.

Considering the accusation that the biggest German NGOs might be 'venal', new environmental organisations and parties have emerged to protect the (local) environment against measures to fight (global) climate goals (Etscheid 2016). For example, there is a controversy among NGOs and policy makers regarding whether it is justified to destroy the landscape by building wind turbines contributing to wider climate protection goals (e.g. NABU 2016; Rucht and Roose 1999).<sup>14</sup>

The arguments of some NGOs are that lawsuits might not have any effect; however, an agreement with companies or consortiums that allows them to implement the planned

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<sup>14</sup> This conflict divides environmental protection organisations and ecological parties like The Greens. On one hand, these organisations fight against nuclear and coal power, as these forms of energy generation are not sustainable and a large producer of CO<sub>2</sub> emissions (coal power). On the other hand, building wind turbines and bio gas plants have negative effects on nature reserves and animals. This leads into the wider debate about which measures are justifiable to implement in the German Government's plan of energy transformation.

project might provide foundations with money that could be used for environmental projects (BUND 2014, Ludwichowski 2012). However, this view is problematic, considering that it argues that environmental destruction in one place could be offset with projects elsewhere instead of ensuring that the environment is not harmed in the first place.

In an article of the newspaper *Süddeutsche Zeitung* (SZ), the authors criticised that the NGO DUH calls for transparency from other players but lacks transparency when it comes to names and sums of donating companies (Hägler and Otter 2017). In the interview with the author (Interview #29), one of DUH's senior representatives indicated that some companies that sponsor DUH's activities may be pressured from other actors in the industry to stop their engagement. The SZ article also suggested that the DUH intended to protect their donors. However, Hägler and Otter (2017) stated that, at the request of the newspaper, DUH revealed that 39 companies paid €1.2 million in 2015. Among these companies are the German Telekom and Krombacher (brewery) and the Japanese corporations Kyocera (electronics company) and Toyota.

Over the years, Greenpeace has been criticised from various directions, for example, that it focuses too much on 'easily winnable battles' (Markham 2011: 237) to improve its image. Another criticism came from one of its early members, Patrick Moore, who stated that the 'trend toward abandoning scientific objectivity in favour of political agendas' forced him to leave Greenpeace (Moore 2008: n.p.). However, it is beyond the scope of this work to analyse whether the critique of Greenpeace is justified or whether the different actors follow a hidden agenda. Therefore, it might be a possible limitation of this work that the author had to use the information available.

There will always be discussions and controversies about the credibility, legitimacy, and sincerity of NGOs that take money from companies for services as part of a cooperation or as donations. However, it might be a trade-off that would need to be accepted if society desires powerful and flexible NGOs. Elkington and Beloe (2010: 23) identified 'forms of organisational schizophrenia' when people within an NGO who oppose NGO-MNC cooperation meet with people who think partnerships with MNCs are beneficial. Ashman (2001) stated that an NGO may risk losing its legitimacy and eventually its source of funding if its followers perceive the organisation's behaviour in the partnership with the MNC as inappropriate. One way for NGOs to face these challenges is to be as transparent as possible regarding their funding, their expenses, and their partners.

On a more global scale, the former dean of Yale Business School, Jeffrey Garten, stated that:

[NGOs] have acquired the high ground of public opinion without being subjected to the same public scrutiny given to corporations and governments. The danger is that they can too easily misrepresent facts and damage the reputations of other institutions without being held accountable. (Garten 2002: n.p.)

Elkington and Beloe (2010) added that the pressure for more NGO transparency and accountability increases, the more budget they will have to handle and more political influence they will have. Garten's statement leads towards another point of criticism, namely that NGOs are not democratically elected, yet claim to represent civil society. Curbach (2003) stated that the importance, that NGOs play for regulatory policy processes, does not gloss over the fact that these organisations are not democratically legitimised. She wrote that the danger of the 'rule of the associations' (Curbach 2003: 137) is greater, the more informal and confusing international (policy) negotiations are. Macdonald (2008: 163) referred to the former Vice Chair of FoE, Tony Juniper, when stating that NGOs may derive their legitimacy by "representing" certain interests that have 'public support'. However, Nölke (2000) stated that NGOs make decisions in camera and often do not record, in annual reports or on websites, how certain decisions have been made. The author continued that it 'contradicts the democratic requirements of transparency and imputability' (Nölke 2000: 354-355) that outsiders might have difficulties to understand the occurrence of NGO decisions. This aspect refers to the lack of internal democracy. For example, Zürn (2000: 108) stated that an 'NGO [that] participates in either making or the implementation of a collectively binding decision [...] must be democratically governed'. Curbach (2003) identified the trade-off between a NGO's effectiveness and its striving for a democratisation of its decisions, which is a process that usually requires time.

The lack of transparency may make it more difficult to identify whether NGOs follow a hidden agenda by pleasing few donors rather than serving the interest of civil society. NGO challenges, such managing situations of competition (for resources, donations) and cooperation (e.g. alliances) with other NGOs may contribute to the perception that certain decisions lack traceability for outsiders.



Spiro (1995: 258) responded to the objection that NGOs lack democratic legitimisation by stating that, 'if numbers are the benchmark of legitimacy, the NGO community easily passes the test', considering that some NGOs have more members than countries citizens. That points to Spiro's (1995: 258) statement that 'most international institutions are in formal terms themselves wildly undemocratic'. He named the example of the UN General Assembly that grants a small country such as San Marino the same voting power as China.

Summarising, NGOs play an important role in policy making processes and the creation of pressure on MNCs to be more accountable and transparent in their sustainability engagement. However, it needs to be stated that NGOs show deficits regarding the transparency of decision processes and control mechanisms.

## **2.5 VWG and its CSR (Environmental) Approach**

### **2.5.1 VWG: Profile and Previous Scandals**

The VWG is one of the biggest automotive manufacturers in the world and the biggest company in Germany (Gneuss and Lehman 2017). In 2016, the corporation's revenue was €217.3 billion with a net income of €5.4 billion. In the same year, VWG sold more than 10.2 million cars (VWG 2016c). Moreover, VWG was founded in 1937 (VWG 2008) and has always been a prime example of the social market economy in Germany. The power of unions and the works council at VWG is significant. Representatives from Germany's biggest union, IG Metall, constitute 50% of VWG's supervisory board (VWG 2014). The special feature of the MNC VWG is the *VW-Gesetz* (Volkswagen Act) that was passed when VWG was privatised in 1960. One of the features of the law is that the German Federal State of Lower Saxony owns 20% of VWG shares and has veto power over important decisions. Another aspect of the law is reflected in the two-thirds majority rule that grants employee representatives the power to stop, for example, the closure of production sites (VWG 2008). These special rules make the supervisory board extremely powerful and have been criticised by various people, for example, the automotive expert Dudenhöffer (2016a). The rules have been made responsible for VWG's constant (price) pressure, considering that top management must 'please' powerful stakeholders, such as unions, works councils, and politicians (two representatives of the Federal State of Lower Saxony are members of the supervisory board), with different interests. The journalist and VWG expert Büschemann stated that various scandals are attributable to the power of unions, the works council, and politicians, as VWG's top management has

chosen illegal and dubious means to win their support for severe changes and restructuring measures (Scheunert 2016). All these factors might have led VWG to circumvent emission laws to reduce costs in other areas, as the current power structures in VWG's supervisory board would make it very difficult for the company to reduce the workforce and to close inefficient units. This cost pressure might have been one factor that made VWG susceptible to such a crisis and led to the formulation of environmental promises that could not have been kept (in the interactions with NGOs). For example, Jung and Park (2017: 128) summarised the reasons for Dieselgate in these three elements: 'Austere leadership styles, insular corporate governance, and drawbacks from family feuds and nepotism'. In addition, the thesis will demonstrate that the strong proximity between VWG (and the automotive industry) and the German Government is another very important factor that might not have caused the crisis but contributed to its occurrence and made the investigation of the scandal more difficult.

Various scandals in the last couple of years suggest that a system has grown in VWG in which bad practices and illegal detours are tolerated to reach one goal: to increase profitability. In 2005, the VWG corruption scandal revealed that top managers of VWG paid for prostitutes, luxury travels, and services to debauch and bribe the works council. The former chair of the works council, Volkert, was sent to prison and the former personnel manager, Hartz, was put on probation for two years for paying a 'special bonus' to Volkert of around €1.95 million between 1994 and 2005 (e.g. Seib 2008). The personnel manager used a slush fund to keep worker representatives 'satisfied'. Some of the past scandals revolve around or have origins in VWG's problem of high production costs. Since the works council and the unions are traditionally strong at VWG (and the political influence cannot be neglected), a personnel reduction has never really been an option. Therefore, the corporation must always find alternative cost savings. That is a reason the 'tough negotiator' José Ignacio López was hired in 1993, as he had a reputation of putting suppliers under high pressure. However, it ended in a crisis, as López stole secret documents from his former employer GM. Similarly, VWG was under pressure to perform well in the US market and considered the 'clean diesel' technology a great chance to play a more important role in the US automotive market. However, there was a reason that other European car producers kept their hands off selling diesel cars in the US: the regulations were too tough.

### 2.5.2 VWG's CSR and Environmental Approach Before and After the Crisis

Before the crisis, VWG was represented in many sustainability indices. For example, VWG was listed in 'The Sustainability Yearbook 2013' in the 'Robeco Sam Silver Class' (RobecoSam and KPMG 2013), part of the 'Carbon Disclosure Project (CDP) – Global 500 Climate Change Report 2013' in the group with the second highest scores of 99 points (CDP 2013) and received 93 out of 100 points in the FTSE4Good ranking (FTSE 2013).<sup>15</sup> Moreover, VWG was the industry leader in 2013/2014 of 'Automobiles and Components' in the Dow Jones Sustainability Index (DJSI) (S&P Dow Jones Indices and RobecoSam 2013) and called itself 'the most sustainable automotive group' (VWG 2015b: n.p.) two weeks before the scandal became known.

After the scandal, VWG was deleted from the following ratings: RobecoSam, CDP, and Sustainalytics, and was suspended from FTSE4Good. The penalties are evidence of the disapproval and dismay felt by global organisations at the actions and are a signal of how serious they perceived them to be. For example, FTSE Russell, the provider of the FTSE4Good index, stated that VWG was suspended, as it was 'deemed to have misled government agencies and consumers' (FTSE 2015: n.p.). Furthermore, VWG withdrew from the following alliances until the scandal will be fully clarified: Biodiversity in Good Company, CSR Europe, Econsense, the United Nations Global Compact (UNGC), and World Business Council for Sustainable Development (WBCSD; Richter 2016). These alliances present the participating MNCs as organisations that understood how important the integration of CSR into the overall strategies is.

In a 2013 article, VWG's CSR managers wrote about the importance of a modern CSR approach that integrates CSR topics into all departments, unlike traditional CSR management at which top management decides to spend money on social projects that are implemented by teams that work independently from all other areas (Prätorius and Richter 2013). Furthermore, the CSR managers stated that the stakeholder management 'formed the core of the integrated CSR approach' that was based on a process that was 'communicated openly and constructively at eye level' (Prätorius and Richter 2013: 121). The analyses in Chapters 6 and 7 will show that this has been a perception that was not shared by civil society stakeholders, such as NGOs and sustainability experts. In another article written by senior representatives of VWG's CSR management, the corporation's

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<sup>15</sup> The Financial Times Stock Exchange (FTSE 2018: n.p.) is the most important stock index in the United Kingdom: 'The FTSE4Good Index Series is designed to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices'.

former chairman, Pischetsrieder, was cited as stating that VWG wanted to become 'a transparent company both inside and out' (Kopp and Richter 2007: 209). Ironically, this very corporate culture that had been praised by VWG before the crisis as one factor of success has been heavily criticised by the media and scholars and was identified as one of the reasons a crisis of such an extent could happen (e.g. Bovens 2016; Jung and Park 2017).

Regarding the environmental approach, VWG stated the importance of three target areas: 'To continuously reduce our carbon footprint, [...] our pollutant emissions and [...] our resource consumption' (VWG 2016c: 7). It aims to reduce the 'five main environmental performance indicators – energy and water consumption, waste for disposal, as well as CO<sub>2</sub> and VOC [volatile organic compound] emissions per vehicle produced' by 25% between the levels from 2010 and from 2018 (VWG 2016a: 89). As part of VWG's environmental strategy, the company declared its aim to 'become a role model in all things related to environment' (VWG 2016a: 170). The following is an example of guidelines that VWG formulated: 'We employ a holistic approach by researching, developing and democratizing environmentally friendly innovations, significantly reducing the environmental burden in the process' (VWG 2016a: 170).

Furthermore, VWG admitted that it 'failed to live up to our own standards in several areas. The irregularities in the handling of emissions tests contradict everything that we stand for' (VWG 2016a: 7). The head of Coordination CSR and Sustainability declared that 'clean diesel wasn't clean. It had failed to deliver on its environmental claims' (Prätorius 2016: 24). As outlined in Section 2.2, VWG experienced its most severe crisis ever in September 2015. In its annual report, VWG stated four legal areas that pose a significant financial risk because of Dieselgate (VWG 2016a: 95): criminal and administrative proceedings worldwide; product-related lawsuits worldwide; lawsuits filed by investors worldwide (points 1-3 exclude the USA/Canada); proceedings in the USA/Canada.

In reaction to the crisis and the pressure to change, VWG launched its 'together-strategy 2025' with the objective to bridge 'the conceptual gap between sustainability and business objectives' (VWG 2016c: 7). The company intends to reposition itself with the long-term goal to become 'one of the world's leading providers of sustainable mobility' (VWG 2016c: 8), which slightly shifts the corporation's focus from being solely a car producer to a group that provides mobility services. Additionally, VWG set up companies

such as Moia and started partnerships with others like Gett to accommodate the trend that more people use cars on demand and car-sharing services.

As a consequence of the crisis, VWG established a 'Sustainability Advisory Board' in 2016 (Prätorius 2016) that was also demanded by the NGO NABU (Interview #7). This advisory board consists of representatives from 'politics, research and NGOs [who] advise Volkswagen on topics such as sustainable mobility, environmental protection and the future of work' (VWG 2017: n.p.). Moreover, in 2016 the company created the new division 'Law and Integrity' and hired the well-reputed manager and former senior judge, Christine Hohmann-Dennhardt. She had to leave VWG after less than a year due to disagreements between her and powerful people within VWG. In an article of the weekly newspaper *Die Zeit*, it was posited that Hohmann-Dennhardt was forced to leave by VWG's managers, as she was believed to be taking the investigation of the diesel scandal too seriously and planned to 'leave no stone unturned' (Tatje 2017: 26).

## **2.6 Summary**

This chapter provides the contextual background of the thesis by briefly summarising the German automotive sector and the events around the VWG emissions scandal. It has presented information about the studied NGOs by providing their profiles and insight about controversies around the NGOs' work. In addition, the chapter explains why the NGOs have been chosen. It ends with an overview on VWG and their CSR approach with an emphasis on the corporation's environmental orientation before and after Dieselgate.

To conclude, there are several reasons that conducting research on the influence of NGOs in the context of the German automotive sector and a major organisational crisis provides insight. First, the German automotive industry is the most important sector in Germany and has historically been strongly interconnected with political institutions, which provide the possibility to examine various NGO influence approaches. Second, the emissions scandal at VWG revealed a significant discrepancy between the corporation's extensive CSR activities and their behaviour. The crisis revealed the ambivalent role of NGOs as investigators of the scandal and as actors who were passively involved by providing legitimacy and credibility to the automotive MNCs. Therefore, the crisis offers the opportunity to examine the role and influence of NGOs. Third, the automotive sector has always been under intense scrutiny of NGOs leading to wide CSR measures of car companies, such as VWG.

## **CHAPTER 3: CORPORATE SOCIAL RESPONSIBILITY AND STAKEHOLDER THEORIES**

### **3.1 Introduction**

This chapter provides an overview of relevant stakeholder theories and CSR concepts. It starts with a review of CSR by providing a working definition and various perspectives, conceptualisations, and key CSR models. It elucidates the development and evolution of CSR, introduces and classifies CSR concepts and offers a systematic and strategic approach to CSR. After the review of CSR concepts, the literature on stakeholder theories will be presented by introducing stakeholder definitions, classifications, typologies, and information on the various stakeholders, such as NGOs, which play a key role in the study. This chapter also reviews literature on the relationships between NGOs and MNCs and how civil society actors influence and perceive an MNC's CSR approach. These concepts contribute to the understanding and analysis of the data gathered in the primary and secondary data collection.

The stakeholder theory has been chosen as the primary theoretical lens, as it links the notions of ethics and business, and it questions the view that striving for profit is a firm's sole concern. A core understanding of the stakeholder theory is that it asks what the responsibility of a company is towards its stakeholders (Freeman, Wicks, and Parmar 2004). Therefore, CSR concepts play an important role when applying stakeholder theories to understand the content and quality of stakeholder interactions. In addition, CSR may be considered the vehicle with which MNCs interact with stakeholders, considering that CSR departments and reports are important means of a corporation's communication with its stakeholders.

Further, CSR contributes to classifying an MNC's CSR approach by putting sustainability declarations and actions into a theoretical perspective. In addition, a better understanding of a corporation's CSR and sustainability approach helps to identify where and how stakeholders, such as NGOs, may exert influence. Several authors stated that stakeholder theory is connected to CSR, 'as it provides a suitable theoretical framework for analysing the relationship between business and society' (Ayuso et al. 2012: 418; Cordeiro and Tewari 2015: 835). Therefore, rather than separating both strands, stakeholder theories may be used to 'create more fine-grained analyses that combine business and ethics' (Freeman 1994: 409).

The insight of scholars and some companies that suggests that a profound understanding of a company's stakeholders is an important factor for success is a significant reason that the concept of CSR and stakeholder theory are tightly connected (e.g. Pedersen 2006; Russo and Perrini 2009). It is therefore an important similarity of both literature streams that a company is understood as an entity that is embedded in a society accompanied by the understanding that there is a multiplicity of stakeholders with legitimate interests.

## **3.2 Corporate Social Responsibility**

### **3.2.1 Definitions and Perspectives**

While CSR can be defined in many ways, every definition reflects the authors' perspective on CSR and the understanding about the scope of the concepts. The following two definitions will guide the understanding of CSR in this study. The EC stated that CSR 'concerns actions by companies over and above their legal obligations towards society and the environment' (EC (COM) 681 final 2011: 3) and that 'enterprises should have in place a process to integrate social, environmental, ethical, human rights and consumer concerns into their business operations and core strategy in close collaboration with their stakeholders' (EC (COM) 681 final 2011: 6). The EC definition may be quite broad, however it reflects the importance of stakeholders as partners with which CSR goals can be implemented.<sup>16</sup> The other definition is from Blowfield and Frynas (2005), who considered CSR a parent concept and reflected that CSR does not solely encompass activities that go beyond the law. It therefore contemplates the recent development towards co-regulation that brings different societal actors together. The short version of Blowfield and Frynas' (2005: 503) CSR definition is as follows: 'CSR as an umbrella term for a variety of theories and practices all of which recognize [...] that companies have a responsibility for their impact on society and the natural environment, sometimes beyond legal compliance'.<sup>17</sup> This definition has been chosen, as it suggests that various terms such as corporate citizenship, sustainability, or business ethics can

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<sup>16</sup> In 2001, the EC published the definition that describes the importance of understanding the needs and expectations of stakeholders. The institution defined CSR as 'a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders' (Commission of the European Communities 2001: 6). This definition reflects the bidirectional character of the exchange between the actors.

<sup>17</sup> The complete definition is the following: 'CSR as an umbrella term for a variety of theories and practices all of which recognise the following: (a) that companies have a responsibility for their impact on society and the natural environment, sometimes beyond legal compliance and the liability of individuals (b) that companies have a responsibility for the behaviour of others with whom they do business (e.g., within supply chains); and (c) that business needs to manage its relationship with wider society, whether for reasons of commercial viability or to add value to society' (Blowfield and Frynas 2005: 503).

be considered part of the concept of CSR. Thereby, Blowfield and Frynas' definition acknowledges a certain conceptual ambiguity, which reflects that scholars have problems formulating definitions that provide enough clarity. In the following, the challenge of finding a common conceptual understanding of CSR will be further discussed.

These definitions show that the three dimensions (social, environmental, and economic) are parts of an integrative, academic CSR understanding. Both academia and practice may have different perceptions of the notion of CSR. For MNCs such as VWG, CSR is only a sub-aspect of sustainability. The group's sustainability report encompasses the three dimensions of 'economy', 'people' (social), and 'environment', which form the basis of this study's CSR understanding. Whereas for many business and management scholars, CSR is understood more broadly containing economic, social, and environmental dimensions.

Authors who represent the opinion that CSR must be a crucial part of every company's corporate strategy may define the concept in a much broader way than scholars who contemplate that wider socially responsible activities should be left in the hands of institutions or other organisations. For example, Davis (1973), Carroll (1979, 1991), Jones (1980), and Frederick (1994, 2006) can be accounted in the first group, whereas Berle (1931), Levitt (1958), Friedman (1970), Drucker (1989), and Henderson (2001) tend to represent the group that considers CSR a misdirection of corporate resources.

The institutional framework in which authors do research also influences the way scholars define CSR. Some authors argue that the key point of CSR is that it is voluntary (Commission of the European Communities 2001: 6; 2002: 347 final; Kinderman 2009) meaning that a corporation's social responsibilities begin where the law ends. Other scholars point out that CSR is implied in some countries' institutional (e.g. regulatory, political, and cultural) frameworks, leaving less room for voluntary CSR (Brammer, Jackson, and Matten 2012; Matten and Moon 2008). For example, in Germany, companies must pay a mandatory contribution to their employees' insurance. That would be a voluntary act of the firm in other countries. This refers to Matten and Moon's (2008) concept of implicit and explicit CSR.

Frederick (1994: 151) expressed that an essential aspect of CSR is that companies have the 'obligation to work for social betterment'. The WBCSD (2000: 9) defined CSR as the



‘continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce’.

Sethi (1979) lamented that the term CSR was used excessively with the consequence that the expression largely lost its meaning. Frederick (1994) described the uncertainty regarding CSR during this time, which was expressed by the firms’ failure to retrieve a manifest plan out of the catchphrase ‘CSR’. Decades later, authors still complain about the lack of conceptualised theories on CSR and the definitions on which the larger academic community agrees on (Carroll 1991; Gulyas 2009; Kakabadse, Rozuel, and Lee-Davis 2005; McWilliams and Siegel 2000; Perrini 2006). Moreover, scholars speak of a ‘jungle of definitions’ (Crane, Matten, and Spence 2014: 5) and perceive that CSR has different meanings for many people and that CSR is not easily differentiable from related concepts, such as corporate citizenship, sustainable development, triple bottom line, or corporate governance (Matten and Crane 2005; Matten and Moon 2008). Frynas and Stephens (2014: 3) and Matten and Moon (2008: 405) speak of CSR as an umbrella term because of this definitional ambiguity.<sup>18</sup>

Henderson (2001) criticised that the division into economic, social, and environmental aspects presumes an agreement on terms and concepts, which does not exist in reality.<sup>19</sup> He continued by saying that it is misleading to categorise certain firm actions as ‘social’, if it clearly follows an economic motive (that then also weakens the argument of the voluntary nature of CSR). However, Dahlsrud (2008) explored 37 of the most cited definitions and found that even though they differ, the definitions may be grouped into five broad categories.<sup>20</sup> When trying to demarcate CSR, Lockett, Moon, and Visser (2006: 116-117) argued that the field of CSR cannot be considered a discipline, rather it is a ‘study within management’. They indicated that CSR does not comply with the definition of a ‘substantive discipline’ and is therefore better described as a field. There are relevant studies that move between the spectrums of the two diametrical perspectives of CSR: the pure profit-making view and the altruistic view on CSR.

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<sup>18</sup> Schneider (2012) stated that the different concepts can be subsumed under the term CSR. The definition of the Commission of the European Communities (2001: 6) includes the triple bottom line concept. Elkington (1999) coined the term triple bottom line that refers to measuring the performance of a business in the three dimensions social, environmental (or ecological), and financial. Dahlsrud (2008: 3) stated in his investigation on the various definitions of CSR that the terms corporate citizenship and CSR are interchangeably used in the literature.

<sup>19</sup> Economic, social, and environmental are the dimensions of the chosen CSR definitions. Henderson (2001) used the definition of the WBCSD (2000) that states that CSR is part of sustainable development.

<sup>20</sup> These five dimensions are voluntariness, stakeholder, social, environmental, and economic.

Carr (1968) represents the first extreme by stating that companies' social responsibility should be restricted to their business and is fulfilled as long as they comply with the law. Carr (1968: 145) stated that managers should leave their personal values at home and must be directed by a 'different set of ethical standards' when entering the office. In his understanding of CSR, companies treat other firms in a way in which they would not like to be treated. Years before Carr's publication, Levitt (1958: 49) criticised the striving of companies to take on social responsibility and strongly recommended the adaption of a 'single-minded devotion to profit'. Decades later, some scholars have moved only millimetres from this line, emphasising that CSR engagement should be kept to a minimum and that money could be spent more usefully on a company's core business (Drucker 1989). Friedman's (1970) position is more moderate than those of the previous authors, as he acknowledged that firms do have a certain moral obligation to stakeholders; however, he represents a similar neo-liberal view, stating that economic CSR should maximise the wealth of the shareholders. He assigned the social and environmental aspects of business to governmental and social institutions. According to Friedman (1970), CSR poses an agency problem within a company. Taking the shareholders' perspective (principals), CSR can be considered a waste of a corporation's resources. It might also be interpreted as an expression of executives' (agents) selfish plans to improve their positions within the firm and finally their own career prospects. Agency costs are the consequence of a situation of information asymmetry in which the risk-bearing shareholders are unable to monitor management (Aguilera and Jackson 2003).

Carroll (1979, 1991) represents the altruistic perspective on CSR, indicating that businesses should invest their resources for social good. He introduced his widely recognised four-level pyramid that defined CSR in the four dimensions: economic, legal, ethical, and philanthropic. The author further developed McGuire's (1963) understanding of CSR, as McGuire was one of the first scholars who put the focus on the manager's perspective and considered the overall organisational responsibilities.<sup>21</sup>

The first two levels of Carroll's (1979, 1991) pyramid state the economic and legal responsibilities, which every company must follow to exist in the market. Figure 1 depicts the four responsibilities of CSR. The economic dimension refers to the profitability of a

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<sup>21</sup> McGuire (1963: 144): 'The idea of social responsibilities supposes that the corporation has not only economic and legal obligations, but also certain responsibilities to society which extend beyond these obligations'.

company and is the prerequisite for all other dimensions. The legal element also refers to the very basic aspects of CSR: complying with laws and doing business within the legal framework. The third dimension concerns the ethical responsibility that does not necessarily have to be followed, albeit it may be socially expected. The last level would be the philanthropic responsibility that goes beyond an ordinary societal engagement of a firm. Carroll (1999) revised his definition and increasingly used the expression 'philanthropic' and not 'discretionary' since most of the examples of discretionary or voluntary CSR behaviour were found in the philanthropic area. Carroll's contribution to CSR is one of the most cited literature articles in the area. Burton and Goldsby (2009) remarked that Carroll's pyramid built the foundation for many following concepts. Carroll (1998) used the expression 'corporate citizenship' as a replacement for CSR, as the former embraces the four previously mentioned CSR components; a good (corporate) citizen generates profits (meets economic responsibilities), obeys laws, and behaves ethically and philanthropically.

#### Figure 1: Carroll's Pyramid of the Four Responsibilities

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Source: Carroll (1979, 1991)

Elbing and Elbing (1967) stated that firms should recognise and take on their social responsibility and commitment. Davis (1973) represents the perspective of those who see CSR as an integral part of business activities. For him, businesses have to incorporate 'social values into their decision-making machinery' (Davis 1973: 321). Frederick (2006) agreed and stated that company resources should also be directed to social engagement. Wood (1991: 995) wrote that the 'basic idea of corporate social responsibility is that business and society are interwoven rather than distinct entities'.

The author stated that the principles of CSR could be summarised in three phenomena: legitimacy, public responsibility, and managerial discretion. For Baron (2001), companies deserve the CSR label if they not only engage in CSR in the frame of a profit maximisation strategy but also show the moral motivation to increase their social performance.

To conclude the different perspectives, Carroll, Davis, and Frederick represent the normative, integrative, and ethical strands of the CSR literature that favours the incorporation of corporate responsibility into business decisions. Carr (1968), Levitt (1958), and Drucker (1989) epitomise the neo-liberal or instrumental point of view that separates business decision-making and social engagement (role of governmental institutions) and considers CSR to be a means to 'achieve economic results' (Garriga and Melé 2004: 51) rather than an ethical necessity (these aspects will be further elaborated in Section 3.2.3). Further representatives of this approach are Jensen (2002), Hart (1995), and Porter and Kramer (2006) (maximisation of shareholder value).

### **3.2.2 Formation and Evolution**

This section will give a historical overview on the development of the theorisations of CSR and a brief and general outline of the beginnings of (documented) social behaviour of corporations and entrepreneurs. The concept of CSR has been formally known for more than five decades when scholars started to write ideas on CSR.

However, indications for responsible behaviour of businesses towards society can be traced back centuries (Carroll 1999). For example, in the Middle Ages, there was a European model of the 'honourable businessman' that is still known in Germany.<sup>22</sup> In the mid-twentieth century, the economist Howard Bowen published the book *Social Responsibilities of the Businessman* (1953), which was appraised by various authors, such as Carroll (1999), Valor (2005), and Windsor (2001), to be one of the first significant contributions to CSR literature. Carroll (1999: 270) and Windsor (2001: 230) regarded Bowen as the (modern) 'Father of Corporate Social Responsibility'. Bowen (1953) stated

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<sup>22</sup> Such an 'honourable businessman' or 'honest merchant' (German: *ehrbarer Kaufman*) embodies the virtues of a person who acts to have long-term economic success without harming the interests of society (Klink 2008). The guiding principles of the 'honourable businessman' have been included in the *Deutscher Corporate Governance Kodex* (DCGK) (English: German Corporate Governance Code) that is a governmental commission that was implemented by the German Government in 2001. The DCGK consists of representatives of management and supervisory boards of capital market-oriented companies and their stakeholders (DCGK 2018).

that it is the obligation of businesspersons to act in a way in which their behaviour aligns with the values of society.

Two decades earlier in the 1930s, a debate took place between professor and lawyer Adolf Berle and law professor E. Merrick Dodd. The two scholars argued about the accountability of corporations. Berle (1931) took the view that corporations must mainly represent the interests of the shareholders and the owners' financial interests. Dodd (1932) represented equal views; however, he added that corporations are accountable to more stakeholders than just to the shareholders and have a wider responsibility to society. Okoye (2009) pointed out that the discussion between Berle and Dodd may be understood as a signpost for further development in the field of CSR. Macintosh (1999) ascribed to the discussion far-reaching effects for the advancement of accounting and financial reporting all around the world.

The historian Morrell Heald (1970) sketched the perception of business people towards the social environment of a firm in the late nineteenth century until the 1960s. Heald documented, especially in the 1920s, a phase of a new value creation in which executives understood that business and philanthropy may go hand in hand. In the late 1900s, the steel mogul Andrew Carnegie published a book on how fortunes of rich individuals can be used for the benefits of society (Harvey et al. 2011).

Other tycoons such as Nelson Rockefeller followed. Wulfson (2001: 135) remarked that Carnegie 'popularised the principles of charity' and was considered one of the first philanthropists that understood that giving may potentially have returns in form of symbolic, social, and cultural capital (Harvey et al. 2011). Neil Mitchell (1989) formulated the hypothesis that CSR developed as a reaction to increasing societal resentment against the power of evolving corporations. Tycoons and American business leaders understood that philanthropic giving might change the perceptions of people and the government towards bigger corporations.

In the 1960s, various authors, such as Likert (1967) in the US or Goyder (1961) in the UK, further developed the discussion on CSR. At an early stage, Goyder (1961) proposed that companies should publish social reports voluntarily and considered those to be complementary to financial reports. The authors saw such an audit as an effective way for a firm to communicate with its stakeholders. Frederick (1994; 2006) described the time until 1970 as the epoch of CSR (CSR1) and titled the time after the 1970s as corporate social responsiveness (CSR2).

The 1970s were also the period in which Wallich and McGowan (1970) contributed to the CSR debate with their work on enlightened self-interest. The authors understood that CSR must combine and reconcile the interests of the stockholders and the social interest of the corporation. Frederick (1994) stated that, during the phase of CSR2, companies started to be more proactive in terms of CSR activities. The period of CSR1 was shaped by 'why' questions, whereas, during CSR2, firms asked 'how' (Frederick 1994). The 'why' questions of CSR1 questioned the overall purpose of CSR, while 'how' questions of CSR2 suggested that many companies went a step further and shifted the focus on the necessary means to do CSR and the desired effects. The CSR debates in the 1970s flowed into Carroll's (1979) contribution of the four pivotal dimensions of CSR: economic, legal, ethical, and discretionary (described in more detail in Section 3.2.3).

### **3.2.3 Conceptualisation and Theorisation of CSR**

The following section introduces relevant CSR concepts and theories and focuses on models that contribute to the understanding of MNCs' CSR approaches. The different concepts and theories of CSR can be approached from different directions, perspectives, and levels of analysis. Aguinis and Glavas (2012) structured and categorised the conceptual and empirical CSR literature into the institutional (e.g. Aguilera and Jackson 2003; Brammer and Millington 2008, Campbell 2007; Henriques and Sadorsky 1999; Scherer and Palazzo 2007), organisational (e.g. Bansal and Roth 2000; Davis 1973) and individual (e.g. Aguilera et al. 2007; Muller and Kolk 2010) levels of analysis. The institutional level of analysis refers to one or more of Scott's (2014) three pillars of institutions: normative, cognitive, and regulative. The institutional level is very concerned about how various institutional forces, such as economic, political, legal, financial, and stakeholder pressure affect the firms' CSR activities, whereas the organisational level of analysis discusses the actual motivation of the firms to engage in CSR. The individual level is about the 'commitment from supervisors to CSR' (Aguinis and Glavas 2012: 943). In other words, the literature on the individual level of analysis investigates managerial commitment to CSR and the way CSR is communicated to employees.

Schneider (2012: 29) described the various qualitative steps an MNC may go through with its CSR approach in the 'pyramid of the degree of maturity' (German: *Reifegradpyramide*) and gives an outlook of future CSR (refer to Figure 2). The author was oriented towards Carroll's pyramid of responsibilities of 1991; however, regarding the content, it does not show many similarities. Schneider (2012) stated that Carroll's four-fold division is outdated and not integrated into management concepts. The author

intended to change that by presenting a pyramid that aims to be an 'inclusive model' (Schneider 2012: 28) consisting of four levels. Figure 2 shows the following CSR levels: CSR 0.0 (passive societal engagement), 1.0 (philanthropic CSR), 2.0 (societal and entrepreneurial value creation), and 3.0 (companies as proactive political creators).

#### Figure 2: Pyramid of the Degree of Maturity

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Source: Adopted from Schneider (2012: 29)

The CSR 0.0 level concerns the economic and legal responsibilities of a company. Strictly considered, it is not CSR, as the company *per se* has an effect on society by paying salaries to employees and selling goods to people. Thus, CSR 0.0 is restricted to the firm's compliance with laws and economic effects.

In CSR 1.0, philanthropic activities and CSR are characterised by an unsystematic implementation. That means there is no, or only a low reference to the firm's core activities without addressing all three CSR dimensions (economic, social, and environmental). In this context, Visser (2012) stated that future CSR goes away from isolated charity projects that do not benefit the firm and do not have a sustainable use for the beneficiary.

In CSR 2.0, a company is not only aware of the various CSR-related issues inside and outside the company but is also able to develop CSR strategies and include CSR dimensions in existing strategies in a continuous exchange with stakeholders. Therefore, strategic CSR can be found here. McElhaney (2009: 31) stated that strategic CSR is

‘integrated with core business objectives [...and] embedded in day-to-day business culture and operations’. The author named Ford as an example of a company that did not integrate CSR in their corporate strategies. The firm’s undoubtedly philanthropic aid to breast cancer research is not connected in any way to the firm’s strategic goals. For Porter and Kramer (2006), strategic CSR is the effective integration of CSR into the companies’ strategies, leading to a competitive advantage. They provided the example of Toyota that created the bestselling hybrid vehicle Prius that combined gas efficiency and the reduction of pollutants. The authors mentioned Nestlé as another example that was able to create a ‘symbiotic relationship’ (Porter and Kramer 2006: 10) between the success of the company and local communities. Nestlé improved their infrastructure with investments and thereby secured reliable access to supplies. Porter and Kramer (2006: 11) called that the ‘strategic philanthropy that leverages capabilities to improve salient areas of competitive context’.

Husted and Salazar (2006) stated that strategic CSR benefits the company and increases social output, whereas CSR activities that were coerced by regulators do not result in a strategic benefit, neither for the firm nor for society. In short, strategic CSR considers the firm’s resources and aligns CSR with corporate strategies. Consequently, CSR is not understood as a contrast to value creation but as an important contributor (Gelbmann and Baumgartner 2012: 287). Another aspect of CSR 2.0 is that companies communicate internally and externally regarding their (CSR) values, activities, changes, and challenges in a transparent manner.

The last level of Schneider’s (2012) pyramid is titled CSR 3.0 and could give a glimpse of the future CSR behaviour of firms. It refers to the stage at which companies act as ‘proactive political creator[s]’ (Schneider 2012: 34) and not only follow regulations but also regulate themselves and therefore go from being driven by regulations to being the driver themselves.<sup>23</sup> A difference from CSR 2.0 is that companies actively determine the agenda of national and international CSR. Corporations might use Schneider’s (2012) pyramid to derive their strategic CSR decisions.

Galbreath (2006) conducted another categorisation in which MNCs can be listed. He came up with four CSR strategic options, such as shareholder, altruistic, reciprocal, and citizenship strategies that can be listed in the pyramidal categories. A company that

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<sup>23</sup> Self-regulating or ‘private mechanisms such as voluntary codes of conduct, standards, processes and guidelines’ (Banerjee 2007: 155) refer to ‘soft’ governance or ‘soft’ law.



follows the shareholder strategy could be placed in CSR 0.0, the altruistic strategy, in which firms act philanthropically in a rather unsystematic manner would be in CSR 1.0, while the remaining two strategies, reciprocal and citizenship, can be listed in the more sophisticated categories CSR 2.0 and CSR 3.0.

Garriga and Melé (2004) summarised the diverse CSR approaches and conceptions into the four categories of instrumental, political, integrative, and ethical theories. The instrumental theories consider CSR to be a mechanism to reach pecuniary goals. Within this set of theories, the relationship between business and society is mainly shaped by the idea of reaching economic (e.g. higher revenue) and/or pre-economic (e.g. competitive advantage) objectives. For example, Husted and Allen (2006) stated that competitive advantage can be reached by the clever allocation of resources to meet long-term social objectives. The resource-based view finds application here, and CSR can be considered an 'instrument to improve the dynamic capabilities of a corporation' (Rendtorff 2009: 146).

Porter and Kramer (2006) argued that strategic CSR may lead to a competitive advantage in the firm's industry, for example, by the examination of the competitive context and the evaluation of results. Kemper and Martin (2010) described that instrumental CSR gained immense significance in the last decades. It enabled companies to show 'pro-social attitudes' (Kemper and Martin 2010: 230), while allowing the corporations to strive for higher profits and to justify claims for more deregulatory measures. However, after the financial crisis 2008/2009 when voices for more deregulation became louder, companies cut their spending for CSR initiatives and saved money in areas that were not considered high priorities, such as expenditures for community programmes (Jacob 2012).

The second stream of concepts refers to political theories that discuss the 'power of corporations in society and a responsible use of this power in the political arena' (Garriga and Melé 2004: 51). Corporate institutionalism and corporate citizenship are among the subcategories of the political theories classification (Davis 1973). Corporate institutionalism is about how companies use and express their power in society. Davis (1967: 48) explained that 'social responsibilities of businessmen arise from the amount of social power that they have'. In other words, 'business is urged to use its power responsibly' (Fisher and Grant 2012: 2). Corporate citizenship considers companies to be actors within society that follow a strategy based on ethical and sustainable principles.

Integrative theories describe the way businesses incorporate social requirements to gain legitimacy and prestige. Aspects such as stakeholder management and the pursuit for corporate social performance (CSP), which includes various CSR aspects, fall under integrative theories (Garriga and Melé 2004). Concepts such as public responsibility, social responsiveness, stakeholder management, and CSP play a role within the framework of integrative theories, as they indicate the companies' attempt to align business activities with social norms and values. Preston and Post (1975) developed the principle of public responsibility and emphasised that a firm's behaviour gains more legitimacy if CSR policies are developed in accordance with public policy processes. They stated that public policies should serve as a standard for a company's actions. Wartick and Cochran (1985: 758) understood CSP as 'the underlying interaction among the principles of social responsibility, the process of social responsiveness, and the policies developed to address social issues'. Moreover, CSP focuses on how a firm acts socially responsibly, how it deals with its stakeholders, and how the corporation responds to societal issues (Wood 1991). The concept of CSP is not easy to capture due to the 'multidimensional nature of the construct' (Rowley and Berman 2000: 398).

The last theoretical classification that was proposed by Garriga and Melé (2004: 61) is the ethical theories that 'focus on the ethical requirements that cement the relationship between business and society'. Such a relationship is observable between the various stakeholders and the company. Therefore, the normative stakeholder theories can be classified under ethical theories. Garriga and Melé (2004) also counted human rights approaches, such as the UNGC or the SA8000 standard, as instruments belonging to ethical theories.<sup>24</sup>

### **3.2.4 Systematic and Strategic Approach to CSR**

After understanding how ideas of CSR were formed and how scholars define and conceptualise CSR, this section states a systematic and strategic approach of MNCs to CSR. The purpose of this section is to provide a conflation of literature on systematic CSR approaches. The theoretical understanding about how a CSR approach can be comprised contributes to the comprehension concerning how stakeholders influence such a company's CSR approach. The following aspects of a systematic CSR approach are compiled from several authors, such as Cramer (2005); Maignan, Ferrell, and Ferrell

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<sup>24</sup> The UNGC is a 'voluntary initiative based on CEO commitments to implement universal sustainability principles and to undertake partnerships in support of UN goals' (UNGC 2018). The SA8000 is a global standard for managing human rights in the workplace.

(2005); and Panapanaan et al. (2003), who illustrated in a concise and plausible way with examples of real world case studies how a CSR approach can be created. A systematic CSR approach may help MNCs manage their CSR activities better and be more successful in interactions with stakeholders. In addition, O’Riordan and Fairbrass (2014) presented a CSR stakeholder management framework with the four main pillars ‘context’, ‘choice’, ‘calculation’, and ‘communication’. This framework intends to provide ‘essential elements and steps involved in managing CSR’ (O’Riordan and Fairbrass 2014: 125) and was created based on data gained in the pharmaceutical industry.

Figure 3 lists and summarises key aspects of an MNC’s CSR approach (the sequence of the implementation and application may vary among MNCs). The above-mentioned authors largely agree that the first step of a systematic CSR approach is that a company has a clear and thorough understanding of its stakeholders and the urgency and legitimacy of their needs, expectations, and demands (Mitchell, Agle, and Wood 1997). It also includes the firm’s awareness about a stakeholder’s power and the way the MNC may involve stakeholders in the decision-making processes. A comprehensive analysis of the institutional environment goes hand in hand with the understanding of stakeholders’ behaviour that is legitimised by institutions (Lee 2011). The creation, development, and application of an MNC’s CSR approach is driven by the interaction with stakeholders. It is crucial for firms to understand that a CSR approach is not set in stone but is exposed to constant change according to the MNC’s relationships with its stakeholders (Cramer 2005). The analysis and comprehension of stakeholders’ needs and expectations correspond to a proactive CSR orientation that could be understood as a firm’s early warning system, supporting the anticipation of stakeholder actions. For example, in advance of VWG’s emissions crisis, apparently, the corporation had received signals regularly from internal and external stakeholders about its problematic and illegal diesel practice but chose to ignore them (Zerfaß and Seiwert 2015).

The way an MNC understands its stakeholders can be reflected in its corporate values and code of conduct. The second aspect of a systematic CSR approach is the formulation and adaption of corporate values to harmonise those with the MNC’s stakeholder understanding. Codes of conduct may offer orientation for employees and external stakeholders. However, MNCs ought to avoid statements of ‘lofty intent and purpose’ (Pedersen and Andersen 2006: 231) that are ‘awfully slippery’ (Klein 2000: 430). Economic and pre-economic objectives may be derived from a code of conduct (Cramer 2005). Increasing the firm’s profits is an economic objective of engaging in a

CSR approach, and a pre-economic objective may be the creation of a corporate reputation (Mayerhofer, Grusch, and Mertzbach 2008).

The third characteristic of a systematic CSR approach is the way an MNC organises and structures its CSR activities. This aspect refers to the establishment of a CSR infrastructure that considers the creation of CSR departments and committees that not only monitor but also train other departments regarding CSR-related questions and create awareness of CSR issues (Maon, Lindgreen, and Swaen 2009). In addition, more structured and interrelated departments may deal with stakeholder issues more successfully.

The next aspect unites the long-term strategic CSR plan with concrete actions. The CSR content dimensions of economic, environmental, and social, which are derived from the guidelines of the Global Reporting Initiative (GRI), help structure and categorise CSR strategies and actions. Cramer (2005) pointed out that the development of strategies and the shaping of dimensions depend on factors such as size or corporate culture. Galbreath (2006; 2009) emphasised the importance of integrating CSR into corporate strategies by stating that several dimensions play a role when addressing CSR strategically.<sup>25</sup> The next aspect relates to monitoring and controlling of the CSR approach. The authors recommended that MNCs measure their CSR approaches against indicators of CSR audit systems, such as GRI (e.g. principles are human rights and ecological and economic performance; GRI 2013), Eco-Management and Audit Scheme (EMAS 2014), ISO26000, or the UNGC (2018). Some researchers proposed to audit CSR activities together with experienced stakeholders (Gao and Zhang 2006; Morimoto, Ash, and Hope 2005). The last aspect refers to the communication of CSR activities to internal and external stakeholders (Burchell and Cook 2006).

The MNC's CSR approach may be structured according to the three CSR dimensions, economic, environmental and social, which form the criteria for the sustainability-reporting framework GRI (2013) that is widely accepted among MNCs and institutions. These dimensions are also the backbone of Elkington's (1999) triple bottom line approach that refers to the equal significance of economic, environmental, and social objectives when aiming for sustainability. The economic dimension encompasses the effects of MNCs on the firm's economic performance, market presence, and 'economic

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<sup>25</sup> These dimensions are firm mission, strategic issues, markets, customer needs, resources, and competitive advantage.

circumstances' (Cramer 2005: 589) of stakeholders. It considers the MNC's contribution to the local community, the relationships with and involvement of employees and unions, and the willingness to pay locally adapted minimum wages (Were 2003). Henderson (2001) remarked that making profit is a social responsibility *per se*. The second environmental element is about the firm's effects along the supply chain and includes the use of material, water, and energy and the way an MNC intends to measure the firm's consumption of these resources (GRI 2013). The social dimension refers to the MNC's effects on social systems. The GRI framework addresses this dimension extensively and refers to categories such as labour practices, child labour, human rights assessment of suppliers, and 'freedom of association and collective bargaining' (GRI 2013: 9).

Figure 3: Listing of a Structured CSR Approach

A Structured CSR Approach for MNCs
<p><b>1. Understanding of Stakeholders:</b></p> <ul style="list-style-type: none"> <li>- Identification of stakeholders according to Mitchell, Agle, and Wood's (1997) criteria: power, urgency, legitimacy</li> <li>- Listing expectations and demands, understanding stakeholder management as constant interaction</li> <li>- Including stakeholders in decision-making processes, learning in dialogue (Huijstee and Glasbergen 2008)</li> </ul> <p><b>2. Formulation of Corporate Values, Vision, and Definition of CSR:</b></p> <ul style="list-style-type: none"> <li>- Adapting existing values and norms: Change towards value-driven culture (Maon, Lindgreen and Swaen 2009)</li> <li>- Statement that provides orientation for employees and external stakeholders</li> <li>- Avoiding statements of 'lofty intent and purpose' (Pedersen and Andersen 2006: 231)</li> </ul> <p><b>3. Organisation and Structure:</b></p> <ul style="list-style-type: none"> <li>- Establishment of "CSR-infrastructure": CSR committees, experts and management representation</li> <li>- Having CSR experts on management board</li> <li>- 'Building CSR responsibilities into employees' job description' (Maon, Lindgreen, and Swaen 2009: 81)</li> </ul> <p><b>4. Strategies &amp; Plan of Actions:</b></p> <ul style="list-style-type: none"> <li>- Integration of CSR into corporate strategies by incorporating economic, environmental and social dimensions</li> <li>- CSR strategy (alongside the integration in each strategy): E.g. Reciprocal or citizenship strategy</li> <li>- Deriving clear actions of proposed strategies under consideration of MNC's resources (e.g. Cramer 2005)</li> </ul> <p><b>5. Monitoring and Controlling (Auditing):</b></p> <ul style="list-style-type: none"> <li>- Measuring against international standards: e.g. ISO26000, GRI, UNGC, EMAS</li> <li>- Regular stakeholder meetings to improve CSR approach</li> <li>- Involving experts who report to management &amp; interact with external evaluators such as CDP, FTSE4GOOD</li> </ul> <p><b>6. Communication of CSR:</b></p> <ul style="list-style-type: none"> <li>- Communication of progress, achievements and responsibilities to stakeholders (Burchell and Cook 2006)</li> <li>- Using systematic approach for CSR reports: e.g. GRI G4 reporting guidelines (GRI 2013)</li> </ul>

Source: Author

### 3.3 Stakeholder Theories

#### 3.3.1 Stakeholder Definition, Classification, and Relevance

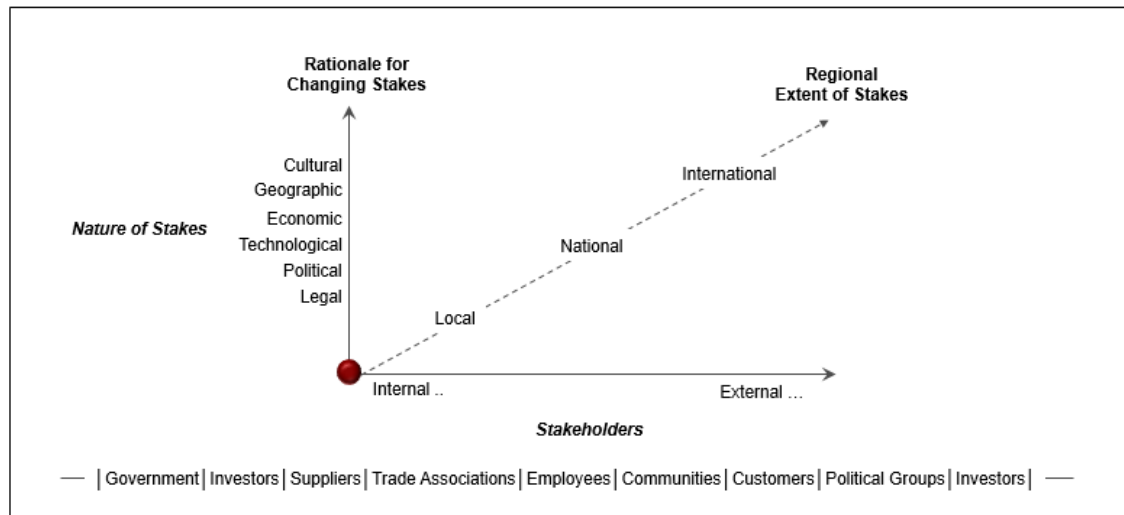
Stakeholder theories may elucidate the way VWG approaches, interacts with, and perceives stakeholder pressure and may provide an understanding of how MNCs manage the relationships with stakeholders and how stakeholders perceive their role and influence. In his influential work, *Strategic Management: A Stakeholder Approach*, Freeman defined stakeholders as 'groups who can affect or are affected by the achievement of an organisation's purpose' (1984: 49). The book strongly contributed to the understanding of how a company can form relationships with its external environment. The publication created awareness among managers about the importance of stakeholders when developing strategies and their contribution to a firm's success (Jones 1995; Laplume, Sonpar, and Litz 2008).

Donaldson and Preston (1995) argued that the stakeholder theory can be categorised into three aspects: 'normative' refers to the moral rectitude and obligations of a company's behaviour, 'instrumental' makes a 'connection between stakeholder approaches and commonly desired objectives such as profitability' (Donaldson and Preston 1995: 71), and 'descriptive' explains the actual corporate and managerial behaviour. Freeman (1999: 234) questioned the usefulness of this 'tripartite typology'. He criticised the distinction between descriptive and normative by arguing that the 'idea of a purely descriptive, value-free, or value-neutral stakeholder theory is a contradiction in terms' (Freeman 1999: 234).

Clarkson (1995: 106) explained that stakeholders 'have, or claim, ownership, rights, or interests in a corporation and its activities'. Another explanation comes from Savage et al. (1991: 61) who stated that stakeholders have 'an interest in the actions of an organization and [...] the ability to influence it'. Freeman et al. (2010) observed that stakeholder theory considers not only the rights of shareholders but also those of stakeholders to represent their interests towards the company, as the company 'owes morally significant non-fiduciary obligations' (Lantos 2001: 604) to all stakeholders. Freeman, Wicks, and Parmar (2004) stated that the stakeholder theory is very much about the company's awareness about its purpose and the resulting responsibility and accountability, and the communication about the created value to their core stakeholders. Russo and Perrini (2009) suggested that the stakeholder theory is an efficient concept to understand the CSR approaches of MNCs. This assumes that the

level and quality of an MNC's CSR approach is largely reflected in the relations with its stakeholders. Figure 4 shows that companies should be aware of the nature of the stakes (e.g. economic, political, and cultural), the stakeholders' backgrounds, and whether they are internal or external. That can be considered preparatory work before a firm classifies or evaluates stakeholders in more detail.

Figure 4: MNC Stakeholders: Regional Extent and Environmental Factors



Source: Author

Authors classify stakeholders into different categorisations. Freeman (1984) differentiated between internal and external stakeholders. Owners, customers, and employees are internal stakeholders, and governments, competitors, and the media are examples of external stakeholders. Clarkson (1995) differentiated between primary and secondary stakeholders.<sup>26</sup> In the same way, Carroll and Buchholtz (2015) separated core, strategic, and environmental stakeholders. Lantos (2001) classified stakeholders into four levels:

- the macro environment (society),
- the microenvironment in which the company is embedded, consisting of partners and financial stakeholders, for example,
- the firm itself, and

<sup>26</sup> A firm cannot survive without its primary stakeholders such as 'shareholders and investors, employees, customers and suppliers' (Clarkson 1995: 106), whereas secondary stakeholders, the media and social interest groups, are not considered essential for the survival of the company. However, whether this differentiation still makes sense is doubtful, considering that no MNC can afford to classify, for example, NGOs as secondary stakeholders. However, the term 'secondary stakeholder' may be accurate, if it refers to the situation in which there is no contractual obligation between MNC and stakeholder.

- the level of family and friends of the firm.

Steurer (2006: 56) distinguished the three perspectives within the stakeholder theory, corporate, stakeholder and conceptual, as follows:

The corporate perspective focuses upon how corporations deal with stakeholders, the stakeholder perspective analyses how stakeholders try to influence corporations and the conceptual perspective explores how particular concepts such as 'the common good' or sustainable development, relate to business-stakeholder interactions.

Therefore, the stakeholder perspective provides a lens through which the relationship between NGOs and MNCs and the NGOs' influence on the MNC may be analysed by including the role of other relevant stakeholders, such as policy makers. The focus of this work is on understanding how NGOs influence MNCs by examining their roles, perception, change of relationships, and, to a lesser extent, what kind of resources NGOs have at their disposal to influence firm decisions.

Friedman and Miles (2002: 2) formulated the argument that stakeholder theory almost exclusively focused on the 'analysis of stakeholders from the perspective of the organisation'. Authors such as Frooman (1999) and Hendry (2005) applied the RDT; however, this thesis uses the stakeholder theory to understand the influence of NGOs on MNCs and the overall interplay between these groups and policy makers. The work considers Harrison and Freeman's (1999: 484) demand, which has been repeated by Frynas and Yamahaki (2016: 9) many years later, that research must develop a better understanding of the 'many differences within stakeholder groups...and fine-grained ideas about each' of these groups.

While Figure 4 is a general classification of stakeholders and their geographical and organisational backgrounds, it does not prioritise certain stakeholder groups. Scholars provided various views on the importance that a company and its managers should give to stakeholders. Clarkson (1995) remarked that companies should prioritise primary stakeholders over secondary stakeholders. Ryan and Schneider (2003) stressed the meaning of institutional investors, and Pajunen (2006) specified that a stakeholder's resources and network power are key criteria for the prioritisation of stakeholders.

Mitchell, Agle, and Wood (1997) developed a more specific stakeholder typology to identify stakeholders by dividing them into the attributes of legitimate, urgent, and



powerful. Figure 5 illustrates these characteristics, which are relevant indicators for a company to determine the importance of certain stakeholders. Power relates to the degree a stakeholder may influence the firm. The legitimacy attribute defines the claims of a stakeholder without considering how much power a stakeholder holds. The extent to which a company feels urgency and obligation to react to the needs of stakeholders describes the urgency attribute. Mitchell, Agle, and Wood (1997) warned of focusing only on one of the stakeholders' attributes and proposed that all three features should be considered when categorising a firm's stakeholders. The authors referred to stakeholders as definitive when they possess all three attributes: legitimate, urgent, and powerful. Stakeholders that possess two attributes are called expectant, and stakeholders with a low salience are classified as latent stakeholders. Eesley and Lenox (2006: 767) stated that salience results from the 'stakeholder–request–firm triplet'. Moreover, the authors determine the saliency of a stakeholder's request according to the MNC's actions and not the verbal or written affirmations of a stakeholder's importance.

Driscoll and Starik (2004) proposed a fourth attribute to assess how relevant a stakeholder may be to a company and added the term 'proximity'. The scholars stated the hypothesis that a stakeholder is more important to a company when the proximity is greater (e.g. the national government). Proximity also refers to the effect of the MNCs on the local environment. Driscoll and Starik (2004: 61) criticised the notion that managers prioritise stakeholders, as that leads to the situation in which they 'focus on short-term economic results', rather than on a long-term and sustainable orientation of their firm. While there are various stakeholder models that categorise stakeholders in typologies and classify them, stakeholder studies 'often overlook the national and regional contexts and their particular legal, social and political backgrounds' (Arenas, Lozano, and Albareda 2009: 177).

### Figure 5: Stakeholder Typology

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Source: Adopted from Mitchell, Agle, and Wood (1997: 872)

Several authors listed stakeholders that are most important for an MNC's CSR approach. Clarkson (1995) is among these scholars and summarised six groups of stakeholders (company, employees, shareholders, customers, suppliers, and public stakeholders), whose concerns an MNC should incorporate into the firm's CSR approach. Spiller (2000) named community, environment, employees, customers, suppliers, and shareholders as the significant stakeholders that need to be considered by a company to be equally successful on economic, social, and environmental levels. Henriques and Sadorsky (1999) assessed the environmental literature and determined four CSR-relevant stakeholder groups: regulatory stakeholders, organisational stakeholders, community stakeholders, and the media.

Figure 6 shows the power-interest matrix (Mendelow 1991), in which the various CSR-relevant stakeholders may be categorised. It proposes that companies should manage their powerful stakeholders with great attention, such as shareholders, main suppliers, regulators, and employees. Tokoro (2007) proposed that shareholders are among the

most important stakeholders regarding CSR, as they can influence and encourage investments in CSR. For example, institutional investors or other shareholders that invest in socially responsible investment funds ensure that CSR criteria play a role when companies are evaluated.

Nowadays, discussions suggest that especially institutional shareholders are often among those who exert pressure on the firms' management to follow CSR activities and professional stakeholder management (Aguilera et al. 2007; López-Iturriaga and López-de-Foronda 2011). López-Iturriaga and López-de-Foronda (2011) evaluated the data of more than 1,000 European MNCs and found that the influence of an MNC's largest shareholder on its CSR performance is greater if other (e.g. institutional) shareholders can persuade the largest shareholder to insist that the company pursues CSR seriously. Madsen and Ulhoi (2001: 81) stated that 'regulation (secondary stakeholder) is still perceived to be among the most influential stakeholders'. Fineman and Clarke (1996: 729) indicated that stakeholders, such as green pressure groups, are 'often taken seriously in the planning and design of [...] products and processes'. For de Bakker and den Hond (2008: 8), 'the influence of stakeholders over firms [is] the temporary outcome of processes of action, reaction, and interaction among various parties'. Darnall, Henriques, and Sadorsky (2010) called for caution when evaluating the influence of stakeholders, as their study showed that the relationship between stakeholder pressure and a company's proactive environmental practices varies with firm size.

In the power-interest matrix in Figure 6, stakeholders that have a high influence but low interest may be considered to be context setters that need to be treated carefully, considering the legal and regulatory power of context setters, such as national governments. The subjects are considered the stakeholders with low power and a high interest (e.g. smaller suppliers), 'as they are subject to the power of others' (Bryson 2011: 137). Stakeholders with low degrees of power and interest comprise the crowd, which will be monitored. Maignan, Ferrell, and Ferrell (2005) proposed that stakeholder power should be evaluated according to access to resources that are of high significance for the company. Another crucial aspect is to understand to what extent the stakeholder wealth depends on the success of the company. Furthermore, Maignan, Ferrell, and Ferrell (2005) suggested that companies communicate a definition of CSR that expresses the firms' motivation, values, and appreciation of stakeholder issues.

Greenpeace can be considered an example of a powerful stakeholder (Friedman and Miles 2006). In the early 1990s, Shell planned to sink an oil platform, and the NGO successfully intervened by campaigning against the plan. Following Willer, Lovaglia, and Markovsky's (1997: 573) definition of power: 'structurally determined potential for obtaining favoured payoffs in relations where interests are opposed', some NGOs can be considered powerful. For example, international organisations, such as the Organisation for Economic Co-operation and Development (OECD) and the International Labour Organization (ILO), influence MNCs to adapt and comply with their standards. Reed et al. (2009) criticised that the power-interest matrix provides little attention to smaller interest groups and thereby isolates less powerful stakeholders. Another aspect is that the matrix does not consider how stakeholders influence each other and how organisations respond to that. Oliver (1991) coined the expression 'stakeholder multiplicity' when trying to understand how organisations respond to institutional (stakeholder) pressure. Neville and Menguc (2006: 377) emphasised the importance of understanding how stakeholders interact with each other and defined stakeholder multiplicity as 'the degree of multiple, conflicting, complimentary or cooperative stakeholder claims made to an organization'. Years before, Rowley (1997: 890) directed the focus on stakeholder networks by stating that 'stakeholder relationships do not occur in a vacuum of dyadic ties, but rather in a network of influences'. That means that firms react on the interaction of aggregated stakeholder influence, rather than on the influence of an individual actor.

Figure 6: Power-Interest Matrix

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Source: Mendelow (1991) and Reed et al. (2009)

### **3.3.2 The Role of the Stakeholder NGO**

Within the category of those stakeholders that are not directly involved in business transactions, NGOs are widely recognised as one of MNCs' key stakeholder groups (Henriques and Sadorsky 1999; Spiller 2000). According to Clarkson's (1995: 107) definition, NGOs would be categorised as secondary stakeholders that are not 'engaged in transactions with the corporation and are not essential for its survival'. Furthermore, NGOs can be defined as formal and informal associations that do not belong to governmental or profit-making organisations. In Murphy and Bendell's (1999: 6) words, 'NGOs are civil society groups that have as their primary purpose the promotion of social and/or environmental goals rather than the achievement of economic power in the marketplace or political power through the electoral process'. More than 20 years ago, Mathews (1997: 53) detected that 'NGO's role and influence have exploded in the last-half decade'. For den Hond, de Bakker, and Doh (2015: 188), NGOs are 'influential stakeholders of firms'. Even though NGOs play an increasingly important role in bringing environmental and social issues on the agenda, they 'remain poorly understood' (Lyon 2010: 1). Moreover, various scholars noted that many stakeholder studies are primarily from the corporate perspective and neglected the views of other stakeholders, such as

NGOs (Burchell and Cook 2013; Camerra-Rowe and Egan 2010; Friedman and Miles 2002; Frooman 1999).

Moreover, NGOs distinguish themselves from other organisations, such as corporations and governmental or quasi-governmental bodies, by several features. The ownership structure, for example, is characterised by the non-profit orientation; therefore, there is no ownership share. Moreover, donations and money that NGOs generate through services are usually 'reinvested in the activities of the NGO' (Schepers 2006: 284). In addition, NGOs receive a great extent of their credibility and legitimacy due to their independence. Although some might be funded by governmental organisations, NGOs often act as independent actors outside of governmental influence (Fowler 1992). Unlike corporations, NGOs are usually less accountable to their stakeholders, considering that the organisations' 'performance is more difficult to measure' (Rivera-Santos and Rufin 2010: 57). Even though there are significant differences among NGOs and MNCs, Scherer and Palazzo (2007: 1109) stated that NGOs have the 'same legitimacy problems as corporations', as they understand themselves as representatives of the citizens without being democratically legitimised. Moreover, both actors 'try to influence [...] political decision making' (Scherer and Palazzo 2007: 1109).

It is difficult to generalise the role of NGOs considering that NGOs range from 'aid provider to government advocate' (Schepers 2006: 283). In their analysis on the perception of the role of NGOs in firms' CSR approaches, Arenas, Lozano, and Albareda (2009) found that NGOs are widely recognised as drivers of CSR. Similarly, Burchell and Cook (2008; 2013) and Kaptein and van Tulder (2003) stated that NGOs create (public) pressure that leads MNCs to engage in CSR practices. However, at the same time, Arenas, Lozano, and Albareda's (2009) research showed that the NGOs' legitimacy is questioned by companies and unions who are described as reluctant to accept the NGOs' role as judges of CSR. For some companies, NGO pressure was an incentive for entities to create their own (industry) standards (see Sasser et al. 2006). Moreover, there are concerns that NGOs do not always understand the negative effects of their interventions on businesses. A common accusation is that NGOs lack 'knowledge of business issues' (Arenas, Lozano, and Albareda 2009: 183) and therefore overestimate the importance of their own role.

However, scholars increasingly indicate that the NGOs' role in the interaction with MNCs has become more professional in the last years (Koch 2014; Martens 2006). A certain

level of professionalism is required for NGOs to influence the interaction effectively. In a study of ten NGOs, Ählström and Sjöström (2005: 238) divided these CSOs into preservers, protesters, modifiers, and scrutinisers. The preservers are described to be the only group that 'have a strategy of engaging in partnerships with business' (Ählström and Sjöström 2005: 230). The following are the explanations to these four categorisations (Ählström and Sjöström 2005: 237-239):

- Preservers: 'The ones whose goals are not inherently conflicting with joint action with business'.
- Protesters: These groups apply 'protest and campaigns' to exert (tactical) influence on MNCs.
- Modifiers: Organisations that 'change corporate behaviour through tactics such as demonstrations, publications, public appeals and thought-provoking scenarios' and can be considered less confrontational than protesters.
- Scrutinisers: 'It is in the interest and nature of this group to not engage in corporate collaboration, since independence is a prerequisite to their activities'.

Yaziji and Doh (2009: 6) distinguished between 'self-benefiting' and 'other-benefiting' NGOs. The main interest of self-benefiting NGOs is to take care of their members as much as possible. Unions are an example of self-benefiting groups. Other-benefiting NGOs intend to serve the interests of others. Greenpeace or Amnesty International are examples of these NGOs. For Mühle (2010: 231), there are three categories of NGOs' CSR involvement: first, 'there are developers of CSR who bring topics and methods to the agenda, second, there are the diffusers of CSR who issue guidelines' and third, there are the enablers of CSR who 'provide consultancy services for actually integrating CSR into business decisions'. Mühle (2010) classified Greenpeace as a developer and takes TI as an example of diffusers and enablers. The author considered especially the last category to be NGOs that were drivers of the CSR movement.

Rieth and Göbel (2005: 249) described NGOs differently and offered a continuum in which the NGO attitudes towards MNCs extend from cooperative to confrontational, with 'positive' being the most cooperative and 'hostile' being the most confrontational attitude:

- Positive: Dialogue and strategies to convince the partner;
- Benevolent: Demand for codes;
- Moderate: Demand for legal requirements;

- Wary/distrustful: Court actions; and
- Hostile: Call for boycott.

Considering that the MNC-NGO interaction is insufficiently understood without examining how NGOs involve and influence the government, it is important to examine Clark's (1992) work. According to the author, NGOs have three choices regarding how to influence and form relationships with the state:

- Opposing the state 'using whatever channels are available to frustrate any governmental plan' (Clark 1992: 152), which may be detrimental to the interests of society;
- Complementing the state by filling gaps that government services create; and
- Reforming the state by helping departments to improve services and policies.

In addition, Teegen (2003: 273) argued that international NGOs have gained a significant role 'as informal institutions that complement, and often supplant, formal institutions in creating more effective environments for private and public sector actors to interact in'. Moreover, the NGOs' role is described to protect 'public and collective goods' (Teegen 2003: 275).

The literature describes further approaches used by NGOs to exert pressure on MNCs, governments, and other groups. For example, Sasser et al. (2006) found in their study on the forestry sector that MNCs feel the pressure of NGOs responding to them to legitimate their business operations. However, the companies' response was the creation of their own standards, showing their commitment towards societal issues, while they refused to become members of the NGOs' initiatives by accepting their terms. Therefore, the normative pressure of NGOs led to a reaction and influenced the firms' behaviour, though not in the desired way.

When describing NGO pressure, Murphy and Bendell (1999) and Sullivan (2006: 413) spoke of civil regulation that refers to the notion that 'NGOs exert pressure on companies to address the social or environmental impacts of their activities or operations'. Sullivan (2006) stated that, among the activities that influence the 'civil regulation' strategy are 1) damaging a company's reputation, 2) lobbying for regulation on a political level, and 3) involving actors, such as investors, to put pressure on corporations. Similarly, according to Schepers (2006: 286), NGOs influence MNCs mainly through consumer or investor



pressure in the Western world. For Spar and La Mure (2003: 81), successful NGOs are able to 'threaten the firm with significant harm'.

Frooman (1999) conceptualised the various strategies for a stakeholder to influence a firm and differentiated among direct/indirect 'withholding' (stakeholder is not dependent on firm) and direct/indirect 'usage' (stakeholder is dependent on firm) strategies. The 'withholding' strategy refers to the influence that is exerted by a stakeholder in withholding a key resource. The threat of withholding a resource may have a similar effect to the actual execution of the strategy. However, the credibility of the threat also depends on whether the NGO may 'simply walk away from the relationship with no harm to itself' (Frooman 1999: 197). In other words, such a threat becomes more credible if the NGO does not rely on the company's resources. An example of the withholding strategy is that an NGO terminates the dialogue to influence an MNC's decision regarding a product that would need to be modified. An example is NABU's withdrawal from the formal corporation with VWG at the end of 2015, as the NGO withheld resources to exert pressure on VWG.

The 'usage' strategy refers to the supply of a resource under certain conditions. Taking the same example, the NGO might continue the dialogue but only if the MNC is willing to discuss the modification of the product. In other words, 'withholding strategies determine whether a firm obtains a resource, whereas usage strategies seek to attach conditions to the continued supply of that resource' (Frooman 1999: 197). This statement reflects the resource-dependent perspective, stating that the use and possession of resources determines the exerted power in a relationship and might contribute to explain why certain stakeholder-MNC relationships have an asymmetric power dynamic.

Several authors based their studies on Frooman's (1999) stakeholder influence typology. For example, Hendry's (2005) study with four ENGOs showed the complexity of understanding the effectiveness of individual strategies. It is often not clearly measurable and traceable that a certain influence strategy was effective or whether the multiplicity of strategies led to an effect on the targeted company. According to the author, this complexity is often not reflected in existing stakeholder influence models (e.g. Frooman 1999), which neglect, among others, the effects of NGO alliances and contextual situations, such as crises (Pajunen 2006). Corporations tend to react to pressure if they have a reason to believe that an NGO does have the power and resources to put the firm under pressure. In other words, 'power can be seen as consisting of both the

potential to affect outcomes and actual use of that power' (Pajunen 2006: 1263). For an NGO to be able to influence MNCs' CSR behaviour, that means it is important that they prove that they possess the resources to implement one of the strategies mentioned above or at least convincingly suggest having the resources to do so.

Hendry (2005: 97) listed various factors that influence the NGOs' decision for choosing an influence strategy selection. Among these are the experience and expertise with a strategy, the opportunity to use a strategy, the 'bang for the buck' of a strategy (cost benefit considerations), and the involvement of potential allies (type, number, strength, and ability). Sasser et al. (2006: 4) identified three approaches regarding 'how NGO activity influences actors other than states or inter-governmental regimes'. Direct targeting describes the ways in which NGOs try to influence a company directly, whereas indirect targeting encompasses 'generalised campaigns against all firms, or a large group of firms, within the same industry' (Sasser et al. 2006: 4). The third approach by which NGOs exercise influence is supply chain targeting, which includes campaigns that aim at 'a firm's producers or consumers' (Sasser et al. 2006: 4) with a focus on bigger names at the downstream of the supply chain. Yaziji and Doh (2009: 58) consider NGO campaigns to be a form of 'normative delegitimation – the process by which an organisation's normative legitimacy is diminished through challenges by outside organisations'.

Peloza and Falkenberg (2009: 98) listed strategic factors for CSR collaboration strategies between NGO and companies. In the '1-focused contribution' a single firm and a single NGO collaborate. The authors stated that the benefits of these collaborations are possibilities for firms to focus on specific projects and communicate with the NGO more effectively. The risks are that the MNC might exert 'undue influence over [an] NGO' or could be tempted 'to focus only on PR [Public Relations] aspects' (Peloza and Falkenberg 2009: 98).

Keck and Sikkink (1998) investigated transnational advocacy networks to understand how these groups, of which NGOs play a key role, exert influence and achieve their goals. The authors approached the topic from an international relations and social movement theoretical perspective rather than from a business-stakeholder theoretical lens. However, their findings proved to be useful, as these allow more differentiated understanding of the dynamics and complexity of NGO influence. Keck and Sikkink (1998: 24-26) identified the following five stages for the types of influence and levels of

success for politically active advocacy network groups and NGOs. They also refer to these stages as 'goal achievement at several levels' (Keck and Sikkink 1998: 24).

- I. Issue creation and agenda setting (Stage 1): NGOs create the awareness of a problem by providing information and by pointing out the urgency of a problem. Thus, they can put this on the political or corporate agenda, which may be one measure to judge NGO success/influence (Brühl 2003). Applied to companies, it is a first positive step for NGOs that companies become aware of an issue. That can be reflected in a company's CSR report or website. A company might perceive the issue as such if it has the potential to become a reputational problem.
- II. Influence on discursive positions (Stage 2): NGOs influence organisational or institutional actors in a way that these change their positions in the discussion, and companies follow the NGOs' line. Greenwashing might be an issue here considering that companies may adopt the rhetoric of NGOs without implementing the required changes within the firm.
- III. Influence on institutional procedures (Stage 3): The third step is about the formal change of company policies. An example is the implementation of codes of conduct or CSR principles (Curbach 2008: 377). However, there is also the possibility in this stage that formal CSR engagement may be decoupled from fundamental organisational changes.
- IV. Influence on policy change (Stage 4) on 'target actors': NGOs influence governments or companies in that these do not 'change their positions, but to hold them to their word', which is more likely 'when the first three types or stages of impact have occurred' (Keck and Sikkink 1998: 26).
- V. Influence on behaviour (Stage 5): Companies change their behaviour based on NGO influence (e.g. implementation of CSR practices within the company).

Besides these five stages of NGO goal achievement and successful influence, Keck and Sikkink (1998: 25) developed a typology of four tactics with which NGOs garner influence, exert pressure, and persuade actors.

1. Information politics: dissemination of information about an issue or cause;
2. Symbolic politics: use of symbolic stories to reach higher resonance;
3. Leverage politics: calling upon powerful actors to exert influence on the target (e.g. company or government); and

4. Accountability politics: holding actors to their previously stated policies or principles.

Winston (2002) stated that the view of NGOs on CSR in general determines their tactics and strategies when approaching MNCs. He roughly differentiated two types of NGOs: the NGOs that believe that voluntary CSR practices bring change more effectively and those that see coercion as the only reason that MNCs follow CSR practices. The first group perceives threats as more effective than actual binding laws and regulations. These NGOs tend to be more cooperative than the ones who perceive 'voluntary codes mainly as corporate propaganda' (Winston 2002: 77).

### **3.3.3 MNC-NGO Stakeholder Interaction and Dialogue**

Stakeholder dialogue and stakeholder interaction are forms of the broader term 'stakeholder relationship'. In the literature, the expression 'stakeholder dialogue' has been clearly defined, unlike the term 'stakeholder interaction', which can be defined as the exchange of information between stakeholders and the 'mutual influence' of the parties involved. However, it does not describe the quality of the exchange, whereas stakeholder dialogue assumes that there is a willingness of the stakeholder to engage constructively. However, the expression 'stakeholder interaction' will be used, considering that the NGO-MNC relationship often does not meet the criteria of a dialogue. A conceptual distinction will follow within this section.

The CSR stakeholder dialogue can be understood as a medium for the 'exchange of [CSR offerings] between the firm and stakeholders' (Murray and Vogel 1997: 142) and may be used to share information, stimulate change and transparency. Thereby,

[the] exchange is one in which the firm offers something of value (typically a social benefit or public service) to an important constituency and, in turn, anticipates receiving the approval and support of key individuals and/or socio-political groups in its environment. (O'Riordan and Fairbrass 2008: 748)

For Pedersen (2006: 141), 'as a participatory idea, the stakeholder dialogue should include the important groups and individuals who affect and/or are affected by the decision on the issue in question'. Other academics consider the stakeholder dialogue to be an essential element of risk management (Pedersen, Lagergaard, and Sanderhoff

2013) and an instrument to obtain different perspectives on company innovations (Ayuso, Rodriguez, and Ricart 2006).

Scholars have written about various reasons MNCs engage into a stakeholder dialogue and why it is important for both the stakeholder and MNC. For example, there is pressure coming from stakeholders to engage in a dialogue, as the insight that the dialogue can provide is a means to reach CSR objectives, and it contributes to a mutual understanding of the different parties' views (Kaptein and van Tulder 2003). Kaptein and van Tulder (2003) formulated ten preconditions for an effective stakeholder dialogue: knowing each other and common areas of interest, trust and reliability, clear rules for the dialogue, coherent vision on the dialogue, dialogue skills, expertise in the subject matter, clear dialogue structure, valid information as a basis, consecutive meetings, and feedback of results. Refer to Table 2 for more information on the MNC-NGO stakeholder dialogue including types, drivers, and selection of dialogue partners.

The literature on stakeholder dialogue deals mainly with the firms' perspective on the stakeholder interaction. For example, Pedersen (2006) listed four factors of operationalisation that are important to create a successful stakeholder dialogue: commitment, consciousness, capacity, and consensus. Commitment refers to the MNC's willingness to 'give priority and allocate resources to a certain issue' (Pedersen 2006: 155). This aspect also includes the MNC's motivation to involve high-ranking management staff in the dialogue, which usually shows that a topic or dialogue is of relevance for the company and that it is willing to include the results in day-to-day business activities.

Capacity relates to the resources that the company is willing to make available for the stakeholder interaction. Bigger companies usually have a higher budget for dialogue and CSR activities; however, it does not say much about whether the corporation is seriously committed to investing these resources into a more sustainable core product.

That depends, among others, on the next pillar, consciousness, which refers to the awareness of the selection of topics and whether these are integrated into the firm's overall strategies. Pedersen (2006: 154) explained it in the following way: 'Consciousness is closely related to values, and the stakeholder dialogue must be an integrated part of the mainstream business systems if the company wants to succeed in its implementation'.

The last factor is 'consensus', which can be considered 'the degree to which the organization and the stakeholders agree on their perceptions of the issues in question and the relevance of dialogue more generally' (Pedersen 2006: 154). Even though instruments and factors of successful dialogues are well-known, 'little detail has been generated' on how dialogues lead to tangible outcomes (Burchell and Cook 2006: 213).

It is very unlikely that there is a productive dialogue with the firm's stakeholders if the MNC fails in one of these factors of operationalisation. Pedersen (2006) created a model inspired by Olesen's publication on strategic issues management (1995) on the various stages of the stakeholder dialogue. It includes filters, such as selection, interpretation, and response, which influence the outcome of the stakeholder dialogue. According to van Huijstee and Glasbergen (2008: 299), the 'ideal stakeholder dialogue – one that promotes fundamental learning and creativity – is fairly well understood'.

However, the authors identified the need to do more empirical research to understand whether there is a transition from dialogues that are mainly profit oriented ('functional orientation') towards a sustainability-oriented dialogue. Van Huijstee and Glasbergen (2008: 301) separated the stakeholder management literature on stakeholder dialogue practices in the sustainability model and the strategic management model. In the first, the stakeholder dialogue serves as a sustainability instrument. A company uses the stakeholder dialogue actively for its CSR approach, creates learning, and clearly links the firm's activities to the topics discussed in the dialogue. In the strategic management model, the firm's main intention is to minimise risks and obtain business advantages by engaging in stakeholder dialogue with an NGO. Both types describe the ideal models for stakeholder dialogue.

Kaptein and von Tulder (2003: 210) observed two different stakeholder interactions: the stakeholder dialogue that is shaped by the firm's interest in creating a win-win situation and aligning goals with the partners and the stakeholder debate in which, for example, one partner tries to win the argument over the other in a rather destructive way. For Veldhuizen, Blok, and Dentoni (2013: 116), an open corporate culture is required to engage successfully in a stakeholder dialogue.

There are scholars who emphasise the positive effects of the stakeholder dialogue, namely, that it leads to more sustainable actions of MNCs, legitimises the spending of corporate and stakeholder resources, and follows the trend that corporations involve stakeholders in corporate decision processes (Johansen and Nielsen 2011; Pedersen

2006). However, there are also studies that show that an increasing number of 'NGOs have already decided to no longer participate due to what they perceive as the unwillingness of companies to engage in meaningful dialogue and the use of engagement processes as more of a "tick box" CSR exercise' (Burchell and Cook 2008: 45). This behaviour has led to the situation in which NGOs often do not perceive the interaction with MNCs as a dialogue but as a 'one-sided "monologue" initiated and controlled by the organisation' (Jonker and Nijhof 2006: 457). A promising CSR stakeholder interaction then becomes a dissemination via CSR and sustainability reports that does not include the stakeholders' perspectives.

Burchell and Cook (2013: 517) added that 'a growing process of "dialogue fatigue" is evident as NGOs find themselves inundated with requests to engage in processes that, in many cases, prove to be little more than a talking shop'. According to Jonker and Nijhof (2006: 458), the stakeholder dialogue is 'guided and shaped by a confrontation of different world-views, risks and interests'. Therefore, the success of the dialogue and interaction depends on the type of relationship and how both actors perceive each other. For example, Onkila (2011) differentiated the following four types of MNC-stakeholder relationships in environmental management: power-based relationships, collaborative relationships, conflicting relationships, and one-sided contribution relationships. In a collaborative relationship, the actors intend to engage at eye level. Table 3 lists the different MNC-stakeholder relationships and provides more detailed information on the role of the stakeholder and the described relationship. Even though, Onkila (2011) refers to relationships in environmental management, the author's differentiation of MNC-stakeholder relationships may be applicable for discussions on topics within the other CSR dimensions social and economic. It provides important insight considering that managers 'should be able to manage differences in stakeholder relationships' (Onkila 2011: 391).

A reason many stakeholder dialogues among VWG and NGOs do not lead to a successful direction might not only be that NGOs do not understand the business and the pressure that VWG may experience from other stakeholders but also that the MNCs and NGOs have different objectives. Pedersen (2006: 157) stated that it is a 'precondition for successful dialogue that there is an element of goal congruence, allowing the participants to develop shared perspectives on common problems, questions, and issues'. Arenas, Lozano, and Albareda (2009: 185) indicated that various stakeholders,

especially companies, deny NGOs' legitimation, as 'NGOs' criticisms often result from lack of knowledge'.

A closer form of stakeholder interactions is NGO-MNC partnerships and cooperation. Partnerships can be attractive for an MNC for several reasons. For example, it may benefit from the NGO's legitimacy and credibility and thereby compensate for reputational deficits (Curbach 2008; den Hond, de Bakker, and Doh 2015). Moreover, corporations may cooperate with NGOs to take advantage of their environmental expertise and experience, consulting services (Utting 2005), and 'linkages to other societal stakeholders' (so-called strategic bridges; Stafford, Polonsky, and Hartmann 2000: 122). However, for NGOs, a partnership can be a double-edged sword. On one hand, NGOs have to face the danger of losing legitimacy (Hartman, Hofman, and Stafford 1999) and might forfeit autonomy and their strength to exercise criticism on the partner. On the other hand, the organisations have the chance to exert more influence to ensure that certain CSR agreements are kept.



Table 2: MNC-NGO Stakeholder Dialogue: Drivers, Selection, Types, and Influence

Entities	Drivers	Selection of dialogue topics and partners	Stakeholder dialogue: types, influence and tactics
<b>MNC</b>	<ul style="list-style-type: none"> <li>• Avoiding negative reputational and financial consequences;</li> <li>• Keeping licence to operate;</li> <li>• Turning adversarial relations into constructive ones;</li> <li>• Following zeitgeist;</li> <li>• Improving relationships; increased understanding.</li> </ul> <p>(Van Huijstee and Glasbergen 2008: 301)</p>	<ul style="list-style-type: none"> <li>• Based on issue matrix: high probability of occurrence and high impact → initiation of stakeholder dialogue will be considered;</li> <li>• Based on power, urgency, and legitimacy typology.</li> </ul> <p>(Mendelow 1991; Mitchell, Agle, and Wood 1997: 872)</p>	<p><u>Types of Dialogue:</u></p> <ul style="list-style-type: none"> <li>• One-to-one dialogue</li> <li>• Working group</li> <li>• Roundtable</li> <li>• Conference</li> <li>• Partnership</li> </ul> <p>(Van Huijstee and Glasbergen 2008: 303)</p>
<b>NGO</b>	<ul style="list-style-type: none"> <li>• Influencing business practice;</li> <li>• Representing their organisation and members' interests;</li> <li>• Retaining legitimacy;</li> <li>• Gaining a better understanding of the different sides of the debate;</li> <li>• Achieving better outcomes through partnerships.</li> </ul> <p>(Burchell and Cook 2008: 39)</p>	<p><u>The selection is based on:</u></p> <ul style="list-style-type: none"> <li>• Prospect of success;</li> <li>• Certainty about MNCs' 'genuine motivations and that their CSR policies impact on their main business'</li> </ul> <p>(Burchell and Cook 2008: 39)</p>	<p><u>Types of Dialogue:</u></p> <ul style="list-style-type: none"> <li>• Partnership</li> <li>• Multi-stakeholder dialogue</li> </ul> <p><u>Types of Influence:</u></p> <ul style="list-style-type: none"> <li>• Public campaign</li> <li>• Blockade</li> <li>• Litigation</li> <li>• Boycott</li> <li>• Lobbying (to legislators)</li> </ul> <p><u>Factors for lobbying:</u></p> <ul style="list-style-type: none"> <li>• NGO wants 'changes [to] become permanent across industry'</li> <li>• NGO 'cannot identify any economic benefits to firms as result of voluntarily making desired changes' (Hendry 2005: 97)</li> </ul> <p><u>Tactics:</u></p> <ul style="list-style-type: none"> <li>• Writing letters/emails, shareholder activism, negative publicity → 'symbolic damage' as intended outcome</li> </ul> <p>(den Hond and de Bakker 2007: 910)</p>

Source: Author

Table 3: Four Types of MNC-Stakeholder Relationships in Environmental Management

<b>Relationships</b>	<b>Type: Power-based relationships</b>	<b>Type: Collaborative relationships</b>	<b>Type: Conflicting relationships</b>	<b>Type: One-sided contribution relationships</b>
<b>Described relationship</b>	Stakeholders as influential actors possess power over the corporation and define the limits of responsibility	Collaborative environmental protection aims	Conflicting; questions legitimacy	Positioning the corporation as a contributor to societal wellbeing and justifying the environmental impact related to business operations
<b>Stakeholder role</b>	Influential actors: demanders of responsibility	Corporation and stakeholders as equal actors; equally responsible actors	Conflicting demand setters; not representatives of the natural environment	Targets of responsibility
<b>Stakeholder definition</b>	Actors who influence corporate environmental actions and possess the power to do so	Societal actors who may interact with the corporation on environmental issues	Those social actors who have legitimate environmental interests in the corporation and the environment itself	Actors to whose wellbeing and environmental action the corporation contributes positively

Source: Compiled from Onkila (2011)

### **3.4 Summary and Research Objectives**

The literature review provided contextual understanding and relevant insight for this research. The sections on CSR aimed to illustrate how companies approach social responsibility and what the interconnections are between the CSR and stakeholder literature. In addition, CSR concepts play an integral role in understanding the content and features of the stakeholder relationships and dialogues between businesses and NGOs.

This chapter introduced the different CSR concepts and a systematic approach to CSR and emphasised the importance of integrating the economic, environmental, and social dimensions into a company's business strategies. An MNC's strategic CSR approach is usually shaped by a thorough understanding of its stakeholders. Therefore, the notions of Husted and Salazar (2006), McElhaney (2009), and Porter and Kramer (2006) of strategic and integrative CSR will be considered in later chapters, when data on the mechanisms of NGO influence are presented and discussed.

This conceptualisation of strategic CSR deserves consideration, as companies with an integrative CSR approach gain their 'licence to operate' by claiming that they consider stakeholders' concerns and expectations. Therefore, these papers and other associated works by these authors have informed the understanding of stakeholder concepts, considering that strategic CSR encompasses stakeholder interactions, which allow NGOs to contribute to the CSR approach of an MNC (Figure 3). However, this work will show that there is a certain discrepancy between the NGOs' perceptions and those of an MNC that claims to follow a strategic CSR approach.

Stakeholder theory is the theoretical lens of this study and explains who can affect or be affected by the actions of an MNC and explains the role and expectations of stakeholders. Thus, this chapter shows that there are numerous stakeholder classifications and theories that state the relevance and influence of stakeholders (e.g. Mendelow 1991; Mitchell, Agle, and Wood 1997).

Moreover, the contributions of Frooman (1999) and Hendry (2005) are noteworthy and play a role when investigating the direct and indirect approaches of the influence of NGOs. Direct instruments can be partnerships, stakeholder dialogues, or

campaigns. Indirect influence is usually exerted via more powerful actors, such as the government, courts, or investors.

Unlike Frooman's (1999) and Hendry's (2005) approach, this study does not apply the RDT that categorises stakeholder influence approaches according to the use of resources. However, Frooman's (1999) model and Hendry's (2005) refinements are significant for this study, as these improve the understanding of how NGOs exert influence. For example, Frooman (1999) stated that indirect influence approaches are more promising if stakeholders, such as NGOs, have less power than MNCs. Therefore, it becomes essential for NGOs to seek more powerful allies.

Equally important to this research are Keck and Sikkink's (1998) five stages of NGO goal achievement and their typology of four tactics. These stages range from 'issue creation and agenda setting' (Stage 1) to 'influence on behaviour' (Stage 5). The five types of influence and the different tactics (e.g. information and leverage politics) contribute to a more nuanced understanding of the dynamics and complexity of NGO influence. Moreover, Keck and Sikkink's (1998) approach provides valuable insight on the efficacy of NGO influence on an MNC's CSR approach and proved to be useful when analysing how NGOs achieve partial successes. The insight gained from these scholars enhanced this study, as these informed the interview questions by understanding the various direct and indirect influence methods and contributed to the formation of the data structure and to the underlying dynamics of the stakeholder influence mechanisms.

The review of the literature also showed that scholars agree on the ingredients of an effective MNC-NGO stakeholder dialogue. However, due to a possible lack of understanding of each other's positions, discussions about the stakeholder dialogues show a certain degree of dissent regarding the efficacy of this direct influence method. Relevant stakeholder dialogue concepts were presented and inform the understanding of how NGOs influence MNCs in direct interactions (e.g. Kaptein and van Tulder's (2003) factors of operationalisation).

A salient and intriguing aspect from the stakeholder literature came from Burchell and Cook (2013), which questions the efficacy of dialogue among NGOs and MNCs. The authors stated that there is a certain saturation among NGOs to engage in dialogue due to the perception that this instrument does not lead to sustainable changes in the MNCs' CSR approach. This contributed to more precise questions, which were asked

of NGOs and corporate representatives about the quality and content of their dialogue. It thereby paved the way for understanding that individual influence instruments may not be as effective as the exertion of a multiplicity of instruments.

While influence instruments such as stakeholder dialogues, campaigns, and AGMs have been well researched, the review also identified a gap within the stakeholder literature, to which this study responds, namely, that the integration of contextual factors has often been neglected in stakeholder studies (Arenas, Lozano, and Albareda 2009). This thesis will show that the context, such as the tight interconnections between policy makers and MNCs and an organisational crisis, plays a decisive role. Therefore, the first research objective aims to examine the development and chronology of VWG's Dieselgate scandal, and the German political institutional context. Building on that, the second research objective explores the influence of NGOs on a MNC's CSR approach in Germany in the context of a crisis. Therefore, it draws from Frooman's (1999) work on direct and indirect influence approaches and Hendry's (2005) insight that the NGO influence indicates a degree of complexity that is hardly depicted in existing influence categorisations. This study also builds on Hendry's (2005) recommendation to conduct further research to understand NGOs' motives for pursuing influence tactics.

The literature review revealed that the role and influence of the stakeholder group NGO are under researched (Lyon 2010). Moreover, several scholars stated that there is a lack of studies that consider the perspective of stakeholders, such as NGOs (Burchell and Cook 2013; Camerra-Rowe and Egan 2010; Friedman and Miles 2002; Frooman 1999). Thus, the third research objective is to understand the perception of NGOs on their role and influence on a major MNC's CSR approach in the context of Dieselgate. The literature shows that there is an ambivalence regarding the perception of the role of NGOs. On one hand, NGOs are recognised as the drivers of CSR and watchtowers of MNCs' sustainability approaches. However, on the other hand, there is a certain discontent of the NGOs with the quality of the interaction with MNCs and the outcomes of the dialogues. Further, NGOs perceive a misfit between the number of dialogues with MNCs and the achieved results (Burchell and Cook 2013).

The next chapter will discuss the methodological framework of the thesis by introducing research philosophies and the qualitative research methodology. It

provides information on the selected case-study method, the data collection approach with semi-structured interviews as the main method, a list of interviews and organisations, and explanations about the various steps in which the collected data have been analysed.



## **CHAPTER 4: METHODOLOGICAL FRAMEWORK**

### **4.1 Introduction**

This chapter describes the methodology that underlies the thesis and tools that were used to answer the research questions to solve the research problem. Methodology denotes philosophical assumptions that motivate the study, while methods refer to specific techniques to collect the required data (Bryman and Bell 2015). The chosen methodology decides how the researcher understands the investigated phenomenon and influences the way data are collected. Methodology is therefore of great importance to reach the aims of the research project.

This chapter starts with a short overview on research philosophies and reflections on the methodology, followed by the introduction of the case-study approach containing relevant research questions and data collection methods. The section on data collection includes a brief chronology of the events that were relevant for the project, a list of interviews and stakeholder groups, and an interview guide. Thereafter, the analysis of the data that includes the structure of the collected data will be presented. Reflections on validity and reliability complete Chapter 4.

### **4.2 Research Philosophies and Methodological Reflections**

There has been an ongoing discussion among scholars about the advantages and values of qualitative and quantitative methods. The researcher is well advised to understand how mixed-method approaches complement each other, rather than seeing them as ‘competing perspectives’ (Katsirikou and Skiadas 2010: 13). Differences between the qualitative and quantitative research approaches are that the steps in the qualitative process are more interlinked and theory-driven than in the quantitative method (Flick 2014). That means that, in a qualitative study, there is a ‘back and forth’ to collect and analyse data, and theories are developed while working in the field (Flick 2014: 91-94). The previously described interweaving of qualitative steps solidifies the process of understanding to a larger extent than might be possible in linear designs. This increases the complexity and the inclusion of context, which also influences the researcher’s position that is ideally open for new and surprising insight. In quantitative studies, the starting point is often a theoretical framework that has been created before the researcher enters the field following a linear research procedure, unlike the rather circular orientation of qualitative research. The hypotheses derived from the theoretical model are then deductively tested and subsequently confirmed or negated.



The differences between the two research methods may be reflected in the epistemological and ontological research positions (Flick 2014). Ontology is 'concerned with [the] nature of reality' (Saunders, Lewis, and Thornhill 2007: 108) and epistemology describes 'forms of knowledge and ways of accessing it' (Morgan and Symon 2004: 28). Guba and Lincoln (1994: 107) stated that it is more important to understand what the paradigm or 'world view' of the research will be than the actual method. Sale, Lohfeld, and Brazil (2002: 44) specified that the 'quantitative paradigm is based on positivism', whereas the qualitative paradigm is built on interpretivism (Howe and Eisenhart 1990). Positivistic research tends to be 'undertaken [...] in a value-free way' (Saunders, Lewis, and Thornhill 2007: 103) with outcomes, which 'can be law-like generalisations' (Remenyi et al. 1998: 32). Whereas, the interpretivistic approach to research emphasises the meaning of the human in the process of gaining knowledge (Sarantakos 2013). It focuses on producing 'deep, interpretive understandings of social phenomena' (Klenke 2016: 23).

The research philosophies of objectivism and subjectivism are derived from the ontological position. Objectivism is concerned with social entities that exist outside of the reality of social players (Bryman and Bell 2015). Subjectivism deals with the perception and consequent actions of social actors. The locus subjectivism refers to a worldview that is constructed by individuals who create the reality that surrounds them (Ratner 2002). The subjectivist paradigm assumes that the historical, cultural, and economic environment shape the actors. Daly (2007: 23) emphasised that there is no objectivity as the 'inquirer is always shaping the direction and outcome of the inquiry'. Ratner (2002) stated that researchers working from a subjective, qualitative position do not exclude objectivity *per se*, presuming that the inquirer is aware of that and reflects on values that could enhance an objective conception.

The lack of objectivity and standardised schemes when collecting data are often mentioned in literature when scholars state the main criticisms that quantitatively working researchers express towards qualitative research (Klenke 2016). However, (qualitative) researchers state that this is a pseudo problem, considering that the researcher's own objectivity is not a disruptive factor but an integral part of the researcher's understanding of processes (Klenke 2016; Sarantakos 2013). Furthermore, Corbin and Strauss (2015) questioned the true objectivity of statistical methods. Patton (2014: 58) suggested that

the ideological discussions about subjectivity and objectivity are not helpful, as the expressions are 'loaded with negative connotations and subject to acrimonious debate'.

This research is inspired by a subjectivist ontological position following an interpretivist epistemological approach with a qualitative research design that understands reality from the perspective of the interviewee/participant. It is based on the interpretative understanding that there is an 'underlying pattern and order within the social world' (Morgan 1980: 609). The qualitative research approach offers extensive 'context-bound' information that enables the researcher to obtain a 'thick description of a phenomenon' (Klenke 2016: 11). It focuses on processes, provides the tools to understand patterns, and investigates a differentiated phenomenon in detail. Several scholars emphasised the role of context as an important factor within the qualitative methodology (Grünbaum 2007; Miles, Huberman, and Saldaña 2014), as it enables the researcher to take a holistic perspective by identifying which contextual aspects surround the units of analysis. For Klenke (2016: 24), 'interpretative researchers [...] contextualise their studies by setting them into their social and historical context so that the reader can see how the current situation under investigation shapes the research process'. Therefore, the qualitative methodology has been chosen, as it allows the researcher to take a closer look at how NGOs influence the MNC VWG in the context of Dieselgate and to understand clearly the roles of other important actors, such as policy makers.

### **4.3 Case-Study Strategy as Research Design**

#### **4.3.1 Case-Study Approach**

After choosing the qualitative methodology for this study, the tools and instruments most suitable for realising the study were determined. The case-study approach has been chosen to analyse the direct and indirect NGO influence on VWG within the context of VWG's sustainability and emissions crisis. In this project, case-study research is considered a methodological strategy that helps to bring together the different data that have been collected. There are various perspectives on case studies reflecting different underlying research philosophies and purposes. For example, Eisenhardt (1989) and Yin (2014) adopted a positivistic research philosophy that considers the case study as a means to develop propositions and to build theories (Eisenhardt) or to confirm and extend existing theories (Yin). Stake (1995) took the interpretivist stance, in which case-study research is motivated by the 'social construction of meaning' (Blumberg, Cooper and Schindler 2014: 304).

Eisenhardt and Graebner (2007: 25) defined case-study research as a method to 'emphasise the rich, real-world context in which phenomena occur'. This distinguishes the method from others, such as experiments, in which the context is ignored (Yin 2014). Case studies can be understood as a method to collect data and as a broader methodological strategy. Cases can be more concrete, such as a case study of an individual, small group, or organisation, or less concrete, such as relationships, phenomena, decisions, or projects (Merriam and Tisdell 2015). Grünbaum (2007) listed various scholars' definitions of and views on case study that show that there is no common understanding. The author (2007: 83) stated that there is 'ambiguity in the meaning of a "unit of analysis"', as 'conceptually stringent guidelines are not available to differentiate between unit of analysis and the case' (Grünbaum 2007: 79).

Unlike a quantitative approach with large samples, the qualitative case-study approach does not offer breadth but depth. Doing research from case studies reflects the inductive reasoning approach: developing or extending theories and concepts by identifying patterns within one case or multiple cases. Using the case-study method is predominantly done if existing theory is flawed, patchy, or non-existing (Eisenhardt 1989). A case study may be approached without 'a priori theoretical notions' (Gillham 2000: 2), as theory will be built in a repetitive process of working with case data and evolving theories (Eisenhardt and Graebner 2007).

However, Eisenhardt (1989: 536) also stated that a specification of concepts prior to the case-study process may support the 'initial design of theory-building research'. The selection of multiple case studies enables the researcher to increase the 'analytic power' (Eisenhardt and Graebner 2007: 27) of constructs and theories. Multiple cases prepare the ground for solid theory building and provide several perspectives (Creswell and Poth 2018). However, the use of single case studies offers the researcher rich insight into a phenomenon and a holistic understanding of the investigated organisation (Merriam and Tisdell 2015). A single case study can be particularly instructive if the case is extreme, revelatory or 'a critical test of existing theory' (Yin 2014: 56). Siggelkow (2007) wrote that a 'single case can be a very powerful example' and even be enough to refute theories. This work adopted a case-study approach, as it allowed the researcher to better understand the process of how NGOs exert influence on an MNC's CSR approach and how their influence is affected by contextual factors, such as the VWG crisis and strong intertwining between policy makers and VWG. Thus, the approach enables the

understanding of a holistic view of NGO influence 'within its total environment' without 'conducting a search for causal explanations' (Gummesson 2000: 86).

Eisenhardt (1989: 545) remarked that a weakness of the case-study approach is that researchers might 'lose their sense of proportion' by building theories that are far too comprehensive. She added another drawback by stating that the lack of use of quantitative methods, such as regression tools, may lead to a researcher's inability to evaluate the 'voluminous data' (Eisenhardt 1989: 547). Similarly, Blaxter, Hughes, and Tight (2010) pointed out the danger that the researcher might lose sight of the big picture due to the amount of data.

Critics might claim that case studies are not really a scientific tool, as it is not useful to generalise on the foundation of a single case or few cases. Flyvbjerg (2006) replied that many inventions and ground-breaking theories were developed after in-depth case-study observations. He indicated that generalisation is only one of the skills a researcher should have. Moreover, the author stated that generalisations are overrated, as case-study results can still contribute to a valuable 'knowledge accumulation' (Flyvbjerg 2006: 227) in the respective field. Yin (2014) stated that research projects with single or multiple case studies should strive for analytical generalisation and not for statistical generalisation, which draws conclusions from the data to the population, whereas analytical generalisation aims at either 'advancing theoretical concepts' (Yin 2014: 41) that are referenced in the study or new concepts that come out of the case study.

#### **4.3.2 Selection of Case Study and Implications for Research**

The selection of case studies can be the result of an 'information-oriented selection' (Flyvbjerg 2006: 230) and based on the expectancy of the cases' content. Unlike quantitative research, qualitative (case study) research uses 'theoretical or purposive sampling' (Klenke 2016: 9). For Creswell (2014), criteria for such a purposive sampling depend on how accessible, unusual, or data rich a case is. These criteria play a role when deciding that the case study will be on the phenomenon 'NGO influence', considering that the NGOs were more accessible than corporations and promised to be data rich. Stake (1995) stated that the prospect to learn from a case should be an important factor when selecting case studies. This case study offers the possibility to learn about the mechanisms of influence and the effect of contextual factors on the NGO-MNC relationships.

In this thesis, the case study is the phenomenon of the NGO influence on an MNC. Following Grünbaum (2007), it can be considered to be a multiple units of analysis design, whereby the NGOs are the units of analysis. A well-defined separation between case study and the units of analysis leads to a better transferability of the results, as it is clear what the writer intends to transfer (Grünbaum 2007). The case-study method has been chosen to answer 'how' and 'what' questions to approach the research problem with more depth. The context of the case study plays an important role, and the emissions crisis at VWG contributed to shaping the environment in which NGOs intend to exert influence. In the course of the study, the strong interweaving between policy makers and the automotive industry can also be considered a contextualising factor that influences how NGOs affect VWG's CSR approach. According to Poulis, Poulis, and Plakoyiannaki (2013: 305), a rich context is the 'essence of qualitative case-study research' and may 'inform methodological choices'. By context, Welch et al. (2011) referred 'to the contingent conditions that, in combination with a causal mechanism, produce an outcome'.

There are several reasons VWG has been selected to illustrate the relationships with NGOs and the mechanisms of their influence. The corporation has features that make it unique in the German automotive sector and the overall economy. While VWG is one of Germany's largest and oldest companies, it is also characterised by a traditional interweaving with political institutions and unions. Representatives of both institutions are members of VWG's supervisory board and exert *per se* a considerable degree of influence on the organisation. Above all, VWG represents the extreme case of a corporation that developed from a 'model CSR company' (as far as the perception of the industry, wider public, numerous CSR experts and policy makers was concerned) to an example of bad corporate governance when the 'defeat device scandal' became public. The events of September 2015 created a situation in which the corporation never had been in before in its history and revealed rich data on the role and influence of NGOs, which experienced and observed VWG before and after the crisis.

These events contribute to justify why the phenomenon 'NGO influence' has been selected as the case study, and they meet Eisenhardt and Graebner's (2007: 27) criteria that single case research 'exploits opportunities to explore a significant phenomenon under rare or extreme circumstances'. Eisenhardt, Graebner, and Sonenshein (2016: 1118) stated that extreme cases 'generate insights that would otherwise be obscure' and 'attract media coverage, which enriches the data'. This extreme case, the examination

of the phenomenon ‘NGO influence’ within the crisis at VWG that revealed substantial deception and greenwashing, offers the possibility to obtain insight about the role and influence of NGOs. Moreover, it unearths data about the interaction among VWG, NGOs and political actors by understanding how the relationships developed during the crisis. The media coverage about the emissions scandal, the reactions of political and civil society stakeholders after the crisis, and the rich documentation about partnerships between VWG and NGOs are valuable complements to the collected primary data, which will be described in detail in Section 4.4.

#### **4.3.3 Boundaries of the Case**

Several authors stated how important it is to define the boundaries of the case study (Creswell 2014; Merriam and Tisdell 2015; Miles, Huberman, and Saldaña 2014). It has been mentioned previously that Dieselgate is the context and an important boundary condition of the study. The data collection took place after the crisis became public in September 2015; therefore, each interview was overshadowed by the events around Dieselgate. This illustrates that the boundary between phenomenon and context was not very sharp, contributing to a better understanding, considering that it allowed us to ‘involve important contextual conditions pertinent’ (Yin 2014: 16) to the case. As suggested by Creswell (2014), ‘time’ is a boundary and, in this case, is strongly connected to the context of Dieselgate. The scandal came up in 2015; therefore, the focus is on the time from then until the completion of the study. However, the years before the crisis will be considered, too, as interviewees and documentation referred to incidents and examples in the past that illustrate NGO influence and the relationship with VWG.

Another boundary is the geographical focus on Germany. That means that only NGOs that are strongly active in Germany were selected; however, the study also considers the NGOs’ activities at EU level, as those decisions have an effect on Germany and its regulatory system. It can be stated confidently that the selected NGOs are the most important ones in Germany, considering the NGO literature, VWG’s stakeholder matrix, interviews with policy makers, and the analysis of the media coverage of Dieselgate. The geographical focus also becomes relevant when examining VWG’s CSR approach. Even though VWG is a transnational company that is active in most markets of the world, the focus has been on the CSR and environmental reports published by VWG’s headquarters in Wolfsburg.

## **4.4 Data Collection**

The data collection chapter starts with a short chronology of events that were relevant for the data collection process in the face of the scandal at VWG in September 2015. This chronology helps to put some of the events and statements that play an important role in the data analysis chapter into perspective and provide a context of the occurrences. Afterwards, Table 4 will be presented, illustrating the initial and revised research questions, which reflect the shifting focus after the VWG scandal became public. It follows a brief description of general tools to collect data within a case-study approach. Within Section 4.4.4, an example of the interview guide with adapted and more specific questions will be presented (Table 5). In addition, a list of interviewees, roles, organisations, and stakeholder groups will be provided (Table 6). Thereafter, secondary data and direct observations will be discussed.

### **4.4.1 Brief Chronology of Events Relevant for Data Collection Process**

Initially, I started the study with the intention to investigate who influences VWG's CSR approach by putting the MNC in the centre of the project and to find evidence of stakeholder influence from within the company. The research project started in May 2015 and the VWG scandal became public in September 2015. After that, it was clear that the scandal would become part of the work; however, it was not well-defined how the crisis would play a role; whether it frames the context or even shifts the focus of the work towards corporate crisis management and deception. In February 2016, I interviewed one of VWG's CSR representatives, discussed the changes within VWG and the CSR department after the crisis and the possibility to obtain access to VWG's headquarters in Wolfsburg. In April 2016, VWG's CSR representative replied that, due to the restructuration of the area of 'sustainability' within VWG, there was no possibility for field placement. Furthermore, I asked for access to VWG's archive in Wolfsburg and contacted the archive's director. He replied that I could not obtain access to the firm's archives, as VWG's guidelines apply the Lower Saxony Archive Law that states that there is a blocking period of 30 years on internal documents.

While it was disappointing that the data collection access would no longer be granted to the corporation itself, there remained the story of the various stakeholders to be explored. This would present an important stakeholder perspective that so far has been under-represented in the research. However, another important aspect was the insight that the

stakeholder perspective might be even more interesting and potentially illuminating and that the view of stakeholders has been neglected in research.

I wanted to explore the dynamics of stakeholder influence and included several stakeholders to determine the most influential ones. Therefore, I interviewed NGOs, CSR and industry experts, suppliers, policy makers, and one of VWG's CSR representatives about their own and the NGOs' influence on VWG. This happened in the first data collection phase that took place between November 2015 and October 2016. However, gradually, in the process of analysing the data from the primary data collection phase, it became clearer that the most interesting and controversial information was coming from the NGOs.

An investigation of the literature identified a gap in the knowledge, namely that the dynamics of NGO influence had not been explored yet under the consideration of the strong interweaving between policy makers and industry. The interviews with the NGOs were about their interactions with VWG, their influence and CSR, in particular the environmental dimension. Therefore, the initial data collection led me to narrow the focus of the study and explore more deeply the NGO relationships, experiences, and influences. The NGOs BUND, DUH, Greenpeace, and NABU are in a constant exchange with automotive MNCs, such as VWG, and policy makers.

Consequently, I interviewed these organisations again for the second phase of the data collection. The interviews with all the other stakeholders were valuable, as those contributed to a better understanding of the complex context, whose tight connection with the phenomenon is a key aspect of this study.

#### **4.4.2 Overview on Data Collection: Instruments and Sources**

The collection of data can be categorised into primary and secondary data (Bryman 2012). There are different sources of evidence when collecting data. For example, documents, archival records, interviews, focus groups, direct observations, participant observations, physical artefacts, or audio-visual materials (Creswell 2014; Yin 2014). All of them have strengths and weaknesses and may complement each other. In this study, data were collected using semi-structured interviews and documentation (summarised in Section 4.4.5), and direct observations. These sources will be described in more detail in the following subsections. The reason other data collection instruments were excluded are manifold. Participant observation was impossible due to the focus on experts. Focus



groups were not considered, as they were not likely to deliver sensitive information. Moreover, considering the difficulty of reaching most of the participants, focus groups would not have been practical.

Yin (2014: 118) stated that there are four principles when collecting data: first, the use of different sources to construct validity via 'data triangulation'; second, the creation of a case-study database guaranteeing access to data during the project; third, the maintenance of a chain of evidence to increase reliability, and lastly, caution when using data from electronic sources. In this project, all the collected data in the form of Word, PowerPoint, and Excel files as well as audio records are stored on a laptop, saved on external hard drives and the Coventry University's cloud system 'OneDrive'. Field notes, notes on interviews, and reflections about emerging concepts are stored in different documents and are available on request.

A triangulation of data collection methods has been applied within the case-study research strategy and refers to the use of 'diverse data sources to explore the same phenomenon' (Arksey and Knight 1999: 23). Data triangulation can be a powerful tool to increase the credibility and validity of a study by adding more sources (Denzin and Lincoln 2013) and may lead to a 'stronger substantiation of constructs and hypotheses' (Eisenhardt 1989: 538). However, the reliability of triangulation depends on where the different sources come from. The manifold sources of data offer various ways to measure the same phenomenon (Yin, Bateman, and Moore 1983).

Triangulation has also been subject to criticism. Silverman (1985: 21) stated that it is more complex and not sufficient to just integrate parts into missing parts, which might fit perfectly well in a different setting, to 'gain a perfect picture'. He warns that 'what goes on in one setting is not a simple corrective to what happens elsewhere – each must be understood in its own term' (Silverman 1985: 21). Fielding and Fielding (1986: 33) called for a more realistic picture of triangulation when stating that triangulation should add 'breadth and depth to our analysis but not for the purpose of pursuing "objective" truth'. Therefore, triangulation needs to be carefully used without assuming that it may offer the definite truth. Another important aspect concerns the use of quantitative and qualitative methods that may often be used to investigate similar issues; however, these methods frequently refer to different research questions (Bryman 2012). Overall, authors agree that triangulation may help to make the research project 'more convincing and accurate' (Yin 2014: 120).

#### 4.4.3 Initial and Revised Research Objectives and Questions

The research objectives and questions before and after the first phase of the primary data collection are listed below in Table 4. The research project started off with these initial objectives and questions, which were raised by the literature review on CSR approaches and general stakeholder concepts. Considering the data received in the first primary data collection phase, I reiteratively adapted the research objectives and questions, as the focus shifted to the understanding of how NGOs exert direct and indirect influence on VWG in the context of a crisis.

Table 4: Initial Research Objectives/Questions

Initial Research Objectives	Examples of Initial Research Questions
To explore how VWG defines, composes, and implements its CSR approach	<ul style="list-style-type: none"><li>- How does VWG define, compose, and implement its CSR approach in accordance with economic, social, and environmental CSR dimensions?</li><li>- How did VWG organise and structure CSR before the crisis in 2015, and how has VWG organised and structured its CSR approach afterwards?</li></ul>
To examine how VWG and institutions perceive the institutional influence on VWG and its CSR (before and after the scandal of September 2015)	<ul style="list-style-type: none"><li>- How does VWG categorise, regard, and interact with its stakeholders?</li><li>- How do the stakeholders perceive their influence on VWG's CSR approach?</li></ul>
To examine how VWG's CSR approach and specific CSR-related decisions reflect the influence of the institutional environment and stakeholders	<ul style="list-style-type: none"><li>- What are the indications of institutional influence in the analysed CSR approach of VWG?</li><li>- How does VWG's CSR approach reflect the influence and pressure of the institutional environment and stakeholders?</li></ul>

Source: Author

As previously described, the research questions and objectives have been adapted in an iterative process and were narrowed down after the first phase of primary data collection. The data gained from the interviews with the other stakeholder groups will be used to corroborate, question, or add to the data drawn from the interviews with NGOs.

Revised research questions:

- Do NGOs in Germany influence an automotive MNC in the context of a major organisational crisis, and if yes, how?
- How do the NGOs perceive their influence?

Revised research objectives:

- To examine the development and chronology of VWG's Dieselgate scandal and the German political institutional context;

- To explore the influence of NGOs on the CSR approach of a MNC in Germany in the context of a crisis'; and
- To understand the NGOs' perception of their role and influence on a major MNC's CSR approach in the context of Dieselgate.

#### **4.4.4 Semi-Structured Interviews**

For this project, the main source of data collection was semi-structured interviews. The interviews were conducted with NGOs, one of VWG's CSR representatives, VWG's employees, automotive suppliers, industry experts, and representatives of German political institutions. Table 5 shows the themes and headings of semi-structured interviews. Table 6 presents interviewees, positions, and organisations and is listed according to the stakeholder groups. All interviews were conducted after the VWG emissions scandal of September 2015. For the primary phase of data collection, the comprehension of the actors' perception and interpretation regarding the relationships between VWG, NGOs, and political institutions was one of the main reasons to conduct interviews. Moreover, the aim was to understand the influence and pressure that has been exerted in these relationships. Based on the analysis of the first data collection stage, in which NGOs were described to be the most pressuring stakeholder, the second phase of data collection was prepared.

Fontana and Frey (2000: 645) referred to semi-structured interviews as 'one of the most powerful ways in which we try to understand our fellow human beings'. Brinkmann (2013: 21) stated that compared to the structured interview, 'semi-structured interviews can make better use of the knowledge-producing potentials of dialogues by allowing much more leeway for following up on whatever angles are deemed important by the interviewee'. The semi-structured interview is a method that allows the interviewer to interact effectively with companies and organisations to provide more information. In the semi-structured qualitative interview approach, the interviewer does not follow a standardised set of questions but asks more open questions that could be linked to bigger themes (Flick 2014).

The participant's answers direct the interview or at least largely influence the course of the interview. This allows the interviewees to describe the facts in their own terms and the interviewer to 'widen the range of legitimated answers' (Wengraf 2001: 162). Gillham (2000: 65) noted that well-done semi-structured interviews are possibly 'the richest single source of data'. That requires a confident researcher, clarity in terms of key issues, and

understanding what questions can be answered best in a face-to-face interview. Gubrium and Holstein (1997: 114) stressed the importance of understanding interviews not only as a source of information and a form of receiving answers to questions but also to think about an interview as a powerful process in which meaning is constructed, namely, the 'understanding how the meaning-making process unfolds in the interview is as critical as apprehending what is substantively asked and conveyed'. In this context, it is relevant to point to the notion of 'intersubjectivity', which Abrams (2016: 58) described to be the interaction between interviewer and interviewee and 'the way in which subjectivity of each is shaped by the encounter with the other'. Goffman (1959) stated that people behave and do things differently in different contexts. The nature of the social and cultural contexts influences the individuals' interaction and whether certain aspects of the personality are revealed or concealed (Anderson 2008). Considering these aspects, there is no objectivity in interviews. It has to be clear that the course and the outcome of the interview are influenced by the individuals' 'emotional baggage' (Abrams 2016: 54).

Semi-structured interviews have also been chosen to grant the interviewees more freedom to talk about aspects they feel more confident about or knowledgeable without being bound to a fixed protocol (Brinkmann 2013). It allows both the interviewee and the inquirer more flexibility when discussing certain aspects. The less rigid approach to a semi-structured interview permits the researcher to learn more about the interviewee's attitudes, issues, and position within the organisation (Blumberg, Cooper, and Schindler 2014). Moreover, the data collection method semi-structured interview was selected because it offers 'retrospective and real-time accounts by those people experiencing the phenomenon of theoretical interest' (Gioia, Corley, and Hamilton 2012: 19). The topic guide has been theoretically informed by the literature on CSR and stakeholder theories (refer to Table 5 for more information). The use of semi-structured interviews allows new insight and ideas to emerge that will inform the contribution (Flick 2014; Gioia, Corley, and Hamilton 2012).

In preparation for the data collection process and to conduct semi-structured interviews effectively, two similar general guides were created. One interview guide was created for the interviews with VWG's representatives and suppliers and focused more on VWG's CSR approach, the role of stakeholders, such as NGOs, and the implications of the emissions crisis. The questions for policy makers were derived from this interview guide. Table 5 lists the themes of the other interview guide that was prepared for NGOs. The questions aimed to understand better how NGOs exert influence on VWG's CSR

approach, the relationship between NGOs and VWG, their perception of influence, and the stakeholders' perspectives on the scandal at VWG. Appendix 1 provides specific questions on the semi-structured interview guide on the example of an interview with an NGO representative.

Table 5: General Themes and Headings of Semi-Structured Interviews

<b>Organisation and interviewee information</b>	<b>Emissions crisis at VWG</b>	<b>NGO influence within VWG-NGO relationship</b>	<b>NGO perception of role and influence</b>
<ul style="list-style-type: none"> <li>- Main responsibilities of participant</li> <li>- Current interest and projects of interviewee and/or organisation</li> </ul>	<ul style="list-style-type: none"> <li>- Relationship before and after scandal</li> <li>- Perception of causes and reasons</li> <li>- Effect on stakeholder relationships</li> </ul>	<ul style="list-style-type: none"> <li>- Main forums and platforms</li> <li>- Direct (e.g. stakeholder dialogues) and indirect methods (e.g. pressuring policy makers) of NGO influence</li> </ul>	<ul style="list-style-type: none"> <li>- NGOs' perception on stakeholder dialogue, VWG's CSR approach, quality of MNC-NGO dialogues and partnerships</li> </ul>

Source: Author

The semi-structured interviews lasted between 30 and 60 minutes and were conducted either in person or via phone. Most of the interviews lasted 30 minutes, which, for some interviewees, especially politicians, was the maximum amount of time they made available. One interview lasted 120 minutes and provided interesting insight into the procedures of a multinational automotive supplier. The participants received information about the project and the study's procedure before the interviews (refer to Appendix 2 for the 'Participation Information Sheet' and 'Informed Consent Form'). Interviews took place at the premises of the stakeholders, for example, in the offices of NGOs and suppliers, at conferences and automotive industry fairs, and in the German Bundestag when interviewing German politicians and political advisors. The interviews were conducted between November 2015 and February 2018.

The links with some of the participants, among others with VWG's CSR Department, were already established in 2014, when I conducted a project about institutional influence including corporate and institutional perspectives. The respondents were contacted via email and phone to ask for interviews and/or written evaluations (refer to Appendix 3 for an example of an email sent to an NGO for an interview request). Personalised emails were sent stating the reasons the person was of relevance for the project. In many cases, it was required to call the respective stakeholder group to ensure that the email was directed to the right person and to emphasise the desire to conduct an interview.

When preparing the data collection, it was important to understand the relevant theories and secondary material before approaching managers, NGOs, politicians, and CSR experts. For several reasons, a thorough preparation of the interviews was very important. First, I could tell the relevant persons during the first call (when date and time were agreed upon) why the person is relevant for the project and what possible benefits for the interviewee might be, for example, access to secondary material, overview on the topic of stakeholder relationships and influence. Second, I could better distinguish between interesting and surprising information that the participant revealed during the interview and information that was copied from annual reports or other publications. Third, the interviewees were mainly people with restrictions in terms of time; therefore, I did not 'waste' time with questions that mainly cover topics that have been discussed widely in the media but concentrated on the core aspects. Moreover, the likelihood of asking generic questions was lower, and I was better aware of already existing information.

The conducted expert interviews have helped to refine the interview guide and offered knowledge about the role of NGOs and CSR in the automotive industry and the political arena. At the beginning of the data collection process, these expert interviews provided valuable background information. For example, the interview with the CSR and sustainability expert of the German Government in November 2015 contributed to a better understanding of the political perspective on the role of NGOs, Dieselgate, and the state of the discussion of CSR. It also helped to refine the interview guideline, to get familiar with the terminology of political actors, and to obtain an understanding of who the interesting NGOs are. This information contributed to a more purposeful research process. Bogner, Littig, and Menz (2009: 2) pointed out that 'expert interviews can serve to shorten time-consuming data gathering processes'.

Besides the interviews with CSR and industry experts, interviews were conducted with key political actors, persons who may be considered to belong to the political elite. Lilleker (2003: 207) stated that elites 'can be loosely defined as those with close proximity to power or policymaking'. Richards (1996: 200) described advantages of elite interviewing and that those may help interpreting documents, especially when talking to the authors of such a document, and events. Another benefit may be that those elites offer insight 'not recorded elsewhere, or not yet available (if ever) for public release' (Richards 1996: 200). However, elite interviews might be problematic if the interviewee

recalls events fragmentarily. Moreover, (former) policy makers may tend to adjust the truth to be in accordance with the party's perspective.

Most of the interviews were with members of the NGOs (BUND, DUH, Greenpeace, DKA, NABU, and TI) and with policy makers. 13 of the 34 interviews were with representatives of NGOs. Table 6 provides more information on the organisations and interviewees and states that 17 interviews were conducted face-to-face and 17 via telephone. It is structured according to the stakeholder groups for ease of reference and provides information to the interviewees' area of expertise and role. For several reasons, it was important to talk to NGOs and policy makers. First, the civil society actors play a key role in the public review of Dieselgate. Therefore, press articles were followed and NGOs were contacted, which were mentioned and cited regarding their influence and perception on VWG's CSR approach and the defeat-device scandal. Second, NGOs and policy makers were identified as key (CSR) stakeholders in VWG's 'Stakeholder Universe' (VWG 2012: 24-25). Third, they were willing to talk about VWG, the crisis, and their perception of their influence and pressure on VWG. Fourth, they were knowledgeable about relationships of relevant institutions with VWG. The interviews with the NGOs provided strong and rich data, which led to the decision to focus more on these organisations. Moreover, NGOs have become an increasingly important stakeholder group; however, they have been neglected in research (e.g. Camerra-Rowe and Egan 2010; Markham 2011; Lyon 2010; refer to Section 2.4 for more information). As stated in Section 2.4.1, for several authors and experts, the interviewed organisations are the most important environmental NGOs in Germany (Krumrey et al. 2013: 1; Markham 2011: 9; Vondenhoff and Busch-Janser 2008).

Table 6: List of Interviewees according to Stakeholder Group

Stakeholder Group & organisation	Date – nature of interview	Role & area of expertise of interviewee	Interview Number
NGO: BUND	23/08/2016 - telephone	Expert for transport policy: focus on transport & sustainability topics	6
NGO: NABU	23/08/2016 - telephone	Expert for transport policy: focus on transport & sustainability topics	7
NGO: TI Germany	12/9/2016 - telephone	Group leader: focus on human rights and supply chain sustainability	13
NGO: Greenpeace Germany	13/9/2016 - telephone	Expert for transport policy: focus on transport & campaigns	14
NGO: DUH	6/10/2016 - face-to-face	Expert for transport policy: focus on transport & sustainability topics	18

Stakeholder Group & organisation	Date – nature of interview	Role & area of expertise of interviewee	Interview Number
NGO: DKA	10/10/2016 - telephone	Leading member of organisation: focus on dialogue via AGMs	19
NGO: NABU	26/07/2017 - telephone	Expert for transport policy: focus on transport & sustainability topics	27
NGO: BUND	8/08/2017 - telephone	Expert for transport policy: focus on transport & sustainability topics	28
NGO: DUH	10/08/2017 - telephone	Leading member of organisation: focus on sustainability topics & dialogues with MNCs	29
NGO: DUH	25/08/2017 - telephone	Expert for transport policy: focus on transport & sustainability topics	30
NGO: BUND	29/08/2017 - telephone	Expert for transport policy: focus on transport & sustainability topics	31
NGO: Greenpeace Germany	1/02/2018 - telephone	Expert for transport policy: focus on transport & campaigns	32
NGO: Greenpeace Germany	1/02/2018 - telephone	Expert for transport policy: focus on transport & campaigns	33
Consultancy:	5/02/2018 - telephone	Former CSR manager at BMW Group and VWG	34
Supplier: Multinational supplier 1	27/01/2016 - telephone	Director for Germany, Austria, and Switzerland: leads (CSR) exchanges with MNCs	2
Supplier: Multinational supplier 1	29/03/2016 - face-to-face	Director for Germany, Austria, and Switzerland	4
Supplier: Multinational supplier 1	24/08/2016 - face to face	Director for Germany, Austria, and Switzerland	8
Supplier: Multinational supplier (for all major OEMs) 2	18/10/2016 - telephone	CSR manager: expert in various CSR dimensions & leads dialogues with MNCs	20
Supplier: Supplier (for electronic parts) 3	19/10/2016 - face-to-face	Sales manager for Germany - Short interview at supplier trade fair in Wolfsburg	21
Supplier: Supplier (for chassis) 4	19/10/2016 - face-to-face	Sales person and engineer – short interview at supplier trade fair in Wolfsburg	22
Rating agency: Oekom AG	1/9/2016 - face-to-face	Analyst: expert in various CSR dimensions	11
Government	19/11/2015 - face-to-face	CSR and sustainability expert: focus on various CSR dimensions	1
Political Party: <i>Christlich Demokratische Union Deutschlands</i> (CDU; Christian Democratic Union of Germany)	25/07/2016 - face-to-face	Member of German Parliament (MoP). Member of Committee on Economic Affairs and Energy in German Bundestag	5
Political Party: <i>Sozialdemokratische Partei Deutschlands</i> (SPD; Social Democratic Party of Germany)	1/9/2016 - telephone	Politician (not an MoP), transport expert	9
Political Party: Opposition party	1/9/2016 - face-to-face	Scientific assistant of politician (involved in 5 <sup>th</sup> parliamentary investigation committee)	10
Political Party: SPD	6/9/2016	MoP. Member of Committee on Transport and Digital Infrastructure	12



Stakeholder Group & organisation	Date – nature of interview	Role & area of expertise of interviewee	Interview Number
	- face-to-face		
Political Party: Opposition party	20/9/2016 - face-to-face	Scientific assistant: expert in transport policy & sustainability	15
Political Party: SPD	21/9/2016 - face-to-face	MoP. Member of Parliamentary Advisory Council on Sustainable Development	16
Political Party: CDU	28/9/2016 - face-to-face	MoP: focus on sustainability topics	17
Political Party: Opposition party	27/10/2016 - face-to-face	Scientific assistant of politician (involved in 5 <sup>th</sup> parliamentary investigation committee)	25
Government	1/11/2016 - face-to-face	CSR and sustainability expert: focus on various CSR dimensions	26
VWG	19/10/2016 - face-to-face	Sales person with responsibilities that include sustainability aspects	23
VWG	20/10/2016 - face-to-face	Quality department	24
VWG	18/02/2016 - telephone	CSR representative	3

Source: Author

Moreover, VWG's CSR representative was willing to discuss VWG's CSR approach and who the key stakeholders were and are before and after the crisis became public. Besides the CSR manager, I interviewed two VWG employees and suppliers to receive an important (counter)weight to the statements coming from the MNC's CSR/sustainability department.

The following criteria were considered and needed to be fulfilled when approaching politicians and political advisors:

- Being a traffic and/or automotive expert;
- Having a strong focus on economic and sustainability topics; and
- Being involved in the investigation committee of the German Bundestag that examined the crisis of VWG at the political level.

Table 7 summarises the selection criteria for the interviewees of the different stakeholder groups and states the limitations and challenges associated with this selection.

Table 7: Summary of Selection Criteria for Interviewees, Challenges & Limitations

Stakeholder group	Selection criteria for interviewees	Challenges & limitations
NGO	<ul style="list-style-type: none"> <li>- Knowledge of CSR/sustainability topics</li> <li>- Expertise about automotive industry</li> <li>- Involved in stakeholder dialogues with MNCs, such as VWG and policy makers</li> <li>- Contributed to publications about CSR/sustainability, 'Dieselgate', environmental issues (e.g. in automotive industry)</li> </ul>	Low number of potential interviewees, as only few staff members are experts of automotive industry, transport policies & work on 'Dieselgate'. One way of decreasing the dependence on NGO interviews was the use of secondary data
Policy maker	<ul style="list-style-type: none"> <li>- Involved in dialogues with NGOs and automotive companies</li> <li>- Involved in investigation of diesel scandal</li> <li>- Expertise about automotive/transport policies/themes</li> </ul>	Limited time for interviews, however, thorough preparation and focus on new information helped to obtain valuable information
VWG	<ul style="list-style-type: none"> <li>- CSR manager has been selected, as this is one of the main persons who interacts with NGOs, as well as with policy makers, and has the expertise talking about CSR/sustainability and the effects of the crisis for the organisation</li> <li>- The other two VWG employees were chosen to provide a different view on CSR, the crisis and stakeholder relationships</li> </ul>	Low number of interviews with VWG's representatives and suppliers, however the study's focus has been on NGOs. Therefore, interviews with VWG and its suppliers served to complement findings and provide a different perspective.
Supplier	<ul style="list-style-type: none"> <li>- Knowledge of CSR/sustainability topics</li> <li>- Expertise about automotive industry</li> <li>- Awareness of external factors that influence behaviour of organisations in automotive industry</li> </ul>	
Other groups	<ul style="list-style-type: none"> <li>- Consultant (interview #34) has more than 20 years of experience in automotive industry and was chosen to provide background information on CSR in the industry and the sustainability practices of major German automotive MNCs</li> <li>- Analyst at rating agency (interview #11) evaluated automotive MNCs such as VWG and provided relevant information to CSR at VWG and the role of stakeholders</li> </ul>	<ul style="list-style-type: none"> <li>- Different understanding of CSR: Seen as part of PR, not as concept that implies environmental and economic aspects</li> <li>- The rating agency's understanding of MNCs' CSR approaches mainly based on reports</li> </ul>

Source: Author

Further criteria for the selection of the interviewees were their availability and accessibility. Therefore, I followed purposeful sampling by understanding who the politicians and advisers are and who might be able to contribute the most. Furthermore, political actors and other interviewees were asked whether they could recommend additional relevant people who fulfilled the previously mentioned criteria. Therefore, snowball sampling was employed, which is a technique that is especially useful for populations that are rather difficult to reach, such as elites (Creswell 2014). I called the policy makers' offices after realising that emails are usually not considered.

However, as the research project also deals with topics that are usually discussed behind closed doors, among others how the relationships between political institutions and VWG take place and the role of the interviewed people in the (investigation of the) crisis, some of the interviewees did not want to reveal information that could have been helpful. In addition, some representatives of political parties only agreed to be interviewed if I did not mention their names and did not record the conversation. Usually, political advisors, who offered meeting me in a 'background conversation' were more willing to give precise information. When talking to these political actors or other people who could reveal sensitive data, I promised 'anonymity', not 'confidentiality', unless the data would reveal the identity of the interviewee, since that would 'preclude most reporting', as Gioia, Corley, and Hamilton (2012: 19) noted correctly. I interviewed several representatives of opposition parties (in the legislative period between 2013 and 2017); however, I did not specify the names of their parties to ensure their identity could not be revealed.

The advantages of semi-structured interviews have been discussed; for example, the interviewer gains an in-depth understanding about the participants and their perceptions and experiences and comprehends phenomena that are hardly described with numbers. However, qualitative research interviews have also been subject to criticism and are not without risks considering the amount of time it takes preparing and conducting the interviews, gaining access to organisations and participants, transcribing and, in this case, translating the interviews (Seidman 2013). Myers and Newman (2007) listed several difficulties that may occur with interviews. Among these problems are the artificial setting, as the interview 'involves asking subjects to give or to create opinions under time pressure' (Myers and Newman 2007: 4), the level of entry, and the vagueness of the language. For example, the interviewer's expressions may confuse the participant who does not fully understand the questions and context. Fontana and Frey (2000: 645) added that the 'spoken or written word has always a residue of ambiguity, no matter how carefully we word the questions or how carefully we report or code the answers'.

#### **4.4.5 Documentary Analysis**

In this study, documents from various sources helped to complement and confront information and perceptions from the semi-structured interviews. Table 8 provides a list with examples of important documents indicating which data were drawn from these sources. For Bowen (2009: 34-35), document analysis means to evaluate 'documents in such a way that empirical knowledge is produced, and understanding is developed. In

the process, the researcher should strive for objectivity and sensitivity, and maintain balance between both’.

Documents may be analysed using content analysis and thematic analysis (Fereday and Muir-Cochrane 2006). Furthermore, data gained from press databases, regulatory agencies, and libraries were used to confirm, rebut, or emphasise data on the role of NGOs, certain CSR developments, and VWG’s and industry statements and actions. Forster (1994) suggested exercising caution when collecting data from documents published from the studied organisations or other sources. It is important to be aware of the risk that is involved when using documents, that ‘should never be taken at face-value. In other words, they must be regarded as information, which is context-specific, and as data which must be contextualised with other forms of research’ (Forster 1994: 149). Moreover, documents are ‘context-specific, they should be evaluated against other sources of information’ (Bowen 2009: 34). As part of a rigorous research approach, the motives and perspective of companies’ and institutional publications will be considered.

Scott (1990) stated four main criteria when assessing documentary sources. First, the documents should be authentic. It must be clear who the author is and from where the source comes. Second, the records should be credible. The reader should be aware that the text might be distorted and, therefore, the accuracy of the document may be affected. Third, it should be representative and available. The researcher should be aware of the possible limited representativeness of documents, which might affect the drawn conclusions. This leads to a weakness of document analysis that the selection of incomplete collections may be biased and access to these may be restricted (Yin 2014). Last, the document should be meaningful to the researcher.

The purposes of using document analysis as a source of evidence in this study are manifold. It may allow including a wider context, reading about specific events in more detail, and complementing collected primary data (Easterby-Smith, Jackson, and Thorpe 2015).

In this study, documentary analysis was conducted by analysing the primary outputs of NGOs, VWG, and political actors, and by reviewing documents relevant to CSR and Dieselgate. Documents and publications, such as VWG’s CSR and annual reports, that are published through channels owned by VWG (e.g. websites and social media channels) were searched using keywords. In addition, publications from governmental

departments, associations, and other organisations, such as rating agencies, were analysed to corroborate, expand, and question already gathered data (Patton 2014). Governmental reports published from the German Bundestag's investigative committee and the BMVI's investigative committee have been examined as well.<sup>27</sup> Moreover, press coverage of the last years has been analysed, which is helpful not only to complement the existing information but also to pose this information to more subjective documents published by VWG, NGOs, and political institutions.

The crisis at VWG has been widely covered by international newspapers, magazines and TV channels. These views, comments, and judgements helped to sharpen my own perspective and my awareness of experts, who were contacted thereafter with the request to answer concrete questions or to arrange interviews.<sup>28</sup> It was impossible to follow every article on the VWG scandal and its implications, but I followed the contributions in the weekly magazines *Der Spiegel* and *Manager Magazin* and in newspapers from September 2015 to April 2018 in Germany, and in *The Guardian* and *The New York Times* on the international level. I did not analyse these reports in a formalised way but used these to increase my contextual understanding and to create and complement a chronology of the incidents before and after the scandal. The magazines and newspapers were chosen, as they can provide comprehensive and in-depth analyses of the scandal.<sup>29</sup> Refer to Table 8 for a more comprehensive list of the selected documents.

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<sup>27</sup> The 5<sup>th</sup> investigation committee of the 18<sup>th</sup> German Bundestag was implemented on 7 July 2016; 125 MoPs of the opposition made a request for the implementation of the committee to investigate the diesel scandal and to understand the role of policy makers. The investigative committee of the BMVI was implemented by Federal Minister of Transport Dobrindt, on 21 September 2015 after the scandal became public.

<sup>28</sup> For example, Professor Christian Scholz from the *Universität des Saarlandes* whom I contacted after reading his article on VWG (Table 8). In the article (written in German), Scholz wrote about VWG's mistakes after the crisis (Scholz 2016).

<sup>29</sup> For example, *The Guardian* was among the first international newspapers that provided information on the 'defeat device' after the VWG scandal became public on 23 September 2015 (Topham et al. 2015).

Table 8: Examples of Analysed Documents and Data

Category	Documents Selected	Analysed Data
NGO: Annual report	BUND (2016)	Details about the organisation, activities, and objectives
MNC: Sustainability report	VWG (2014); VWG (2016c)	VWG's sustainability approach before and after the crisis and attitudes towards NGOs
Policy makers: Report	Report of the 5 <sup>th</sup> parliamentary investigation committee (Behrens et al. 2017)	Important information about the role of policy makers in the VWG scandal
5 <sup>th</sup> parliamentary investigation committee: Expert statement	Advisory opinion of Professor Mayer (Mayer 2016)	Contrasting data on VWG's and the government's explanations for defeat-device systems
US authorities: Letters and Reports	EPA (1998b); US Department of Justice (2017a)	Details about the allegations against VWG
Media: Reports	<i>Der Spiegel</i> , <i>SZ</i> , <i>Frankfurter Allgemeine Zeitung (FAZ)</i> , <i>Manager Magazin</i> , 'The Guardian'	Information used to corroborate data from primary sources
Automotive Association: Reports and email	VDA (2015); VDA (2016)	VDA sent email with enclosed documents (after the VWG emissions scandal)
CSR/corporate governance expert: Email and article	Scholz (2016)	Written answer to questions based on Scholz' article on VWG's governance issues (after VWG emissions scandal)

Source: Author

#### 4.4.6 Direct Observation

Direct observation was used to discover a 'lack of fit' (Blumberg, Cooper, and Schindler 2014: 308) between the researcher's observations, conducted interviews, and analysed documents. In 2016, I visited VWG's factory and the *Autostadt* ('car city') at VWG's headquarters in Wolfsburg, observing informally and making field notes. Yin (2014: 113) mentioned that direct observation 'covers the context of the case'. This was the main intention when visiting VWG's headquarters: to understand what other factors are important and to hear what CSR, NGOs, and the crisis mean to employees and local suppliers with whom I spoke when attending a supplier fair in October 2016 in Wolfsburg.

I also attended CSR conferences, automotive fairs (e.g. the *Internationale Automobil-Ausstellung* in Hanover in September 2016), and supplier exhibitions (e.g. the international supplier fair in Wolfsburg) to observe the actions (and behaviour) of actors of relevant organisations. I took field notes and documented and reflected these observations in written form and incorporated the key terms into the data analysis that was conducted with Excel. At one of the CSR conferences, I met VWG researchers and

it was informative observing how these prospective CSR and sustainability experts reflected on VWG's emissions crisis. The meetings enabled me to confront the 'corporate academics' with the perspectives and reports from the media and NGOs. Moreover, I received first-hand information about the corporate perception on stakeholder dialogues and insight into the corporate culture and the role of CSR in the crisis.

#### **4.5 Data Analysis: Techniques and Process**

The main purpose of analysing data is to understand what insight the collected data uncovered and to break down the raw data in an organised and categorised way (Langley 1999). Qualitative research is shaped by an iterative approach of collecting and analysing data, moving back and forth from the data (Silverman 2015). For Miles, Huberman, and Saldaña (2014), data analysis consists of data reduction, data display, conclusion drawing, and verification, which take place concurrently. Stake (1995: 71) defined the analysis of data as a 'matter of giving meaning to first impressions as well as to final compilations' taking 'our impressions, our observations, apart'. For Merriam and Tisdell (2015: 202), the analysis is 'the process of making sense out of the data. And making sense out of data involves consolidating, reducing, and interpreting what people have said and what the researcher has seen and read – it is the process of making meaning'. Gibbs (2007) stated that coding can be concept driven, in which codes are determined after consulting the literature, or can be data driven, in which codes emerge from the collected data.

Data analysis was conducted by hand and with Excel, which allowed the presentation of larger chunks of evidence, first-order categories, second-order themes, and aggregate dimensions in a clear and illustrative way. Next to the main sheet that includes all mentioned steps and the most illustrative quotes, various sheets were created, listing the statements of each stakeholder group, namely, NGOs, suppliers, CSR experts, policy makers, and VWG's CSR representative. To prepare the analysis of the data, most of the interviews were recorded and transcribed in German and translated afterwards by the author. In the first phase of the primary data collection between November 2015 and November 2016, 14 of the 26 transcribed and translated interviews were recorded. In the second stage of interviews, conducted between July 2017 and February 2018, 7 of the 8 transcribed and translated interviews could be recorded. Hand-written notes were copied into a Word document in a more structured form to ensure an easier coding process. Since most interviews were in German and then translated to English,

grammatical discrepancies can occur. However, I have tried to preserve the original to keep the meaning of the statements.

The data have been analysed iteratively. Interviews have been conducted and codes and categories were created directly afterwards. That followed Gioia, Corley, and Hamilton's (2012: 20) understanding that it is 'artificial to parse the interviewing and the analyses'. To be best prepared for coding themes, most of the interviews have been recorded and listened to twice to ensure that no key aspects were missed. Bryman and Bell (2015) described coding as a process in which transcripts are reviewed and labels are given to salient components to organise data. Corbin and Strauss (2015) divided coding practices into open, axial, and selective coding that can be applied at various steps of the data analysis.

In the open-coding process, also called first-order analysis (Gioia, Corley, and Hamilton 2012), many categories and codes emerge; however, relationships between codes and terms are not yet set. In the process of the first-order analysis, I ended up with around 100 codes and categories and assigned them to 'data chunks to detect reoccurring patterns' (Miles, Huberman, and Saldaña 2014: 73). In vivo codes were used whenever possible. These codes were taken from relevant statements that the interviewees made on the role and influence of NGOs, CSR at VWG, the stakeholder interactions, and the developments around the VWG crisis.

Following Gioia, Corley, and Hamilton (2012: 20), I tried to 'adhere faithfully to informant terms', as in vivo coding better captures the interviewees' perception and understanding of certain issues using 'words or short phrases from the participant's own language in the data record as codes' (Miles, Huberman, and Saldaña 2014: 74). Important factors of the successful analysis of the data and the consequential development of a coherent data structure and conceptualisation may be the selection of relevant categories. According to Dey (1993: 103), categories 'must have two aspects, an internal aspect – they must be meaningful in relation to the data – and an external aspect – they must be meaningful in relation to the other categories'. The data collected from documents were integrated in the process of analysing the data from the interviews.

In the step after the open-coding process, I compared the different categories looking for similarities and differences to reduce the 'categories to a more manageable number', as part of the '2<sup>nd</sup> order analysis' (Gioia, Corley, and Hamilton 2012: 20). Miles, Huberman,



and Saldaña (2014) referred to this step as data reduction, which is the process of reducing information to sharpen and focus the data to draw conclusions. This stage can be called axial coding, in which data are linked together in different ways by creating connections between categories (Corbin and Strauss 2015). In this process, the iterative element of qualitative research came even more into effect. While comparing the first-order categories to obtain a more practical amount, new codes may occur while reading transcripts. At the same time, bigger, more abstract conceptual terms or themes emerge, which may contribute to the development of concepts. This process sharpened the researcher's understanding about knowing what is important. At the beginning of the data analysis process, there was the tendency to analyse all data, every sentence of the interview transcripts. However, I learned to focus on key statements and to better understand which parts describe the context when reading transcripts of past interviews again. This accelerated the process and the formation of the themes and categories.

When I realised that I had obtained interesting 'theoretical themes', I consulted the literature to see if such a concept existed already and if it did, what the context and the other themes were. This shifted the focus to 'surprising and unexpected data' (van Maanen, Sorensen, and Mitchell 2007: 1147). These emerging themes stimulated the process of thinking about how many more data were needed to substantiate the themes. When arriving at that point, I formulated questions based on the created conceptualisation of themes, which I have asked in the second phase of primary data collection.

Following Corbin and Strauss (2015), selective coding is the third stage of data analysis after open coding and axial coding. Selective coding refers to the selection of the core category that integrates the other categories. That may lead to 'aggregate dimensions' (Gioia, Corley, and Hamilton 2012: 20) that have the power to elucidate the different aspects of the investigated phenomenon (Gibbs 2007). The subcategories and development that led to the formulation of a core category should be clear. The visualised and transparent process from axial coding to selective coding 'from raw data to terms and themes in conducting the analyses' (Gioia, Corley, and Hamilton 2012: 20) is a crucial aspect of rigour in qualitative research.

Though coding is a key process in analysing the collected data, it has been criticised that the context might get lost when taking text out of interview transcripts and inserting them into the set categories. Another critical aspect that Bryman and Bell (2015) mentioned is

the danger of interrupting interview narratives unnecessarily. Coffey and Atkinson (1996: 52) pointed out the danger of decontextualising data:

Interview informants may tell us long and complicated accounts and reminiscences. When we chop them up into separate coded segments, we are in danger of losing sense that they are accounts. We lose sight, if we are not careful, of the fact that they are often couched in terms of stories – as narratives – or that they have other formal properties in terms of their discourse structure.

The authors concluded: ‘segmenting and coding may be an important, even an indispensable, part of the research process, but it is not the whole story’ (Coffey and Atkinson 1996: 52).

Figure 7 shows the different aggregate dimensions, corresponding second-order themes, and first-order categories following the Gioia method of analysing data systematically in a data structure. The method was chosen, as it seemed feasible when making sense of the data and coping with the complexity of the findings but not because a grounded theory approach has been followed. Appendix 4 provides a table with quotes that substantiate the first-order categories and is listed according to the second-order categories and aggregate dimensions.

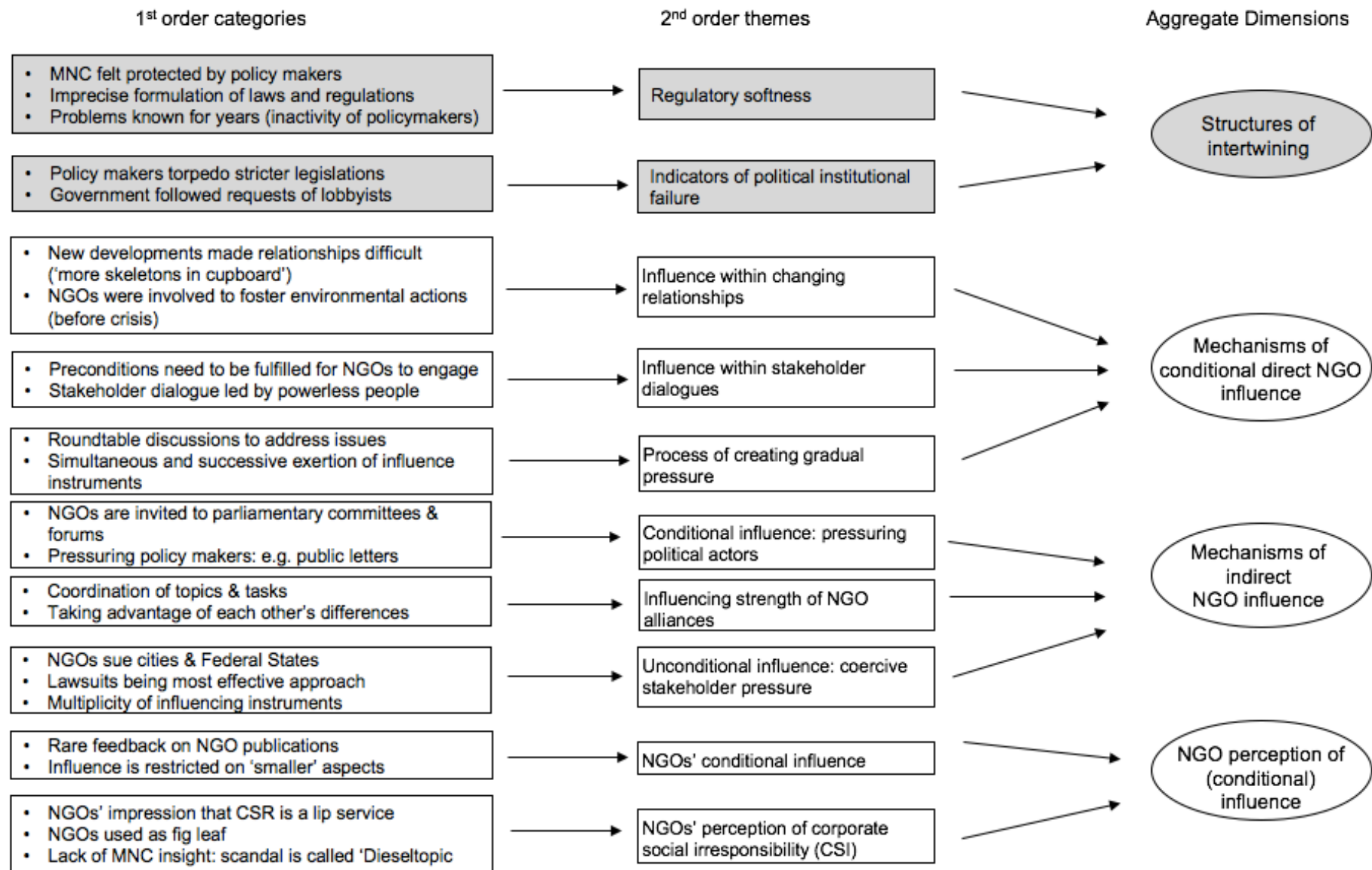
In the concurrent process of data collection and analysis, the first-order themes, second-order categories, and aggregate dimensions were formed and have been enriched continually. After the first phase of primary data collection, with the identified and existing theories, the preliminary data structure guided the second phase of the primary data collection, in which the categories have been further substantiated.

In this form of abductive research, the results in the first round of data collection and analysis have been confirmed and solidified; the determinant ‘strong intertwining between policy makers and VWG’ has a limiting effect on the influence of NGOs. However, the analysis of the data gained in the second phase also contributed to a better understanding of how and with which instruments the NGOs exert influence. Moreover, it contributed to a more detailed insight into the NGOs’ perception of their influence.

The structure of the subsequent chapters follows the data structure shown in Figure 7. The aggregate dimensions form the chapters and the second-order themes set the

sections according to the chapters. The first aggregate dimension is 'structures of intertwining', which forms Chapter 5. The dimensions of Chapter 5 are greyed out to illustrate that it is a mixture of contextual factors and findings. The second and third dimensions, 'mechanisms of direct conditional NGO influence' and 'mechanisms of indirect NGO influence' constitute Chapter 6. Chapter 7 consists of the dimension 'NGO perception of conditional influence'.

Figure 7: Data Structure of NGO Influence on VWG in the Context of a Crisis



Source: Author

The diagram shown in Figure 8 provides the conceptual landscape for the following findings and analysis chapters. The illustration shows that the strong intertwining between VWG and the German automotive industry and policy makers effects the direct and indirect NGO influence on VWG. Therefore, Chapter 5 'Structures of Intertwining' sets the framework within which the NGOs exert influence on VWG. It will show how the determinants 'regulatory softness' and 'indicators of political failure' limit NGO influence. Consequently, the terms 'mechanisms of conditional, direct NGO influence', 'mechanisms of conditional, indirect NGO influence' and 'unconditional, indirect NGO influence' will be introduced. Mechanisms of conditional, direct NGO influence will form Section 6.2 and aim to explain how the above-stated determinants limit NGO influence in their direct interaction with VWG. It will analyse the various forms, tactics, and strategies of how NGOs may exert influence. The second branch is reflected in the mechanisms of indirect NGO influence that will be analysed in Section 6.3. This section is divided into conditional, indirect influence with the focus on influence via policy makers and unconditional, indirect NGO influence that is manifested in the coercive measure 'lawsuit' (as a last resort). It will show the significant role that this indirect influence method plays in the NGOs' efforts to influence VWG's CSR approach.<sup>30</sup> The instrument 'lawsuit' is called unconditional, as it is not affected by the strong intertwining between policy makers and VWG and is independent of internal corporate factors that could limit NGO influence.

Figure 8 aims to provide an overview on the findings and the structure of the findings chapters. However, it also intends to conceptualise the findings and to be a more dynamic depiction of the data structure (Figure 7) by showing how this study may contribute to the debate around stakeholder and NGO influence. The diagram does not aim to be complete, as it will not provide an in-depth understanding of the various tools with which NGOs try to influence MNCs. It shows in a more simplistic way the division of NGO influence into direct and indirect NGO influence manifested in influence tactics and measures under consideration of the limiting contextual determinants. Core elements of the diagram, the strong intertwining between policy makers and MNCs, have not been considered before in the understanding of NGO influence. Even though the limiting factors 'regulatory softness' and 'political institutional failure' concern the environment in which NGOs exert influence, they are part of the findings, considering that they are

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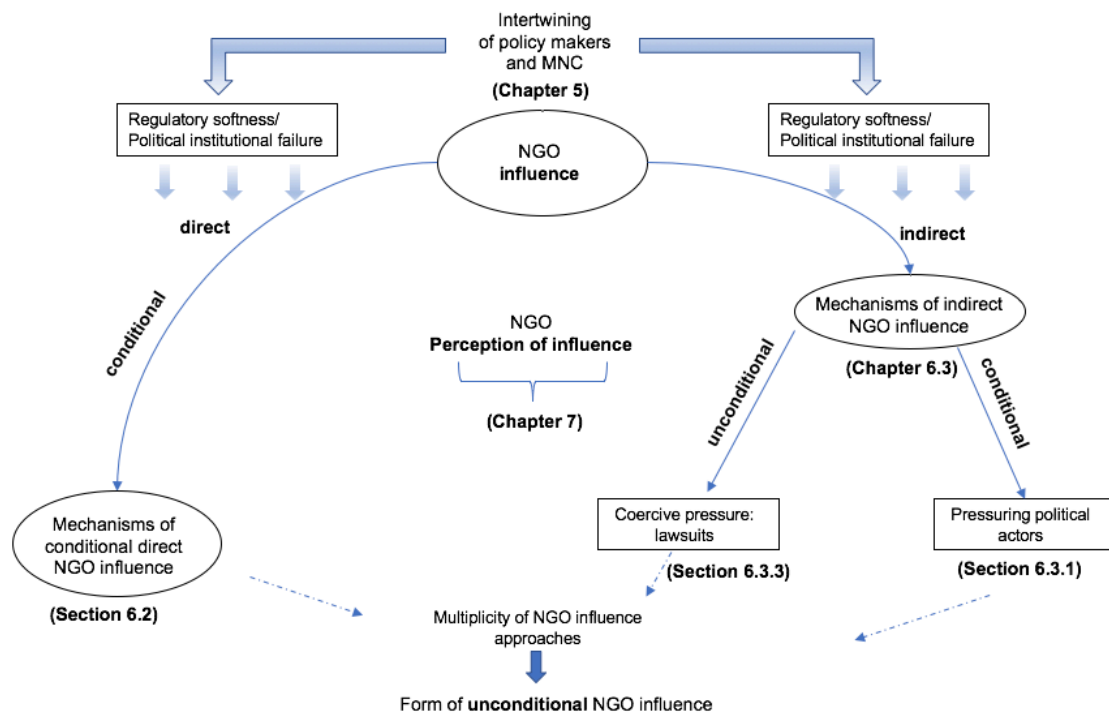
<sup>30</sup> 'Coercion' is a term borrowed from institutional theory and describes the pressure on organisations that emanates from laws and regulations (e.g. DiMaggio and Powell 1983; Scott 2014).

underpinned by primary and secondary data. As a result of these limiting factors, the direct and indirect NGO influence has been labelled conditional, except the indirect coercive approach 'lawsuit' and the multiplicity of NGO influence instruments. However, there are more factors that might limit or amplify the effects of NGO influence that are not part of the diagram. For example, dynamic and positive NGO alliances (will be discussed in Section 6.3.2) might have a constructive effect on NGO influence, whereas problems among NGOs might minimise their influence. Moreover, the uncertainty and financial restraints that NGOs face due to varying budgets may lead to irrational behaviour, which may be reflected in the withdrawal from campaigns or strategies without identifiable reason for the public. Another example is the trade-off between influence strategies and campaigns that might attract more donors and attention versus actions that may influence MNCs more effectively.

The data structure (Figure 7) separates the dimensions 'mechanisms of conditional direct NGO influence' and the 'mechanisms of indirect NGO influence'; however, the illustrative diagram (Figure 8) shows that these take place concurrently. In fact, the study shows that it is not only the instrument 'lawsuit' but also the NGOs' parallel exertion of direct and indirect influence instruments that lead to NGO influence. Individually considered, the indirect instrument 'lawsuit' has an unconditional effect. Moreover, the study found that the multiplicity of various direct and indirect influence tools leads to pressure that may influence the behaviour of both policy makers and the MNCs. The diagram's purpose is not only to show the different direct and indirect NGO influence instruments and how the contextual factors affect these but also to lead to a better understanding of the depth that the NGO influence may achieve. Thereby, Keck and Sikkink's (1998) five stages of influence play an important role, as these illustrate comprehensively NGO influence and contribute to better insight about how the multiplicity of instruments create influence.

Figure 8 also points the way towards the discussion and contribution/implication Chapters 8 and 9, which will bring the aggregate dimensions together and illustrate the complexity of NGO influence. This complexity is reflected in the multiplicity of the various approaches of NGO influence and the interplay between different factors such as choice of influence instrument, strength of NGO alliances, the delay between cause and effect of NGO influence, and the effect of the limitations resulting from the intertwining between policy makers and MNCs.

Figure 8: Diagram of Direct and Indirect NGO Influence



Source: Author

## 4.6 Reflections on Reliability and Validity

Reliability and validity are concepts that stem from the natural sciences. Reliability can be understood as the degree to which a study 'can be repeated, with the same results' (Yin 2014: 46). The objective is that researchers who follow the same process as an earlier researcher may reach the same results and conclusions. However, the understanding of these two concepts differs among quantitative and qualitative research and may therefore lead to confusion (Lewis and Ritchie 2003). For quantitative researchers, reliability refers to replicability and generalisation of results and validity to the accuracy of the means of measurement and 'whether they are actually measuring what they are intended to measure' (Golafshani 2003: 599). Klenke (2016: 39) stated that 'positivist criteria such as reliability and validity may be misleading in qualitative research'.

Therefore, for qualitative researchers, terms such as transferability, credibility (Hoepfl 1997) and 'dependability' (Guba and Lincoln 1994: 114) are more suitable to assess the findings. Dependability can be considered to be the qualitative counterpart to reliability and refers to the degree to which independent researchers could gain the same

outcomes (Klenke 2016). Credibility may be the equivalent to internal validity, which is mainly applicable for explanatory case studies and relates to the identification of variables that are not the object of the study. The credibility of the study has been enhanced by showing and discussing preliminary interpretations of the results with the participants. The conclusions drawn from the data gained in the first round of the primary data collection were briefly presented to the respondents before the start of the second phase of primary data collection. Transferability may be considered the counterpart to external validity that refers to the congruence between the studied topic and the subject on which statements are intended to be made (Yin 2014). In other words, it is about the generalisability of the findings. Triangulating data, as stated in Section 4.4.2, and interviewing different stakeholders on NGO influence and CSR at MNCs contributed to the 'dependability' of the research by decreasing the degree of dependence on subjective views of the interviewees.

#### **4.7 Summary**

Chapter 4 introduces the research philosophy, stating that this study takes a subjectivist ontological position and an interpretivist epistemological approach. Therefore, it follows a qualitative research design that has been chosen to conduct a detailed and extensive investigation of the research phenomenon. The chapter explains how and why the case-study approach was selected to examine the direct and indirect NGO influence. The case study's phenomenon is 'NGO influence' and the NGOs are the units of analysis. The Dieselgate crisis at VWG forms the context and an important boundary of the study.

This chapter shows that the data were collected via 34 semi-structured interviews conducted with NGOs, CSR experts and managers, suppliers, automotive experts, and policy makers. The various stakeholders were interviewed in the first stage of the primary data collection, while the second round of interviews focused on the NGOs. The preliminary analysis of the findings gained in the first phase indicated that focusing on NGOs may lead to interesting and surprising data that contributes to exploring the mechanisms of NGO influence in more detail. The interviewed NGOs were selected based on the importance that scholars and experts assigned to them, their expertise on CSR and the automotive industry, and the organisations' experience in dealing with MNCs and policy makers.

The primary data collection was complemented by direct observation and document analysis. Visiting VWG's headquarters and automotive fairs in the aftermath of



Dieselgate offered a better sense of the crisis' consequences and dimensions. Moreover, VWG's annual and sustainability reports, NGO outputs, and national and international policy reports are examples of documents that were used to complement the interviews and to improve the understanding of NGO influence, the emissions crisis, and the intertwining among the automotive industry and German policy makers. Following Gioia, Corley, and Hamilton (2012), the data were analysed iteratively by applying open, axial, and selective coding. This analysis resulted in the (static) data structure that depicted the aggregate dimension. These factors form the pillars of the diagram, which dynamically shows how the different dimensions and chapters are connected.

The next chapter presents the findings of the first aggregate dimension 'structures of intertwining', which provides findings gained from both the primary data collection and contextual data gathered from secondary sources. It consists of the two sub-dimensions 'regularity softness' and 'institutional failure'.

## **CHAPTER 5: STRUCTURES OF INTERTWINING**

### **5.1 Introduction**

This chapter provides an analysis of the German institutional political context in view of the proximity between policy makers and the automotive industry as well as the emissions crisis at VWG. It combines contextual information gained from documentary sources with primary data generated from semi-structured interviews. Chapter 5 provides background information that is required for understanding the following chapters on the findings (Chapters 6 and 7). It was mentioned in the previous methodology chapter how vital it is to identify and examine these contextual circumstances to understand the case study and the research phenomenon, namely, how NGOs influence VWG's CSR approach. Therefore, this chapter takes account of the case-study approach that assumes a holistic perspective on this study's phenomenon and actors (explained in Section 4.3.1).

Chapter 5 aims to answer the first research objective, namely the examination of VWG's Dieselgate scandal and the German political institutional context. This chapter creates a link between the overall research questions that focus on understanding NGO influence and the role of the German political context. Thus, it considers the request of scholars to include contextual factors in stakeholder studies (Arenas, Lozano, and Albareda 2009).

It has been stated in other parts of the work that it is impossible to comprehend the NGOs' influence without understanding the role of the political actors in the crisis and as 'receivers' of (indirect) NGO influence. This chapter also contributes to explaining why the intertwining between policy makers and VWG is a determinant that limits NGO influence. The first section on regulatory softness shows the effects of the shift between hard law to soft law and how that contributed to a changing role of NGOs. Section 5.3, 'Indicators of Political Institutional Failure', outlines how the political institutions' failure that has been manifested in ignoring signs of the upcoming crisis and the neglect of regulatory responsibility made it difficult for NGOs to exert influence.

### **5.2 Regulatory Softness**

This dimension or theme refers to the way important political actors reacted to the VWG scandal, how they interact with the automotive industry, and how NGO influence is affected by a lack of governmental initiative to tighten and enforce environmental regulations. It also refers to the neo-liberal belief of policy makers that MNCs do know

best how to regulate themselves, for example, by following voluntary CSR initiatives (Scherer and Palazzo 2011).

The findings gathered speak against a further shift from 'hard law' to 'soft law', which is often characterised by 'voluntary action [...], imprecise rules and delegation of authority to non-state actors' (Scherer and Palazzo 2011: 912). This delegation of authority involves practical considerations of policy makers of being able to distance themselves from responsibility. After the crisis in September 2015, the CSR expert of the government stated in the interview that 'escapism' by the state is observable (Interview #1). The government places too much trust in MNCs and settles for voluntary regulations and vague announcements and declarations of purpose. For Garsten and Jacobsson (2011: 425), 'soft law bridges the dichotomy of law and non-law as well as of public and private actors'.

Reich (2008) stated that it is a fallacy of both policy makers and CSR activists that corporations follow socially responsible interests, if those do not coincide with their business interests. With CSR reports and high rankings in indexes (refer to Section 2.5.2) and partnerships with NGOs, VWG successfully created the impression that environmental and social activities are at least as important as significant profits for its shareholders. However, the scandal and previous incidents indicated that VWG's extensive CSR reporting and campaigns (e.g. 'clean diesel') served as a smokescreen for long-lasting fraud. Therefore, governments risk undermining democratic activities if they open the door for corporate engagements to reduce governmental responsibilities and expenditures.

Fleming and Jones (2013: 36) added that it 'becomes critical to limit the ability of corporations to penetrate government agencies and bureaucracies to influence and shape regulatory frameworks and compliance mechanisms'. An example of how corporations shape frameworks is the intervention of automotive lobbyists in the year 2015. There are reports stating that key representatives of the automotive industry successfully influenced the chancellor to avoid stricter emissions tests that were demanded by the EC (Amann et al. 2017).<sup>31</sup> It has been reported that the German Government changed its position within 48 hours of the intervention.

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<sup>31</sup> According to the magazine, these representatives were Eckart von Klaeden who works in the department of Global External Affairs and Public Policy at Daimler Group and the president of VDA, Matthias Wissmann. Von Klaeden was the former minister of state at the German Chancellery before he changed abruptly to the car company in 2013.

Scherer and Palazzo (2011: 911), who wrote about the political role of companies in a more globalised world, stated that ‘in global affairs [...] MNCs are largely able to operate in a legal vacuum’ due to the difficulty to enforce national law. Consequently, self-regulatory initiatives, such as the UNGC became more popular among corporations (and governments and NGOs) considering that those initiatives legitimise MNCs’ efforts to create their own regulatory frameworks or CSR forums with a low level of obligation. The Account Ability’s AA1000 or the DJSI are examples of regulations that were created by industries and private actors.

However, the VWG case showed, among others, that these voluntary frameworks only provide limited guidance and do not prevent VWG from being prosecuted by a country such as the USA that has the strength to enforce national law on transnational actors. It is not yet clear what the effects are; however, lawsuits could threaten the existence of one of the world’s biggest car producers.<sup>32</sup> An example of those voluntary groups in Germany is *Econsense*, an initiative of mainly MNCs that discuss, publish, and promote CSR-relevant content (Econsense 2018).<sup>33</sup> Another driver of CSR is the internet platform ‘CSR Germany’ that is run and financed by four umbrella organisations of the German business community that represent the interests of German industries (CSR Germany 2018).<sup>34</sup> One of the primary goals of these organisations is to keep the voluntary aspects of CSR and lobby for self-regulation instead of laws and federal regulations (Econsense 2013; Kinderman 2009). Representatives demand deregulatory measures to gain flexibility in the formulation of CSR measures.

The CSR expert of the government (Interview #26) stated that the economic-liberal approach only makes sense if there is a well-functioning counterpart: strong institutions and independent authorities, which were absent in the VWG scandal. Adding to that, it would require strong and independent NGOs that take a monitoring role. However, most NGOs are chronically underfinanced and rely on cooperation with MNCs. Therefore, it is

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<sup>32</sup> As matters stand in September 2017, the total costs of the scandal are around €25 billion for VWG. This includes the settlement with the EPA, to which VWG agreed to plead guilty and paid \$4.3 billion in criminal and civil penalties (US Department of Justice 2017a). However, there are still private lawsuits in Europe and the US and lawsuits from different American states that could increase the costs significantly.

<sup>33</sup> Econsense is an initiative of German MNCs that was founded in 2000 by the *Bundesverband der Deutschen Industrie* (English: Federal Association of German Industry). Except the German Chemical Industry Association, all the 32 members are MNCs and belong to Germany’s biggest publicly traded companies (e.g. Daimler Group, Deutsche Telekom, Robert Bosch GmbH, VWG, and Siemens AG) (Econsense 2018). The British equivalent to Econsense might be Business in the Community (BITC), which has more than 800 members and was founded in the 1980s.

<sup>34</sup> CSR Germany is an initiative of the Federation of the German Employers’ Associations, the Federation of German Industry, the *Deutscher Industrie und Handelskammertag*, which is the umbrella organisation of 80 German Chambers of Industry and Commerce, and the Central Association of German Craft.

appropriate to be more critical regarding the encouragement of governments and CSOs towards more self-regulatory measures. In Fleming and Jones' (2013: 45) words: 'We find the notion that a private, hierarchical, authoritarian institution such as the MNC would have an interest in furthering democracy to be deeply problematic'. Ironically, the VWG scandal also showed that NGOs assumed the tasks of the government to control and regulate MNCs and provided an idea about the consequences of increasing self-regulation. In that regard, Murphy and Bendell (1999) referred to NGOs as civil regulators offering a counterbalance to the MNCs' self-regulation efforts. For Cragg (2005), self-regulation is an instrumental part of CSR; however, it cannot be in the interest of society that MNCs' CSR approaches solely follow the purpose to anticipate or eliminate regulation.

There is also another way to view soft and hard law and the debate regarding whether more regulation would minimise the power of MNCs or to prevent crises such as Dieselgate. This policy maker sees the debate from an economic perspective: 'In Germany, we place great emphasis on voluntariness because, ultimately, our companies are also in an international focus and have to have a competitive orientation' (Interview #5). One of the interviewed policy makers argued that CSR and sustainability become successful, if companies are behind the underlying values and acknowledge their responsibility. For this MoP, stricter regulations might not be the most promising way:

Sanctioning would mean that you would have to make it [the law] even stricter, and I'm not convinced of that. I think that is a matter of public discourse. So, you have to talk about it publicly. You have to confront them; you have to address it. You can't give them CSR prizes, as long as they do not get that done [their problems solved] internally. I do not think we can control [it] better now. We as politicians are always behind the corporate headquarters with the regulation and control. If in doubt, there is a department on the 23<sup>rd</sup> floor where only lawyers sit and think again how to get out of there, and they are faster and better educated and better paid than the people we have. Well, it doesn't work without it [regulation], but I don't want to primarily rely on it. (Interview #16, policy maker)

This statement correctly remarks that societal actors should be more cautious when celebrating MNCs for their CSR engagement; however, it also indicates that policy makers decline responsibility to some extent. Even though regulation may indeed not be

a panacea, it would be helpful if policy makers consider themselves to be players that act at eye level with MNCs. However, according to TI's interviewed representative, more regulations and sanctions would not help:

I don't think so at all [...] How do you want to exterminate the sloppiness, the sense of wrongdoing? How do you want to do that from the outside? This is in the minds of the people. I believe this has been the case at VWG due to the internal structures and a communication culture that is not open at all. (Interview #13, TI)

For the NGO, stricter external enforcement and the best internal compliance system would not make a difference, if VWG does not 'build a culture of integrity' (Interview #13, TI). In Section 7.3, it will be explained in more detail that other experts also perceived shortcomings on the part of VWG to build and develop a corporate culture that strengthens values such as honesty and trust.

'Political blindness' and 'regulatory softness' are other expressions that label the inactivity and the rather reserved role that German political institutions have played in the crisis. According to the NGO TI, VWG 'felt safe to do such things [and] probably thought they are always protected by the political system in Europe' (Interview #13). Gregor Hackmack, the director of the NGO Parliamentwatch stated that Dieselgate 'is also a description of the state of our political system [in which] the automotive industry and policy makers are tightly interwoven' (Hackmack 2015: n.p.).

In conversations with the author, the unanimous statement of some bureaucrats working for governmental institutions in Berlin was that if the scandal would have taken place in Germany or Europe only, it would have never extended to this dimension or might not even have reached the public. In Interview #6, one of the representatives of the NGO BUND gave an impression of how that could have happened. For example, if the authorities would have given the automotive manufacturers the chance to recall the cars in question, for the next models, the NGO representative assumed, the new generation diesel cars would have met the limit values, and nobody would have kept digging. This is a hypothetical scenario; however, it reflects the NGOs' distrust of the government.

Another senior representative of BUND stated in Interview #31 that the strong intertwining between policy makers and car industry has not always been like that. According to the traffic expert, the year 2007 was a turning point. In that year, the

influential lobby organisation, VDA, appointed Mr Wissmann as the new president and the previous president, Mr Gottschalk, resigned. The BUND representative remembered that Gottschalk said, ‘the limit values really hurt us, but we can make it’ and that his powerful lobbying organisation supported plans to reduce CO<sub>2</sub>, considering that this could be a way for the German automotive industry to gain a competitive advantage due to highly developed technologies. Today, it is difficult to prove whether 2007 was a turning point or not; however, it can be stated that the German automotive industry is the key sector in Germany that has always enjoyed a special status (as described in Section 2.3). For example, the former German Chancellor Gerhard Schröder (from 1998–2005) was a great supporter of the car industry and known as the ‘car chancellor’ (e.g. Hoinle 2006; Stuhr 2005).

The VDA might have had a progressive phase; however, today, it is known for an organisation that tries to maintain the status quo, for example, by influencing the decision-making process and lobbying against stricter CO<sub>2</sub> regulations (Lamparter, Pinzler, and Tatje 2013). The tight relationships between the automotive industry, especially the VDA and policy makers, are well documented. In the legislative period between 2009 and 2013, there were at least 40 meetings between the representatives of the car industry and the chancellor and her minister of state (BMVI 2013). According to a document of the German Government, the president of VDA, Wissmann, had six meetings with the chancellor and her minister of state between 2015 and 2016 (BMVI 2013). This accumulation of meetings between the most powerful politicians in Germany and the chief lobbyists of the automotive industry indicates the importance of the industry, and the closeness and intimacy between the car manufacturers and policy makers. A political advisor of the opposition commented as follows:

The VDA is a lobbying association that just wants to enforce its interests, which is a legitimate request. The only problem is that the VDA is constantly in the Chancellery. If the DUH would try to do that, they would be laughing at them when they want to talk to the chancellor. (Interview #25, opposition party)

It appears to be a common thread that the NGOs do not get access to the most powerful levels, be it at VWG or at the German Government. One of the reasons might be that both NGOs and politicians of the opposition parties the Left Party and The Greens are accused of conducting a ‘campaign against the automotive industry’ (Mortsiefer 2016).

The CSR and sustainability expert of the government pleads for more regulatory borders to avoid a high degree of reliance on the MNCs' goodwill [to engage in CSR] (Interview #26). However, according to the interviewed senior representative of TI:

German policy makers have always advocated for the automobile manufacturers, to push pollutant emission standards through on European level [and] torpedo any legislation that might harm the automobile industry in Germany.... VW could do such things because they were supported by the German Government at the EU level. (Interview #13, TI)

In all interviews with the NGOs' representatives, it was discussed that the German Government did not formulate any sanctions for companies that do not comply to the EU regulation 715/2007. The member states were asked to formulate sanctions that 'must be effective, proportionate and dissuasive' (Council Regulation (EU) 715 2007: 9). However, Germany failed to do so, as the following respondent pointed out:

The laws are relatively clear, but they are not implemented consistently. The control does not take place.... In this case, European law has not been transformed into German law.... Volkswagen is not punished for the offence at all. This is another scandal.... This is as if you attacked a bank and captured €1 million. You are caught, and it is said, 'give us the million back, then the issue is over'. And that is the case at Volkswagen right now. There are no sanctions. (Interview #7, NABU)

The BUND expert also stated that automotive producers have been given the opportunity to make their cars legal through 'voluntary recalls' due to the lack of sanctions, clear regulations, and the weakness of control authorities, such as the German Federal Motor Transport Authority (KBA).

VW could admit these illegal manipulations easily because they don't have to worry about any penalties. For other manufacturers, it is even more perfidious; there's even now the possibility of voluntary recalls.... Also, we simply miss [do not have] the political will to say, 'the car companies have cheated the people'. They have sold vehicles to them, which do not meet the legal requirements. (Interview #6, BUND)



This statement also illustrates that the NGOs lack the discernment of leading political actors regarding their role and that certain aspects, such as the absence of sanctions or the intertwining between policy makers and industry, contributed to the emissions scandal. This is important because it explains the ambivalence of the NGOs' exertion of influence on policy makers. On one hand, NGOs invest resources to put pressure on policy makers and influence the political decision-making process to move MNCs, such as VWG, towards complying with regulations and investing in environmentally friendlier technologies, as opposed to petrol and diesel engine models. On the other hand, NGOs do not formulate much hope that legislators will strengthen regulation in Germany.

In our opinion, the lessons from Dieselgate are mainly directed to legislators. That's nothing the automotive industry would do voluntarily, but these are all measures that should set new political framework conditions. The automotive industry won't do anything, if they are not obliged. (Interview #6, BUND)

This statement shows how important it remains for NGOs to lobby for stricter regulations, though there is the perception that policy makers do not have much interest in changing the status quo. The previous quotation also demonstrates the role NGOs play in the German governance structure. In this case, NGOs, such as BUND, DUH, NABU, and Greenpeace act as civil regulators, a phenomenon that not only happens in developing countries with weak regulations but also in advanced economies, such as in Germany. Dahan, Doh, and Teegen (2010: 26-27) spoke of the 'blurring of sectoral roles in society' and stated that NGOs' engagement has regulatory character in situations in which 'states...lack capacity because of resource constraints or corruption'.

The closeness and the intertwining between the German Government and representatives of the automotive industry have been discussed in other parts of the chapter; however, it is important to take up the discussion again, considering that this condition created a regulatory vacuum that NGOs try to fill. This situation reflects NGOs' efforts to apply various influence strategies and tactics to disrupt these structures. Individually taken, the NGOs' measures to influence VWG and policy makers may not be very effective and may not lead to a change in the corporation's environmental approach or to a stricter focus on enforcing laws from the governmental side.

However, the NGOs' approach to constantly inform and convince people within these organisations may have a long-term effect that cannot be underestimated. Moreover, indirect pressure from the NGOs on other (international) governmental organisations, NGOs, and think tanks may have the desired effect, for example, if centre-right oriented policy makers do not assume that certain environmental initiatives are coming from ideologically motivated ecologists. In other words, NGOs transfer the salience of the problem to an actor who has a higher legitimacy among the targeted group. One of the reasons it might be easier for industry associations and policy makers to maintain the status quo and might be more difficult for NGOs to disrupt the current state is that the issue of NO<sub>x</sub> and CO<sub>2</sub> emissions is more intangible and therefore more difficult to link casualties with the scandal.

It came out in the interviews that, for many politicians, the crisis at VWG is not directly linked to CSR and the role of policy makers. They acknowledged that VWG made a mistake; however, many policy makers, especially the ones from the government at the time, did not see a contradiction in VWG's CSR claims.<sup>35</sup> The interview with an advisor of an opposition party testified with the stance that CSR and a company's business activities are perceived as two separate aspects in the political debate. In addition, CSR is considered an addition or accessory (Interview #15). Thus, the view of many politicians resembles that of some of the top-ranking members of VWG: the scandal represents technical errors combined with the misjudgements of few people, rather than a major violation of the MNC's CSR principles, which should play a role in each part of the company. Moreover, an interviewed representative of the SPD stated that the interweaving between business and policy makers does not have anything to do with the scandal, as that was a single case, in which the management or only a few people from VWG made faulty decisions (Interview #9). This was in line with VWG's (initial) argument that only a few people within the company were involved in the scandal (Gnirke 2017).

The judgement has been expressed several times by political decision makers (of CDU and SPD) that the major crisis at VWG has been caused by the corporation's management and that it is mainly a VWG problem, as politicians do not have influence on corporate decisions. The interviews with policy makers revealed that they did not see how their behaviour could have influenced VWG to commit these frauds. A policy maker

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<sup>35</sup> Between 2009 and 2017, the government was formed by the grand coalition consisting of CDU and SPD.

indicated that 'the policy was not involved at all when considering [whether VWG should use defeat device systems]' (Interview #12).

Moreover, another policy maker stated that the cliché is not right and said that he has never experienced the fact that a MoP has been used by the car industry. 'The exchange with companies is such that companies affected by a regulation point out that this involves certain problems and say: "Please take this into account in the legislative process"' (Interview #17, policy maker).

The policy makers only considered whether there is a direct causality, a short period between cause and effect. However, these actors failed to recognise that the processes are more subtle, complex, and longer lasting. The intertwining between policy makers and industry has more systemic causes, for example, the regular changes from policy makers to the industry and vice versa, and the lack of control of authorities that have served MNCs, such as VWG, for many years. It is undeniable that political institutions have a minor influence on a corporation's culture and understanding of CSR. However, it is too short-sighted to refer only to the corporation, considering the excess of the scandal and the lengthiness of the issues that resulted in the massive crisis that cost VWG billions in the USA. These political actors' understanding of their own role would mean that a great extent of NGOs' efforts to interact with and to put pressure on policy makers would be hopeless. Moreover, the problem that automotive producers exceeded the allowed emission levels in their vehicles had been known for many years in Germany and Europe (e.g. EC (COM) ENTR D5/PÅ D 2010). Policy makers could have formulated drastic sanctions for companies that disregarded the regulations or could have acted to put companies, such as VWG, under pressure to avoid punishment as experienced in the USA.

The regulative pressure might be the sharpest weapon of policy makers to ensure that companies, such as VWG, 'walk the talk' and do not foster greenwashing activities. Therefore, NGOs try to influence policy makers to move towards 'hard law' and to enforce the existing regulations. That will be investigated in more detail in Section 6.3. However, according to Sullivan (2006: 42), 'it is important to recognise that [...] the reality is that in many 'hard law' agreements, provisions concerning controversial social issues have been put into very general, and probably meaningless, hortatory language'. Blowfield and Frynas (2005: 509) stated that NGOs' call for more regulation 'seem to ignore historical failures of formal regulatory approaches to international social and

environmental justice'. Therefore, there are limitations to the assumption that stricter regulations solve existing CSR-related problems. First, MNCs like VWG actively shape laws by influencing policy makers at the EU and national (Germany) levels. The company's corporate political activities aim at lobbying against stricter CO<sub>2</sub> emissions, the retention of legal loopholes, and privileges for the automotive industry, for example, the tax relief for diesel cars or company cars. Second, stricter regulations might only export the problem. Automotive manufacturers may produce more cars abroad. However, Germany remains a major and strong sales market, and car producers can be forced to comply to German law, even if the rest of Europe would not formulate sanctions.

### **5.3 Indicators of Political Institutional Failure<sup>36</sup>**

It is no secret that the automotive industry is one of the most important industries in Germany and is therefore of great significance for German policy makers. This has been emphasised in several interviews with policy makers (e.g. Interviews #5 and #17). The automotive manufacturers spend millions of euros for lobbying activities, above all VWG (Bank 2015), to remain the priority for political actors. The CSR and sustainability expert of the German Government stated that the German automotive industry has 'always been handled with velvet gloves by all kinds of associations such as economic and car associations as well as by political decision makers' (Interview #1).

In a TV documentary on the VWG scandal, Mary Nichols, the former chairperson of CARB, recalled a meeting with high-ranking German managers and Chancellor Merkel in 2010 (Scheunert 2016). Nichols was surprised that Merkel knew her and how well she was informed about the environmental laws in California. She remembered that Merkel complained about the tough regulation. The German chancellor 'sounded like the spokesperson of the German automotive industry' (Scheunert 2016). Another example for the closeness between policy makers and the automotive industry was the last-minute intervention of Chancellor Angela Merkel regarding the EU regulation that limited the emissions of cars to 95 grams of CO<sub>2</sub> per kilometre by 2020 (Carrington 2013). The CSR expert of the government observed the final stage of the negotiations for environmental regulations in Brussels and summarised the behaviour of the German automotive companies with the following words: 'If we can no longer prevent policies, then, we try to

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<sup>36</sup> Note: The expression 'political institutional failure' is a term that political actors from the coalition (CDU and SPD) and important representatives of VWG would not use in the context of Dieselgate and the general behaviour of policy makers towards the German automotive industry. From their perspective, there has never been a political failure. It is civil society including NGOs and experts, the media, and members of the opposition (The Greens and The Left Party) who would call it a 'political institutional failure'.

shape it' (Interview #26). In other words, when the MNCs realised that resistance against a regulation would not work anymore, as too many countries' representatives wanted it, they made sure that they contributed to shape the content, according to the expert.

The DUH stated that the German Government's affirmation that it was surprised and did not know about the automotive companies' manipulations was simply wrong. According to the DUH, during 2007 and 2015, the NGO warned policy makers and the public 'in countless press conferences, experts rounds, with publications, emission tests and campaigns' (Resch, Saar, and Hufeisen 2015: n.p.) of VWG's, Daimler Group's, and BMW Group's violations of health and climate protection regulations.

The interviewed traffic policy expert of the NGO DUH stated that there are two debates and crises. On one hand, it is an organisational crisis of VWG and a crisis of the German automotive industry.

On the other hand, it is a crisis of the institution, that is, of those who have been aware of the problem for years and have not reacted to it. Then, the question [is], why can the industry do something? ... If I, as a private person, would do something like that, I would have an annoying lawsuit breathing down my neck. (Interview #18, DUH)

The passivity of the responsible authorities and the knowledge of policy makers that the current procedures and the interplay between the relevant institutions are not working effectively have been mentioned several times in the interviews. In addition, NABU's traffic expert stated: 'Something like the Federal Minister of Transport and this inactivity, I have never experienced that in this form' (Interview #7). The coalition consisting of CDU and SPD denied the recognition of a complicity in the scandal. In June 2017, the members of the 5th parliamentary investigation committee presented a 700-page report about the role of policy makers in the VWG scandal (Behrens et al. 2017). The involved members of the coalition stated that 'the committee has not revealed any relevant new findings' and that the appointment of the committee was not required (*Deutscher Bundestag Online Dienste* 2017), whereas the members of the opposition, The Greens, expounded that the scandal revealed 'organised government failure' and 'a culture of looking away' (*Deutscher Bundestag Online Dienste* 2017).

The parliamentary party leader of The Greens in Bayern, Bäumer, stated that only the power of the civil society may help against the 'cartel of silence' between government

and VWG (Bäumer 2017: 66). However, the former unionist also critically asked where IG Metall's and the works council's demands are for a changing management.<sup>37</sup>

In February 2017, the EC sent a final warning to Germany regarding the country's 'persistent breaches of NO<sub>2</sub> [nitrogen oxide] limit values' in various regions (EC 2017a).<sup>38</sup> These indications are not surprising, considering that policy makers, environmental agencies, and governmental authorities have known about the problem for many years. The EPA discovered emission rigging at diesel trucks 20 years ago and made clear that defeat devices are illegal (EPA 1998). Both European and American companies had to pay a multi-million dollars fine in the USA (US Department of Justice 1998). Tests confirmed that German truck companies cheated in Germany too; however, they did not have to pay a fine.

The interviewed NGOs and members of the opposition remarked critically that politicians have been changing seamlessly from political offices to companies in the automotive industry. In 2016, Greenpeace published a booklet that listed 33 politicians and lobbyists who either changed profession without a qualifying period, were identified supporters of the car industry, or were so-called 'double players', who have a political mandate and support the interests of the automotive industry (Austrup 2016). A prominent example is the director of the lobbying organisation VDA, Matthias Wissmann, who was the minister of transport between 1993 and 1998. The NGOs LobbyControl (Lange et al. 2017) and DUH (Interview #30) suggested implementing qualifying periods to disrupt or at least delay this cycle.<sup>39</sup> However, according to DUH, the discussion around a (longer) qualifying period might not be the most important aspect in the debate of how the strong intertwining between policy makers and companies, such as VWG, may be loosened.

I find it more important to create greater transparency in the decisions made. If I, as an association, now want to know how a decision has actually been made, then we need a very long breath [Note: this refers to a long staying power] and a good lawyer, if we want to have appropriate

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<sup>37</sup> Refer to Section 2.5.1 for more information on incidents about the problematic relationship between VWG's management and the works council.

<sup>38</sup> The EC also sent final warnings to France, Spain, Italy, and the United Kingdom.

<sup>39</sup> Since 2015, there is a law that 'officials and former members of the Federal Government must display employment outside the public service if conflicts of interest are to be feared. This applies to employment within 18 months after leaving the government' (*Bundesregierung* 2015: n.p.).

access to the files. Then, one clearly realises the different balances of power (Interview #30, DUH).

LobbyControl suggested introducing a 'legislative footprint' (Lange et al. 2017: 14) to create more transparency in the legislative process. Such a footprint would aim to reveal who contributed to the formulation of a draft law and to what extent incorporated suggestions from the industry played a role in the process. The described issues show that there are various factors that favour the engagement of car producers on the political level.

Another example that illustrates the strong intertwining and extent that policy makers follow the line of the automotive industry is the debate around the testing of emissions. The transport policy experts of the biggest NGOs criticised in unison that there are no RDE tests of diesel cars in Germany.<sup>40</sup> Tests strengthened the accusation that the car producers, among others, VWG, programmed the cars in a way that the device that reduces the NOx emissions is switched off during the normal street use of the car. According to the transport policy expert of the NGO BUND (Interview #6), VWG and other manufacturers justified the high values by stating that such a defeat device would protect the engine and is therefore necessary. The Federal Minister of Transport, Alexander Dobrindt, and his ministry copied these assumptions without checking whether the industry's statements were actually true (Adelhardt and Strozyk 2016).

The reports of several experts (e.g. from University Heidelberg, Technical University Berlin, and Technical University Graz), which were created on behalf of the 5<sup>th</sup> parliamentary investigation committee, stated that the KBA did nothing to stop the diesel car manufacturers from cheating on emissions, even though it has been known for many years.<sup>41</sup> Denis Pöhler from the Institute for Environmental Physics at the University Heidelberg assumed that the close interweaving between the KBA and the automotive industry could be the cause for these irregularities (Pöhler 2016: 6). He indicated that authorities and policy makers have not done anything, even though they were aware of the great deviation between cars that became increasingly cleaner in the official emission tests; however, the measured pollution burden increased continuously. Furthermore, the

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<sup>40</sup> The portable emission measurement system (PEMS) is such a system that could be applied to determine the RDE.

<sup>41</sup> Note: The reports of the experts (In German: *Stellungnahmen der Sachverständigen*) Mayer, Mock, and Pöhler can be found in the 'Decision Recommendation and Report of the 5<sup>th</sup> Committee of Inquiry according to Article 44 of the Constitution' (Behrens et al. 2017).

expert Andreas Mayer criticised the 'lousy limits, false definitions, unrealistic measurement procedures and the continuous reduction of controls (in comparison to the USA)' (Mayer 2016: 1) of the EU. He also stated that it is all about the operating cost and that environmental ethics would be 'from time immemorial a foreign word for the automotive industry' (Mayer 2016: 1). These statements indicate that the CSR and sustainability reports of MNCs, such as VWG, serve to lull and satisfy 'pressure groups' like NGOs. These reports, such as the one from VWG, present a sustainable and social corporate behaviour that may even exist in some areas; however, the evidence shows that VWG failed when it came to finding solutions to make their core product, the car, environmentally friendlier and compliant with regulations. Note that the regulatory softness in Germany favoured the whole industry, and VWG is not a single case (Mock 2016). Companies, such as Opel and the Fiat Group, cheated as well; however, none of these companies did that (to this extent) in the stricter US market.

## **5.4 Summary**

The aim of the chapter is to explore the determinants of the strong intertwining between the automotive industry and VWG and German policy makers. Chapter 5 elucidates the study's contextual factors, which are reflected in the two dimensions 'regulatory softness' and 'indicators of political failure'. Within the first dimension, the presented findings show the controversies around soft and hard law, the NGOs' disagreement about the usefulness of more regulations, and how voluntary CSR would change the role of NGOs. It shows that NGOs might act as civil regulators in times of increasing soft law agreements. That may strengthen the CSOs' positions. However, at the same time, it puts MNCs in a more powerful position and acknowledges that it is sufficient if they follow self-created CSR standards.

The second dimension, 'indicators of political failure', illustrates the various forms of the interconnections between policy makers and the automotive industry. These linkages are reflected, among others, in the longstanding ignorance of problems that have been known to policy makers and in the transfers of political actors into important positions of automotive companies. The analysis of these circumstances contributes to a better understanding of why NGOs felt urged to use coercive influence instruments, such as lawsuits (that will be discussed in more detail in Section 6.3.3).

The understanding of these contextual dynamics paves the way for the following chapter that builds on the dimensions 'regulatory softness' and 'indicators of political failure' when



explaining how NGOs exert direct and indirect influence. Moreover, Chapter 5 contributes to understanding how the contextual aspects effect the NGO influence instruments. The next chapter will explain the mechanisms of direct and indirect NGO influence on VWG by linking it with the information provided in this chapter and the context in Chapter 2.

## **CHAPTER 6: MECHANISMS OF NGO INFLUENCE**

### **6.1 Introduction**

The previous chapter discussed the factors indicating a strong intertwining between German policy makers and the German automotive industry, especially VWG, and how this interweaving is a restraining determinant of NGO influence. This chapter aims to understand the mechanisms with which NGOs exert conditional and unconditional influence on VWG. It presents the findings that were collected from senior representatives of NGOs, policy makers and CSR experts between November 2015 and February 2018. Even though some of the findings will be discussed by bringing in stakeholder concepts, the focus will be on presenting findings shown in the data structure (Figure 7).

The data gained from the stakeholder literature and the primary and secondary data collection indicated that NGO influence may be roughly differentiated in two categories. Therefore, this chapter is divided in direct and indirect approaches of NGO influence. Even though NGOs often combine direct and indirect methods of influence, the division makes sense, as it facilitates the analysis and structuring of the data. Section 6.2 'Mechanisms of Conditional Direct NGO Influence' analyses the formal and informal mechanisms of direct NGO influence by discussing how the relationships between NGOs and VWG took place before Dieselgate and how the crisis changed these interactions. By doing that, the exertion of influence via NGO-MNC stakeholder dialogues will also be examined. Lastly, Section 6.2 will present the process of how NGOs create gradual pressure on the automotive company VWG and concludes with a table on NGOs' measures and approaches of direct influence (Table 9). Section 6.3 'Mechanisms of Indirect NGO Influence' draws on the approaches of NGOs to influence political decision makers to increase the pressure on VWG and the automotive industry. Moreover, the section provides evidence of the influence strength and effects of NGO alliances. It also shows that the coercive pressure tool 'lawsuit' is an effective NGO influence instrument that will be discussed in more detail in Section 6.3.3.

### **6.2 Mechanisms of Conditional Direct NGO Influence**

This dimension encompasses the mechanisms that relate to the direct influence NGOs exert on VWG. Direct NGO influence approaches consist of partnerships between MNC and NGOs, NGO campaigns, stakeholder dialogues that are mostly led by VWG, or

interactions during AGMs. The depth of these relationships and the effectiveness of the tactics and strategies differ, and which of these instruments weigh more cannot always be identified.

Keck and Sikkink's (1998) stages of influence will be applied to better classify NGO influence and explain why it is a long-lasting process to actually change MNC behaviour. Frooman's (1999) typology of influence strategies will be considered. Why it might be insufficient to rely on a typology that categorises stakeholder power but does not point out that NGOs' influence might not always be consistent will also be discussed. The actors' influence may change if an organisation experiences a crisis and has a greater need for legitimacy. This section's dimension is called 'mechanisms of conditional direct NGO influence', as the findings show that the tight interweaving between policy makers and the car industry limits the influence of NGOs. It is labelled 'conditional' due to the NGOs' lack of leverage and the organisations' dependence on external, contextual factors, and the MNC's goodwill. This work shows how the contextual aspects, the strong intertwining between policy makers and the automotive industry, limit the effect of NGO influence.

Section 6.2.1, 'Influence within changing relationships', explains how NGOs may exert influence within partnerships and how the relationships changed during the emissions crisis at VWG. It will investigate how the NGO NABU could influence VWG's CSR approach within the partnership. Section 6.2.2 examines to what extent NGOs are able to exert effective influence within the stakeholder dialogue with VWG. The last section, Section 6.2.3 'Process of creating gradual pressure', considers various NGO approaches to increase the pressure on VWG.

### **6.2.1 Influence within Changing Relationships**

A couple of years ago, before the exposure of Dieselgate, VWG and a number of its civil society stakeholders, such as the interviewed NGOs, were in mostly constructive MNC-NGO dialogues. A crisis of such an extent was not yet foreseeable. This 'ideal world' ended around six months before the crisis arose in September 2015. However, in these years, clear indicators could be identified that there was something significantly going wrong at VWG (refer to chronology of VWG scandal in Section 2.3). The often-praised stakeholder dialogue of VWG, their decorated CSR and sustainability approach (e.g. CDP 2013; FTSE 2013; S&P Dow Jones Indices and RobecoSAM 2013) and the corporation's 'trend radar and environmental radar' (VWG 2014: 17) did not prevent them

from the crisis. This leads to several conclusions that will be elucidated in more detail at a later stage. Before the crisis, VWG still had the image of being the frontrunner among the worldwide car makers as regards CSR. The corporation was listed in major environmental indices and was considered to be one of the world's most reputable companies that was committed to improving the environment and social behaviour (refer for more details to Section 2.5 'VWG and its CSR Approach').

Major institutions in society fuelled the hype and, to some extent, the myth around VWG being Germany's greatest and best-known manufacturer that builds 'clean' cars that 'convey a special sense of life' (Scheunert 2016). In addition, VWG had been lauded as the vanguard of engagement with civil society and was celebrated as a best practice example in many business areas. Universities and policy makers could not mention enough the important role VWG played for society and Germany as a business location.<sup>42</sup> For example, in May 2013, the magazine *Forbes* introduced VWG's then CEO Winterkorn as the impending leader of the world's biggest car producer (Müller 2013). Today, VWG serves as example of bad business practice, as the following statement from a policy maker suggests:

This is a special example of how we do not want corporations to act. In that respect, if one looks for negative examples; [I have] no idea who would have been mentioned in the past, probably Mr Ackermann and the Deutsche Bank, now it is VWG and that will not go away for a while.  
(Interview #16, policy maker)

On one hand, this statement reflects VWG's changing image after the crisis. On the other hand, it illustrates that this period provided momentum for the NGOs to exert influence on the automotive producer, for example, via policy makers. Dieselgate contributed to a certain de-legitimisation of VWG's CSR behaviour and made it potentially more vulnerable and receptive to NGO interventions. That goes into the direction of Hendry's (2005) proposition that NGOs are more likely to target a company if the firm's actions have (negative) consequences for the environment and if the company violates norms regularly. Furthermore, the author stated that there is a greater likelihood that NGOs will target a corporation, if it represents an industry that is under constant NGO observation and if the company is a big player in its business. All these factors are given in VWG's

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<sup>42</sup> In the author's interviews, several politicians emphasised VWG's importance for German society and the economy and their significance for the brand 'made in Germany'. These statements implied that caution should be taken when judging the situation at VWG.

case. The MNC is the biggest company of an industry that is under high scrutiny due to its massive effects on the environment and its high resource requirements. Moreover, VWG frequently trespasses regulations and broke the national and international laws repeatedly within the last couple of years.

Prior to the crisis at VWG, there have been efforts from both VWG and NGOs to build relationships and seek cooperation. Some of the most important ENGOs in Germany, such as NABU, BUND, and Greenpeace, and the NGOs TI and DKA, talked to VWG about different matters.<sup>43</sup> The NGOs were aware of certain issues, for example, the deviation between the emissions that VWG and other car producers put in the descriptions of the models and the actual RDE. However, the overall impression of NGOs were that these issues did not indicate a major scandal, which would affect most of the German and international automotive manufacturers. There was the tendency to think that the higher emissions were the norm in the automotive industry, as long as it could not be proved that these deviations were the result of a systematic fraud, until the year 2015. This is illustrated in the following NGO statement:

We always had a feeling that there was something wrong. This was known for years.... This NOx story – why are the vehicles getting cleaner on paper, but the values do not decrease in the cities? That just makes no sense. Also, we know that the deviation from the norm and real consumption [RDE] is always drifting further apart. For years, we have no improvement in fuel consumption at all. There are always these borders between what is legal and what is already fraud. They are so fluent. Also, because the lawmaker did not look closely and sometimes, did not quite define what's allowed and what isn't. And here, the industry has become increasingly better at exploiting these loopholes. (Interview #7, NABU)

This statement describes a level of discontent about the discrepancy between cars that became increasingly cleaner on paper and the increasing pollution in the cities that was expressed by NGOs in letters and publications before the revelation of Dieselgate (e.g. DUH 2015; Franco et al. 2014; Lohbeck 2011). In addition, NABU's representative pointed towards a certain legal ambiguity and the inactivity of legislators (refer to Section 5.3), who did not ensure that automotive companies, such as VWG, follow the existing rules or reply to the NGOs' complaints. It also indicates that the NGOs' influence exerted

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<sup>43</sup> Refer to Section 2.4.1 for a short description of the NGOs' profiles.

in dialogues, partnerships, and publications did not have sufficient influence to change the MNC's CSR practices. However, there is a question regarding whether the NGOs were not able to create enough public outrage to question VWG's legitimacy or whether decision makers within KBA, the government, and technical inspection centres were unwilling to intervene due to the discussed tight interconnection between industry and political actors.

In its sustainability report, VWG wrote that it took stakeholders' suggestions into account and therefore 'welcomes the introduction of RDE and WLTP [Worldwide Harmonized Light Vehicles Test Procedure], as both testing methods will help close the gap between emissions measured in the laboratory and those generated under real-world driving conditions' (VWG 2016c: 21). This is another example that NGOs are heard; however, it has yet to be substantiated whether the NGO pressure will result in changing behaviour.

Drawing from Keck and Sikkink's (1998) stages of influence, the rhetoric commitment might be located among Stage 2 (influence on discursive positions) and 3 (influence on institutional procedures). However, NGOs' influence may only then be ascribed to a change of VWG's CSR behaviour (Stage 5), if the RDE tests of VWG's models would show the promised improvements. This will be shown eventually. Then, it will come out whether the NGOs' persistence has been successful and the MNCs understand that there is no way around providing honest information about their cars' real emissions.

The complexity of stakeholder interactions between NGOs and MNCs like VWG is due to the fact that NGOs have different styles and attitudes in approaching and influencing MNCs. That is paired with different motives that make it difficult to identify which NGO has what influence on the CSR approach of an MNC. All the mentioned NGOs, in one way or another, created a relationship with VWG that allowed the NGOs to exert certain influence. However, only NABU had an official partnership with VWG until the end of 2015, which has not been resumed since then. After the scandal, the NGO demanded changes as a precondition for the resumption of the cooperation (Oeliger 2015):

We have said [that] something substantial needs to happen in the company. It cannot only be that the vehicles become compliant. And that is where we have made this series of demands. My status today [July 2016] is that quite a number of requirements have been implemented.  
(Interview #7, NABU)

Moreover, NABU's statement indicates that VWG would need to go through a process of change to regain the trust that is required to engage in a partnership or dialogue again. This statement also reveals that NABU felt that its demands, listed on their website, have been taken seriously (Oeliger 2015). The first one was that not only VWG's board but also the supervisory board should discuss environmental topics on a regular basis and allocate a person that is responsible for and reports on environmental aspects. The second demand related to the concept of an internal operational control to prevent further compliance violations. Third, NABU demanded that VWG must take the limit values more seriously and stop applying tricks that simulate lower emissions. It seemed that the pressure, be it from NGOs or the public, influenced VWG to act more swiftly. The corporation's cars, tested in 2016, were better than the average of the tested cars (DUH 2016c).

Another demand that NABU formulated was that VWG should use the instrument stakeholder dialogue more intensively and seriously than in the past. Section 6.2.2 will show that NABU has not been alone in the assumption that the stakeholder dialogue with VWG did not generate a satisfying outcome and did not work as VWG described it in its sustainability and annual reports.

In addition, NABU's interviewed traffic expert stated that the official cooperation between the NGO and VWG had mainly been with representatives of VWG's sustainability department, who 'consider sustainability and environmental protection as essential' (Interview #7, NABU). Therefore, he had the hope that Europe's biggest car manufacturer would recognise its responsibility and act accordingly. However, since the crisis occurred in September 2015, the contact between the NGO and VWG is rather informal, considering that both parties are not too keen to enter in a partnership again. The following quote provides evidence for that:

Over time, it became clear that there is still one or another skeleton in the cupboard. Especially now, after *Der Spiegel* revealed that.... [Note: this refers to the cartel agreement scandal in the German automobile industry.] There, we have to keep some distance for now. They must do their homework. (Interview #27, NABU)

This statement was made in the interview in 2017. One year earlier, in August 2016, NABU's traffic expert was more optimistic regarding VWG's recovery, a possible

continuation of the dialogue with VWG in a non-partnership relation, and that the articulated demands would contribute to required policy changes. The statement above reflects NABU's dissociation of VWG and the NGO's dissatisfaction about the corporation's lack of progress in the reappraisal of the crisis. Moreover, it illustrates that the NGOs' criticism and suggestions only resonate with VWG to a limited extent. Among the reasons the NGO NABU felt it would be better to keep a certain distance for the time being is that VWG has annoyed and irritated customers, shareholders, consumer protection organisations, and NGOs with its style of communication and lack of understanding of the severity of the crisis. At VWG's AGM in 2017, the corporate governance expert Strenger (2017) criticised that there is a 'siege mentality' and no willingness for true transparency and clarification. For example, VWG promised to publish the report of the law firm Jones Day; however, at the AGM, the chairman of VWG's supervisory board, Pötsch, stated that VWG will never do that (Pötsch 2017).<sup>44</sup> In this context, it is remarkable that it needed a court verdict that forced VWG to let a special auditor investigate the events around Dieselgate (*Oberlandesgericht Celle* 2017). Funds and associations of private investors filed a lawsuit against VWG after they tried unsuccessfully to propose a special auditor at VWG's AGM in 2016.

One of BUND's traffic experts is not surprised that certain modes of behaviour have not changed and showed some understanding for VWG, acknowledging that changes take time:

VWG has not [changed] to the extent that I had thought. I know people at VWG [...] who say that little has changed within VWG. That is clear. One cannot expect that decades of gridlocked structures [will] change within one year. You need more air [time]. (Interview #28, BUND)

These 'gridlocked structures' within VWG and the rather distant attitude of the top management towards NGOs might be among the reasons the core of the relationships between VWG and the NGOs did not change significantly after the crisis became public.

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<sup>44</sup> Hans Dieter Pötsch stated that 'Volkswagen is prevented from doing so for legal reasons' (Pötsch 2017: n.p.). According to him, the final report of the law firm Jones Day was handed over to the US Department of Justice and included the relevant information in the 'statement of facts', which was published by the US Department of Justice (2017b). Moreover, the chairman of the supervisory board stated that the content of the report might be too explosive, considering that VWG made a plea agreement with the US Department of Justice (*United States of America Vs. Volkswagen AG* 2017). In this agreement, VWG assumed the obligation not to reveal any information that could be contradictory to the content of the statement of facts.



The statement may also indicate the MNC's inflexibility and be an indicator of a lack of willingness to learn. Jung and Park (2017: 130) referred to past problems and scandals when stating that an 'insular governance culture was a roadblock to comprehensive inquiries of a problem, which impeded effective organisational learning and prevention of repeated errors'. This 'insular governance structure' that is shaped by the tight cooperation between the government of Lower Saxony, the owner families,<sup>45</sup> and the unions may be an explanatory factor concerning why NGO influence hardly permeates the core of VWG's business. Therefore, NGOs operate in a context in which it is difficult to exert sustainable influence.

After the crisis, it seems that VWG's priority was on meeting the requirements (e.g. changing the corporate governance structure, conducting PEMS tests of vehicles, and retrofitting cars) of the US and German authorities and to avoid further penalties. However, NGOs are perceived to be more important, and there are indicators that the relationships between NGOs and VWG have changed after the crisis began and so did the roles of the NGOs.

As stated in the literature review, Ählström and Sjöström (2005: 238) categorised NGOs as preservers, protesters, modifiers, and scrutinisers. Judging from the interviews and secondary data, the NGO NABU can be categorised as a preserver that has always been oriented towards cooperation and even 'joint marketing'. After the crisis, it shifted to a modifier who mainly uses demonstrations and appeals. In addition, DUH might be a good example of a scrutiniser, as the organisation conducts its own measurements within more scientifically oriented investigations. Considering the developments after the crisis and the NGOs' reaction on lax regulatory standards, a fifth category named 'suitsors' would make sense to capture the NGOs that trust this instrument most when attempting to influence MNCs and policy makers. Ählström and Sjöström (2005) categorised Greenpeace as a protester, a valid classification; however, the data shows that it is more complex and multi-layered. It is true that Greenpeace's primary approach has always been campaigns (that were good publicity) to influence corporations, such as VWG. However, in 1999, Greenpeace opened its political representation in Berlin to be closer to the political decision makers and to influence both policy makers and MNCs behind closed doors and via publications, which is a characteristic for scrutinisers. Therefore, Greenpeace may be found in many of these categorisations. Overall, it is difficult to

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<sup>45</sup> The Porsche Automobil Holding SE holds 52.2% of the voting rights in VWG and is owned by Porsche and Piëch families (VWG 2016a).

categorise NGOs, considering that the organisations' behaviour may change according to a specific situation. Moreover, factors such as pressure from the NGOs' own members to follow a certain line, financial restrictions, and the coordination with other organisations may play a role and influence the NGOs' behaviour decisively.

Though Greenpeace is often associated with following an aggressive approach (Mühle 2010), Friedman and Miles (2002: 14) pointed out that the organisation had been in various alliances with corporations in the 1990s. More recently, in 2013, the international NGO engaged in a constructive dialogue with VWG and published a 'joint declaration', in which the corporation announced that it would do everything possible to reach the EU target of 95 gram CO<sub>2</sub> emissions per kilometre by 2020 (Greenpeace 2013). Greenpeace's Managing Director Brigitte Behrens stated in the NGO's press release:

This is a decision for climate protection and an important signal for the protection of the environment and society and the production of climate-friendly technical solutions in series. We will continue to keep in touch with Volkswagen, with regard to mobility concepts for the future.  
(Greenpeace 2013)

At the end of 2015, the German newspaper *FAZ* expressed surprise at the 'strange alliance' between Greenpeace and VWG. The NGO had apparently transformed from 'the cheeky, impudent and annoying environmental organisation...to a tame bedside rug' (Weingartner 2015: n.p.). In the interview with the author (Interview #14), Greenpeace's transport expert stated that the journalist twisted his words and displayed the dialogue with VWG as a measure that would contradict the NGO's principles. A VWG spokesperson was cited in the article as follows: 'Dialogue took place after the realisation that Greenpeace would never break up the campaign without success' (Weingartner 2015: n.p.). The statement showed that VWG found itself compelled to engage in a dialogue, in which the corporation had to offer something to the NGO to stop image-damaging campaigns. That can be evaluated as a clear indicator of the efficacy of Greenpeace's campaign and its overall influence. Following Frooman's (1999) typology of influence strategies, Greenpeace is a powerful stakeholder who is less dependent on VWG than the other way around, and whose influence was expressed by the fact that VWG agreed to meet the NGO's conditions and demands. Applying Frooman's (1999: 197) words, Greenpeace used

its 'resource relationship with the firm to leverage that demand'. The author's proposition has proved to be correct that, in a relationship that is characterised by stakeholder power, 'the stakeholder will choose a direct withholding strategy to influence the firm' (Frooman 1999: 202). However, the NGO used the resource 'campaign' to do that. Therefore, it was the combination of the withholding and usage strategy that proved to be successful. The MNC sought the dialogue and was ready to make compromises to minimise the (negative reputational) effects of the campaign. In that regard, Greenpeace's pressure led to VWG giving in to the NGO's demands.

However, it is difficult to prove whether the campaign or the dialogues influenced decisions or advancements within the company's sustainability approach or whether it was VWG's willingness to implement future mobility concepts in the next models. This declaration did not deter VWG from cheating emissions. This process is a good illustration of the various stages of Keck and Sikkink's (1998) 'NGO influence framework'.

Greenpeace passed successfully through the first stage, as they could set the issue 'increased emissions' on VWG's agenda through aggressive campaigns and subsequent dialogues. It went even further, and Greenpeace managed to influence the discursive position of VWG. Moreover, VWG followed the NGO's line and adopted its environmental rhetoric. However, it is not observable regarding whether VWG changed company policies or made other fundamental changes because of the joint declaration. Therefore, Stages 3, 4, and 5, which build on the third stage, have not been reached. Greenpeace's transport policy expert looked back critically when recalling the agreement with VWG:

If you evaluate that now six [or] seven years later, even what happened after that, then you have to qualify the story. This commitment [VWG's and Greenpeace's joint declaration to reach 95 grams of CO<sub>2</sub> emissions per kilometre by 2020] did not lead to anything. In retrospect, you are always smarter. At the same time, if you look at that difference between CO<sub>2</sub> consumption on paper and on the road, it was on average 40% higher by manufacturers in Europe. These were findings that we did not have at that time. This is a discrepancy that has split even further [...]. If you look at it from this point of view, that's a Pyrrhic victory. We were able to enforce that [the commitment], but on the whole, in the history of

climate change, where we actually want to go, our approach was the wrong one. (Interview #33, Greenpeace)

The joint declaration with VWG in 2013 was result of a dialogue between the two actors. The statement illustrates a certain process of reflection on the part of Greenpeace, recognising that the confrontational instrument 'campaign', or clearer and more consequent demands might be more effective. However, in hindsight, the NGO realised that the stakeholder dialogue might not be an effective tool, if there is still too much latitude for the MNC and not much regulatory pressure to stick to the communicated declaration. Greenpeace exerted sufficient pressure on VWG that the MNC met the NGO's demands and therefore 'won' the campaign against VWG. However, not a great deal has been achieved, considering the greater context and continuing discrepancy between the CO<sub>2</sub> values that VWG stated and the RDE. Mühle (2010: 223) analysed that Greenpeace is more interested in putting topics on the agenda and mobilising companies and people, rather than developing 'practical everyday solutions'. That indicates that Greenpeace could not have been concerned in following the process until VWG changes its environmental behaviour. However, it sometimes only becomes clear in retrospect that an MNC merely rhetorically committed to an agreed outcome.

Mühle's (2010) statement might be one explanation regarding why NGOs, such as Greenpeace, may influence VWG only to a limited degree from a rather short-term view. It can also be related to the situation that NGOs depend on donations, and those are usually higher if the NGO is able to keep an issue in the media (Smillie and Minear 2004).<sup>46</sup> If the public attention abates, then an NGO might not be able to use such a scandal for its purposes.

Even though it might appear to be a failure in that Greenpeace did not accomplish persuading VWG to maintain the position to reduce emissions to 95 grams of CO<sub>2</sub> per kilometre,<sup>47</sup> this declaration may have led to a situation in which other NGOs and stakeholders could hold VWG accountable for the promises. In other words, though the behaviour of VWG could not be changed sustainably (Stage 5), future negotiations may build on that declaration and be used to exert pressure on VWG. Therefore, other NGOs

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<sup>46</sup> In their book, the authors cite an NGO director with the following words: 'You know instinctively what will sell and what won't [...] You can't raise private donor money for Angola; you need sustained media attention' (Smillie and Minear 2004: 180-181).

<sup>47</sup> That would be Stage 4 in Keck and Sikkink's (1998: 26) framework: NGOs are able to influence MNCs or governments so that they do not change their previously stated positions and hold to their word.

may use the tactic 'accountability politics', which is part of Keck and Sikkink's (1998: 25) influence tactics, to hold VWG accountable for declarations made and to show the discrepancy between the corporation's lip service and its (lack of) actions. Thereby, NGOs may increase the risk that the MNC's reputation is damaged, which could increase the pressure on the firm to minimise this gap (Sullivan 2006).

Generally, if a topic has raised the attention of an NGO, the organisation approaches the MNCs to debate the topic in public or non-public discussions. Thus, DUH's traffic expert described this process with the following words:

If we take up a topic, it is often the case that we, as DUH, regularly organise 'expert rounds'. That's how we call it, where we try to bring all the actors to the table. Manufacturers, associations, ... representatives from the supplier industry who can supply innovative technologies and try to discuss the problem in this circle, and to bring forward solutions. Some of these topics are then more or less advanced in this context, without large-scale public relations work. For other topics it is different, it is also dependent on how complex the topic is and whether we can hope to raise some interest outside. On the other hand, it is also dependent on how it is done here, whether we need the public pressure, or whether we feel that it goes well without it. (Interview #18, DUH)

This response illustrates that this NGO follows a procedure when using 'softer', cooperative approaches. Direct methods, such as round table discussions and expert panels, bring different actors together to exchange views and to participate in the problem-solving process. Thereby, the DUH fathoms whether representatives of the automotive industry understand the severity of an issue. Should these influence approaches not lead to any change, the NGO considers going to the next step and using lawsuits as a last resort (that will be analysed in Section 6.2.3) or combining it with a multiplicity of direct and indirect pressure tools.

There are various reasons it is attractive for both MNCs and NGOs to build relationships or to have regular exchanges. Among the key reasons for MNCs are that these meetings may minimise the risk of getting attacked by NGOs and provide information on potential issues and how civil society representatives perceive the actions of an MNC. Moreover, companies, such as VWG, increase their legitimacy by working with NGOs, which

compensate for the lack of power using 'reputational capital' (Curbach 2008: 371). Reputational capital refers to the 'intangible assets' of an organisation, such as integrity, credibility, quality, or safety. Teegen (2003: 273) stated that international NGOs are informal institutions that possess social capital, as they 'create value for themselves, for other actors and for the public at large, further legitimising their importance in the global arena'. According to Teegen, Doh, and Vachani (2004: 466), NGOs are the 'organisational manifestations of civil society interests'. Furthermore, MNCs acknowledge that some NGOs, such as Greenpeace and the WWF, develop environmental expertise and add their experience and skills in discussions (Curbach 2003).

There are several more benefits than gaining expert knowledge for an MNC to have NGOs at their side. The NGOs might also increase their legitimacy, as they show to members and society their initiative to engage in constructive dialogue. However, NGOs such as NABU and BUND have been criticised by supporters and the media for being too close to companies (Biederbeck, Neubacher, and Traufetter 2013; Kreutzfeldt 2016). It is a thin line, considering that credibility and 'moral superiority' are the most important assets for an NGO (refer to Section 2.4.2 for more information). Cooperation with and donations from companies involve the danger that the NGOs' watchdog role is undermined and that these organisations have a conflict of interest, especially if MNCs follow the 'explicit aim of locking up potential enemies, or even of using them as Trojan horses' (Elkington 1998: 40). This may eventually lead to a decrease of NGO influence.

These interactions take place in formal settings, such as official partnerships, cooperation, joint projects, and studies, or in a rather informal manner, for example, in irregular discussion rounds or telephone calls. Some of the exchanges between NGO representatives and political actors, especially those from the Ministry of Transport, are informal. One of the reasons there is no official contact is that NGOs heavily criticised the ministry for its inactivity, and the DUH sued the KBA, an authority that is directly subordinate to the Ministry of Transport (DUH 2016b).<sup>48</sup>

The NGO NABU stated that the long-lasting partnership with VWG became better over time and that goals could be achieved together and resources were secured for projects

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<sup>48</sup> The DUH sued the KBA due to the authority's refusal to release records regarding the VWG emissions scandal. The NGO demanded access to the information on VWG's recall of diesel cars and all the correspondence between the authority and company.

around environmental protection. Over the years, a certain degree of trust was built between the NGO and the people working in VWG's CSR and sustainability departments. The organisation even felt it could penetrate the car manufacturer's core business.

[Regarding] the projects that we have put together there, my impression was the longer the cooperation existed, the better it got because it came more and more to the core business. We have, for example, initiated a joint green fleet concept with VW Financial Services where fleet operators can [...] take the most efficient and comparatively environmentally friendly vehicles .... There, we contributed very strongly. (Interview #7, NABU)

Furthermore, NABU was involved in cooperative activities with VWG for 15 years. After the crisis became known, NABU did not extend the collaboration. This partnership reflected well that such a relationship may be beneficial for both parties: VWG gained legitimacy and public recognition and proved that it cares about actively engaging with civil society and stakeholders in general, while the NGO ensured resources for their projects, for example, by involving VWG in their nature conservation activities, and generated publicity for environmental issues (Scholing-Darby, Flohr, and Oeliger 2014). Moreover, NABU and VWG implemented projects together and the dialogue took place at management level, which usually does not interact with representatives of environmental associations. Thus, the NGO perceived that its actions influenced VWG's CSR behaviour to some extent. Until the diesel scandal became public, this partnership worked relatively well, and NABU and VWG met on regular basis. Now and then, NABU's executive director called VWG's sustainability department to ask about progress, reminding them to fulfil their responsibilities and to exert pressure if necessary. According to NABU's representative, NGO intervened when certain plans that contradicted the agreements were about to be implemented (Interview #7).

It seemed the NGO managed the relationship of tension and the created dependency in an appropriate way. That means that the NGO had to accept that VWG did not fulfil all their claims; however, the organisation knew that they had to keep insisting that VWG practices what they preach, even though the NGO received money for projects. The cooperation with VWG expired at the end of 2015; however, there is still a cooperation with VWG's affiliated firm VW Financial Services, which has equipped NABU's moor protection initiative with around €2m since 2012 (VWG 2016c). Additionally, NABU's

senior representative justified the cooperation by stating that VW Financial Services is independent of VWG's automotive division and has nothing to do with their misconduct (Interview #27). This explanation falls short, considering that the automotive division and the VW Financial Services belong to VWG and are therefore controlled by VWG's top management with which NABU did not see a basis for cooperation after the crisis. Even though there might be a formal separation between VW Financial Services and the other divisions of the corporation, VWG uses the cooperation between its subsidiaries and NABU to advertise its environmental efforts and commitment (e.g. in its sustainability magazine *Shift* (VWG 2016b: 57) and in the sustainability report (VWG 2016c: 165)). Therefore, NABU might state that it continues to act independently and their (publicly visible) actions might prove that the money comes eventually from the owner of VW Financial Services: VWG.

Judging from VWG's (2014: 25) statements, the work of NGOs is noticed. For example, the corporation stated that it replied to Greenpeace's request to build more efficient vehicles by explaining the product strategy. Moreover, VWG mentioned that it replied to a request of LobbyControl but did not provide more information.<sup>49</sup> LobbyControl has reported repeatedly about the proximity between VWG and the car industry and policy makers.

### **6.2.2 Influence within Stakeholder Dialogue**

Theoretically, the stakeholder dialogue is an important platform for both VWG and NGOs to exchange views and to understand each other's issues. O'Riordan and Fairbrass (2014) located the stakeholder dialogue within 'communication', the fourth pillar of the authors' CSR stakeholder engagement framework and stated that it is one of the methods for a company to achieve transparency and accountability. However, the data shows a discrepancy between an ideal stakeholder dialogue and the one that took place between VWG and the various interviewed NGOs before and after September 2015. The mentioned discrepancy between the conclusions that VWG should have drawn from the stakeholder dialogue, and what ran through to the corporation's top management, implied that VWG did not take the stakeholder dialogue and interaction seriously. Or, the company's top managers and leading departments did not take the people seriously who

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<sup>49</sup> LobbyControl, founded 2005, is a German civil society initiative that 'provides information on lobbying, PR campaigns and think tanks and promotes transparency and democracy in Germany and on the European level' (LobbyControl 2018). It investigates about power structures and influence strategies in Germany and the EU.



led the stakeholder dialogue within VWG. Various interviewees' statements indicate that employees working in VWG's CSR and sustainability departments are decoupled of the areas, in which important decisions are made. An example is the following statement of a BUND representative:

I am actually in [a] good exchange with company representatives, but not with those who end up making the decisions.... The people from the sustainability departments say, 'We can basically do what we want, if that means €50 less profit per car at the end of the day, then it will not be done'. This is less frustrating for me because I do not expect anything else than for the people in the sustainability departments who put a lot of work, effort, and brainpower in the development of really innovative, good things that do not end up in the product because it reduces the profit. (Interview #28, BUND)

This statement reflects, to some extent, what a study found in 2010 regarding the partnerships and dialogue between companies and NGOs. Leetz, Horn, and Marschall (2010) stated that there is a lack of integration among the departments that communicate with NGOs and those that could potentially benefit from the insight of the dialogue.<sup>50</sup> Moreover, the authors' study showed that the core motivation for companies when engaging in partnerships with NGOs is to increase their reputation and credibility (Leetz, Horn, and Marschall 2010). Similarly, Sullivan's (2006) findings reflect the importance of reputation in the interaction among NGOs and MNCs. The author stated that NGOs are able to exert more pressure when they pose the danger of damaging an MNC's reputation (Sullivan 2006).

Leetz, Horn, and Marschall's (2010) report also demonstrated that partnerships become increasingly interesting for NGOs as a source of funding. That may lead to the following equation: money for a good image. It is questionable regarding whether these factors are the ingredients of a successful and sustainable partnership, considering that this reflects a transactional understanding of the partnership, in which often only one area of the company (e.g. the public relations or the sustainability department) is involved. Repeatedly VWG (2014) reported its integrative approach and that the learning from the stakeholder dialogue was considered by top management. However, there are indicators showing that the interaction with NGOs remains at the edge of the corporation and within

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<sup>50</sup> This study was conducted with 40 NGOs and 40 large companies in Germany.

the CSR and sustainability departments. Thus, BUND's traffic expert, who is very experienced in the dialogue with corporations, stated the following:

The strongest contact has been with BMW. There has always been an open dialogue with BMW, however, with VWG [dialogue has taken place] only with [a] few people.... The AGMs at VWG are more one-sided, without feedback.... At some forums, where we could get together with automotive companies, there are only some welcome speeches, however, no content-related debates. (Interview #31, BUND)

The statement by BUND reflects that the NGO perceived a lack of critical exchange with VWG and that the corporation uses dialogue platforms, such as AGMs for 'one-sided "monologues"' (Jonker and Nijhof 2006: 457). Similarly, Burchell and Cook (2013) noted that companies increasingly disseminate environmental information through reports without engaging in a serious dialogue with stakeholders. This form of one-way communication, which is a verbalised form of the sustainability report, makes it difficult or impossible to influence the MNC's CSR approach. The senior representative of DUH stated that the NGO requested meetings with VWG to discuss ongoing issues; however, the corporation referred the NGO to the stakeholder dialogue:

We do not see the point to sit with 300 other people in a stakeholder conference where we would get informed about new [innovations] ..., our questions wouldn't be answered there. Because [...] one would not enter into any commitments, which had legal implications. These are meetings that would have to be led in a much smaller circle [...] with people who make decisions. (Interview #18, DUH)

This last line reveals the NGO's scepticism about the decision-making power of the people who lead the stakeholder dialogue. It also shows the NGO's doubts that the MNC follows a CSR approach that integrates the produced outcomes in the overarching strategies. Thus, the NGO decided not to engage in the stakeholder dialogue with VWG, as it realised that this cooperative instrument is not an effective means to exert influence alone. The NGO opted instead for what it perceived as a more productive approach by confronting VWG with the NGO's own emission measurements along with public pressure. In line with Burchell and Cook's (2011) study, NGOs that decided not to take part in a dialogue may exert even more external pressure. According to the authors' study, too many voices may reduce the effect on the MNCs. Further, MNCs, such as

VWG, can become overwhelmed by requests and demands from NGOs and might use that as an excuse to provide a delayed or fragmented reply. A well-coordinated approach among NGOs that makes use of various instruments may be more effective (Section 6.3.2 will discuss this in more detail).

It has been noted that there were less regular and formal dialogues among NGOs and VWG after September 2015 and that the overall meaningfulness of the outcomes regarding the MNC's CSR approach was limited. However, there are different, potentially more subtle ways that NGOs may exert influence or at least influence individuals within automotive companies. The following quote from a Greenpeace environmental expert indicates informal methods of staying in contact with VWG:

There are a few stakeholder dialogues. The dialogues are also dependent on personal contacts with former colleagues through years of contacts, who are then sometimes invited as experts, where VW wants to get informal feedback. If VW or other corporations have developed a new environmental policy or a new car, then they want to get a first assessment of environmental experts. That's very often informal [...]. There are also the normal rounds, where we are in exchange, where one says, we think that this and that is right and wrong. However, when we are in a more intensive dialogue with a corporation, then, it is usually accompanied by a campaign. Otherwise it's a waste of time. We see it that way. The package makes sense to bring about change. (Interview #32, Greenpeace)

This statement illustrates that even NGOs that are rather confrontational, such as Greenpeace, are aware that they should not be closed to the dialogue instrument. Informal dialogue is a suitable method to stay informed about CSR developments at automotive companies without jeopardising the NGOs' direct lines of dialogue, which would be an uncompromising approach in Greenpeace's case. According to the NGO, the instrument 'stakeholder dialogue' is considered ineffective (this is in line with statements of other NGOs, e.g. Interview #18, DUH; Interview #28, BUND). It is an approach in which NGOs exert only conditional influence, and it reflects the understanding that a dialogue with automotive producers becomes more effective if it is in combination with other instruments, such as political lobbying or campaigns. Arenas, Sanchez, and Murphy (2013) stated that companies are more likely to implement CSR

aspects once they and NGOs have left behind the conflict stage. The following statement may serve as proof that Greenpeace's campaigns have an effect on MNCs, such as VWG:

We notice that we hit the right nerve with a campaign when companies call and want to talk to us [...] It's usually about them wanting to know more about what our demands are. 'What do we have to do, so you do not get on our nerves'? (Interview #33, Greenpeace)

For Greenpeace, campaigns create synergies, which may increase the effectiveness of other influence methods enabling other NGOs to become involved in the opportunity (Section 6.3.2 will provide more details on NGOs acting in alliances). Moreover, a successful campaign makes demands more audible to the public, contributes to the NGOs' legitimacy, and clarifies their intention to influence MNCs' CSR approaches. However, the caveat is that NGO influence is limited if the CSOs do not follow up with the demands stated in campaigns.

For VWG, stakeholder dialogues play a role to have an exchange with stakeholders, such as NGOs; however, the most important means of communication are the sustainability reports (e.g. VWG 2014; 2016c). Some NGOs no longer take these company reports seriously, as reflected in this comment from a DUH respondent:

I always get these CSR reports. I never read them because I think that is, so to speak, ... that they do not interest me in the sense [that] I am interested in what happens with the vehicles and [...] what these cars emit. (Interview #18, DUH)

This statement leads to several conclusions. It shows that the sustainability report that is understood as an important instrument of VWG's stakeholder dialogue lacks acceptance among NGOs. It also indicates that an NGO, such as DUH, is not highly interested in the various facets of an MNC's CSR approach, especially those that are not measurable, reflecting that the NGO trusts numbers rather than words. However, the focus of an ENGO is usually stronger on the environmental dimension of CSR. An announced integration of CSR in VWG's various areas would only then be credible if the measurements conducted by the NGO meet those that VWG provides.

For VWG, the sustainability reports have always been a means to combine various CSR-relevant activities. First, it provides both stakeholders and VWG's sustainability departments with a platform to discuss links and issues based on the corporation's self-evaluation. Moreover, stakeholders can check if the results of the discussions with VWG appear in the report and if these influenced any of VWG's environmental measures. Second, VWG can show that it applies reporting guidelines, such as those from the GRI. Third, in the aftermath of the crisis, one of the priorities of VWG's 2016 sustainability report (published in May 2017) was to promise to the stakeholders that the company has changed and that it drew the right conclusions from the diesel crisis. One of the promises VWG made was that it intends to 'pay even greater attention to how our stakeholders [...] view our work' (VWG 2016c: 6). However, these reports are perceived as a form of greenwashing<sup>51</sup> and not greatly valued by representatives of one important target group of these reports: the (traffic) experts of the ENGOs. The perception is that these reports do not address issues such as the corporation's plans to emit less CO<sub>2</sub> and NO<sub>x</sub> or to build affordable electric cars. Similarly, NGOs, such as BUND, argue that VWG's stakeholder dialogues do not sufficiently address current issues:

VW stakeholder dialogues are all about future products.... VWG should not focus on autonomous driving; however, they should show what happens right now or what happens in five years, but not what might be in 20 years. This is what I always criticise in all companies, that they show the customers the beautiful world of the day after tomorrow but leave them in yesterday. (Interview #28, BUND)

This quote is revealing for several reasons. First, there does not seem to be goal congruence between VWG and NGOs, which is, for Pedersen (2006), a requirement of a successful stakeholder dialogue. It can be inferred from the NGOs that both parties approach this instrument differently. Second, for NGOs, the dialogue would be an appropriate platform to make VWG aware of issues and to present possible suggestions by discussing environmentally friendlier solutions. Such a solution could be, for example, the development of an electric car that is affordable for most people. According to NGOs, for VWG, the dialogue serves a different purpose, for example, stimulating the stakeholders' fantasy about technological innovations like autonomous driving. The

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<sup>51</sup> Greenwashing can be considered a 'legitimation strategy that occurs when firms voluntarily issue CSR reports to promote an impression of legitimate social and environmental values, which may or may not be substantiated' (Mahoney et al. 2013: 352).

following statement of VWG's CEO reflects the MNC's reluctance to defer to the demands of NGOs and critical policy makers regarding the required changes of diesel engines: 'I would like to have my engineers work future-oriented and not backward on engines that are ten and fifteen years old' (Phoenix 2017). Even though the NGOs' criticism might be justified, it needs to be mentioned that change in the automotive sector is slow. The car corporations invested billions in diesel engines and other traditional technologies and need to make profits with these. Though that is understandable from an economic point of view, it does not explain why the development of alternative technologies has been neglected, considering that (European) regulations intend to push automotive manufacturers away from diesel and gasoline cars.

Following Kaptein and von Tulder's (2003: 210) comparison between 'stakeholder debate' and 'stakeholder dialogue', the previously mentioned NGO-MNC interaction shows characteristics of a debate, in which actors try to put themselves 'in a better light'. In such a case, an MNC 'will place more importance on being right than on pursuing what is right for society at large' (Kaptein and von Tulder 2003: 222). For the NGO DKA, the power relations at VWG are one of the reasons the corporation withdrew from critical interactions with its stakeholders: '[VWG] feel so secure because of the share ownership, [...] they do not consider it to be necessary to enter into dialogue with civil society' (Interview #19, DKA).

Leaving present issues and challenges out of stakeholder dialogue can be considered one form of deception, as the stakeholders' attention is deflected towards future topics, which are rather vague, and VWG would not need to be more specific. Plans may change; therefore, it would be more difficult pinning VWG down on concrete measures that are planned in the future. This results in frustration that goes hand in hand with Burchell and Cook's (2013: 517) observation of a 'dialogue fatigue' among NGOs, which are exhausted from investing resources into dialogue if MNCs do not 'walk the talk'. This element of greenwashing is one of the reasons NGOs, such as the DUH, put higher expectations in testing VWG's and other producers' cars, considering that the NGO can hold VWG accountable for measured values.

The evaluation of the interviews supported the conjecture that the communication culture at VWG affected the way the corporation engaged in dialogues with NGOs. All interviewees criticised or at least questioned VWG's corporate and communication culture. The interviews showed that there was a certain attitude within VWG that made

and makes it difficult to integrate different opinions and perspectives into the company's business and environmental strategies. For example, this statement comes from an MoP, who talked to a high-ranking member of VWG's works council some time before the interview:

[The employee representative] has also seen this very critically [...] a kind of Nibelung loyalty, 'we are VW, we hold together, we are one, no mistakes are made here'. This is difficult because the internal communication culture must change in a way that the individual should be able to say: 'Listen, this is now critical what we do here; let us think about it again' – without being immediately belittled. (Interview #12, policy maker)

This statement indicates again that it appears that components of VWG's corporate culture are problematic, inhibiting employees from incorporating insight gained in stakeholder dialogue with NGOs. Such a siege mentality makes an open stakeholder exchange more difficult. For successful stakeholder dialogue, it is essential that the MNC shows genuine interest in learning and change, along with the insight that it is fallible. A cultural change may lead to better balanced stakeholder interactions that are not solely tailored to the needs of the MNC.

In an article, the weekly newspaper *Die Zeit* reported about a workshop among VWG managers on integrity that took place in November 2017. A VWG manager was quoted as saying: 'Criticism of the superiors means for many [managers] *E-de-ka: Ende der Karriere* [end of the career]' (Tatje 2017: 26). This exemplifies that certain behaviours are deeply rooted in VWG's corporate culture and cannot be changed just because the CEO announced a new culture. Consequently, such an environment may not be considered a fertile ground for suggestions coming from NGOs.

### **6.2.3 Process of Creating Gradual Pressure**

In the interview, NABU's traffic expert stated that there was a regular exchange with VWG about the development of projects and follow ups on discussed issues. If the NGO felt that VWG protracted actions, it exerted pressure by sending out a letter from the president querying the 'state of the implementations' (Interview #7, NABU). Such a letter would be directed to VWG's CEO, reminding the corporation to fulfil their part of the agreement. Another NGO described it as akin to walking a tightrope. On one hand, it has

always been considered necessary to keep moderate pressure on the MNCs to progress within the stakeholder dialogue. On the other hand, there is the risk that a company does not talk to the NGO about certain topics or does not want to pin down verbally made agreements. The quote of this BUND expert illustrates that VWG is receptive to changes as long as the cars' core attributes are not questioned:

I'll say it this way: stories that don't change the structure, that can all be done. A particle filter can be installed, another coolant can be installed, without reducing the power of the vehicle, [and without] making the vehicle less attractive. You can say [that] these are soft factors. This can be introduced, which makes us happy, and then we say, 'oh just look, we've made it'. (Interview #6, BUND)

The previously mentioned round table discussions, organised by DUH, serve as a platform for companies to state their concerns and understand why a certain corporate action is subject of criticism. The statement by BUND suggests that automotive MNCs, such as VWG, also use these gatherings to appease NGOs by accepting smaller suggestions. However, the environmental organisation uses this stage to exert pressure in case the MNC does not show commitment, for example, by providing resources to tackle the discussed issue and evidence for efforts to address the problem in the company.

The way NGOs attempted to pressure and influence VWG in the phase after the crisis began depends on the focus of the NGO. For example, representatives of DKA spoke in collaboration with other NGOs at VWG's AGM and demanded that the shareholders refuse the approval of management's actions (Dufner 2016). Speaking at AGMs is the primary means of direct influence for the NGO DKA: 'Our focus is the influence in the time of the AGMs. Also, to make a more intensified impact via media publicity' (Interview #19). The approach to achieve an effect via the media and the wider public seems to make more sense, considering DKA's perception that the demands and issues addressed in their speeches at VWG's AGMs do not show much effect. In the interviews, it has been an often-recognised pattern that NGOs use direct and indirect measures concurrently.

Even though the media does not play a significant role in this study, it may serve as an amplifier of NGO pressure. For NGOs, such as DUH, the stakeholder dialogue 'takes



place in the public debate, very much through the media coverage' (Interview #29, DUH). Very often, media, such as newspapers, magazines, and social media channels process difficult factual connections into smaller available pieces that are understandable for the wider public. The media matters considering that 'favourable press attention is especially important to environmental groups, [as] they have relatively few opportunities to exert direct influence on decision makers' (Markham 2011: 198). For the NGOs, the media becomes even more important due to the shortage of financial means that are needed to finance advertising campaigns. Moreover, regular media attention may attract more donors for the NGOs. However, there are also critical voices such as the following:

The public debate is disappointing. Media quickly loses interest in automotive scandals, and [they] don't put the responsible politicians under proper pressure. We need more serious debates that have depth and take scientific evidence into consideration. We, as NGOs, cannot do that alone. I do believe [that] NGOs have to sell themselves on public television to contribute to serious debates. (Interview #31, BUND)

This statement offers a different view on the role of the media and puts the influence that NGOs may be able to exert via the media into perspective. Moreover, BUND's representative was critical of the coverage NGOs receive and complained that the organisations are not sufficiently supported by traditional media (e.g. television broadcasters) with the investigation of the industry's wrongdoing. However, it may not be the media's role to take firms to task. Moreover, NGOs have to realise that 'traditional media is no longer the sole gatekeeper of information or opinion' (Barnett, Henriques, and Husted forthcoming 2018b: 15) and that the digital age offers multiple channels to pressure MNCs. A clever use of the media may help exert pressure to make VWG more accountable for providing feedback on requests. For example, DKA's expert stated:

VWG can take a public or non-public position [to submitted counterproposals] .... That has been made insufficient in recent years, and the accusations made in the counterproposals, not only in ours but also in other counterproposals, have been flattened without replying to the actual accusations. (Interview #19, DKA)

As this quote illustrates, the involvement of indirect measures of NGO influence, such as the media, investors, or pressuring policy makers, becomes more important the less NGOs, such as DKA, receive feedback in direct interactions with VWG. In the interviews

with the NGOs, it has always come out that it is difficult to judge whether an NGO has a short-term or medium-term influence on VWG. Furthermore, BUND's traffic expert stated that 'such meetings do not produce any real results. These are so long-term results ... Difficult to say that they do that or this now, because I've said it [in the past]' (Interview #28). Similarly, NABU's senior representative indicated that 'the bottom line is ultimately what really has led to an implementation or what brought change in the sense of the environment.... This can only be assessed after a while' (Interview #27). This reflects that NGOs need long-term staying power and the resilience to cope with announcements and promises, which might be tactics of an MNC to win time. It also shows that the NGOs realised that it is not enough to be satisfied if VWG changes positions or procedures (see Stages 2 and 3 of Keck and Sikkink's (1998: 24-26) stages of influence) as a consequence of the NGOs' intervention but does not change its behaviour sustainably.

This reflects the ambiguity when evaluating the efficacy of NGO influence. On one hand, it is important to acknowledge that NGOs influence MNCs' environmental approaches. It would not be fair to measure NGOs' work only by major changes in companies' CSR behaviour. That would undermine the efforts of the organisations and probably be an unrealistic claim. On the other hand, MNCs such as VWG have the possibility to escape from (informal) promises and agreements that were effective as publicity but were neither binding nor pressuring the top management to make changes.

When understanding NGO influence, it is important to consider several other factors that have not been investigated in detail. For example, the NGOs' governance structure, their budget, and the parallel use of instruments are decisive factors that determine their influence. An NGO, such as Greenpeace, may be able to finance a campaign against VWG for several years and finally influence their behaviour. Other NGOs might not be able to do that due to financial restraints, different foci, or their federal structures.

These aspects create a complexity that is rather difficult to capture in established stakeholder influence models. This complexity is reflected in the various approaches of NGO influence and the interplay between different factors, such as the choice of influence instrument, strength of NGO alliances, or the delay between cause and effect of NGO influence. Barnett, Henriques, and Husted (forthcoming 2018b) stated that the complexity of stakeholder influence is also reflected in the digital age, as stakeholders such as NGOs are confronted with a flood of information that may lead to incoherent messages and might eventually reduce their influence. The limiting effect resulting from

the close relationships between policy makers and MNCs plays a role, too. Moreover, according to Greenpeace's experts, it is the mixture of various influence instruments, and the combination of the NGOs' strength, with which the greatest effect on an MNC's CSR approach may be achieved. The following statement underlines that:

There is a lot of money involved at corporations. Before they implement the environmental policy goals that we consider necessary (these are the automobile companies, the coal industry) [...] you can't convince them in conversations without leverage. You can have great conversations, but they lead to nothing. That's why we say, 'yes, we should maintain a dialogue'. That always makes sense. However, when we take the time to sit down with them, then [it should be] only when we have the feeling that we can really make a difference. That is usually in connection with campaigns. Then, the corporations are more willing to talk and make other concessions. (Interview #32, Greenpeace)

This statement of Greenpeace's transport policy expert illustrates that the multiplicity of influence instruments creates gradual pressure, whereas a stand-alone MNC-NGO stakeholder dialogue may not have a significant effect on the MNC's CSR approach and may serve to comfort and legitimise both organisations' activities. Moreover, the statement implies that NGOs may have a greater leverage if those at VWG perceive campaigns or other forms of pressure as a threat to their legitimacy and reputation. According to Yaziji and Doh (2009), NGO campaigns may be considered a method to delegitimise an organisation. This may provoke countermoves of the firm, entailing that it either gives in or 'fights' back, for example, by questioning the legitimacy of the stakeholder. That might eventually lead to a confrontational stakeholder-company relationship (refer to Table 3, Onkila 2011).

Table 9 summarises the points regarding the direct mechanisms of NGO influence on VWG, categorised according to the following measures and approaches: Cooperation/partnerships, stakeholder dialogue/agreements, AGMs, and campaigns against and demands on VWG.

Table 9: Summary of NGOs' Measures and Approaches of Direct Influence on VWG

NGOs	Measures and Approaches of Direct Influence on VWG			
	Cooperation/ partnerships	Stakeholder dialogue/ agreements	AGMs	Campaigns against & demands on VWG
BUND	Benefitted from NABU's partnership with VWG	Takes part in VWG-led stakeholder dialogue	Speaks frequently at VWG's AGMs	Demands: focus on solving current issues rather than deflecting with future innovations
DUH	Not with VWG but with other MNCs (e.g. Toyota)	DUH rejects participation in VWG-led stakeholder dialogue	-	Demands: VWG should invest in e-vehicles; more transparency
Green-peace	In 2013, joint declaration on reduction of CO <sub>2</sub> emissions	Informal dialogue, usually in connection with campaigns	Demonstrated against VWG's climate footprint at AGM in 2012	Campaigns: 'Volkswagen. The Dark Side' (in 2011); 'CO <sub>2</sub> : The Climate Problem' (in 2015)
NABU	Formal cooperation for 15 years until the end of 2015; yet, cooperation continues with VW Financial Services	Informal relationships with members of sustainability department	-	Demands: e.g. internal operational control; supervisory board should regularly discuss environmental topics
DKA	-	VWG does 'not consider it to be necessary... to enter into dialogue with civil society'	DKA's main way to exert influence	Demands: VWG should change governance structure; engage in dialogue with critiques
TI	-	TI was mentioned in VWG's stakeholder matrix in 2012	-	Demands: developing credible compliance structure

Source: Author

### 6.3 Mechanisms of Indirect NGO Influence

This dimension reflects the importance of involving other actors and allies in the NGOs' efforts to exert influence on VWG and the automotive industry in general. Indirect NGO influence on an MNC's CSR approach can take various forms, such as pressuring policy makers, involving the media and suppliers, or using the power of courts and investors. The focus in this section is on how NGOs leverage the power of political actors and policy makers to increase the pressure on companies, such as VWG.

However, due to the strong intertwining between policy makers and VWG, the indirect influence on VWG via policy makers is conditional. Chapter 5 made clear that the lack of regulatory strictness and political measures against the automotive industry limited the influence of NGOs. This chapter also demonstrates that the successful involvement of the ally 'court', using the coercive influence instrument 'lawsuit', reflects an unconditional

means of influence. Moreover, it shows that the concurrent and successive exertion of a multiplicity of direct and indirect influence instruments may lead to unconditional influence and amplify the effect of individual methods.

The mechanism of indirect NGO influence builds on Guay, Doh, and Sinclair's (2004: 136) notion that NGOs work through allies who act as 'moderators or mediators of their agenda'. It also considers Frooman's (1999) framework that states, even if the stakeholder is dependent on the firm, however, the firm is not dependent on the stakeholder ('firm power' relationship), indirect approaches to influence the firm are more promising. As Hendry (2005) noted, a more profound understanding of the interactions between ENGOS/NGOs and companies is required to examine if these statements apply. Keck and Sikkink (1998: 23) called the indirect influence approaches 'leverage politics' referring to the persuasion and exertion of pressure on powerful actors considering that 'NGO influence often depends on securing more powerful allies'. In this dimension, how indirect NGO strategies are used and why some approaches, such as lawsuits, are more effective than others under the conditions of a major crisis and the strong intertwining between German policy makers and the automotive industry will be shown.

### **6.3.1 Conditional Influence: Pressuring Political Actors**

The findings show that there is an increasing understanding among NGOs that lobbying and pressuring governments to tighten legislations is a more effective way of achieving change and corporate reassessment regarding environmental policies. This is a reason that the NGO influence on MNCs cannot be examined by solely considering the NGO-MNC relationships. Though there is the NGOs' perception that the direct exchange with VWG has been more difficult since September 2015, there is no uniform understanding that it is more effective to interact with political actors considering the closeness between German policy makers, VWG, and automotive lobby groups. In addition, some political actors actively avoided any contact with some environmental organisations. In addition, NABU's representative commented with the following words that Federal Minister for Transport Dobrindt (between 2013 and September 2017) forbid his department from contacting DUH:

Mr Dobrindt has prohibited his employees [from] speaking with the DUH. What can you say? [...] Then, it runs informally. Many meetings are not official appointments. You have to accept this at the moment. This also

shows a bit that bitten dogs like to react strangely sometimes. This demonstrates, in the end, that Mr Dobrindt isn't completely indifferent about the work of the NGOs, or what they say. (Interview #27, NABU)

This quote indicates the NGOs' perception that they irritate policy makers, who respond by minimising the influence of environmental groups. How true this is, is open to debate, but this restrictive approach reinforces the impression that policy makers and the automotive industry are too closely interlinked. However, it might only be directed against one NGO, which could be compensated for by the coordination of NGOs (refer to Section 6.3.2 for more details). However, the informal meetings show that there are bureaucrats in the Ministry of Transport who are interested in an exchange with NGOs.

There has been an exchange between many NGOs and VWG before the crisis; however, that changed noticeably after the crisis occurred. Therefore, NGOs intend increasingly to convince policy makers to establish rules or execute the existing ones properly. The intention for NGOs is to become a counterweight to MNCs in the political context. However, that may only happen if NGOs and other representatives of the civil society are invited to summits and expert exchanges. For example, various high-ranking politicians met with representatives of the German automotive industry at the National Forum Diesel;<sup>52</sup> however, representatives of consumer protection associations were not invited. Nevertheless, there are forums in which NGOs and policy makers are in a direct and formalised exchange. For example, the council of the Berlin-based think tank *Agora Verkehrswende* (English: Transport Transition) consists of representatives from business, academia, unions, NGOs, and high-ranking politicians. One of the interviewed NGO traffic experts, representing the civil society in the council, commented as follows:

This is, in principle, a good platform, but of course we would wish [that] there would also be such a platform elsewhere, that the Ministry of the Environment and the Ministry of Transport agree more closely on the necessities, of course, with the Ministry of Economy. (Interview #28, BUND)

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<sup>52</sup> The 'National Forum Diesel' was organised by the Ministry of Transport and held on 2 August 2017 in Berlin. Policy makers and representatives of the automotive industry came together and discussed 'an effective contribution to a speedy and lasting reduction in NOx emissions and to the protection of the health and consumer rights of the public' (BMVI 2017: n.p.).

The NGOs stated repeatedly that informal exchanges with policy makers are an important tool to convey messages and receive information about the processes and plans within different ministries. However, considering frequent changes of political personnel in the environment and transport ministries, some contacts and sources get lost. It then takes time to build new trusting relationships with politicians or with the administrative staff, who are often more open, as they are less bound to act in favour of any party's policy.

The NGO DUH published a press release on 17 September 2015, one day before the revelation of the VWG scandal, and warned about the danger of diesel emissions and urged Chancellor Merkel to stop 'cosying' with the bosses of Germany's car manufacturers (DUH 2015). According to the NGO, its executive director and further transport policy experts were invited to the Ministry of Transport in 2011 and reported to the officials that defeat-device systems existed and were used (DUH 2016d). A year before, the NGO complained that the Federal State of North Rhine-Westphalia does not enforce the so-called 'environment zones' in city centres. In 2018, DUH won a lawsuit against the city of Dusseldorf, which may lead to driving bans for diesel cars (*Bundesverwaltungsgericht* 2018) (refer to Section 6.3.3 for more details on lawsuits). This is an example of how NGOs' indirect measures may result in direct pressure on automotive manufacturers. The following statement provides insight into the role and meaning of the NGO DUH:

Without the Environmental Action Germany [DUH] nothing would have happened in the last few years before the VWG scandal. They themselves have made their own measurements with Axel Friedrich and can place them [the results] in the media, but nothing really has happened. Now they are the pioneers who filed lawsuits for false declarations of cars. Actually, they play the role that an audit authority under the Ministry of Transport should play. So ... the DUH is very important in this context. (Interview #25, opposition party)

The interviewee is a scientific assistant of an opposition politician, who was involved in the 5<sup>th</sup> parliamentary investigation committee. According to him, NGOs, such as DUH, fill the regulatory gaps that arose due to inadequacies and weaknesses of political institutions. Moreover, there is a link between the NGOs' increasing role as civil regulators in society and the strong intertwining between political actors and the

automotive industry. These interconnections and the lack of enforcement of existing regulations contributed to this regulatory vacuum. Similarly, NABU's representative acknowledged the DUH for their strategy to influence the debate by doing their own measurements, stating that the 'DUH also makes many emission tests, the RDE tests. Therefore, they're then able to talk about things' (Interview #27, NABU).

The fact that the DUH conducts its own measurements may be one of the main reasons this NGO has been invited to the various political committees on the national and EU levels (DUH 2017b). The German NGO frequently submits initiatives and provides feedback to the EC that actively asks stakeholders and citizens for new ideas on laws and regulations and views on 'legislative proposals' (EC 2018). For example, DUH provided feedback to the EC's initiative to strengthen RDE tests by stating that it is the right step to take. However, the NGO expressed concerns that the wording of the regulation might be too slippery and that the EC might not intend to publish the test results in a database (EC 2016). Moreover, DUH uses its membership at EBB to be closer at the decision-making processes at EU level (EBB 2018). It becomes more important for German NGOs to be present at EU level, considering the increasing decision-making power of EU institutions. Doh and Guay (2006: 53) stated that EU institutions, such as the European Council and Parliament, are attractive for NGOs due to their influence on the 'Council by accessing member state governments in national capitals'.

Nonetheless, NGOs might have to reconsider their strategies and instruments when thinking about the best possible ways to exert influence. In times in which traditional communication channels become less effective, NGOs might not be able to afford not working with investors or not gaining the required expertise to act in their position. On the other hand, it is important to mention that the interviewed NGO DKA is specialised on the interaction with corporations by talking at their AGMs. The association does not own shares of VWG; however, DKA's members are able to speak at the corporation's AGM and confront VWG with their questions, as (private) shareholders may transfer their right to vote to the association. The interviewed senior representative of DKA stated in the interview:

The special thing about our association is that we try to gain influence in these AGMs, as well as cooperation with other shareholders. Also, in collaboration with other NGOs ... the public is the only one that is open to



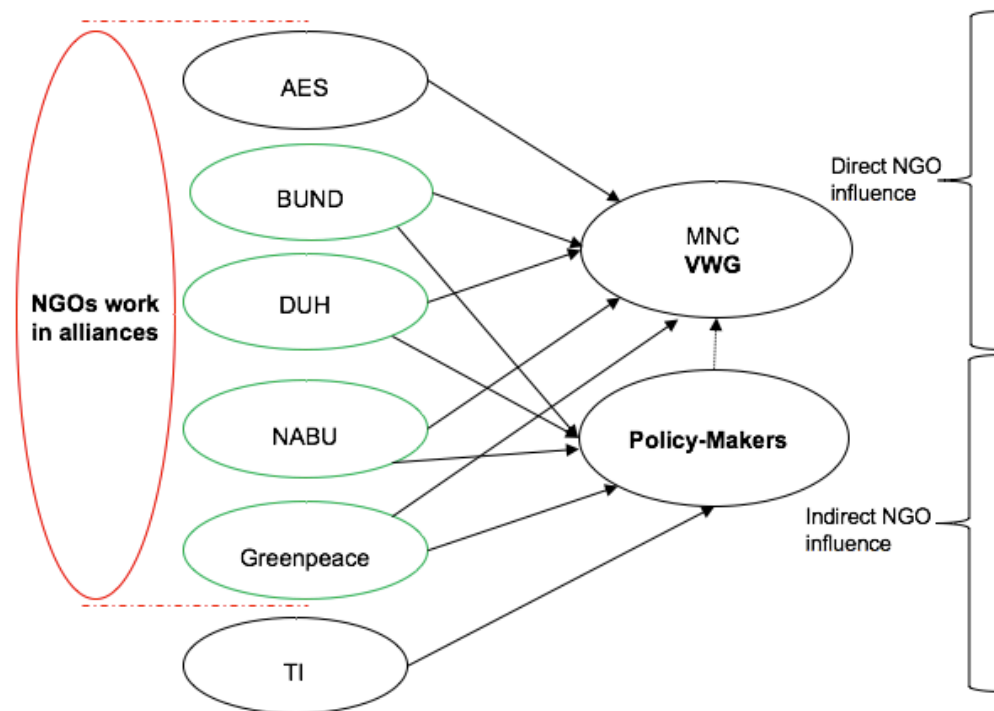
us, of course, over and above that, to influence the legislation. (Interview #19, DKA)

One of these NGOs is BUND, which speaks on a regular basis on behalf of DKA and shareholders at VWG's AGMs. Therefore, it cannot be said that there are no efforts of NGOs to exert influence via AGMs. However, there are no known and published collaborations between NGOs and investors in the VWG case. Such cooperation might add value to both sides; for the NGOs, as it would extend their instruments of exerting influence, and for investors, as they might benefit from the NGOs' experience regarding environmental aspects and media relations.

### **6.3.2 Influence Strength of NGO Alliances**

Alliances among NGOs play an important role when understanding the pressure and influence NGOs exert on MNCs and policy makers. This section has been categorised within the mechanisms of indirect NGO influence, as the data show that NGO alliances play a more dominant role at the policy level. However, the findings within this section also include how NGOs acted collectively towards VWG. Therefore, alliances can also be considered part of the mechanisms of direct NGO influence.

Figure 9: Work of NGOs in Alliances



Source: Author

Figure 9 illustrates the interconnections between the NGOs DKA, BUND, DUH, NABU, and Greenpeace. The four ENGOS are circled in green, whereas the NGOs DKA and TI are circled in black. There is evidence that BUND, DUH, NABU, and Greenpeace interact with each other; however, DKA has been included in the circle of NGOs that cooperate with each other, as it works with BUND. The graph also shows that all NGOs except DKA and TI show evidence of relationships with both MNC and policy makers. The dashed arrow from the circle 'policy makers' to the 'MNC VWG' circle indicates that the influence is weakened due to the tight relationships between policy makers and VWG. Even though TI published statements on the VWG crisis on their website, it did not send these articles directly to VWG (Interview #13, TI). Therefore, there is no arrow from TI to the MNC, as the NGO did not actively seek the interaction with VWG. It can only be surmised why TI did not send it directly to VWG or approached the MNC in any other form. However, one of the reasons might be that the NGO did not expect any response or

would not have been prepared for an interaction with VWG in any manner due to lack of resources.<sup>53</sup>

All the interviewed NGOs are connected to each other, even though an alliance between TI and the other NGOs cannot be shown. The interviews indicated that the cooperation between the organisations mostly takes place in a harmonious way, as the following quote from a DUH representative illustrates:

These [alliances] are very important. We work frequently with NABU, BUND, and WWF, etc. We are very well connected with all other environmental associations and work very closely together [and] agree on most points. We've been doing this for decades.... There is not only the traffic department but also five other specialist areas. (Interview #29, DUH)

The NGO cooperation is reflected in meetings, collective letters, and other activities that are coordinated between the NGOs. The DKA has regularly invited one of BUND's traffic experts to speak on behalf of the NGOs and VWG's shareholders at the MNC's AGMs (Hilgenberg 2017). In addition, in 2017, the BUND representative spoke at the AGMs of the automotive corporations Daimler Group and BMW Group. Moreover, there are studies and international workgroups at which NGOs work together. For example, the European Climate Foundation (2018) initiates and supports projects that involve the NGOs NABU and DUH. A longstanding representative of BUND stated:

The European Climate Foundation plays a role, too. They also support the DUH, which is one reason why they are able to exert so much pressure [with lawsuits]. It is a fact that there is a good cooperation, even though one or the other [NGO] may receive most of the merits. It sometimes sinks into oblivion that we all contribute and all play a part. (Interview #31, BUND)

The traffic expert might have referred to the situation in which other NGOs, such as DUH and Greenpeace, are quite often present in the media. This may create the perception that it is mostly these two organisations that put VWG and policy makers under pressure

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<sup>53</sup> The TI director stated that most of his colleagues, including himself, work on an honorary basis (Interview #13).

by engaging in campaigns, conducting investigations, and measuring NO<sub>x</sub> and CO<sub>2</sub> emissions.

According to Reiche and Krebs (1999: 241; 291), NGOs will always be at a disadvantage when trying to influence the policy decision-making process, considering their restricted resources. Therefore, NGOs must decide carefully about the selection of instruments and how they can reach their objectives within their limited personnel and financial resources. Moreover, NABU's expert of transport policy chose the following words when describing the importance of alliances:

We coordinate political demands so that not one [NGO] may demand this and the other that. Therefore, we try talking to each other within the associations, for one thing, having a similar language as regards the objectives, [and] for another thing, a certain division of tasks. Normal associations cannot do everything; the capacities are limited. (Interview #27, NABU)

In the interviews, Greenpeace also spoke of a division of tasks and referred to the importance of 'finding a good role allocation, because everyone works a little bit differently' (Interview #32). The NGO made clear that it may be beneficial if some NGOs are rather 'soft' and others, such as Greenpeace, are more confrontational. Greenpeace's transport policy expert stated: 'It complements very well [...] if a company gets a beating from us, but then has the opportunity to engage in a more intensive exchange with another NGO' (Interview #33). Valor and Merino de Diego (2009: 122) referred to this method as "the stick and the carrot" approach [that proved to be] fairly successful'.

Arenas, Sanchez, and Murphy (2013) spoke of triadic relationships when stating that a third NGO may facilitate a confrontational, dyadic relationship that develops into a collaborative one with a greater likelihood that the company engages in CSR policies afterwards. The division of tasks is also predetermined to some extent, as BUND, DUH, and NABU may exercise the right to sue, whereas Greenpeace is not entitled to do that. Therefore, one of Greenpeace's traffic policy experts pointed out that 'it is not just a single tool like the lawsuit that generates political change. There must be a campaign around the lawsuits' (Interview #32). These statements underline the importance to apply a multiplicity of influence methods in the NGOs' attempt to exert influence on an MNC

(Section 6.3.3 will elaborate on the importance of the multiplicity of approaches in more detail).

Curbach (2003: 129) emphasised that resource-poor actors in civil society, such as NGOs, are more reliant on alliances, partnerships, 'short-run coalitions or long-lasting networks'. Therefore, the NGOs are keen on keeping good relationships with each other and informing and updating themselves on what the respective traffic experts are working on. Insight has risen that bundling resources and demands may increase the effect of NGOs on MNCs and policy makers.

For example, in October 2015, right after the Dieselgate scandal became public, the five ENGOs, BUND, DUH, Greenpeace, NABU, and VCD, published an open letter that was directed to Federal Chancellor Angela Merkel, pointing out the problem that car producers systemically ignore environmental standards and betray consumers (Miller et al. 2015). The directors of the NGOs urged the chancellor to stop illegal manipulations and companies from taking advantage of legal loopholes (Miller et al. 2015). Letters to policy makers are a common means of NGOs to represent their points of view and to formulate demands. They can speak with a 'louder voice' (Interview #29, DUH), if the demands are coordinated among the NGOs and their experts sign the letters. In addition, NGOs hope to increase their salience within the political realm and to be perceived as a legitimate group of experts, whose suggestions advance discussion and represent a larger group of people. However, when analysing secondary data, it seems that collective appearances do not happen in a high frequency. Instead, it appears that this tool is chosen if the discussed issue is highly severe, such as the emissions scandal, and it is important that the various NGOs act and appear in unity. One of the reasons might be that the NGOs usually have different foci and work on their own publications or projects. DUH's traffic expert stated: 'We have developed legal matters more strongly than the other associations' (Interview #30, DUH). According to the DUH traffic expert, NABU 'focuses on cruise ships and emissions [and] the VCT on public transport or fleet management' (Interview #30). The BUND traffic expert added: 'We and DUH do lawsuits, as the DUH has the lawyer who has done that from the very beginning' (Interview #31).

Section 6.2.1 provided information about the partnership between NABU and VWG. This cooperation enabled the NGO BUND, which is closely affiliated with NABU, to interact with VWG as well. The statement of BUND's traffic expert underlined the following:

We have a good relationship with NABU, working collegially together .... Through this cooperation, we had the possibility of having a direct exchange with Volkswagen, [...] at a level where you would say, 'they would normally not meet a speaker/expert of an environmental group if this corporate cooperation wouldn't have taken place'. (Interview #6, BUND)

This comment illustrates not only the affiliation between BUND and NABU but also that NGO alliances play a significant role in the interaction with VWG. Moreover, BUND could use its ally's partnership to take part in meetings and attain access to VWG in a form that would not have been possible without the alliance. Even though NABU is also an NGO, their partnership with VWG puts BUND in a more powerful position.

An example for the work of NGO alliances is the NGO collaboration on EU level. According to the representative of BUND, the NGOs 'have developed a proposal for the regulation of the CO<sub>2</sub> limit values' (Interview #28). He continued by stating that NGOs act more strongly if they disseminate the same messages. For example, stating the same numbers when communicating with policy makers amplifies the relevance of their demands.

Though NGOs work together, cooperate in projects, and align their objectives, there are discrepancies in the evaluation of changes at VWG. In the interview with BUND, the traffic expert stated that he was told by a high-ranking VWG manager (a few months before the exposure of the crisis in September 2015) that there were no defeat-device systems in VWG's cars. The manager has been working as chief representative of VWG. The representative of BUND recalled the incident as follows:

We asked Mr X (VWG's chief representative) around half a year before the emissions scandal [...], before everything boiled up: 'Mr X, does VWG use defeat devices?'. We had not even asked if illegal defeat devices were used, only if defeat devices were used. If he had been smart, he could have said, 'Yes, but we need it to protect the engine'. Then, he would have covered his back. However, he said clearly: 'No, there are no defeat devices whatsoever at VWG'. (Interview #6; #28, BUND)

This statement questioned the credibility and trustworthiness of this important person. There can only be two conclusions, assuming the NGO representative recalled the

incident correctly: either VWG's chief representative lied deliberately or he did not know better and presumed the company did not do that. Both cases are unflattering for a person with such a great responsibility within VWG. However, for the NGO NABU, the post-crisis appointment of this manager as a newly responsible person for CSR and sustainability was called a 'personnel appreciation' (Interview #7, NABU). In other words, NABU's representative felt that VWG upgraded the importance of CSR by shifting it into the sphere of the chief representative's responsibility. Therefore, there are different perceptions of the NGOs, regarding whether it is a good sign for the CSR efforts of VWG, if CSR and sustainability are now part of the department External Relations and Government Affairs (VWG News 2016), led by the person whose integrity has been doubted by BUND's representative.

Even though this section primarily stated the positive effects of NGO alliances and the amplifying effects, NGOs compete for fundraising, members, and attention. Markham (2011) spoke of the competition and cooperation dilemma that NGOs face but stated that there is a shift towards more cooperation. The next section introduces the coercive stakeholder method 'lawsuit' and shows that the previously mentioned division of tasks also plays a role when it comes to the selection of the juridical method.

### **6.3.3 Unconditional Influence: Coercive Stakeholder Pressure**

The third secondary dimension, 'coercive stakeholder pressure', is part of the mechanisms of indirect influence and can be considered unconditional influence given that the strong intertwining between policy makers and VWG has a rather low effect on the 'success' of coercive instruments. The most important coercive method is the 'lawsuit'. The data revealed that NGOs perceive and use this influence instrument if other options do not work or do not come to a satisfying end, for example, dialogue with VWG and policy makers. Therefore, lawsuits can be considered the NGOs' last resort. However, it will be shown later that this coercive approach may have an even longer lasting effect, if it is embedded in a multiplicity of influence instruments. How important lawsuits are as means for NGOs to exert influence and affect the relationship with VWG will be explained. The majority of and the most successful lawsuits were filed against governmental authorities or cities, pressuring them to enforce existing laws. Another instrument of unconditional influence could be the use of investors as NGO allies. However, there is insufficient evidence that the studied NGOs consider the systematic involvement of investors part of their instruments.

In the interview with the author, the CSR expert of the government was astonished that the NGOs do not involve investors or powerful individuals to influence and exert pressure on VWG in the crisis (Interview #26). For example, the expert mentioned Dr Hans-Christoph Hirth and Ingo Speich, who work for investors that hold shares at VWG and are responsible for the sustainability areas.<sup>54</sup> Both investors criticised VWG's reappraisal of the crisis and the MNC's corporate governance and complained that no senior figures have been held accountable for the scandal (McGee 2017; Speich 2016).<sup>55</sup> That shows that the crisis could be perceived as a chance for NGOs to raise their voices and use the momentum to achieve changes within VWG and at the political level. The NABU representative explained the following to investors:

Yes ... clearly the role of investors and financial sectors is an exciting thing that could perhaps have been even more pursued .... This is an area that you could have intensified, and now you must do it. However, for NGOs, there is always the question of capacities and possibilities. (Interview #27, NABU)

The traffic expert conceded that NGOs could involve investors more and use their market knowledge to put MNCs under strategic pressure. However, he pointed out the limitations of NGOs by stating that there are insufficient resources to pursue the different paths of exerting pressure. In addition, NABU's argument raises the question regarding what one can expect from NGOs and where their expertise should lie. A DUH representative did not see the need for involving investors, considering that there is the perception that resources are already well allocated to create as much pressure as possible:

I don't know ... when someone has built pressure, then it was the DUH. I believe that you can observe very well what just happens right now. We are very strongly represented here, and those who build the pressure. I would not know how we can build more pressure with the possibilities that we have. We do what's possible. (Interview #29, DUH)

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<sup>54</sup> Dr Hans-Christoph Hirth is executive director and board member at the British investment management firm 'Hermes EOS'. Ingo Speich is portfolio manager of Union Investment. In November 2015, he criticised the appointment of Michael Müller as the new CEO (McGee 2017).

<sup>55</sup> In an article in the *Financial Times* on 7 May 2017 (McGee 2017), Speich was cited with the following words: 'We don't see any significant improvement in VW[G]'s corporate governance. On the contrary, we are very disappointed about Mr Pötsch's [the chairman of the supervisory board] broken promise to investors that the Jones Day Report would be published'.



In the past, international NGOs, such as Greenpeace and FoE (BUND is the German member of FoE), asked investors to exert pressure on companies and formed their own groups to do so (Burgy 2013). For example, in 2001, FoE bought shares worth GBP 30,000 of the construction company Balfour Beatty to 'make a challenging resolution' at the corporation's AGM (FoE 2001: n.p.).

Using Frooman's (1999: 198) words on indirect influence strategies, lawsuits would contribute to 'shift the balance of power to favour the weaker actor'. In this case, courts would act as powerful allies of NGOs. For Keck and Sikkink (1998: 25), 'calling upon powerful actors' is part of the tactic 'leverage politics' that intends to put pressure on MNCs. Even though NGOs do not win every lawsuit, the effect that those have on regulators and automotive companies cannot be underestimated. During the interviews, it was mentioned by policy makers, NGOs, and corporate actors that driving bans for diesel cars would have severe consequences for both policy makers and corporations. Therefore, there are attempts to prevent these drastic steps. However, it is difficult to say whether the pressure from suing NGOs may direct VWG towards a more serious and sustainable CSR approach or whether it provokes a defensive behaviour.

The ambiguous role of policy makers in the previous chapters has been discussed. On one hand, policy makers could be considered NGOs' allies to exert pressure on VWG. On the other hand, they could be considered NGOs' opponents, who would rather serve the interests of the automotive industry. Therefore, NGOs feel forced to take up legal steps against policy makers and VWG, considering that the strong linkage between these actors create a barrier to NGO influence. Filing lawsuits is always a concession when arguments do not work anymore. For example, one of BUND's senior traffic policy experts stated:

We do not want to be the lawsuit association. This is not our goal at all. We want to convince [others] with professional arguments, we want to convince policy [makers] and hope that the automobile groups are also looking at what we produce on paper and comparing in the studies. At the end of the day, it will probably only be about lawsuits. This is totally sad, but the experience shows it. (Interview #28, BUND)

The statement from a senior person within DUH follows the same direction and links the instrument 'lawsuit' directly to the strong intertwining between policy makers and the industry:

The basic problem that we see is the strong bond between industry and politics, which doesn't make life easier for us. For this reason, the most effective way for us is the juridical (i.e. the lawsuits), which we have. Without these, we wouldn't hardly be making any progress, I must say. There is not much to do in the dialogue. Quite apart from that, the dialogue from the other side is not wanted at all. (Interview #29, DUH)

The NGOs perceive legal methods as the *ultima ratio*, and this statement also reveals that lawsuits are a possibility to break the strong interweaving between policy makers and industry. It can also be considered a symbol for the failure of German political institutions. The EU demanded that Germany introduce effective sanctions against car producers that use illegal defeat-device systems (Council Regulation (EU) No 715 2007). The institution threatened Germany with a lawsuit at the Court of Justice of the EU if the country remained inactive regarding the continuous violation of NOx limit values in 28 regions of Germany (EC 2017). German policy makers have not fulfilled their tasks of ensuring air pollution control. That may explain why DUH's senior traffic expert stated the following: 'I honestly believe that not the policy decides what's next, but the courts' (Interview #30).

The DUH's measurements are a key element of the organisation's strategy to exert pressure on policy makers to file lawsuits against federal states and cities, forcing them to comply with the air purity law and to protect citizens from fine particles. However, as stated in the contextual chapter (refer to Section 2.4.1), the right to file lawsuits is reserved for NGOs that are recognised by the UBA according to the Environmental Appeals Act. Greenpeace does not belong to these environmental organisations and can therefore not file a lawsuit against cities' clean air programmes or the KBA. Consequently, one of Greenpeace's traffic experts stated that 'the only way for us to sue or to support lawsuits would be to find someone who is personally affected and considers filing a lawsuit and then supporting it' (Interview #33). However, another transport policy expert explained:

There are a few legal ways. This is also part [of] our toolbox when it comes to campaigns. That applies to us as well.... You can also file criminal charges. Then, there is also the Environmental Information Act. The entire spectrum [will be applied]. (Interview #32, Greenpeace)

For Greenpeace, lawsuits have a stronger effect if there is a campaign around them and if NGOs implement the repertory of influence approaches and tactics effectively. 'The legal way is very strong and expedient, [but it would be less effective] if there was no debate at all [...]; if the DUH and we would not take any measurements' (Interview #32, Greenpeace). Even though one of this study's key arguments is that the instrument 'lawsuit' is the only one with an unconditional effect, the NGOs' deployment of a multiplicity of approaches that influence MNCs like VWG, which are exerted simultaneously and successively, is also effective. It seems to create pressure and eventually leads to NGO influence, though the approaches might be individually considered less effective.

The magazine *Der Spiegel* stated that the DUH puts policy makers under pressure with 'clever lawsuits' (Bartsch et al. 2017: 44). Other NGOs also use lawsuits as a tool to pressure political institutions, for example, the BUND filed a lawsuit against the KBA to reach a sales ban for diesel cars with a too-high NOx output (*Schleswig-Holsteinisches Obergerverwaltungsgericht* 2017b). The decision of the court has not yet been published. The same court rejected five lawsuits of the DUH against the KBA (*Schleswig-Holsteinisches Obergerverwaltungsgericht* 2017a). Table 10 lists examples of lawsuits that have been pursued by NGOs and investors. BUND's director, Weiger, stated that 'the scandalous inactivity of car manufacturers, the responsible authorities and Federal Minister of Transport Alexander Dobrindt must finally be brought to a halt' (BUND 2017b: n.p.). It is observable that NGOs increasingly use this strategy to put pressure on both political actors and car manufacturers. The DUH has been successful with lawsuits and, should they achieve their objective that diesel cars that emit more NOx than stated and allowed will be banned from entering cities, car companies, such as VWG, must quickly find solutions, considering that the share of diesel cars is nearly at 50% in Germany (Eurostat 2015). Moreover, substantial negative publicity has led to a decrease in the sales of diesel cars (KBA 2018). In addition, BUND's traffic expert predicted that the infringement procedure of the EC will last if 'Germany continues to insist on the tax concession of the diesel' (Interview #28). The EC opened the procedure against Germany 'for not applying their national provisions on penalties despite the company's [VWG] use of illegal defeat device software' (EC 2016). Additionally, DUH's respondent emphasised the importance of lawsuits in the following statement:

Our most important instrument is legal procedures. If we did not have the lawsuits in many cities, the pressure would not be so great. The courts

have now repeatedly confirmed that driving bans for diesel are not only a sensible measure to limit (pollutant) burdens but are also necessary to consider health protection, which is established by law as a fundamental right. (Interview #30, DUH)

This statement indicates why lawsuits seem to have such a high efficacy and why automotive companies, such as VWG, are afraid of this instrument. The protecting hand of policy makers might reach its limits when the judges make their decision. For Rieth and Göbel (2005: 249), an NGO, such as DUH, that uses lawsuits frequently would be one with a confrontational attitude. The authors distinguish between cooperative NGOs that are willing to engage in dialogue and confrontational NGOs that call for boycotts or litigate. However, the data show that NGOs follow various approaches concurrently, and it would be too short-sighted to link an NGO to one influence strategy. Rieth and Göbel's (2005) study indicated that NGOs have increasingly chosen 'cooperative' approaches such as dialogue in the last years.<sup>56</sup> However, this thesis shows that the confrontational method 'lawsuit' has gained popularity among NGOs, especially since the crisis began in September 2015.

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<sup>56</sup> Rieth and Göbel's (2005) study took place between 2003 and 2004. Research was conducted with 25 NGOs from different areas, among others, unions and church-related organisations. The BUND and Greenpeace Germany were also part of the studied NGOs.

Table 10: List of Selected Lawsuits

Description of Lawsuit/Case	Date and File Number	NGO	Year	Result
DUH v Dusseldorf	13.09.2016 3 K 7695/15	DUH	2016	Rejected
BUND v KBA	27.03.2017 3 B 41/17	BUND	2017	Rejected
DUH v KBA	13.12.2017 3 A 26/17, 3 A 30/17, 3 A 38/17, 3 A 142/17 and 3 A 59/17	DUH	2017	Administrative court rejected five DUH lawsuits
DUH v BMVI	19.12.2017, VG 2 K 236.16	DUH	2017	NGO won
BUND reported offences against managers at VWG, Porsche, Audi, Daimler Group, and BMW Group	Email was sent to BUND to request details in March 2018, no reply	BUND	2017	
DUH v Stuttgart	28.07.2017 Az. 13 K 5412/15	DUH	2017	NGO won
Three US-American Funds v VWG	8.11.2017 Az.: 9 W 86/17	-	2017	Funds won
The Federal Administrative Court in Leipzig largely rejected the leapfrog revisions of the Federal States of North Rhine-Westphalia and Baden-Württemberg against the previous judgements	27.02.2018 BVerwG 7 C 26.16 (administrative court Dusseldorf)  BVerwG 7 C 30.17 (administrative court Stuttgart)	DUH	2018	NGO won

Source: Author

Refer to Appendix 5 for more detailed information on these lawsuits and criminal charges and for references, which have been left out for clarity reasons.

## 6.4 Summary

The purpose of this chapter is to present the findings on how NGOs exerted influence with direct and indirect instruments on VWG's CSR approach during the emission crisis. Chapter 6 aims to answer the first research question: 'How do NGOs influence the CSR approach of an automotive MNC during a major organisational crisis under consideration of contextual factors?' It builds on the outcomes of Chapter 5 that provide data on the interweaving of policy makers and the automotive industry. The chapter follows the structure of the aggregate dimensions and second-order themes that were formed in the data analysis process (refer to Figure 7 in Section 4.5). It starts by presenting evidence of how NGOs attempted to exert influence on VWG's CSR approach by employing direct influence instruments, such as stakeholder relationships (Section 6.2.1) and dialogues (Section 6.2.2). These methods have been labelled conditional due to the weakening

effects of the contextual factors, namely the close relations between policy makers and automotive MNCs, and the organisational crisis at VWG. The result of this interconnection is the lack of accountability on the part of the MNC towards stakeholders, paired with a certain degree of complacency regarding the implementation of required changes of the CSR approach.

Chapter 6 reveals that the efficacy of direct NGO influence approaches, such as stakeholder relationships, dialogues and AGMs, is rather limited, and NGOs have difficulty entering productive exchanges with VWG. This chapter's findings contribute to stakeholder influence literature by showing that cooperative, direct influence mechanisms become effective if these are complemented by confrontational instruments, such as lawsuits and campaigns. That may happen via the simultaneous and successive exertion of a multiplicity of influence instruments, which lead to gradual NGO pressure (refer to Section 6.2.3) and compensate for the weaker influence in stakeholder dialogue.

The mechanisms of indirect NGO influence show how NGOs use more powerful actors to exert influence on VWG. For example, NGOs pressure policy makers to tighten regulations (Section 6.3.1). The findings demonstrate that the coercive instrument 'lawsuit' appears to be the most effective stand-alone influence instrument, considering the interconnection between government and industry. Section 6.3.2 indicates the importance of NGO alliances and how a division of tasks may create pressure on the MNC. However, it also illustrates that the effect of NGO alliances may be weakened, concerning disagreements about influence approaches and firm cooperation. This chapter introduces Keck and Sikkink's (1998) five stages of influence, which contributed to a better understanding and differentiation of the gathered data.

The dynamics of direct and indirect influence mechanisms contribute to the complexity of capturing NGO pressure on MNCs and will be discussed in Chapter 8. The next part, Chapter 7, focuses on the perspective of the stakeholder group 'NGO' and presents findings that link stakeholder theoretical aspects with the notion of greenwashing and CSI.

## CHAPTER 7: NGO PERCEPTION OF (CONDITIONAL) INFLUENCE

### 7.1 Introduction

Sections 6.2 and 6.3 analysed the findings on the mechanisms of direct and indirect NGO influence on VWG's CSR approach and showed why NGO influence is limited. This aggregate dimension, 'NGO perception of (conditional) influence', aims to analyse how NGOs perceive their role and influence in the relationship with VWG. Moreover, it emphasises the NGO perspective, their perception of the different levels of influence, and their view on the intertwining of government and VWG. This chapter builds on the calls of various scholars to investigate and focus on stakeholders' views and perceptions (Arenas, Lozano, and Albareda 2009; Burchell and Cook 2013; Frooman 1999). Moreover, Chapter 7 intends to answer the third research objective:

- To understand the NGOs' perception of their role and influence on a major MNC's CSR approach in the context of Dieselgate.

This chapter also considers the views of suppliers and members of civil society<sup>57</sup> on the crisis and VWG's responses.<sup>58</sup> It confronts these views with the NGOs' perceptions of their influence on and their relationships with VWG. Section 7.2, 'NGOs' Conditional Influence', provides the civil society actors' reflections on their influence after Dieselgate became public in 2015. It also explores the resulting implications, including the NGOs' perception of having limited influence in the direct interactions with VWG. Section 7.3, 'NGOs' Perception of Corporate Social Irresponsibility', illustrates that the NGOs perceived that they were being used by VWG to strengthen and legitimise their CSR and environmental activities.

### 7.2 NGOs' Conditional Influence

This section focuses on how the NGOs perceived their influence within the interactions with VWG and how the crisis affected their role and influence. The primary and secondary data do not provide an unambiguous view of these aspects. For example, NABU's representative stated that three groups can be differentiated within VWG:

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<sup>57</sup> For example, it takes Professor Christian Scholz' article on VWG's inappropriate reactions on the crisis into account, especially regarding the corporation's personnel decisions (Scholz 2016). His answers on the questions I sent him by email are considered here as well.

<sup>58</sup> Next to the interviews with VWG's CSR representative, I had several informal chats with doctorates who work towards a PhD at VWG in Wolfsburg. One of my key questions was how VWG deals with the crisis, as I did not want to rely on only the 'outside' perspective (NGOs, CSR experts, suppliers, etc.).

Volkswagen has 600,000 employees. There are simply very, very many, who are not able to make use of us or do not deem it necessary [to] meet [with] us. Then, there are others who have interest and want to change something in the company for the sake of the environment. Then, there is a third group who simply knows that we are a relevant stakeholder and influence political processes and public opinion to some extent. Then, they see the need to talk with us. (Interview #27, NABU)

Representatives of the second group have a genuine interest in interacting with NGOs and developing products that have a lesser effect on the environment. However, the data retrieved from the NGOs and the behaviour of VWG before and after the crisis suggest that these people are in the sustainability department and not on the level of the corporate decision makers. The difference between the second and the third group may be that the second one perceives the exchange with NGOs as an opportunity to advance their sustainability approach and to make an effort to minimise the corporation's negative environmental impact, whereas the third group may perceive the interaction with an NGO as a necessary activity to satisfy stakeholders, especially shareholders. This group is likely to categorise the stakeholder dialogue as just another risk minimisation strategy.

This is in line with van Huijstee and Glasbergen's (2008: 301) proposed ideal types of stakeholder dialogue practices. The authors distinguished between the sustainability and the strategic management model. The sustainability model considers stakeholder dialogue to be an important part of a firm's CSR management and a chance to learn from environmental experts. The latter focuses mainly on minimising risks when selecting dialogue partners, positioning the dialogue within the company, and judging the outcomes.

The interviews indicated that VWG might be assigned to the strategic management model. However, the corporation was not able to classify the risk properly and used the dialogue with NGOs and some political actors to appease and downplay the increasing accusations that the company used 'manipulation software' (US Department of Justice 2017a; Interview #7, BUND).

The findings show that NGOs had to face two issues when aiming to influence VWG's CSR approach in direct interactions with the MNC: the first issue concerns the general NGO influence on VWG that was rather limited *per se*. The second contentious point relates to the influence of the sustainability department that does not seem to have great



influence internally. The findings showed that employees of this department, which is usually the first contact point for NGOs, were often on the same line with the NGOs. However, these people did not have the power to 'sell' environmentally relevant ideas successfully to more powerful departments and individuals within VWG. A DUH respondent said the following:

I think, within the companies, there are two strands that are being pursued. I also believe that CSR people are not really communicating with those who deal with the acute issue. At the very least, the CSR people might say, 'Now we also need substantial changes in the processes and decisions'. (Interview #18, DUH)

The DUH interviewee referred to the separation between the sustainability department and the other areas of the company. The reasons the sustainability department does not seem to communicate well with the corporate decision makers are manifold and have been discussed before: a lack of integration of CSR into the rest of the company, a corporate culture that suppresses contradictory opinions, a strict hierarchical system in which lower positioned managers are afraid to share their opinion, and a corporate governance structure in which the works council and unions are exceptionally strong interest groups. Consequently, this constellation makes it more difficult for the management to justify 'sustainability-related expenses'. These findings raise the question of whether CSR has ever been integrated in VWG's business processes.

In various publications (e.g. Kopp and Richter 2007; VWG 2015a: 161), the MNC communicated that it integrated CSR-relevant aspects into its strategies. According to the CSR managers, VWG implemented a 'stakeholder management [system], which forms the core of an integrated CSR approach [...] based on a process of open and constructive communication on eye level' (Prätorius and Richter 2013: 122). There is a discrepancy between the corporation's statements, how important the exchange with NGOs is, and the gained data that show to only a limited extent that VWG has considered the organisations' requests. This emphasises Eesley and Lenox's (2006) conceptualisation of salience, which states that stakeholders, such as NGOs, can be considered salient or influential if the MNC's actions reflect the NGOs' requests or demands, not just the firm's (publicly) stated acknowledgement.

The statement of NABU's traffic expert on the different groups within VWG (at the beginning of Section 7.2) implied that NGOs gained legitimacy after the crisis and that there is a different perception of the role of NGOs in the interaction with both corporations and policy makers. Even though it is difficult to measure, it seems that NGOs gained in support from citizens, from the media to some extent, and from some politicians and sustainability experts, who praised the work of NGOs as important to investigate Dieselgate and promote regulatory changes. The crisis could have strengthened the role of NGOs and the perception of policy makers and VWG. Moreover, NABU's traffic expert perceived that the crisis changed the mindset of some companies:

It has become clear that not everything was that wrong that we have demanded or advised. They should have rather heard at one point or another what we have suggested. Therefore, there are some in the company, who now evaluate the role of NGOs differently. (Interview #27, NABU)

This quote indicates the perception that there is no way around NGOs and that policy makers and MNCs are increasingly aware of their work after the crisis. In that regard, the crisis might have helped to remind civil society, companies, and policy makers of the importance of NGOs. Especially, NGOs' core topics, such as the resistance against nuclear power or the fight against climate warming, have been adopted by conservative and neo-liberal parties, such as CDU and *Freie Demokratische Partei* (Free Democratic Party).

Rucht and Roose (1999: 75) observed that the excitement around environmental policies is gone and has been 'overshadowed by "bread and butter issues" such as unemployment, budget deficits, and the integration of immigrants', which are aspects that still play a great role 15 to 20 years later. The NGOs' standing may have been changed after the crisis. However, alternatively, stakeholder interactions between MNCs and NGOs have been reduced and partnerships terminated (e.g. NABU with VWG), as there has not been much common ground after Dieselgate. The interviewed NGOs (DKA, BUND, DUH, NABU, and Greenpeace) stated that the level of communication and feedback decreased after the crisis. According to the TI representative, there has never really been an interaction between TI and VWG; therefore, a deteriorating relationship was impossible. One of the reasons might be that VWG needs time to seriously prove that there is a change and that the communicated promises are substantial. While it is

too early to judge whether a change took place within VWG and whether the corporate culture has changed, NGOs do not perceive that there has been a transformation. Statements by VWG's top management indicate that VWG shows only a limited capacity of discernment. For example, then CEO Müller was quoted by the newspaper *FAZ* that he did not agree with the wording 'entrepreneurial failure' (Frasch 2017).<sup>59</sup>

Shortly after the crisis, the NGOs expressed their expectations regarding VWG's behaviour, actions, and conclusions in the short and long run. The following statement represents the NGOs' short-term expectation of the company: 'I think VWG has to be measured by how they actually implement this recall now' (Interview #18, DUH). Other expectations aim more towards the changes that need to be made within VWG or how it deals with its civil society stakeholders. Put simply, 'the company has to deliver in many areas' (Interview #7, NABU).

In the summer of 2016, the interviewed DUH representative did not perceive that VWG used the event to revise its CSR approach to communicate more openly with stakeholders and policy makers. The traffic expert had the impression 'that there is very ... very little willingness, ... to more openness' (Interview #18, DUH). The various scandals that became public after Dieselgate show how challenging it is for VWG 'to deliver'. These scandals thwart the efforts of NGOs and the public to trust and believe that VWG intends to make changes. For example, in January 2018, VWG admitted that it tested diesel fumes on monkeys in 2014 (VWG 2018). Scandals like these further damaged the credibility of VWG and the German automotive industry, as the following quote suggests:

What VW has to do is to create transparency. The scandal is now running non-stop for over two years, and there are always new things coming up. You are lied to the whole time. Every time, they say, 'we'll clear things up and everything will be transparent'. It's not like that at all. Things will be buried. With the tests using monkeys as experimental subjects, VW is trying convulsively to keep it out of the lawsuits in the US. (Interview #33, Greenpeace)

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<sup>59</sup> Müller made this statement after the 'National Forum Diesel' in Berlin in 2017. This is the original wording in German: '*Einer Wortwahl "unternehmerisches Versagen", et cetera, mag ich mich allerdings nicht anschließen*'.

This quote reflects the difficulties that NGOs have believing VWG's intentions to implement changes considering recurrent issues. Moreover, NGOs perceive a lack of transparency due to the MNC's 'piecemeal strategy' in publishing details of the scandal directly after it became public. Therefore, the statement also questions the NGOs' trust in corporate CSR reports, especially as 'transparency is a necessary condition for CSR' (Dubbink, Graafland, and van Liedekerke 2008: 391). A transparent company would face its problems more proactively and involve its stakeholders by 'making the decision processes of the company visible' (Madsen and Uhoi 2001: 86).

As a consequence of the fume tests on monkeys, VWG's general representative and 'Head of Group External Relations and Sustainability', Thomas Steg, was suspended (VWG 2018). Earlier, in July 2017, the car producers VWG, BMW Group, Daimler Group, and Opel were accused of having formed a cartel for many years (e.g. Breitingner and Zacharakis 2017). Though official results of the investigations have not yet been published, VWG and Daimler Group submitted self-indictments (Kirchner, Leyendecker, and Ott 2017). Reports stated that this cartel agreed upon technological features and tried to save money by deliberately leaving out better and cleaner technology. The magazine *Der Spiegel* reported that the cartel scandal has been going on for 20 years and can be considered to be the precursor of Dieselgate (Hengstenberg 2017). In the newspaper SZ, a VWG manager reacted with amazement regarding the publication and could not understand the fuss about these (cartel) agreements, as this is completely normal and car producers have never seen a problem with it (Ott 2017). This disconnection from reality and from the propagated CSR values and the misjudgement of the huge scandal shows similarities to VWG's reaction to Dieselgate.

When trying to understand why the direct interaction between NGOs and VWG decreased after the crisis, it helps to recall the factors and preconditions of a successful interaction. For example, Bundy, Vogel, and Zachary (2018: 476) stated that the alignment of 'their values and priorities' is an important aspect for successful relationships between NGOs and MNCs. Trust and reliability, clear rules and structures, and feedback of results are among the factors that Kaptein and van Tulder (2003) named to be crucial for an efficient dialogue. Even though the trust factor is only one of ten in the authors' list of preconditions for a successful dialogue, it is evident that most of the other steps are based on trust. The trust between NGOs and VWG was no longer given after September 2015. In addition, NGOs and other societal groups felt deceived, considering that some of the actors believed VWG's words, promises, and environmental

campaigns, which seemed to be stronger than rumours and suspicious RDE tests, years before the crisis became public. Therefore, some NGOs do not believe that a dialogue with VWG would change anything, especially considering that NGOs, such as NABU, perceive that VWG does not show much commitment. Shortly after the crisis, the NGO's representative thought that things were about to change at VWG:

There was a phase in which many people at Volkswagen were just as horrified by the whole story as we were, and there was still good hope that the tanker could be pulled around and we can still do something good.... However, there is not so much to discuss because the homework is not done. (Interview #27, NABU)

Among the reasons that caused the NGO's frustrations was VWG's misjudgement of the crisis. In the aftermath of the scandal, there was an observable discrepancy between the severity of the crisis and the way VWG reacted to it. For a long time, the corporation insisted on the stance that only few technicians were involved in the scandal and that these people acted on their own behalf. Another aspect that made NGOs wonder whether VWG understood the massive scale of the scandal is the way the MNC has communicated the crisis internally and externally: 'The wording is already a problem. They call it "Dieseltopic". This is systematic fraud...It's not a topic' (Interview #18, DUH).

The questioned VWG researchers confirmed that the car producer also communicated internally in this manner.<sup>60</sup> Two of the researchers shook their heads about VWG's communication and that the corporation did not call things by the right names, especially because this wording suggested the company's unwillingness to face this massive responsibility. 'Dieseltopic' euphemises the scandal, considering that the whole group felt the consequences of the crisis very early, as budgets were cut and bonuses were reduced. 'Topic' implies that the emissions scandal has been a minor incident, rather than a crisis that threatens the existence of Germany's biggest company. It showed stakeholders all around the world that environmental commitment and campaigns (e.g. 'clean diesel') were empty promises. According to TI, VWG's internal communication after the crisis was characterised by a 'flawed incident management' that conveyed the

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<sup>60</sup> The author met several of VWG's employees who work and do research in the corporation at a CSR conference in Berlin in 2016.

message that only a 'small mistake happened' (Interview #13), not showing any sense of guilt.

Painter and Martins (2017: 216) analysed that VWG's communication after the crisis reflected a 'rather reactive, defensive approach in information flow (e.g. denying knowledge and/or responsibility and downplaying impact)'.<sup>61</sup> However, crisis management literature considers those companies to be effective that understand the full extent of a crisis and acknowledge and address the concerns of stakeholders (Reilly 1993). However, there is also a different perspective that is represented by the following statement:

On the one hand, [people] require you to take every step with care, [to] be cautious and sustainable, and at the same time – and that presupposes that you also think a bit longer – [people] demand [that] every step is taken immediately. This is always such a situation where you can actually say, no matter in which direction you march, it is all a big crap. (Interview #5, policy maker)

The politician stated that both policy makers and corporations, such as VWG, face the same dilemma: the public seems to expect a thorough and fast clarification of the scandal; however, it quickly criticises the policy or corporate actors' approaches if temporary results are not entirely satisfying.

### **7.3 NGOs' Perception of Corporate Social Irresponsibility<sup>62</sup>**

This section emphasises the perspective of the NGOs and provides evidence regarding why these organisations felt deceived. However, it also presents different views of suppliers and representatives from the political sphere. It aims to show the discrepancy between the insight on the current CSR debate on the integration of sustainability into companies' business strategies and the behaviour of VWG and understanding of policy makers.

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<sup>61</sup> The authors gathered the data from VWG's press releases, and 'statements to shareholders and investors; and transcripts of evidence presented to the UK Parliament Transport Select Committee' (Painter and Martins 2017: 208).

<sup>62</sup> The terms 'greenwashing' and 'CSI' are sometimes used interchangeably. However, there are differences; CSI is a broader concept that can be considered the 'negative' end of the CSR continuum. It includes irresponsible behaviour in the social, economic, and environmental dimensions (Murphy and Schlegelmilch 2013), whereas greenwashing relates more to companies that mislead consumers about their environmental practices (Delmas and Burbano 2011).

Though many interviewed stakeholders cannot judge VWG's CSR approach in detail, there is the perception that it served to deceive stakeholders and cover fraud that has been ongoing for several years. Thus, the NGOs were greatly disappointed about the developments at VWG, as the following statement by a leading DKA member shows:

Before this became known, VWG was exemplary in some areas. But that was quickly unmasked. That was only a pretence because of this fraudulent software. Therefore, you must revise all that we previously thought of VWG as a modern, environmentally conscious company.  
(Interview #19, DKA)

Considering that CSR encompasses economic, environmental, and social aspects, participants were usually able to refer to subcategories of one of these dimensions when discussing CSR and/or describing how they perceived VWG's crisis. Four of the six interviewed NGOs are ENGOs; therefore, they touched consciously and unconsciously on more aspects of the environmental domain. Very often, the NGOs' representatives mentioned the fig leaf metaphor to describe that they felt they were being used and deceived. Furthermore, this metaphor also symbolises that the stakeholders perceived VWG's extensive CSR approach to be a huge apparatus covering the fact that the company deceived stakeholders and society when it came to their core business: building efficient cars that keep the communicated promises.

I can only say, if there was such a compliance violation, then the whole thing [CSR] was obviously a pure fig leaf activity [Note: this refers to VWG's efforts to use CSR to cover illegitimate behaviour]. You can do this with 550 people or with 1,550 people. It does not matter. If something like that happened, it was a pure fig leaf activity. Five hundred and fifty people have spent the day and got money for a fig leaf. (Interview #13, TI)

The above quote came from a high-ranking representative of the NGO TI that is listed in VWG's stakeholder matrix (VWG 2012: 24). However, the organisation made it clear that it maintained an observer's role and did not have a close relationship with VWG before or after the crisis. One of the NGOs that was in closer contact with VWG was BUND. In the interview, BUND's traffic expert also mentioned the fig leaf metaphor and described

the disappointment about VWG's lack of awareness and interest in environmental aspects.

I feel, and I think the others as well, like a fig leaf. We talk to the company and nothing comes out. The cars get bigger, the cars get heavier, dirtier, or rather not cleaner. Then, you have not accomplished much in principle. Then, a corporation like VW doesn't really engage itself much. (Interview #6, BUND)

Similarly, Greenpeace stated that 'we do not want to be the fig leaf for a corporation that writes nice CSR reports'. Therefore, for the NGO, involvement in VWG's CSR events or publication does not make sense 'as long as this is just a rhetorical story and the corporation does not really add substance' (Interview #32, Greenpeace).

These quotes reflect the feeling of NGOs of being deceived and that they perceive VWG's CSR approach to be greenwashing. Moreover, VWG's behaviour could be reflected in Jones, Bowd, and Tench's (2009: 304) conceptualisation of CSI that is 'about being reactive as opposed to proactive in addressing corporate issues and the ways and means by which they relate to wider society'. Similarly, for Greenwood (2007: 323), it is corporate irresponsibility if a company shows 'excessive engagement without accountability or responsibility towards stakeholders'. Therefore, companies 'only appear to meet stakeholders' interests but are instead instrumentalising stakeholders for the sake of meeting the company's self-interest' (Lin-Hi and Müller 2013: 1930).

In their pre-crisis sustainability report, VWG (2014: 23) stated, '[we are] aware of our stakeholders' needs and expectations...that is why we seek and maintain a dialogue with our stakeholders'. Additionally, VWG's CSR representative emphasised the importance of the dialogue with NGOs and stated they are one of the company's most important stakeholders (Interview #3). However, the NGOs' perception is that these talks have, at best, a minor influence on the MNC's business strategies. That may show the perceived powerlessness of NGOs and the powerlessness of VWG's CSR Department. It shows that the communicated claims and announced efforts, which were part of VWG's CSR approach, do not reflect reality.

Furthermore, VWG's 'clean diesel' campaign (e.g. Automotive News 2016; VWG 2009) and the following statements may be counted as examples of these claims: 'We stand for respectable, honest actions' (VWG 2010: 5) or 'we [...] make ecologically efficient



advanced technologies available' (VWG 2010: 19). For the interviewed CSR expert of the government, these claims are one side of the coin (Interview #1). According to him, automotive companies, such as VWG, follow a double strategy. On one hand, they engage in CSR forums and seminars, publish CSR/sustainability reports, advertise fuel savings and 'environmentally friendly' cars, and discuss the integration of CSR in existing strategies. On the other hand, the German car manufacturing MNCs lobby for the reduction of CO<sub>2</sub> emission regulations and complain about initiatives of the EC regarding CSR transparency and financial reporting.

There were many voices in the interviews speaking about deception and systematic fraud and that VWG used CSR to veil their efforts to bypass laws. However, some members of another group of the interviewed stakeholders, the suppliers, do not really consider VWG's crisis to be a CSR scandal or a major contradiction of the MNC's CSR approach. For example, this supplier stated:

As a CSR professional, I rather tend to consider this scandal, before being a CSR or sustainability scandal, rather, you know, [to be] an ethics scandal, a marketing scandal, [or] a customer loyalty scandal. One of the worst consequences, one of the worst features of this, of what happened, I don't think it is for the environmental sphere. (Interview #20, Supplier 2)

This statement reflects the opinion of some suppliers and policy makers that VWG made a technical mistake that harmed VWG's reputation. However, the suppliers do not seem to see the scandal as a reflection of a flawed corporate governance structure and an MNC that does not take the environmental implications of its actions seriously. However, it was surprising to some extent that the quoted CSR manager did not consider ethics to be an integral part of a firm's CSR approach. In addition, VWG's CEO, Matthias Müller, expressed himself similarly when he was interviewed by National Public Radio at the North American International Auto Show in Detroit in January 2016. He could not understand why people thought this scandal was linked to ethical problems. 'It was an ethical problem? I cannot understand why you say that' (Glinton 2016). At that time, for VWG and the CEO, the scandal was nothing more than a 'technical problem. We made a default, we had a ... not the right interpretation of the American law' (Glinton 2016). Though Müller apologised for his statements a day after, VWG's understanding of the law, the internal and external consequences of the scandal, and the role of its own top managers remained questionable. Further, VWG argued that it misinterpreted the

American law. That reflects a crude understanding of the misdemeanours and continues the argument that there has never been an illegal defeat-device system, according to EU law (e.g. Doll and Vetter 2016). Thus, with all means available, VWG wanted to prevent paying compensation for damage in Europe. Müller's statement also revealed VWG's view that the company made an error and behaved (once) unethically but did not see that as a contrast to the company's alleged integration of CSR into all business areas.

The judgement of a former, high-ranking CSR director of one of VWG's suppliers deviated from the NGO's point of view and supported the opinion that the crisis is not a major CSR failure. In the interview, the CSR manager stated that VWG and other German automotive manufacturers did well in integrating 'CSR/sustainability into their strategies and their core business and operations' (Interview #20). In general, the tenor coming from suppliers is that VWG supported them regarding CSR specific questions and offered training. Another supplier warned against making an example of VWG: 'I don't think everything's bad just because a huge mistake happened, which will definitely not happen again. And the competitors don't really do things differently' (Interview #21, Supplier 3). This statement not only downplays the scandal's ethical, economic, and reputational implications but also provides insight into the logic that justifies violations of law as long as multiple actors commit them. It is in the best interests of many suppliers to leave the emissions scandal behind and deal with a VWG that is financially well off, considering that, for several, smaller suppliers, 'the VWG scandal had a similar or even more severe effect [...] than the financial crisis 2008' (Interview #21, Supplier 3).

However, it is not the case that suppliers are unanimous in their perception regarding VWG's CSR efforts along the supply chain before and after the crisis. The managing director of one of VWG's suppliers, who worked with them for many years, stated that 'in regard to technical questions, the processes are crystal clear; however, when it comes to CSR or ethical standards, there is a lot of room for interpretation, it is rather fishy' (Interview #4, Supplier 1). The same supplier stated that he does not 'think that CSR will play a bigger role after the crisis. No one jumps higher than he necessarily must'. However, a company that aimed to be 'world's most [...] sustainable automobile manufacturer' (VWG 2014: 14) should be able to be more concrete regarding their CSR and environmental approach. It seems that the increasing NGO pressure that is, for example, manifested in lawsuits will force VWG to 'jump higher' in the future regarding their environmental approach.

Several indicators illustrate that the crisis did not arise out of thin air. There were warnings and signals from civil society, political stakeholders, and American environmental agencies, although several German political institutions did not exert pressure.<sup>63</sup> The interviews also reflected the ambiguity of VWG's public communication regarding their alleged efforts to reduce CO<sub>2</sub> and NO<sub>x</sub> emissions, and the lobbying activities of the corporation in Berlin and Brussels. These activities were aimed at softening the limit values and stand in contrast to the public statements. Though this form of deception did not play a great role in the interviews, it can be counted as one of the indicators showing that the crisis might not have come as a big surprise.

There are different perceptions among the NGOs when it comes to the question of how such a crisis at VWG may be avoided in future. Especially, ENGOs, such as BUND and DUH, stated that a stricter enforcement of regulations and more transparency on the regulatory level is needed. However, other civil society actors take the view that change may only come from within the company and not through laws and regulations. For example, TI's representative stated:

I can imagine that this is a corporate culture from the last century. According to the motto, 'don't ask questions, just do it'.... This cannot change in the shortest possible time. This is too deadlocked. They had people in certain positions, which are there and remain there, at first. They cannot change all people. (Interview #13, TI)

Thus, TI aims at the required changes of the organisational culture, which VWG's top management would need to initiate to foster change. An important precondition for such a successful cultural change is a 'learning oriented and open' (Müller and Siebenhüner 2007: 236) organisational culture. For example, Scholz (2016) stated that VWG did not really understand how corporate culture is created and that it cannot be changed within a short period. He continued by stating that it will be very difficult to change behaviour if sustainability and environmental values are not anchored in the company's values (Scholz 2016). A lack of cultural openness might reduce the MNC's receptiveness to CSR ideas and thus increase the difficulty for external forces, such as NGOs, to influence sustainability themes.

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<sup>63</sup> Refer to Section 2.3 'Background, Development and Chronology of VWG Crisis' to read more about who knew what and when.

It emerged from the analysis of the secondary material that VWG did a good job on paper and ticked the relevant CSR boxes.<sup>64</sup> The crisis and the data gained in the interviews with NGOs, suppliers, and CSR experts showed that this is not the case. It emerged that the stakeholders missed the clear commitment towards CSR that would have been emphasised using financial resources to reach the goals that VWG proclaimed in the stakeholder dialogue.

When it comes to money, when there's the threat of selling less cars, then CSR does not play a role anymore. If VWG or other corporations would have taken CSR really seriously, then it [the crisis] would have never happened. (Interview #7, BUND)

This statement of the traffic and sustainability expert of the NGO BUND reveals several aspects, such as a lack of willingness to engage in CSR and an insufficient anchorage of CSR within the company. Additionally, it suggests an absence of communication among the people within VWG who are interested in fostering CSR activities and the forces for which CSR is just an embellishment to the corporate objectives. Furthermore, such a statement illustrates an existing conflict within the current CSR literature; the stream of literature that states that there should be a business case for CSR and that sets the firm's financial objectives in relation to CSR initiatives (O'Sullivan 2006).

Whereas, Vogel (2005) spoke of a new world of CSR that more thoroughly integrates economic considerations with a focus on increased profitability, when attempting to be more socially responsible. However, the author admitted that there is 'no evidence that behaving more virtuously makes firms more profitable' (Vogel 2005: 17). It seems widely accepted that MNCs should only engage in CSR if they identify the 'business case' ignoring that 'socially desirable behaviour [...] often decreases the firm's profits' (Karnani 2014: 16). In other words, corporations that face CSR with the expectation that it leads to relatively higher returns or that it even stimulates non-financial objectives, such as image and reputation, will be disappointed and may not have sincere environmentally and socially desirable intentions. In addition, the interviewed CSR expert of the German Government (Interview #26) posed the question: 'Companies keep talking about the business case, but where is the business case for society?'<sup>65</sup> Schaltegger, Hörisch, and

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<sup>64</sup> For example, a strong CSR department, an integration of CSR in the different areas of the corporation, the ambition to develop models that are always 'cleaner' than the previous model, etc.

<sup>65</sup> Referring to the externalities and unintended consequences caused by companies' actions.

Freeman (2017: 14) proposed that 'any business case is somehow incomplete if it only creates sustainability improvements to satisfy one single group of stakeholders through economic benefits (financiers) but neglects the needs and importance of other stakeholders'. In this study, there is evidence that VWG neglected the importance of the stakeholder 'NGO'. Moreover, VWG's emissions crisis also showed that the stakeholder group 'customer' was neglected as much as the internal stakeholder 'employee', as the majority of the workforce was not involved in the scandal.

The transport policy expert at NABU stated in an interview on the website of his organisation that VWG lost credibility and the scandal fundamentally questioned the cooperation between the NGO and VWG (Oeliger 2015). In the interview, NABU's traffic policy expert said that 'we have to ask what influence on VWG's sustainability efforts did we actually have, if something like that – which goes diametric to our organisation's values – happens during our cooperation' that lasted 15 years (Interview #7, NABU). Though NABU was extremely disappointed by VWG, it acknowledged the good cooperation that they had with representatives of VWG's sustainability department. The NGO considers this scandal a betrayal not only of consumers and authorities but also of most of VWG's employees.

Another significant reason VWG might not have seen the crisis coming or ignored the signals, might be the misbelief that fraud and deception could not have been discovered. Over the years, VWG and political institutions created an atmosphere in which a critical discourse has hardly taken place. The MNC might have developed a self-understanding to believe they are 'too big to fail', an assumption that could be based, among others, on the strong intertwining between policy makers and the industry. This interweaving is manifested by frequent changes of employment of policy makers into companies, such as to VWG and back (Austrup 2016; Posaner, Müller, and Hervey 2017). Neither the union, the works council, or the two federal politicians, who all are represented in VWG's supervisory board, nor politicians in Berlin challenged the board or intervened when it was required. This is one of the reasons VWG might have felt secure and why the NGO DKA came to the following conclusion:

Well, I think that is a system [the tight relationship between policy makers and VWG] [that has] grown over many decades. This will not be able to be abolished because there are many powerful actors involved in it. This is also strongly connected with the self-understanding and corporate

culture of VWG. And with that, it does not seem to be the best. From my point of view, VWG has developed the self-understanding of being a state within the state, and [they] act as they think best, and as long as this does not change, it will be difficult to turn the corporate culture decisively for the better. (Interview #19, DKA)

In a documentary (Phoenix 2012), the former chairman of VWG's works council, Klaus Volkert, replied that 'complacency' might be the next crisis that could lead to recklessness, resulting from being Europe's biggest car manufacturer on the way to becoming the world's number one car producer.

The above-described closeness between VWG and its stakeholders used to be an example of a well-working tripartite system that was considered one of the success factors of the German economy. However, in the case of VWG, it serves more as an indicator that important German institutions protect VWG and are afraid of leaving the status quo. Political actors argue that they have a huge responsibility to protect hundreds of thousands of jobs in the automotive industry and that every step that could harm the industry should be reassessed twice. However, policy makers expressing these statements neglect the possibility that they might reach the exact opposite: an industry that has been pampered over years and that did not present affordable innovations regarding the development of cleaner cars.

In addition, TI's representative stated in the interview that 'corporate governance is a huge problem at VWG' (Interview #13, TI). Works council, union, and political actors developed dependencies and created privileges for themselves and are not capable of controlling the management board at VWG. The borders between the board and supervisory board are blurred, and managers change smoothly from one to the other committee (e.g. Raabe 2011; Scholz 2016). The widely recognised automotive expert Dudenhöffer stated in an interview with the magazine *Automotive IT* that "over parities' in the supervisory board and a parish-pump politics in the Federal State Lower Saxony' (Dudenhöffer 2016a: 13) make it difficult for VWG to sustain in the world market and to have cost structures like BMW Group or Toyota. He stated that the yearlong 'intrigues and blockades damage the corporation'. In a different industry magazine, the *Automobilwoche*, Dudenhöffer is cited as stating: 'not the managers or the owners' families are responsible for the current situation, but above all the, works council and the minister-president, who only think of the next election' (Gerster 2016). This complex

mixture of the various actors' interdependencies, the role of powerful families, and the omnipresence of political power makes it more difficult for NGOs to gain influence and represent the interests of civil society.

## **7.4 Summary**

Chapter 7 reflects the fourth aggregate dimension of the data structure shown in Figure 7 (Section 4.5). It intends to answer the second research question: How do NGOs perceive their role and influence on an automotive MNC? Thus, this chapter's findings contribute to the stakeholder theory by illustrating the perspective of NGOs on their role and influence and the discrepancy between the NGOs' perception and that of MNCs. This chapter shows that the NGOs perceive their direct influence on VWG as rather limited and reveal the doubts NGOs have about the efficacy of their influence (Section 7.2). The studied CSOs felt deceived and felt they were often used as camouflage by the MNC (Section 7.3). Even though the NGOs perceive an increased appreciation after the crisis at VWG became public, they feel that their key messages are not received by VWG and other automotive manufacturers. One of the reasons may be the lack of integration of CSR into VWG's business strategies and the rather limited power of the corporation's sustainability department.

Further scandals that are connected to Dieselgate became public and underline the impression that the company's behaviour is interspersed with CSI practices. These scandals are reflected in the discrepancies between the MNC's promises and actions (e.g. regarding the NO<sub>x</sub> and CO<sub>2</sub> emissions or the strong lobbying activities in Brussels). Consequently, NGOs perceive those measures as more effective, which equip them with greater forms of pressure to influence VWG's environmental behaviour. The coercive instrument 'lawsuit' and the concurrent use of a multiplicity of influence methods (e.g. campaigns, dialogues, publications, and round tables) have been identified as unconditional means used by NGOs to influence firms and represent important contributions of this study.

Chapter 5 provides data that contribute to the contextual background of this study by emphasising the role of the strong interconnection between German policy makers and the automotive industry. Thus, it highlighted the constraining effects of this interweaving on the influence of NGOs. Chapters 6 and 7 present evidence of the different mechanisms of direct and indirect NGO influence and highlight the NGOs' perception of their role in the interactions with VWG. The next chapter, Chapter 8, pulls the key insight

of the previous chapters together and discusses the insight using stakeholder theories and CSR concepts.



## CHAPTER 8: DISCUSSION OF FINDINGS

### 8.1 Introduction

The purpose of this study was to investigate qualitatively how NGOs in Germany influence an MNC's CSR approach under consideration of contextual factors, such as the crisis at VWG and the intertwining between German policy makers and the automotive industry. This research examined the backgrounds and causes of Dieselgate and scrutinised the roles of the various actors in the crisis (refer to Chapter 2 and Chapter 5). It uncovered the importance of understanding the interweaving between policy makers and the automotive industry and how that limited the influence of NGOs on VWG's CSR approach (refer to Chapter 5). This study improved the understanding of the significance of contextual factors, considering that the negligence of these dynamics would only provide a fragmented understanding of the role and influence of NGOs.

Furthermore, the study investigated the mechanisms of conditional and unconditional direct and indirect NGO influence on VWG (refer to Chapter 6). It found that the coercive instrument 'lawsuit' is one that enables NGOs to exert unconditional influence (refer to Section 6.3.3). It also showed that the simultaneous and successive use of the multiplicity of direct and indirect influence instruments has a greater effect on the MNC's CSR approach than pursuing just one approach in isolation. Moreover, this thesis demonstrated the importance of the NGO perspective to CSR by providing a platform for the civil society actors' perception on their role and influence (refer to Chapter 7).

This thesis aimed to answer two research questions. First, how NGOs influence the CSR approach of an automotive MNC during a major organisational crisis under consideration of contextual factors and, second, how NGOs perceive their role and influence on an automotive MNC. The following three research objectives (refer to Sections 1.2 and 3.4) were derived from these questions:

- Research Objective 1: To examine the development and chronology of VWG's Dieselgate scandal and the German political institutional context;
- Research Objective 2: To explore the influence of NGOs on the CSR approach of a MNC in Germany in the context of a crisis; and
- Research Objective 3: To understand the NGOs' perception of their role and influence on a major MNC's CSR approach in the context of Dieselgate.

The first objective focused on the understanding of the crisis' extent and the involved actors and provided the required context in which NGOs interact with MNCs and policy makers. The second research objective aimed at discovering the NGOs direct and indirect influence, what the organisation's means are to employ pressure, and how the contextual factors resulting from the first objective affect NGO influence. By responding to the third objective, the study contributes to a better understanding of how NGOs perceive their role and influence on the MNC's CSR approach.

In the following chapter, the main findings of the thesis will be discussed according to the three research objectives and the literature reviewed of Chapter 3. Chapter 8 brings the previous three findings chapters together and indicates the study's theoretical contributions and practical implications. These will be presented concisely in Chapter 9.

## 8.2 Main Findings

### 8.2.1 Summary of Key Findings

Section 8.2.1 serves to summarise the insights gained in the previous chapters, as well as to provide an overview of conceptual terms. Table 11 provides a summary of the key findings presented in the chapters 5, 6 and 7. These findings play an important role in the discussion that follows in the Sections 8.2.2, 8.2.3, and 8.2.4.

Table 11: Summary of key Findings

	Key Findings
<b>Chapter 5</b>	<ul style="list-style-type: none"> <li>Contextual factors play an important role in the understanding of NGO influence on the automotive MNC</li> <li>Policy makers failed to tighten and enforce regulations</li> <li>Policy makers strongly rely on soft law initiatives of MNCs such as VWG</li> </ul>
<b>Chapter 6</b>	<ul style="list-style-type: none"> <li>Direct influence instrument 'stakeholder dialogue' appears to have a low effect on MNC's CSR actions</li> <li>Multiplicity of influence instruments leads to strong NGO influence</li> <li>The coercive approach 'lawsuit' appears to be the most efficient stand-alone NGO influence instrument</li> <li>Role of NGO alliances: <ul style="list-style-type: none"> <li>➤ Important to amplify pressure on MNCs and policy makers</li> <li>➤ Disagreement among NGOs may weaken influence on MNC</li> </ul> </li> <li>Lack of integration of CSR in MNC's business strategies: <ul style="list-style-type: none"> <li>➤ MNC's sustainability department seems to be decoupled from decision makers</li> </ul> </li> </ul>

	➤ MNC does not spend sufficient resources to implement results of stakeholder dialogue
<b>Chapter 7</b>	<ul style="list-style-type: none"> <li>• NGO perspective <ul style="list-style-type: none"> <li>➤ NGOs feel deceived: stakeholder dialogue deflects attention</li> <li>➤ NGOs perceive lack of influence in interactions with MNC and policy makers</li> </ul> </li> </ul>

Source: Author

Table 12 presents the key conceptual terms ‘direct influence approach’ and ‘indirect influence approach’, which have been derived from the literature, and ‘conditional influence’ and ‘unconditional influence’, which emerged from the analysis of the collected data. The table serves to recall the meaning of the terminology that is relevant to understand the following discussion and contribution chapters.

Table 12: Overview on key Terms with Explanations and Examples

<b>Key term &amp; origin</b>	<b>Explanation</b>	<b>Examples</b>
Direct influence approach (e.g. Frooman 1999; Hendry 2005)	NGOS exert influence on MNC without intermediary	<ul style="list-style-type: none"> <li>- Stakeholder dialogue</li> <li>- AGMs</li> <li>- Partnerships</li> <li>- Co-operations</li> </ul>
Indirect influence approach (e.g. Frooman 1999; Hendry 2005; Keck and Sikkink 1998)	NGOs exert influence via other actors/allies such as courts, policy makers, media	<ul style="list-style-type: none"> <li>- Lawsuits: courts ‘have the power over companies being sued (Hendry 2005: 89)</li> <li>- Interactions with policy makers</li> </ul>
Conditional influence (this term emerged from the iterative process of the data analysis)	NGO influence is limited by contextual factors, such as strong interconnections between industry and policy makers	Contextual factors, such as the tight interconnections between policy makers and MNCs, such as VWG led to low degree of corporate accountability: MNCs felt above the law, hence NGO influence is limited
Unconditional influence (this term emerged from the iterative process of the data analysis)	NGO influence is less affected by contextual factors; therefore, NGO influence is stronger	Contextual factors do not condition the influence of NGOs. The coercive instrument ‘lawsuit’, as well as the NGOs’ deployment of a multiplicity of approaches, such as campaigns and pressure on policy makers, lead to influence that is less affected by contextual factors

Source: Author

### **8.2.2 VWG's Dieselgate Scandal and the German Political Institutional Context**

In this qualitative study, the case study of the phenomenon 'NGO influence' would have been hardly understood without the consideration of contextual factors, namely the crisis at VWG and the interconnections between automotive MNCs and the German political environment. The study did not take a crisis management perspective; however, the data collected provided insight into the perspectives of NGOs and policy makers on the crisis at VWG. The findings contributed to a better understanding of how the various stakeholders perceived the crisis and thereby considered Painter and Martins' (2017: 216) recommendation to analyse 'independent reports and interviews' on the VWG emissions crisis.

The role of national contextual factors played an important part in this study, as the findings explain the strong intertwining between policy makers and the automotive industry (refer to Section 2.3 and Chapter 5 for more detailed information on these interconnections). This thesis considered that most studies on stakeholder theory 'often overlook the national and regional contexts and their particular legal, social and political backgrounds' (Arenas, Lozano, and Albareda 2009: 177). This work started with a section on the events around Dieselgate (refer to Section 2.3). The findings revealed that high-ranking VWG managers received early warnings about the NOx manipulations, remained inactive, and did not take the requests for clarification of US authorities seriously.

Similarly, the chronology of the scandal showed that German and European policy makers knew about the existence and use of defeat-device systems and the discrepancies between VWG's published values and RDE. The scandal had been a result of a mixture of factors, such as an unethical corporate culture within VWG, a corporate governance structure that created various interdependencies and fostered these developments, and the close link between VWG and political institutions (refer to Chapter 5).

This led to a situation in which VWG felt they were 'above the law' (Bovens 2016: 276) and powerful enough to engage in criminal activities without the fear of getting caught. Jung and Park (2017: 129-130) added that factors such as 'austere leadership styles' and 'drawbacks from family feuds and nepotism' contributed to an atmosphere that created optimum conditions for the scandal. The findings showed that the strong intertwining between German policy makers and VWG, and the automotive industry in

general, had not only been a factor that made such a crisis possible but, more importantly, was also a determinant that limited the influence of civil society actors, such as NGOs. Barnett, Henriques, and Husted (forthcoming 2018a: 29) encapsulated the role and importance of governments in the following statement: 'Though stakeholder pressures can bring sustainability issues to the fore, government intervention is necessary to set the stage for meaningful action and to ensure follow-through'. Later in this section, why the mentioned interconnection played such a strong role in this study and why this contextual factor has not yet been considered in the debate of NGO influence will be discussed.

The findings about the intertwining of policy makers and VWG were divided into the dimensions 'regulatory softness' and 'indicators of political failure'. These themes indicate the limited influence of NGOs and provided information about the inactivity of policy makers and the degree to which these were influenced by VWG and other automotive MNCs. The aggregate dimension 'regulatory softness' refers to a shift in power from policy makers towards MNCs. A finding of this study is that German policy makers granted more responsibility to MNCs linked with the belief that companies, such as VWG, know best how to regulate their business activities. Therefore, the study also critically explains the self-governing efforts of MNCs with the simultaneous reduction of governmental influence. Voluntary CSR initiatives and regulations may be beneficial in a globalised world where national laws might lose meaning for MNCs. However, governments should not rely on the self-regulating power of MNCs, considering that they 'cannot be held accountable' (Scherer and Palazzo 2011: 907) by civil society actors or policy makers.

Moreover, Fleming and Jones (2013: 36) stated that MNCs should not be in the position to 'shape regulatory frameworks', considering the negative externalities they cause. In that sense, 'voluntary CSR initiatives [would serve] as poor substitutes for strict legal regulation' (Winston 2002: 76). The crisis indicated that VWG became a political actor that is no longer driven by regulations but is the driver of (soft law) regulations that favour the business. This follows what Schneider (2012: 34) called CSR 3.0, in which an MNC like VWG would be a 'proactive political creator'. The author spoke of a 'new governance' that understands the relationship between government, MNCs, and civil society as one that is shaped by 'the deep consciousness of a mutual dependence' (Schneider 2012: 34).

However, this study illustrates that the MNC VWG did not perceive a 'mutual dependence' with civil society actors, such as NGOs, which contributes to explaining their relatively low direct influence on the MNC. It would be 'wishful thinking' if an MNC had the described, cooperative understanding when making business decisions. The declaration of MNCs as political actors might have the consequence that some political institutions are degraded to 'errand boys' of the automotive MNCs, which were given plenty of rope by policy makers. This would increase the importance of NGOs as civil regulators (Dahan, Doh, and Teegen 2010). As such, NGOs might be able to fill the governance vacuum that is reflected in VWG's emissions crisis and the intertwining between policy makers and the automotive industry.

In this context, it makes sense extending the discussion on the perception of policy makers. Section 2.4.1 indicated that critics questioned the NGOs' legitimacy, credibility, and sincerity. It is not part of this study to examine, for example, how policy makers and economic actors perceive the role and the sincerity of the NGOs' actions. However, it needs to be pointed out that the success of indirect influence approaches depends on how important actors, such as policy makers, view NGOs. The interviews with policy makers indicated that opposition parties (e.g. The Left Party and The Greens) ascribe NGOs the role as effective civil regulators. In contrast, the governing parties SPD and CDU view NGOs much more critically, as actors that often attack companies without the intention to change situations. Moreover, these policy makers perceive NGOs as just another lobbying group that has its own agenda. This implies a certain degree of distrust and may explain why NGOs perceive a lack of influence in the interactions with policy makers.

Moreover, VWG's scandal showed the flaws of the MNC's own governance system and increased the mistrust towards the automotive industry's pursuit of more self-regulation. Similarly, according to Murphy and Bendell (1999) and Sullivan (2006), NGOs may act as civil regulators in stakeholder dialogue and partnerships and through measures that threaten the reputation, such as protests and campaigns. Another instrument that may threaten an MNC's reputation is litigation. This study found that the coercive instrument 'lawsuit' may be an unconditional means of NGO influence. Therefore, successfully filed, a lawsuit might be considered the ultimate stage of civil regulation. However, the findings also showed that (long-lasting) campaigns and the combination of influence methods may also serve as effective sanctions of MNC behaviour.

Additionally, VWG's diesel campaigns, their wide range of CSR activities, and their high rankings in national and international indices created a picture that suggested that hard laws would not be required to ensure that the former model company meets the legal limit values and complies with environmental regulations. The findings revealed that regulatory softness and the failure of political institutions contributed to a situation in which VWG gained more power than they should have. Political failure was, for example, manifested in a lax attitude of German policy makers towards the enforcement of environmental regulation.

### **8.2.3 NGOs' Influence on VWG's CSR Approach in the Context of a Crisis**

The second research objective was to explore the influence of NGOs on the CSR approach of a MNC in Germany in the context of a crisis. According to the literature, NGOs influence MNCs, even though there is a certain disagreement about the efficacy of that influence. Therefore, the focus was to understand how NGOs exert influence and the underlying mechanisms. The second objective addressed the gap for which more research on NGOs is required, as the civil society actors 'remain poorly understood' (Lyon 2010: 2). Moreover, Arenas, Lozano, and Albareda (2009: 176) stated that 'research on business-NGO engagement within the management literature is still rather fragmented and limited'. The key findings that relate to the second objective were categorised in direct and indirect mechanisms, through which NGOs exert influence on VWG. Thereby, this study responds to Lee's (2011: 284) observation that stakeholder theory does not offer 'explanatory mechanisms of how stakeholders' exert influence on companies. Within the aggregate dimension 'mechanisms of conditional direct NGO influence', the project aimed at finding out how NGOs exert influence in the relationships with VWG and which platforms and forums NGOs use to interact with the MNC. The findings stated that the most common instruments of direct interactions are formal partnerships, stakeholder dialogues, campaigns, and AGMs. The findings revealed that the NGO influence exerted with these direct methods is rather conditional due to contextual factors.

The findings suggest that NGO influence can be considered to be rather low, which is concomitant with the NGOs' own self-perception. Only a limited causality can be established between the NGOs' demands and VWG's behaviour (in the short to medium term). However, it may take a longer time until an NGO's effect on the MNCs is reflected in a corporation's activities. Therefore, considering Keck and Sikkink's (1998) stages,

many years could pass before an issue that an NGO set on the agenda (Stage 1) ultimately changes an MNC's behaviour (Stage 5). The data suggest that NGO influence barely exceeded the 'rhetoric' stage. That means that VWG reacted to NGO pressure by promising changes in their MNC's CSR approach; however, the corporation's behaviour did not significantly change. For example, the NGO NABU perceived the official partnership with VWG to be relatively productive until the revelation of the crisis in September 2015 and the following termination of the partnership.

The NGO presented evidence of their achievements and influence over the years, such as the generation of funding for moor protection projects and the implementation of 'green fleet' initiatives with VWG. However, as helpful as these individual activities might have been for the environment, they did not seem to influence VWG's major business decisions sustainably. One reason might have been the NGO's concentration on project-specific objectives, knowing that it already is a success completing these smaller projects.

It has been stated in Section 6.2.1 that NABU could have been categorised as 'preservers' (before the crisis), whose primary tactics of influence are 'cooperative projects [and] joint marketing' (Ählström and Sjöström 2005: 238). Even though NABU terminated the official partnership with VWG, the NGO still works with VW Financial Services. It is speculative whether NABU assumed that the exerted influence compensates for the potential loss in legitimacy and credibility, or if the NGO cannot pursue projects without corporate funding. However, it is a legitimate question whether NABU should have cut the ties completely to prevent the de-legitimisation of their own organisation and to set an example that the NGO does not cooperate with firms that are part of VWG. As Hartman, Hofman, and Stafford (1999: 262) stated, even in non-crisis partnerships, NGOs 'risk their public credibility'. Legitimacy is given as long as an NGO is perceived to be an organisation that represents the interests of the public (Baur and Palazzo 2011). However, that may change if the general perception is that the NGO is driven by financial necessities.

Samii, van Wassenhove, and Bhattacharya (2002) formulated various requirements for a successful partnership among NGOs and MNCs. Two of these factors are the dependency on each other's resources and commitment symmetry. The latter refers to the importance of committing 'at the highest level of the partners' organisations' (Samii, van Wassenhove, and Bhattacharya 2002: 1004).



Formally and on paper, VWG's top managers were involved in the NABU-VWG partnership; however, it is questionable whether there was a critical exchange that included high-ranking managers. Moreover, it is doubtful whether the partnership 'touched' on environmental challenges and ambiguities that are more closely linked to VWG's business model than the implemented projects. Examples are the increased NOx values of the company's diesel models and the consistent lobbying activities in Berlin and Brussels (for lower CO<sub>2</sub> limit values), which contradicted the corporation's public claims of being an environmentally responsible company.

From a resource dependence point of view, following Frooman's (1999: 199) typology, the relationship between NABU and VWG could have been categorised as one of firm power, considering the substantial financial resources that VWG put into the partnership. However, that would have only considered tangible resources and not the intangible benefits that VWG gained from the relationship with NABU. One of the benefits is an improved public perception by profiting from the NGO's credibility that may decrease the consumers' scepticism about the truthfulness of the corporation's environmental engagement (Maxwell 2010). Other benefits are an increased level of societal legitimacy and access to expert knowledge and non-governmental networks (Curbach 2008). These are all aspects that make the NGO a very valuable partner in the MNC-NGO partnership. Thereby, it helps that the organisations enjoy a high degree of credibility in society. Redelfs (2005: 251) stated that the NGOs' 'legitimation issue' might be offset by their 'credibility bonus' (refer to Section 2.4.2 more information of NGO issues around transparency and legitimacy). However, considering that political actors seem to have lost societal reputation in the last years, Köhler (2018) stated that NGOs may benefit from the legitimation crisis of political actors by sharpening their profile as independent civil society actor.

Frooman's (1999) typology provided important insight in the understanding of direct and indirect influence approaches; however, it falls short regarding more complex stakeholder relationships. For example, it does not explain why, how, and in which circumstances 'firm power' may change into 'stakeholder power'. The differentiation between direct and indirect stakeholder influence served Frooman (1999) to categorise stakeholders' power towards a firm. In short, a stakeholder uses direct strategies when it is able to control the flow of resources and indirect strategies when it needs allies to do so. The findings of this thesis extend the understanding of stakeholder influence by

showing that a multiplicity of direct and indirect influence approaches leads to sustainable NGO influence. This will be further discussed in the course of this section.

In their sustainability report, VWG stated its expectations from the partnership with NABU; among others, it expected the NGO's 'readiness to put in a good word for us vis-à-vis third parties' (2014: 27). This indicates that, for VWG, its sustainability engagement should be linked with an NGO's *quid pro quo*. The statement suggests that collaborations with NGOs only make sense if there is a positive outcome for the MNCs.

These are indicators for a transactional NGO-MNC partnership that is shaped by a moderate level of commitment and investment of resources (Jamali and Keshishian 2009). Austin (2000) introduced a continuum of cross-sector collaborations consisting of philanthropic, transactional, and integrative stages.<sup>66</sup> The latter stage reflects high commitment and a strategic understanding of stakeholder cooperation. The findings indicate that the official partnership between VWG and NABU did not go beyond the transactional stage, considering that significant changes in the corporation's environmental approach have not taken place.

When trying to understand why NGOs only seem to exert a limited degree of influence, it is worth discussing the findings on the NGO-MNC stakeholder dialogue. There is no agreement in the literature regarding whether NGOs are able to exert (much) influence in the dialogue with MNCs, such as VWG, or whether these are 'information events'. However, efficiently approached stakeholder dialogue may contribute to a better understanding of each other's positions and eventually improve the company's CSR behaviour. Lawrence (2002) indicated that a successful dialogue requires engagement to develop and improve the relationships by providing both opportunity to learn and gain new insight.

However, the NGOs perceived the dialogue as a monologue. This is in line with Jonker and Nijhof's (2006: 457) observation that the MNCs' idea of 'managing [stakeholders] implies a one-sided monologue'. Similarly, Burchell and Cook (2008; 2013) stated that there is a fatigue among NGOs considering that stakeholder dialogues often do not contribute much to the company's CSR approach.

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<sup>66</sup> The philanthropic stage follows the charity notion in which a company writes a check and does not expect anything in return. In the transaction stage, both actors benefit by exchanging values. In the integrative stage, collaborations evolve into strategic alliances and are better anchored in the company's business activities.

It needs to be stated that the success of (multi-) stakeholder dialogues also depends on the extent to which other involved actors, such as unions and works councils, are willing to contribute and to recognise NGOs as equal partners. Arenas, Lozano, and Albareda (2009) stated in their paper that unions might perceive NGOs as competitors and question their legitimacy. Therefore, it is an important factor for the success of the dialogue that the doubts of involved stakeholders, concerning NGOs' legitimacy and sincerity, do not overshadow the common efforts to develop ideas and to implement CSR related actions.

This study builds on these findings and shows that NGOs like DUH and BUND are frustrated about the outcomes of the dialogues with VWG due to the certain one-dimensionality. However, the thesis also shows that the stakeholder dialogue remains a relevant instrument for NGOs if it is accompanied by approaches with which civil society actors have more leverage, such as persistent (media) campaigns, lobbying policy makers, or filing lawsuits. It is therefore the use of a multiplicity of instruments and the combination of cooperative and confrontational methods that lead to more influence.

In addition, VWG uses the stakeholder dialogues to outline plans about future innovations and topics (e.g. autonomous driving), which require minimal accountability regarding the effect on the environment and a limited inclusion of the stakeholders' needs and expectations. The focus on future topics may enable the MNC to stay in the realm of vagueness.

These aspects would fulfil the criteria of greenwashing and CSI. For example, Lyon and Montgomery (2015) and Siano et al. (2016) named decoupling and attention deflection as important types of greenwashing. Decoupling 'takes place when organisations claim to fulfil stakeholders' expectations, without making any actual changes in organisational practices' (Siano et al. 2016: 28). In other words, NGOs may perceive their actions as effective; however, VWG's formal CSR engagement may be decoupled from organisational changes. Referring to Keck and Sikkink's (1998: 26) five levels of goal achievement, NGOs might believe they have exerted 'influence on institutional procedures', but VWG's real actions did not correspond with the communicated actions. That would mean that the NGOs' true influence would have not gone beyond the third stage, as they could neither motivate VWG to keep their word (Stage 4) nor exert influence on their (long-term) behaviour (Stage 5). After the crisis, there were changes in VWG's corporate policies, and the sustainability department became more important,

indicating that Keck and Sikkink's (1998) third influence stage was fulfilled (exertion of influence on corporate procedures). However, the interviewees could not report significant changes in the interaction with VWG, and regular scandals in the automotive industry raise doubts as to whether formal changes within the MNC are sufficient.

The findings also revealed that the two NGOs DKA and BUND use AGMs regularly as a platform to exert pressure on MNCs, such as VWG. However, evidence shows that the NGOs' influence is rather limited due to the organisations' difficulties to engage in a critical exchange with VWG before, during, and after the AGM. It can be considered an MNC's obligation to deal with its various stakeholders, considering that CSR-related themes are presented and discussed at these AGMs (e.g. Apostolides 2010; Kim, Nofsinger, and Mohr 2010). Therefore, it critically explains VWG's governance structure in which these processes and interactions with NGOs seem not to take place. Even though there is the perception and indicators that the NGOs' influence via AGMs is low, that it creates attention in the media and among NGO members must be considered. This might not have an immediate effect on an MNC, such as VWG; however, it may translate into influence at a later point when the MNC perceives topics to be urgent or when the pressure increases on the MNC regarding environmental and social responsibilities.

The role of NGO alliances has been explored in Section 6.3.2. In these often informal partnerships, the NGOs act together against MNCs using direct (e.g. AGMs, stakeholder dialogues) and indirect (e.g. interactions with policy makers, lawsuits) instruments. The findings revealed that alliances among NGOs may be an important means to amplify their influence. Building on Curbach's (2003: 129) point that resource-poor actors, such as NGOs, rely more on cooperation, this study showed that NGOs coordinate tasks to use their limited resources more effectively. The findings also illustrate that NGOs are aware that acting together may have an enhancing effect when dealing with and lobbying against policy makers, or when coordinating the exertion of indirect influence methods, such as lawsuits. Thereby, NGOs are better able to exert leverage on policy makers and use them as powerful allies to exert pressure on MNCs.

This study adds to the finding by Dalton, Recchia, and Rohrschneider (2003) that the formation of alliances is among the key (political) activities of ENGOS. Though NGOs' work in alliances also affects the direct influence approaches on VWG, alliances are more significant when it comes to indirect mechanisms of NGO influence. Keck and

Sikkink (1998) and Tallberg et al. (2015) wrote about the strength of NGO networks and the increased influence of these coalitions on MNCs and policy makers.

While this study found that NGO alliances may often have a greater level of influence on MNCs and policy makers, it also showed that these partnerships may pose problems. These may occur, for example, if the NGOs disagree about the influence instrument, coordination of activities, and approach when dealing with corporate partners. The influence power of NGO alliances might even be weakened if one of the partners is in cooperation with an MNC. The fact that NABU was involved with VWG might be one of the reasons the ENGOS did not have a (common) counterstrategy that would have convincingly exposed discrepancies in VWG's reporting. Moreover, a common approach could have led to more NGO pressure on the MNC in the past years. In addition, NABU and VWG implemented various projects together, which inevitably created a certain dependence. Therefore, it seemed that the NGOs did not strongly and in unison oppose VWG's decoupling of their promises and actions, considering that NGOs are important recipients of an MNC's CSR reports and stakeholder dialogue. The findings indicated that, over the years, some NGOs (e.g. BUND) showed resistance to VWG's 'value-action' gap and realised that promises were not kept (e.g. the high emissions of cars or announced changes of the rigid corporate culture). However, it seemed that the NGOs could not create an overall pressure that would have been sufficient to change VWG's approach.

Markham (2011: 317) stated that the 'difference in specific goals, organisation cultures, [and] members' identification with 'their' organisation' might be reasons for NGOs' disagreements and occasional lack of cooperation. The question is how strong NGO alliances really are and whether individual NGO-corporation partnerships do not thwart the intentions of other NGOs, which are part of formal or informal coalitions. Moreover, considering the different governing and financing structures of the NGOs, it seems questionable whether the interests of the studied NGOs are congruent. For example, the hierarchically structured organisation Greenpeace and the relatively small association DUH (243 members and a lean organisational structure) might be able to make critical decisions much faster than NABU or BUND with their federal structures.

The data on indirect influence methods was presented in Section 6.3. The core idea of indirect influence is to use allies or actors that are more powerful, possess more resources, and have similar interests as the NGOs (Frooman 1999; Hendry 2005; Keck

and Sikkink 1998). Hendry (2006) stated that indirect pressuring approaches are usually applied by activist organisations, such as NGOs. The findings showed that NGOs act on more powerful players, such as policy makers or other NGOs (which created more formal relationships with VWG), to exert influence on VWG's CSR approach.

The findings led to mechanisms of indirect NGO influence, such as the exertion of pressure on policy makers. However, it showed that the NGOs' indirect influence via policy makers is conditional due to the described intertwining between relevant political actors and the automotive industry. The findings also revealed that NGO influence is unconditional and therefore not limited by the strong interweaving if NGOs use the coercive instrument 'lawsuit'. For den Hond and de Bakker (2007: 911), the instrument 'lawsuit' is a 'nonparticipatory protest tactic' that depends on the expertise of a few activists than on the participation of many members. This applies, for example, to the NGO DUH that gained experience and knowledge in filing lawsuits against companies.

Hendry (2005) acknowledged in her study and depiction of NGO influence that lawsuits are an indirect approach to put companies under pressure. She considered lawsuits to be one instrument among others but did not make a qualitative difference between the approaches. This study adds to the stakeholder influence debate by showing that the coercive measure 'lawsuit' may serve as a last resort that forces policy makers to enforce existing laws and regulations and forces automotive companies to comply with these. As Hendry (2005: 89) put it, 'courts can be considered allies [...], since they have power over the companies being sued'.

Though mostly governmental authorities are sued, automotive companies would also be put under pressure by, for example, driving bans or the enforcement of emission regulations. Some NGOs, especially DUH and BUND, are perceived as organisations that enforce environmental regulations using lawsuits. The use of lawsuits enables NGOs to establish themselves as effective civil regulators with the intention to force MNCs, such as VWG, to keep their sustainability promises. Thus, lawsuits could eventually contribute to a substantiation of MNCs' CSR campaigns and engagement. Moreover, successful lawsuits may have the effect that NGOs (re)gain legitimacy, considering that many NGO topics became increasingly part of the political programmes of conservative parties (e.g. exit from nuclear energy, reduction of CO<sub>2</sub>, faster transition to alternative energy sources) (Rucht and Roose 1999). In addition, it may give NGOs credibility towards the public, as a third party (the court) objectively confirmed that the

law was broken and that the NGOs' concern was legitimate. Therefore, it not only provides legal certainty but also moral rectitude that plays an important role in the NGOs' societal legitimacy (Baur and Schmitz 2012). However, the other side of the coin is that NGOs might lose goodwill from members and MNCs if they are perceived as unable to negotiate or to lead a dialogue.

The quicker perceptibility of an instrument's effect is a reason the coercive influence method 'lawsuit' is potentially more effective. In other words, it might only take few months until a court made a judgement, which may put automotive companies under immense pressure (e.g. the potential ban of diesel cars in inner cities or possible refusals of type approvals). Similarly, Yaziji and Doh (2009: 99) explained that powerful groups, such as courts, may contribute 'to quickly reshape regulatory institutions', whereas other influence approaches and tactics might have no visible effect or only a very delayed one and therefore may hardly be linked any longer to an NGO influenced behaviour. In addition, NGOs that file lawsuits can be considered to be on the very end of the engagement-confrontation continuum (e.g. Winston 2002: 77) and may represent the aggressive NGO type. Esley and Lenox (2006) stated that resource-rich organisations, such as VWG, have the means to employ highly qualified lawyers and public relations professionals. This decreases the likelihood that a lawsuit causes long-lasting reputational and financial damage. That may also explain why NGOs, such as DUH, mainly aim at federal authorities, such as the KBA, BMVI, or cities, as it is more promising to sue them.

The findings showed that both coercion in the form of lawsuits and the parallel use of a multiplicity of instruments with which NGOs exert influence on MNCs may lead to unconditional influence. Unconditional influence refers to the situation in which NGO influence approaches are less dependent on external factors, such as the strong interconnection between policy makers and VWG. Various authors examined tactics and strategies, for example, by understanding the potential harm they may cause for the MNC (Spar and La Mure 2003), the type of damage caused (e.g. material and symbolic) (den Hond and de Bakker 2007), and the effect of contrasting strategies (van Huijstee and Glasbergen 2010). However, this study builds on Yaziji and Doh's (2009) understanding that NGOs exert influence more effectively if it takes place concurrently.

The findings illustrated how the simultaneous and successive exertion of influence instruments may amplify the effects of NGO influence on the MNC's CSR approach. The

importance of applying a multiplicity of influence instruments is also because methods such as the stakeholder dialogue are less effective when pursued in isolation. In addition, NGOs realised that topics raised in dialogue may gain sharpness and urgency if they exert pressure via other approaches to the same issue. For example, NGOs' campaigns via traditional and social media raise awareness of a topic and erode the legitimacy of the targeted MNC(s). At the same time, NGOs may use the leverage of the instrument 'lawsuit' and thereby create an atmosphere that contributes to realising their demands.

Frooman (1999) focused on the power and resources in the firm-stakeholder relationship and derived a structure regarding how stakeholders intend to influence a firm. Hendry (2005) tested Frooman's propositions and discovered why ENGOs select strategies and tactics. However, both authors do not consider the role and effects of the context of NGOs' influence approaches in depth. The data for this study have been collected in the aftermath of Dieselgate and therefore illustrated how a loss of corporate trust and revelations about multiple deceptions affected the view of VWG's stakeholders, especially that of the NGOs. It is the understanding of the wider contextual factor (the interconnection between policy makers and automotive industry) and the immediate contextual factor (the crisis at VWG), which inform the theory on stakeholder influence. This study includes these factors in the understanding of NGO influence and indicates that those have a limiting effect on the efficacy of influence instruments.

The influence instrument 'lawsuit' may catapult NGOs from 'dormant' or 'discretionary' stakeholders to 'dangerous' or 'definitive' stakeholders, using the terms of Mitchell, Agle, and Wood's (1997) stakeholder typology. In the authors' model, companies would tend to categorise NGOs as stakeholders with a high degree of legitimacy, low power, and a rather low urgency (Mitchell, Agle, and Wood 1997). The data suggest that these factors are applicable to the studied NGOs, which would categorise them as 'discretionary' stakeholders. However, after Dieselgate, managers might have realised that such an NGO classification would be dangerous and inaccurate.

Similarly, Mendelow's (1991) power-interest matrix provides four types of stakeholders that are categorised according to their level of power and interest. Companies might be tempted to classify NGOs as 'subjects' that have a low degree of power combined with high interest. Again, this may change if an NGO like the DUH uses the influence tactic 'lawsuit' successfully. An NGO might very quickly become a 'context setter' or a temporary 'key player' that cannot be ignored by the MNC. Lawsuits may also be a



powerful tool to de-legitimise companies, such as VWG. Consequently, this influence approach is of high reputational risk for the MNC. Curbach (2008) stated that NGOs may be more influential in their role as 'de-legitimiser', whereas the role as 'legitimiser' may enable NGOs only to exert a limited amount of influence.

This study's findings build on this insight and show that confrontational approaches may be more effective than cooperation that does not force MNCs, such as VWG to 'walk the talk'. Moreover, the study reflects that cooperative methods become more effective when applied after or parallel to confrontational approaches. One of the reasons lawsuits may contribute to de-legitimising a company is the judgement by an independent authority that the MNC lied to its stakeholders. This poses a high risk for a company's reputation. This is in accordance with the statements of some authors that NGOs may be very influential, if an MNC perceives that the NGOs' actions can damage the corporate reputation (Leetz, Horn, and Marschall 2010; Sullivan 2006). For Valor and Merino de Diego (2009: 122), companies 'only accept engagement with NGOs' if the organisations threaten a corporation's reputation. This study's data show that VWG took the initiative to engage in dialogue when it perceived that this is the only way to minimise the pressure created, for example, by campaigns (e.g. Interview #32, Greenpeace; Weingartner 2015). Therefore, this reflects the effectiveness of the confrontational approach that paves the way for cooperation.

Potentially, the pressure on VWG via investors would have also shown unconditional effects; however, it has been stated in Section 6.3.1 that NGOs do not use the power of investors sufficiently in their attempt to exert pressure on VWG. Therefore, there was not enough data to substantiate this aspect. Even though there are overlaps in the interests of investors, who would have enough leverage to exert sustainable pressure on corporations, and NGOs, there is not much known about the cooperation of the studied NGOs with institutional and private investors. For Guay, Doh, and Sinclair (2004: 133), the advocacy work of NGOs towards institutional and individual investors may play an important role when influencing corporations. This refers to Keck and Sikkink's (1998) influence tactic 'leverage politics', which denotes to the involvement of more powerful allies. There is selective evidence that the NGOs were able to apply this tactic; however, the organisations could have exerted more influence if they cooperated with more powerful actors, such as investors. Both Schepers' (2006) and Sullivan's (2006) insight indicate that the NGO-investor cooperation might create a scenario in which an MNC may decide to give in and comply with the civil society actors' demands.

In conclusion, both actors (NGOs and MNCs) should be clear that ‘many sustainability issues can only be addressed through a collaborative, multi-stakeholder approach’ (Veldhuizen, Blok, and Dentoni 2013: 112). However, there is a certain ‘NGO tiredness’ and ‘readiness to sue’ VWG and authorities on the one side, and a possible lack of willingness and enthusiasm of the MNC (to talk to rather confrontational NGOs) on the other side. Therefore, MNCs and NGOs have to find ways to engage in a dialogue and follow rules that would make the interaction valuable for both.

#### **8.2.4 NGOs’ Perception of their Role and Influence on VWG in Context of Dieselgate**

The third research objective was to understand the NGOs’ perception of their role and influence on a major MNC’s CSR approach in the context of Dieselgate (see Chapter 7). This research objective addressed the demand of scholars to do more research on the perspective of NGOs (e.g. Burchell and Cook 2013; Camerra-Rowe and Egan 2010). Most stakeholder studies were conducted from a clear corporate perspective that determines and categorises which stakeholders are important and beneficial for the company (Friedman and Miles 2002).

This study took Arenas, Lozano, and Albareda’s (2009) findings into consideration that the role of NGOs is ambivalent and complex, considering the different perceptions on their role and influence. This work intends to add to the debate about the NGOs’ role considering the discrepancy between this study’s findings and the view of various scholars (e.g. Hendry 2005; Teegen, Doh, and Vachani 2004) and MNCs (which ascribe NGOs to be influential actors). For example, VWG stressed the importance of NGOs and designated them as influential actors (VWG 2014; Interview #3, VWG’s CSR representative). This study found that NGOs exert influence via various instruments; however, it also shows that the NGOs perceive themselves as players that lack acceptance and significance in the interaction with an MNC like VWG (interviews #6, BUND; Interview #19, DKA).

The third objective focused on how NGOs perceive the nature of their relationship with VWG and their role and influence. The findings formed the two dimensions ‘NGOs’ conditional influence’ and ‘NGOs’ perception of corporate social irresponsibility’. The second dimension revealed that NGOs felt being used by VWG and perceived the company’s CSR approach as a smokescreen for their illegal activities (e.g. Interview #6, BUND; Interview #13, TI; Interview #32, Greenpeace). However, the NGOs’ perception

was manifold, and they acknowledged that there are forces within the corporation that take sustainability seriously. Overall, the NGOs' views showed that the influence of NGOs on the MNC is rather conditional. However, it becomes unconditional when NGOs exert pressure and influence via a multiplicity of influence instruments and the juridical way by conducting lawsuits against both policy makers and VWG.

Chapter 7 showed that NGOs felt deceived and felt they were used as camouflage that helped to legitimise VWG's business activities. Moreover, NGOs, experts, and some political actors felt that VWG engaged heavily in greenwashing activities and did not incorporate the notion of CSR/sustainability in its core product, the automobile (e.g. Interview #28, BUND; Interview #1, CSR expert; Interview #16, policy maker). All other environmental activities might have had a positive effect on the company's overall sustainability balance, for example, more efficient supply chains or a reduction of waste and energy in the production. However, the scandal showed that VWG decided against environmental solutions as soon as those solutions threatened the company's margin. That corresponds with Jones, Bowd, and Tench's (2009: 304) differentiation between CSR and CSI: CSI reflects the corporate attitude that 'profit is the sole purpose of business and should be achieved at any cost', while CSR postulates that profit is only one of a company's purposes.

A salient aspect of the data regarding the role and influence of NGOs is the degree of complexity that is reflected in the different perceptions of NGOs and VWG. The MNC stated that it considered NGOs to be very important stakeholders. However, NGOs perceive a discrepancy between the importance that MNCs ascribe to them and the company's actual behaviour in stakeholder interactions. That does not reflect that NGOs play an important role in the reflection of environmental and legislative challenges and indicates that 'a truthful and unbiased dialogue will be practically impossible' (Arenas, Lozano, and Albareda 2009: 179). In addition, NGOs perceive that they have the legitimate right to exert influence regarding social and environmental aspects. However, the perception of civil society actors is that MNCs, such as VWG, do not take NGOs seriously and attribute to them the role of an idle observer. That might be due to the company's understanding of 'managing' stakeholders' expectations, which, according to Jonker and Nijhof (2006), may produce an MNC-controlled interaction that tends to neglect stakeholders' needs.

The findings showed that the NGOs perceived their influence in the crisis at VWG in various ways. First, according to the NGOs, the crisis changed how MNCs and the public perceive their work and importance. Some people within VWG realised that they should take NGOs seriously and can no longer ignore them. However, it remains to be seen which conclusions MNCs will draw: whether they fight and defame NGOs, for example, by suing them, or whether they reassess the interactions with NGOs and take their CSR promises more seriously. Considering recent scandals and the NGOs' perception, it remains doubtful whether CSOs have gained salience after the crisis. However, Alpaslan, Green, and Mitroff's (2009) findings indicate that NGOs might be in a more powerful position after the crisis. The authors referred to Mitchell, Agle, and Wood's (1997) typology when stating that a crisis may increase stakeholder salience, for example, from being 'dormant' to 'dangerous'. Similarly, Thijssens, Bollen, and Hassink (2015: 888) demonstrated that more legitimate NGOs are better able to influence companies 'to disclose more extensive environmental information'. However, it exceeds the scope of this work to evaluate whether NGOs are perceived to be more legitimate after the crisis.

Second, the crisis revealed prior problems in the relationship between NGOs and VWG. The crisis made NGOs realise that their influence is rather limited or, at least in most cases, not immediate. Until then, NGOs believed that the MNC felt accountable to fulfil its role as the 'world's most sustainable automotive group' (VWG 2015b: n.p.). The NGOs assumed that they contributed to the MNC's environmental accountability, which corresponds to Keck and Sikkink's (1998: 26) fourth stage ('influence on policy change') of their five types of influence.

Third, the crisis revealed the powerlessness of VWG's sustainability department: the NGOs' primary contact. The NGOs perceived they had a certain influence on VWG's sustainability department. However, this 'internal ally' did not seem to have the decision-making power and support of the corporation's top management due to the lack of integration of CSR into the MNC's business strategies (more details will be given later in further course of this section). Therefore, it led to a minimised effect of the NGOs' influencing activities.

Fourth, VWG's weak reaction on the crisis and the lack of understanding of the extent of the scandal emphasised the NGOs' perception that the crisis resulted from more serious

problems within VWG and from structural failures, such as the strong intertwining between automotive companies and policy makers.

Fifth, the studied NGOs perceived that VWG designed the stakeholder dialogue in a way in which the civil society actors do not have a real say and achieve only a limited effect on the MNC's CSR approach, which leads to the previously mentioned 'dialogue fatigue' (Burchell and Cook 2013). However, the findings also showed that these perceptions are not definitive and that NGOs will be open to dialogue with VWG, if CSOs perceive a change within the corporation linked with the hope for better results. However, it still seems to be a long way off until MNCs, such as VWG, understand that the direct interaction with NGOs may be an enrichment for the MNCs' CSR approach.

It has been mentioned that there is the perception of NGOs that MNCs, such as VWG, lack the integration of CSR themes into corporate strategies. Van Huijstee and Glasbergen (2008) differentiated between the strategic and sustainability management model that separates strategies that serve to generate profit and an approach that integrates CSR into all strategies. The findings indicate that VWG approached the interactions with NGOs within the stakeholder dialogue and partnerships from a 'strategic' angle and less from an integrative perspective. Such a perspective would consider the integration of CSR-relevant dimensions (economic, social, and environmental) as vital for the long-term success of the company.

Scherer and Palazzo (2007: 1114) stated that many CSR activities are primarily followed for 'strategic reasons', such as the willingness to minimise the risk of regulations or to reduce NGO pressure. These are activities that have 'little or nothing to do with perceived responsibilities or obligations' (Laufer 2003: 255). However, this neglects the fact that a strategic management approach should include integration of CSR, which implies an engaged dialogue with NGOs. It is questionable if dialogue practice deserves the label 'strategic' if it is simply about minimising the risks for the MNC, not acknowledging that a lack of sustainability orientation may have wide-reaching strategic consequences. That is in line with findings by scholars such as McElhaney (2009) and Porter and Kramer (2006) who stated that strategic CSR is about the integration of socially and environmentally relevant activities into the company's daily business. For McElhaney (2009: 31), strategic CSR is 'embedded in day-to-day business culture and operations'; however, the findings speak against that VWG cultivated a culture in which CSR values are incorporated. It could be hypothesised that an MNC that is less willing to integrate

CSR in its strategies is less receptive to NGO influence, considering that the goals might be the reduction of reputational risk or to 'maintain [...], repair or to defend its lost or threatened legitimacy' (O'Donovan 2002: 349).

The emissions crisis is an indicator of the lack of integration of CSR into VWG's core processes and is a sign of an ineffective stakeholder management system. In addition, it illustrated that VWG allowed only a limited extent of NGO influence in the relationships and dialogues with stakeholders. Here, minimised corporate risk might be a consequence, not the focus. A strategic CSR and sustainability approach also means that a company is not driven by a 'coercive political and social environment' (Husted and Salazar 2006: 86).

However, a great extent of NGO pressure may eventually lead to coercive measures. For example, successful NGO pressure on policy makers might contribute to tightened regulations, and lawsuits may force automotive companies to adapt their CSR approach by making changes that corporations promised years ago. In more concrete terms, VWG would be forced to fit diesel cars with engines that meet the limit values of the RDE test procedures and thereby the advertised values. Moreover, this coercive pressure might influence automotive corporations to reconsider their insincere behaviour, such as lobbying in Brussels and Berlin for lower CO<sub>2</sub> and NO<sub>x</sub> limit values, while promoting the company as the most sustainable automotive producer.

### **8.3 Summary**

This chapter addressed the three research objectives and discussed the findings with relevant stakeholder and CSR literature. Section 8.2.2 focused on the study's first objective: to examine the development and chronology of VWG's Dieselgate scandal and the German political institutional context. It considered the findings in the context of the crisis and the strong intertwining between policy makers and automotive MNCs, such as VWG, and explained the relevance of these contextual factors to our understanding of NGO influence. Moreover, Section 8.2.2 discussed the factors and effects of Dieselgate and the insight on the actors' roles. It argued that it might be problematic that MNCs act as political actors, following increasingly soft regulations. Consequently, the NGOs' role as 'critical observer' may change towards that of a civil regulator that fills the regulatory and governance gap, which political actors may not be able close.

Section 8.2.3 approached the second research objective: to explore the influence of NGOs on the CSR approach of a MNC in Germany in the context of a crisis. It summarised the key findings on how the studied NGOs influence VWG's CSR approach and discussed the findings in the context of the relevant literature. Keck and Sikkink's (1998) five stages of NGO influence contributed to analysing the different types of influence. While the overall effects of NGOs on the MNC's CSR approach has been relatively low, it showed that NGOs could influence CSR discussions, corporate agendas, and policies.

However, this chapter's discussion revealed that the NGOs' influence is frequently thwarted by CSI elements, which make the NGOs believe they achieved progress in the interaction with VWG. The discussion points out the contributions to the stakeholder theory, namely that the indirect coercive instrument 'lawsuit' and the multiplicity of NGO influence methods play significant roles in the NGOs' striving to exert sustainable influence on the CSR approaches of automotive MNCs. The influence method 'lawsuit' is both a valuable pressure tool and NGOs' last resort to achieve their environmental objectives.

Section 8.2.4 answered the study's third objective: to understand the NGOs' perception of their role and influence on a major MNC's CSR approach in the context of Dieselgate. It contributed to the stakeholder literature by adding the NGO perspective to the debate about stakeholder influence. This thesis shows that there is a certain discrepancy between the NGOs' perception of their influence and role, and that from MNCs. While VWG stated that it considers NGOs to be highly important, civil society actors do not perceive the direct interactions alone as effective means of influencing the MNC. Moreover, the NGOs perceived CSI elements in the stakeholder dialogue with VWG as well as a lack of a strategic orientation regarding CSR.

The next chapter will briefly summarise the findings of the work and then focus on the theoretical contributions of this study. Moreover, it will list various practical implications for NGOs, MNCs, and policy makers. Chapter 9 will conclude with a personal reflection, followed by this thesis' limitations, recommendations for further research, and concluding remarks.

## **CHAPTER 9: THEORETICAL CONTRIBUTIONS, PRACTICAL IMPLICATIONS AND CONCLUSION**

### **9.1 Introduction**

Chapter 9 focuses on this thesis' theoretical contributions and practical implications. This study aimed to contribute to stakeholder theory by improving the understanding of direct and indirect mechanisms of NGO influence on an MNC's CSR approach in the context of a corporate crisis and the strong intertwining between policy makers and the automotive industry. The two guiding research questions of the thesis were how NGOs influence the CSR approach of an automotive MNC during a major organisational crisis under consideration of contextual factors, and how NGOs perceive their role and influence on an automotive MNC. The following three objectives arose from these research questions:

- To examine the development and chronology of VWG's Dieselgate scandal and the German political institutional context;
- To explore the influence of NGOs on the CSR approach of a MNC in Germany in the context of a crisis;
- To understand the NGOs' perception of their role and influence on a major MNC's CSR approach in the context of Dieselgate.

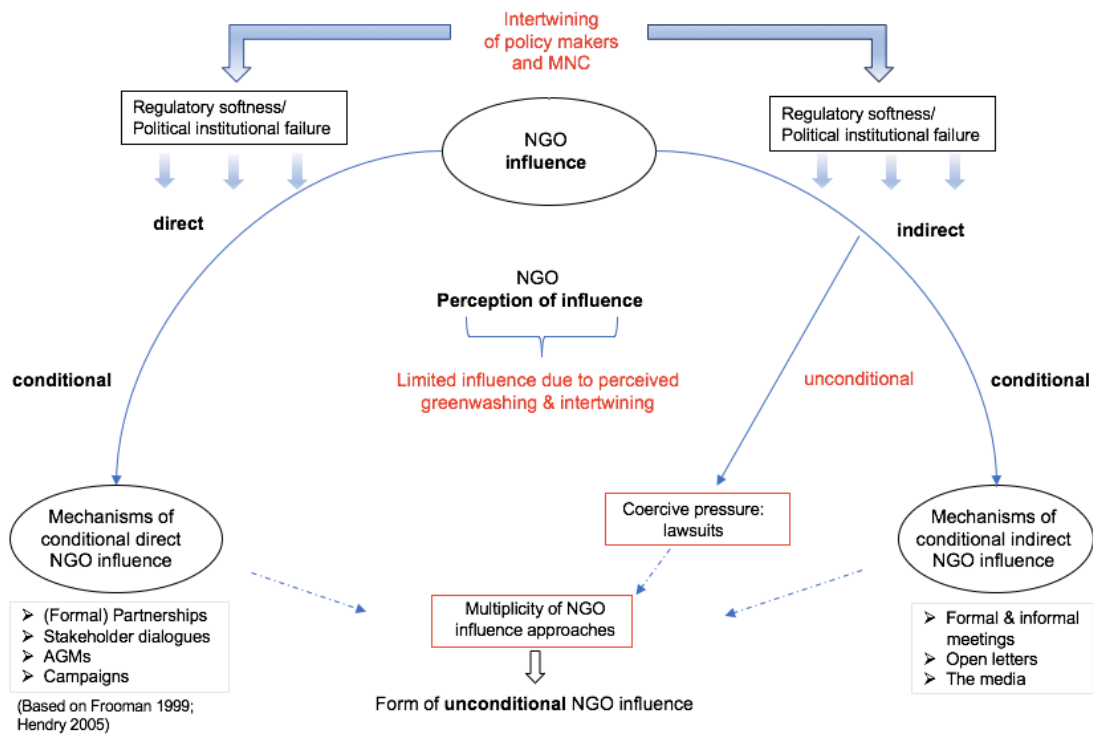
Chapters 5, 6, and 7 presented the findings, which are based on these research objectives. Chapter 8 discussed the data by linking it to the relevant literature. This chapter (Chapter 9) outlines the contributions to stakeholder theory and presents the study's practical implications for NGOs, MNCs, and policy makers. Possible steps will be shown for a more effective interaction in which all involved actors benefit more from the exchanges. The chapter concludes with a reflection by the author, a section on the limitations of the study, and recommendations for future research and concluding remarks.

### **9.2 Theoretical Contributions**

The influence of NGOs on an MNC's CSR approach is complex and rather difficult to capture in one model. However, Figure 10 depicts how the study's findings may contribute to the stakeholder literature and the debates around NGO influence. This diagram is a modification of Figure 8 (in Section 4.6) and illustrates this study's theoretical contributions (highlighted in red).



Figure 10: Diagram of Findings with Highlighted Contributions



Source: Author

First, the diagram illustrates the effects of contextual factors on the influence of NGOs, which is an area that has been neglected in past studies. The findings show how important the contextual factors are for the understanding of NGO influence. Taking the political contextual factor ‘structures of intertwining’ into consideration, this work builds on the notion that stakeholder theory has overlooked ‘the national and regional contexts and their particular legal, social and political backgrounds’ (Arenas, Lozano, and Albareda 2009: 177). The examination of direct and indirect NGO influence on an MNC’s CSR approach indicates that the strong interconnection between German policy makers and automotive MNCs, such as VWG, and the crisis at VWG limits the influence of NGOs. The evidence shows that such a close relationship might have prevented ‘stakeholder pressures [being] backed, bolstered, augmented, and given teeth by government’ (Barnett, Henriques, and Husted forthcoming 2018a: 29).

Second, the diagram emphasises the thesis’ contribution to the stakeholder influence literature by pointing out the significant role of the coercive stakeholder pressure instrument ‘lawsuit’. This study draws on Lee’s (2011) analysis that stakeholder theory does not explain mechanisms of stakeholder influence. It also intends to respond to the

finding by Tallberg et al. (2015: 213) that there is not much 'agreement on the factors that make NGO lobbying [on international organisations] effective'. This study illustrates that the coercive instrument works better under environmental conditions that are shaped by a strong interconnection of policy makers and the automotive industry. Thus, it builds on Hendry's (2005: 98) statement that more research is required to understand NGOs' 'reasons for pursuing [...] tactics in a given situation'.

This thesis identified that lawsuits contribute to breaking and neutralising the negative effects of the interweaving of political actors and members of the country's key industry. Thereby, NGOs use political and legal institutions by applying the methods 'lawsuit' and 'lobbying regulators'. This builds on Yaziji and Doh's (2009: 96) work that called these tactics that are usually applied by watchdog NGOs 'highly institutional'. Therefore, the indirect influence method 'lawsuit' is one with which some NGOs may exert unconditional influence. Thus, courts serve as powerful allies for the NGOs, helping to achieve the goal that MNCs at least comply with regulations and possibly adapt their environmental approach.

Hendry (2005: 98) demonstrated that ENGOs use strategies 'regardless of the issue at hand or the firm being targeted'. However, the author also stated that it is not clear how the NGOs choose a particular influence strategy. Hendry (2005) perceived the coercive measure 'lawsuit' as a valuable tool but not as valuable and important as this research has demonstrated. This study shows that the lawsuit is both an important method that complements other tools and an instrument that NGOs use as a last resort. This method not only leads to more legal certainty but also adds credibility and legitimacy to the NGOs' approach. Successful lawsuits may be considered a confirmation of moral rectitude, while other media, such as campaigns and partnerships, are more subjective regarding the justification of their selection and the evaluation of their success.

Third, the illustration reflects another contribution to the stakeholder influence literature by showing the importance of the multiplicity of influence instruments that NGOs exert simultaneously and successively. The concurrent exertion of influence methods, such as campaigns, lawsuits, dialogues, and lobbying of policy makers may lead to unconditional NGO influence. The multiplicity of NGO influence approaches is an effective factor to pressure MNCs, such as VWG, to comply to environmental demands. Therefore, this study contributes to a better understanding of the efficacy of influence methods under consideration of the named contextual factors. Den Hond and de Bakker (2007) and Spar

and La Mure (2003) listed various NGO influence tactics and the intended outcome of these methods. However, they did not consider the effects of the concurrent exertion of tactics or the NGO perception about the efficacy of instruments. Building on Yaziji and Doh's (2009) insight that NGOs use various confrontational and cooperative approaches simultaneously, this study shows how NGOs achieve greater influence if they combine various methods. This goes hand in hand with this study's finding that the usage of individual methods, such as stakeholder dialogues and partnerships, does not enable NGOs to exert influence effectively.

Therefore, the identified multiplicity of influence instruments adds a degree of complexity that is not covered by the mere consideration of stakeholders' resources (for example, refer to Frooman's (1999) model of influence strategies). An example of such a complexity is that NGOs' influence may increase in a crisis due to the MNC's higher dependency on 'external credibility'. The complexity in the understanding of NGO influence is not only reflected in the different NGO influence methods but also in the ambiguous effects of NGO alliances, the delay between cause and effect of NGO pressure, and the consequence of the tight relationships between government and automotive manufactures. Therefore, the NGOs' power and their perceived relevance is dynamic rather than static and changes in times of crises.

Fourth, this thesis contributes to the stakeholder literature by stating how NGOs perceived their role and their interaction with an MNC. Thus, this work responds to demands for more studies on the perspective of the stakeholder group NGO (Arenas, Lozano, and Albareda 2009; Burchell and Cook 2013; Camerra-Rowe and Egan 2010; Lyon 2010). It contributes to a better understanding of the NGOs' perspective by exemplifying the discrepancy between civil society actors' perception of their influence, and the influence ascribed to them by MNCs, such as VWG. Moreover, NGOs may be powerful drivers of change, especially regarding environmental legislations, if they use their options at hand in a clever and balanced way. However, the study's findings consider Eesley and Lenox's (2006) view that the importance or salience of the stakeholder NGO is best reflected in the actions of the MNC. Figure 10 illustrates that NGOs perceive that the direct interaction with the MNC is characterised by elements of CSI and that they observe the strong link between government and car manufacturers as a limiting factor in their attempts to influence VWG's CSR approach.

Fifth, this thesis intends to contribute to stakeholder literature by improving the understanding of how NGOs interact with MNCs in the stakeholder dialogue. It expands Burchell and Cook's (2013: 517) notion that there is a 'growing process of "dialogue fatigue"' among NGOs. This is due to the realisation of civil society actors that they may exert only limited influence through this medium. However, this study complements that stakeholder dialogue often shows elements of CSI and contributes to the NGOs' frustration. In addition, MNCs such as VWG, only seem to meet NGOs' interests but appear to exploit these in the pursuit to meet their own interests. Therefore, this instrument did not function effectively in this instance. It raises questions about the effectiveness of NGO-MNC stakeholder dialogues, which scholars have attributed as increasingly important for MNCs to better understand environmental topics (e.g. Pedersen 2006), to improve their CSR approaches, or to address changing stakeholder expectations (e.g. Unerman and Benet 2004; Veldhuizen, Blok, and Dentoni 2013).

One of the reasons for the ineffectiveness of the MNC-NGO stakeholder dialogue is that NGOs perceive that the stakeholder dialogue is designed in a way that NGOs do not have a real say. To some extent, the dialogue has become a symbol of a long-lasting 'value-action' gap reflected by the MNC's promises to act environmentally friendlier, which is not followed by changes in actions. However, it needs to be stated that all NGOs are open to dialogue with MNCs but only if accompanied by other instruments. The cooperative and rather ineffective direct influence method 'stakeholder dialogue' becomes more effective if it is combined with confrontational approaches, such as campaigns and lawsuits. This finding builds on Valor and Merino de Diego's (2009) outcome that MNCs engage with NGOs if the civil society actors threaten to damage the corporation's reputation. Even though a confrontational approach may appear to be contrary to one that might be required for a constructive dialogue (e.g. Rieth and Göbel 2005), it may lead to increased MNC accountability and thereby to an appreciation of this instrument.

Keck and Sikkink's (1998) five types of influence proved to be useful when analysing how NGOs achieve partial successes. The five stages allowed a more nuanced view of NGO influence on an MNC's CSR approach and therefore contributed to considering and better understanding of NGO influence. Thus, it added an additional view and voice to the debate of the effect of NGOs. Some scholars stated the increasing importance of NGOs in pressuring MNCs to engage in CSR practices (e.g. Burchell and Cook 2008; 2013; Kaptein and van Tulder 2003), others argued that NGOs lost ground (e.g. Rucht

and Roose 1999). However, it became apparent that NGO influence may often only be analysed and proved retrospectively. In other words, NGO pressure that appeared to change MNC behaviour might not have had a sustainable, positive influence on the MNC. When applying Keck and Sikkink's (1998) approach, it needs to be considered that, even if NGOs are successful in persuading an MNC, such as VWG, to adapt its CSR approach, it does not say much about the overall behaviours of the MNC and whether this corporate responsible behaviour is long-lasting or just a sophisticated CSR smokescreen. Therefore, NGOs may influence policy makers and MNCs successfully by fulfilling the five different types of influence, yet an MNC's CSR actions might still be ambiguous due to factors that NGOs may hardly control (e.g. the corporate culture or strong interweaving between policy makers and automotive MNCs).

Table 13 provides an overview of the research gaps and contributions, which have been stated in the previous chapters, in particular Chapter 9. It is listed according to the study's three research objectives.

Table 13: Research Objectives, Gaps/Previous Studies and Contributions

Research Objective	Gaps & previous studies	Contribution
1) To examine the development and chronology of VWG's 'Dieselgate' scandal in the German political institutional context	National, political context has been overlooked in stakeholder papers (Arenas, Lozano, and Albareda 2009)	This study included the contextual factors 'Dieselgate' and the close relationships between German government and automotive industry. It explained how these limited NGO influence on VWG's CSR approach
	More research required that triangulates current data on the emissions crisis with material gained from sources other than VWG (Painter and Martins 2017)	The thesis gave account of the perspective of the stakeholder group 'NGO' on the major corporate crisis at VWG
2) To the influence of NGOs on the CSR approach of a MNC in Germany in the context of a crisis	'NGOs remain poorly understood' (Lyon 2010: 1)	This work contributes to stakeholder theory by providing a better understanding of NGOs
	Lack of research why NGOs pursue tactics in a specific situation/context (Hendry 2005)	It found out that the coercive influence approach 'lawsuit' is the most effective one in the context of tight relationships between government and industry
	There is not much agreement on the factors that lead to effective NGO lobbying (Tallberg et al. 2015)	This study contributes to stakeholder influence strategies by showing mechanisms of NGO influence, explaining that direct influence is mostly 'conditional' due to the weakening effects of the contextual factors. NGOs exert 'unconditional' influence by applying lawsuits and a multiplicity of
	Stakeholder theory does not explain mechanisms of	

Research Objective	Gaps & previous studies	Contribution
	stakeholder influence (Lee 2011)	instruments, which are exerted simultaneously and successively
	(Lack of) effectiveness of direct influence method 'stakeholder dialogue'. E.g. due to NGOs' 'dialogue fatigue' (Burchell and Cook: 2013)	This study complements Burchell and Cook's (2013) insights by stating that the direct cooperative NGO influence method 'stakeholder dialogue' becomes more effective, if applied together with confrontational approaches that exert greater pressure on MNCs  Perception NGOs reflects that stakeholder dialogue with MNCs, such as VWG, often shows elements of CSI
3) To understand the NGOs' perception of their role and influence on a major MNC's CSR approach in the context of Dieselgate	Stakeholder theory almost exclusively focused on the 'analysis of stakeholders from the perspective of the organisation' (Friedman and Miles' 2002: 2)  Neglect of 'growing role of environmental and social interest associations' (Camerra-Rowe and Egan 2010: 416)	This study emphasises the NGO perspective and perception of their role and influence on a MNC's CSR approach. It contributes to stakeholder theory by exemplifying the discrepancy between civil society actors' perception of their influence and the influence that is ascribed to them by MNCs such as VWG

Source: Author

## 9.3 Practical Implications

### 9.3.1 Implications for NGOs

This thesis' findings lead to several implications for CSOs. It contributes to a better and wider understanding of the NGOs' role, perception, and influence on MNCs and policy makers. In addition, it illustrated that the strong intertwining between policy makers and the automotive industry limits the influence of NGOs. The results provide insight that the most successful NGO influence approaches are a mixture of confrontational and collaborative methods. Therefore, NGOs have to understand which levers are more effective when engaging in discussions with both MNCs and policy makers. To be able to exert influence successfully, a certain degree of flexibility is required regarding the selection of influence instruments and tactics.

Traditional NGO work, such as informing the public about environmental topics and legislative developments, remains important; however, it is worth increasing the number of instruments used and assessing the saliency and urgency of topics at the automotive MNCs. For example, by involving different (powerful) players with whom NGOs share commonalities, at least in phases. That requires a certain degree of flexibility and

possibly, 'organisational slack',<sup>67</sup> which might enable NGOs to free resources and work with powerful actors, such as investors and strong individuals in politics or industry. Moreover, the results show evidence that it is beneficial for NGOs to align demands and strategies with other NGOs and adapt existing strategies on changing environments to better shape the stakeholder dialogue with MNCs.

The findings illustrate that there is a lack of transparency regarding the decision-making processes of policy makers. Therefore, it is worthwhile for NGOs to keep lobbying together as alliance for more transparency and accountability. The suggestion of implementing a lobbying register might be a step in the right direction. Other approaches are the initiation of more multi-stakeholder dialogues and round tables that some of the NGOs already organise. Even though the study showed that dialogue might not be the best choice to exert influence, dialogue should play an important role to better understand the different parties' views and to create more transparency. There will always be a mixture of soft and hard law approaches, considering that a hard law approach cannot be considered a panacea, as laws might be written ambiguously or simply not enforced.

Transparency is a key aspect when it comes to the communication of the outcomes of MNC-NGO stakeholder dialogues. Chapter 2 showed the criticism of the NGOs by journalists and other civil society organisations regarding agreements that NGOs made with companies. NGOs need to make sure that collaborations with companies are handled in a transparent manner in order to avoid debates around possible collusions between NGOs and companies. It is one of the key challenges for NGOs to find the right balance between keeping their legitimacy and independence and engaging in collaborations with companies that enable NGOs to exert some influence, as well as to secure funding. NGOs would do well to explain in an open and transparent manner where their funding comes from and what the (companies') expected return service is. By doing that, NGOs may encounter suspicions that they would stop campaigns against MNCs when receiving financial support.

Furthermore, it could help to de-escalate some of the conflicts between NGOs, the automotive industry, and policy makers, if NGOs showed a greater awareness of the

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<sup>67</sup> Näslund (1966: 26) defined organisational slack as the 'excess capacity maintained by an organisation'. For example, organisations may encourage employees to use a certain amount of their resources to try new or unconventional approaches to old problems.

different corporate and political actors' logic. That could be reflected in realistic demands, offering viable solutions to environmental problems, and the insight that corporate dialogue partners may usually not implement proposed changes promptly, especially if the power of these people is restricted within the company. Policy makers follow the institutional logic that focuses on keeping jobs and providing a stable framework for companies. Businesses follow, among others, market logic but are exposed to institutional logic that demands job security, corporate socially responsible behaviour, and so on. The MNCs' reply to these partly conflicting logics might be reflected in ambiguous and contrasting strategies, often with the intention to serve several stakeholders.

When assessing ways to make the intertwining between policy makers and automotive MNCs more transparent, NGOs would be well advised to intensify working together on key projects and legislative challenges. The results show that NGOs work in alliances and coordinate demands to increase their effects; however, there is a greater probability that their messages are more effective if these are consistent. Moreover, it increases the likelihood of being acknowledged as a legitimate partner for policy makers and companies.

The results gained in this study indicate that NGOs should think more carefully regarding whether it would make sense to enter a partnership with an MNC and whether it really creates a sustainable value for the NGOs while endangering their credibility and independence. The 15-year-long cooperation between NABU and VWG is a good example. Even though there have always been rumours about VWG's cheating, the NGO trusted their statements. Moreover, NABU is right in saying that an NGO might not be able to avoid such a crisis; however, NGOs could be more critical when cooperating with MNCs. Even though VWG had a very good image and was known for its social responsibility before the crisis, it must be clear that the corporation only sponsors social and environmental projects if it sees a clear economic benefit. Such a strong benefit seemed to be the partnership among VWG and NABU with manageable costs for the MNC. Furthermore, VWG gained in reputation due to common projects, and more importantly, it increased its social legitimacy. Moreover, the good relationship with NABU and BUND (partly involved in the partnership) might have reduced the risk that public outcries disturb the business. Both BUND and NABU are powerful civic organisations with hundreds of thousands of members. Therefore, it is appropriate for NGOs to be more sceptical, self-confident, and clearer about their demands when considering



partnerships with corporations, considering that the organisations' service is to transfer intangible values, such as legitimacy and credibility.

A question that could not be answered in the thesis but is important to assess is how much influence NGOs are supposed to have and which role should they play to be most beneficial for society (for further discussion, see Banks, Hulme, and Edwards 2014; Dahan, Doh, and Teegen 2010). It may not be the desired outcome to achieve a situation, in which NGOs exert more influence because we would not know whether that really had a beneficial effect for society. It is about equipping NGOs with possibilities and instruments with which they can monitor the activities of MNCs to show them that their actions will not be without consequences. The question is what constitutes a socially acceptable outcome. Do we want powerless or powerful NGOs? They should be monitored and assessed in a similar way, using the criteria they usually apply to other organisations: transparency, accountability, measurability, and professionalism. These are aspects that do not entirely depend on a huge budget.

Additionally, NGOs have to stay flexible and extend their networks and should include powerful actors more often. Thus, it may help to think about existing goal congruencies with influential groups, such as investors and policy makers. Shareholders have a natural interest in a corporation's longevity; therefore, following a CSR approach that contributes to ethical and sustainable business practices is in the interests of both NGOs and investors. In the case of VWG, there are investors who are interested in changes within the corporation. Therefore, there is a common intention in improving the governance structures along with a more serious commitment towards the integration of aspects related to sustainability and integrity in corporate strategies, aspects that might ensure that such a scandal does not happen again. Often, NGOs argue that they do not have enough resources to 'fight at various fronts'; however, there will never be sufficient resources for NGOs; therefore, the issue is whether the available financial and personnel resources are used properly.

This thesis indicated that the studied NGOs often only have a limited influence on the CSR approach of VWG. In the following, several recommendations will be presented on how the NGOs may improve their position in society and in the interaction with private actors. Moreover, the recommendations address approaches how NGOs may find back into a constructive dialogue with MNCs such as VWG.

One of the recommendations for NGO decision makers is to more effectively position their organisations as a solution provider by offering expertise to topics that are highly relevant to society. The NGOs in this study are already strongly involved in exchanges with various stakeholders in political and societal committees, however, it sometimes seems that the public's and policy makers' perception is that NGOs act rather as plaintiffs and admonishers. The NGOs have a huge expertise in environmental matters and could play an immense role in the accomplishment of (environmental) problems that can be found in every city. Examples are noise and air pollution and a lack of infrastructure for alternatively-fuelled vehicles and bicycles. Solutions are required to master the transport transition from diesel/petrol engines to electric cars and NGOs may provide approaches for cities of the future that are less focused on cars. NGOs may be able to re-gain influence and revive a currently malfunctioning dialogue by providing this expertise alongside with concrete suggestions to the implementation.

Another aspect that may improve the NGOs' current situation is their role as 'bridge builder' between societal actors, policy makers and private actors. NGOs have the knowledge about policy making processes and are rooted in civil society with a large number of members. Being in a constant exchange with citizens enables NGOs to better understand the concerns of the population and communicate those to public and private actors, for example, in multi-stakeholder dialogues. However, as mentioned in Section 2.4.2, it is a key precondition that NGOs create transparency and accountability in their decisions, in order to be recognised and perceived as legitimate representative of civil society.

Both listed aspects, NGOs' roles as solution provider and 'bridge builder, require NGOs with a cooperative attitude and the willingness to engage in dialogues with the different actors. However, research has not provided a clear understanding about what makes NGOs most beneficial to society. This thesis shows that a functioning approach might be that NGOs are confrontational on the short run and more cooperative once MNCs and policy makers realise that some far-reaching NGOs demands are important impulses. Clear recommendations are therefore difficult, as there is the constant conflict between the cooperative and the confrontational approach. By following the latter approach, NGOs might be able to raise greater awareness of problems in the media and among policy makers, however, it might jeopardise their reputation by being portrayed as actors that avoid constructive debates. The thesis also showed that a strong cooperative NGO

attitude might not lead to sustainable changes, especially if MNCs such as VWG do not perceive an obligation or accountability to the made statements.

The thesis indicates that there is a certain powerlessness of NGOs in the interactions with MNCs and policy makers and that NGOs alone are not able to address CSR relevant topics. It needs the exchange of various (societal) groups to make sure that such a massive crisis does not happen again and that proclaimed values are followed. Actors such as suppliers, trade associations, works councils, unions or rating agencies are dependent on the big automotive companies, however, they have a duty to take environmental concerns seriously and to consider the long-term effects of managerial decisions. A crisis such as 'Dieselgate' may occur again, if these actors do not take warnings of NGOs seriously or support groups, which are critical towards MNCs' CSR approaches. The decision-makers of these groups, for example, investors and big suppliers, control resources that are important for automotive companies and therefore, have the power to include the voice of civil society and to question a MNC's CSR approach.

### **9.3.2 Implications for MNCs**

This thesis offers various practical implications for MNCs, for example, regarding their interaction with NGOs and the influence of CSOs on the MNCs' CSR approach. Though the study focused on the mechanisms of NGO influence and less on the identification of the NGOs' effect within the MNC's CSR approach, several conclusions regarding CSR can be drawn. Figure 3 showed six aspects of a systemic approach to CSR (Section 3.2.4). By applying this approach to the case study, it reveals that VWG lacks the understanding of the important stakeholder group 'NGO' (Aspect 1 of Figure 3). The data indicated that the MNC's strong interweaving with policy makers enhanced certain developments and behaviours that led to the neglect of stakeholders, such as NGOs. For example, it contributed to complacency and arrogance, which blinded managers and led them to ignore critical voices and events that slowly developed into a massive crisis. Furthermore, the results indicate that VWG's current business strategies are not sufficiently informed by outcomes of the interaction with NGOs.

To minimise the likelihood of future scandals and to be more proactive and genuine about CSR aspects, MNCs should develop strategies that correspond to their claims made in dialogue and integrate CSR-relevant dimensions (Aspect 4). The data suggest that (automotive) MNCs may improve their CSR monitoring by involving NGOs on a regular

basis, not only when companies perceive a threat to their corporate reputation (Aspect 5). The study showed that NGOs preferably use a combination of confrontational and cooperative influence instruments. An MNC, such as VWG, may minimise the harm of such attacks by developing a CSR communication (Aspect 6 of Figure 3) that is shaped by transparency and awareness of a 'company's accountability in society' (O'Riordan and Fairbrass 2014: 137), particularly since the communication of a firm's purpose and responsibility to stakeholders reflects the essence of stakeholder theory (e.g. Freeman 1994; Freeman, Wicks, and Parmar 2004).

The study's results provide evidence of the NGO's perspective and expectations. It shows that MNCs, such as VWG, have to take a step towards their stakeholders to close the gap that has been created in the last years due to corporate messages that were decoupled from reality. Furthermore, MNCs must understand that credibility and legitimacy depend on the truthfulness of their claims. The companies do not exist in a vacuum and therefore must act socially and environmentally responsible by better understanding and including the expectations of the various stakeholders. That would be the precondition for a stakeholder dialogue that aims to address current challenges effectively. It is in the automotive MNCs' interests to engage in a productive stakeholder dialogue that is based on mutual respect and not solely on a risk minimisation strategy. The outcomes depend on the power of the people leading the dialogue and the extent to which top management consider the results.

Moreover, a changing mindset is required to understand that it might take many years to change and modernise a corporate culture and to create a corporate governance structure in which a scandal of that scope does not happen again. That should include the debate around the Volkswagen Act, which enables the government of Lower Saxony to veto key decisions and, thereby, the exertion of unique influence that leads to conflicts of interest.

The work also suggests that it would be negligent for an MNC like VWG to categorise NGOs as a (powerless) secondary stakeholder group or to use stakeholder models, such as the power/interest matrix/grid (e.g. Ackerman and Eden 2011; Mendelow 1991) or Mitchell, Agle, and Wood's (1997) stakeholder typology without acknowledging that stakeholders' power may change. It might be that MNCs are not able to dynamically apply existing frameworks to solve the 'real world problem' (discrepancy between theoretical frameworks and the reality of MNCs), which has been stated in the

introduction (Section 1.1). It seems that it is not beneficial for a stakeholder dialogue that ought to take place at eye level, if a company's (top) management sees NGOs as low interest and low power actors that may not affect a company's business. Therefore, due to the NGOs' power exercised through indirect influence methods, 'literature on stakeholder influence can no longer rely on the established binary distinction between primary and secondary stakeholders' (Barnett, Henriques, and Husted forthcoming 2018b: 25). The VWG emissions crisis and the various lawsuits, especially filed by DUH, showed that NGOs may be powerful. The problem of common stakeholder models is that they are business centred and consider stakeholders mainly from the economic perspective to understand who the most beneficial and legitimate stakeholders for the company are. Moreover, through the conversations and interviews with practitioners, the impression has been given that managers use these stakeholder concepts in a static way. Once a stakeholder is categorised, for example, as one that is of high interest and low power, it remains there, which would not reflect the dynamics of stakeholder relationships.

The success of MNCs, such as VWG, will depend on what kind of company the executives want to build and whether top managers are able to step back from the 'narrow economic logic' when managing stakeholders, towards organisations that build in virtues.

### **9.3.3 Implications for Policy Makers**

The evidence provided shows that policy makers have to reflect whether a further enhancement towards soft law activities is beneficial for society and the democratic structures of the country. In such a scenario, important decisions would then be made by MNCs under the control and regulations of private organisations or, at best, CSOs. In this context, Barnett, Henriques, and Husted (forthcoming 2018a: 29) pointed out correctly that 'without government, self-interested stakeholders can pressure firms to move away from the complex, long-term challenges of wicked problems, and without stakeholder pressures, industries may self-regulate in ways that prove little more than "the fox guarding the hen house"'.

This study provided insight that NGOs perceive multi-stakeholder dialogues as beneficial, as it offers an open, informative, and reliant method of gathering various decision makers and interest groups. However, there is the desire on the part of the NGOs to establish more multi-stakeholder dialogues. Hörisch, Freeman, and

Schaltegger (2014: 340) noted rightly that institutions, societal actors, and companies share the responsibility 'to facilitate a deliberate democratic exchange between stakeholders'. This may mean that decisions made by political actors become more transparent. The data reveal several suggestions about how to create more transparency in the decision-making processes. One idea would be to introduce a lobbying register to understand which actors contributed to certain proposals or regulations. That might lead to a better balanced view on how political actors reach relevant decisions. Finally, it is also important that policy makers understand that there is a danger that democratic processes are hollowed out in times of increasingly powerful MNCs.

The outcomes of the thesis also show that policy makers cannot rely on the insight of an MNC to draw the right conclusions from such a massive crisis. In addition, VWG's crisis should sensitise policy makers that the enforcement of existing laws is important for manifold reasons. On one hand, it would act as a signal for all automotive companies that such a transgression will be punished. On the other hand, it would be a sign to society that the people's health is a priority for policy makers. While the study shows that soft law approaches may not be advisable, hard law only makes sense if regulations are actually enforced against the most powerful MNCs in the country.

The study illustrates that all involved actors, especially those who have regulatory power, would do well to be more critical towards the self-celebrations of MNCs. They should question the significance of sustainability and CSR awards, which industry-sponsored organisations distribute to 'clean' and 'ethical' companies. It would be a strong sign of policy makers to boycott these events, as long as a firm's core product does not fulfil the highest environmental standards. Moreover, it is worth more carefully examining MNCs' activities to differentiate ethical and socially responsible business practices from actions which may merely be considered employee retention and recognition programmes.

## **9.4 Reflection**

Reflecting on the process of writing the dissertation, it has been a worthwhile learning experience that helped me better understand different research methods and relevant literature. However, it also allowed me to grow as an individual by learning to cope with setbacks and phases of demotivation. The PhD requires multiple skills to master the challenge, among others, resilience, time management, and information analysis. However, even more important has been the management of uncertainties and constant doubts. Among the causes of these uncertainties were the lack of linearity, visibility, and

predictability of the outcomes of the process, which comprise the very nature of qualitative research. For example, at the beginning of the process, every interview seemed to question the overall approach and involved a change of direction. In the data collection process, after a few interviews became very anecdotal, I learned that I needed to be sharper to receive relevant data. I had to remind participants not to go off-topic, even though it was interesting diving into their worlds. I also recognised that I needed to start interviews with important questions because anecdotal digressions served as a tactic to avoid further critical questions for some respondents.

Therefore, in hindsight, I would have conducted the interviews differently and, possibly, tested my interview approach in conversations with non-expert participants. I also would have considered interviewing more representatives of stakeholder groups other than NGOs. It has been highly informative interviewing these actors; however, given the heterogeneity of the NGOs' aims and approaches, further 'external' views on the role of NGOs might have added interesting insight.

## **9.5 Limitations and Further Research**

There are several limitations to this study. In terms of the methodology, the access to interviewees was a limitation. After Dieselgate became public, VWG's CSR managers and other representatives of the MNC were quite cautious and less inclined to talk. Consequently, I consulted documents, such as VWG's annual and sustainability reports, more intensively and shifted the focus towards the perspective of NGOs and other stakeholders. Even though the case study was about the influence of six NGOs, the fact that the focus was on a single sector with the example of a single company may be considered another methodological limitation in terms of generalisability (transferability) and validity (credibility). By triangulating data collection sources and interviewing experts, I tried to increase the credibility of the data. Moreover, agreeing with Eisenhardt, Graebner, and Sonenshein (2016: 1118), extreme cases, such as VWG's crisis, may reveal interesting and relevant insight that may be transferrable to other areas. Moreover, there is reason to assume that the six studied NGOs exert influence on MNCs in other sensitive sectors (e.g. pharmaceuticals, biochemical, and energy) in a similar fashion. Another limiting factor is the low number of interviews with NGOs (13 interviews). However, it needs to be stated that these in-depth interviews provided rich data that formed the identified categories, which were complemented by secondary data. There is a great likelihood that more interviews would not have provided more depth considering that the second round of interviews produced less and less new insights.

It must be acknowledged that the crisis situation contributed to a greater salience of NGO influence. Therefore, this study's peculiarities, such as the crisis at VWG and the intertwining between the automotive industry and the German Government, need to be considered and fully understood before transferring the results to other settings. Future research may include more companies and could compare the influence of NGOs on firms and sectors to understand whether the intertwining between policy makers and the industry is a factor that limits the work of CSOs in other sectors.

A limitation of the work may lie in the complexity of how NGOs exert influence and the underlying motives and objectives. Some NGOs might not have the intention to influence VWG sustainably and may focus fully on lobbying policy makers. Other NGOs would rather concentrate on 'attacking' MNCs. Even though the in-depth interviews with the NGOs revealed considerable insight, it was sometimes unclear why a certain action or measure was taken, whether it was chosen because it was the most effective method to exert pressure on the company or because there were other motives, such as a lack of budget, pressure within the organisation, or the prospect of gaining more attention and consequently donations with a different instrument. As with other individuals or organisations, NGOs may also tend to rationalise activities that have been followed in the past.

It can be considered a limiting factor of the study that the role of the media could not be investigated in more detail. The media plays an important role for NGOs in disseminating their messages and putting MNCs under pressure. Therefore, traditional media, such as newspapers and TV, as well as social media are means with which NGOs create and propagate their campaigns. This is an intriguing line of potential further research.

While the proximity between policy makers and the automotive industry has mostly been portrayed to be negative, a certain degree of lobbying and exchange between the actors is normal and legitimate. Moreover, with the Volkswagen Act, the involvement of policy makers in VWG's activities is prescribed by law. Therefore, the Volkswagen Act would need to be revised or abolished to eliminate political intervention.

The present study approached NGO influence very comprehensively. Further research may investigate in more detail, for example, how the NGO-MNC stakeholder dialogue can be designed to be more beneficial for both actors. Moreover, the role of NGO alliances and how these alliances limit and increase the influence of a single NGO might offer an interesting avenue for further research.



Even though 'outcomes are notoriously difficult to measure' (den Hond and de Bakker 2007: 920), further research may focus more on measuring the effects of NGO influence in a long-term study. Thereby, the emphasis could lie on the corporate perspective and perception of influence.

The stakeholder theory has been chosen, as it appeared to be a proper lens to understand NGO influence. However, other perspectives, especially the institutional theory, might provide good insight to better understand external forces, interactions among political institutions and MNCs, and the role of each actor in the triangle of policy makers, businesses, and civil society. Moreover, in a world where the various actors are closely intertwined, a more politicised stakeholder view might be helpful to provide explanations about corporate power and its relation to the democratic structure of capitalistic countries. It would be interesting to apply the institutional theory when aiming to understand in more detail how the intertwining between policy makers and the automotive industry affect actors such as NGOs. This theoretical lens is beneficial in explaining in detail how institutional facets influenced the behaviour of actors, such as NGOs. Therefore, future research might examine NGO influence, the relationships with policy makers, and the role of the national political context from an institutional theoretical point of view.

The notions of soft law and hard law and the link to corporate crises could be an interesting avenue of further research. Consequently, whether NGO pressure 'forces' MNCs to establish voluntary CSR initiatives would need to be examined. These initiatives might create win-win-win situations for corporations, governments (as they could distance themselves from responsibilities) and NGOs, who would serve as watchdogs of these initiatives, which also legitimise their existence.

An interesting question for further research may be to understand to what extent the study's findings on the role and influence of NGOs are applicable to other countries. This study focused on the influence of mainly German NGOs on VWG, an MNC that is headquartered in Germany. The second paragraph of this section stated that this study's unique characteristics need to be carefully analysed before applying the results on other contexts. Several factors stand out in this case, such as the strong involvement of political actors (two politicians are members of VWG's board), the immense economic and societal role of the German automotive industry, as well as the political influence of the big automotive companies. However, the Environmental Appeals Act is a European

directive that grants NGOs in Europe the possibility to file lawsuits, if firms or authority violate environmental standards. Therefore, NGOs in other countries may also use this instrument, however, an important precondition is that these organisations are recognised by the respective country's environmental agency. It can also be of interest for further research to understand how the dialogue of internationally active NGOs, such as Greenpeace and FoE, takes place with MNCs headquartered in other countries. This may also clarify whether such a stakeholder dialogue becomes more effective when it is accompanied by more confrontational instruments, as shown in this study.

## **9.6 Concluding Remarks**

The PhD journey was exciting and brought interesting findings beyond those that were presented in the previous chapters. For example, it was interesting to experience how cautious the various participants were before and during the interviews. This holds true for MNCs, suppliers, NGOs, and policy makers. It seemed the respondents were often in conflict between the official versions of their organisations and what they really thought (positive exceptions were interviewees in higher positions). I expected this restraint with members of VWG, who were more cautious about their public image after the emissions crisis. In addition, policy makers seemed rhetorically well-trained and stuck to the language rules of their parties. However, it was fascinating to see that some of the NGOs were similarly as thoughtful as the previously mentioned actors. One of the reasons could have been that NGOs have become big organisations with professional PR experts. Therefore, they might be afraid of losing control when topic experts (e.g. traffic policy experts) discuss their work. Moreover, it could have been connected to national characteristics. Most participants are Germans, who are considered more risk-averse and may feel rather uncomfortable if they are questioned in areas about which they are not entirely knowledgeable. I often encountered the phrase (on the phone or in emails): 'I don't think I can help you' from NGOs and policy makers. I perceived that some representatives of NGOs were afraid to be themselves, maybe as a consequence of the slight transformation of their NGOs towards less aggressive organisations.

Moreover, it was also an interesting and new experience to contact and speak with policy makers who feel a responsibility to engage with the public; however, at the same time, they were not particularly willing to discuss the emissions crisis. The crisis did not shed favourable light on the role of policy makers, especially not on the governing parties CDU and SPD, as they were in charge in the last years. However, it helped me to better understand that politicians have a different logic and the short cycle of four years puts

an immense pressure on them in responding to the various stakeholders. Therefore, it is to some extent understandable that policy makers perceive many events from an electoral perspective.

Another important insight I gained in the process of writing this thesis is that NGOs might only be able to have long-term effects on MNCs, such as VWG, if they are able to mobilise the government. By doing that, they may make clear that environmental policies are more important than the interests of major MNCs and their shareholders, even if MNCs use thousands of jobs as a tool to exert pressure. In addition, NGOs need to continue explaining to consumers how much power they have with their purchasing decisions and should provide them with the required information. After all, NGOs play an important role in society and have a great responsibility if they investigate inconsistencies and explain difficult issues to the wider public and represent society by scrutinising the decisions of corporations and policy makers.

Lastly, it makes sense to direct the view to the big picture of NGO influence. I think it is valuable to understand how, when, and where NGOs exert influence on MNCs; however, it is even more important to understand how the bigger environmental and societal problems may be approached. Consequently, it would be a beginning to understand how civil society groups influence one big actor, such as VWG. However, more importantly, it is relevant to aim for changes among whole sectors in agreement with the variety of stakeholders to achieve major environmental and societal effects. That may happen by 'moving away from individual business–NGO partnerships to large-scale, multi-stakeholder initiatives' (Pedersen and Pedersen 2013: 16) to comprehend the complexity of contemporary challenges.

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## APPENDICES

### Appendix 1: Semi-Structured Interview Guide: Example of Interview with NGO

Translated semi-structured guide used for interview with an NGO:

#### 1. Introduction of research project and my person

- My name is Malte Busch, I am a doctorate student at the Centre for Business in Society (CBiS) at Coventry University. My PhD thesis is about understanding the mechanisms with which non-governmental organisations (NGOs) exert influence on a multinational company (MNC) such as Volkswagen Group (VWG). Moreover, I am interested in understanding the interactions between political actors, businesses and NGOs. I would like to know more about how NGOs influence VWG's corporate social responsibility (CSR) approach and how these organisations perceive their role.

- I conduct a qualitative study. An important feature to ensure the quality of the study is that interviews are recorded in order to transcribe these properly. It enables the researcher to use direct quotes, which is of enormous importance for the credibility and relevance of the work. In addition, it allows the researcher to focus fully on the conversation.

#### 2. Question to role/position of participant

- What is your responsibility within your organisation?
- What do you currently work on?

#### 3. Questions to stakeholder interactions and exchanges between NGOs and VWG

- How would you describe your organisation's relationship with VWG?

Question rationale: To gather information about the NGOs' formal and informal ties with the corporation.

- What are the platforms and forums at which you meet?

Questions rationale: To get more insights about the level and formalisation of the interactions, which may take place, for example, in stakeholder dialogues.

#### 4. Questions to NGO influence on VWG's CSR approach before and after 'Dieselgate'

- How do you evaluate your influence on VWG before the crisis?

Question rationale: Getting an understanding about the state of the relationship and insights about how the NGOs perceive their role and influence.

- How did the relationship with VWG change after the crisis?

Question rationale: Understanding if (formal and informal) NGO-MNC relationships 'survived' the crisis and what needs to happen that NGOs engage in constructive exchanges again.

- How do you think did your influence and use of instruments to exert influence and pressure change after the crisis?

Question rationale: It was important to learn about the NGOs' approaches and whether these shifted from cooperative to confrontational.

- How do you perceive VWG after the crisis?

Question rationale: This question aimed to understand how NGO perceive the VWG's behaviour after 'Dieselgate' and whether there's a basis for dialogue.

- In view of the crisis, how would you have done things differently?

Question rationale: To understand how NGOs reflect on their behaviour and chosen influence instruments and how they see their role now.

## **5. Conclusion**

- Do you have any questions?
- Do you know someone who could be interesting talking to?

## **Appendix 2: Participation Information Sheet and Informed Consent Form**

### **Participant Information Sheet**

**Study title:** The Influence of Non-Governmental Organisations on a Multinational Company's Corporate Social Responsibility Approach during a Crisis

#### **Information about the project/Purpose of the project**

This interview is part of a study about how NGOs affect the corporate social responsibility (CSR) approaches of the Volkswagen Group (VWG) in the automotive industry. I am interested in getting a deeper understanding about the matter by having discussions and interviews with civil society, corporate and political institutional stakeholders about their perceptions, experiences, and understandings on the role and influence of NGOs.

#### **Why have I been chosen?**

For the purposes of this study, I intend to interview representatives of NGOs, companies and institutions who work in CSR-related areas as well as CSR/industry experts who have gathered experience in the automotive industry. You have been selected for the interview, because you represent the civil society actor NGO.

#### **Do I have to take part?**

No. Participation is voluntary. There is no obligation for you to participate. It is your individual decision to take part in the interview. It will fully be respected in case you do not take part and no disadvantages will arise for you. If you decide to withdraw, you can contact me using the contact details below. After withdrawal from the study, your data will be destroyed and not used in the study if you so wish.

#### **What is the duration of the research?**

The interviews are likely to last between half an hour and one hour.

#### **What do I have to do if I take part?**

You will be asked to take part in a semi-structured interview at a place at your own convenience. The interview will take place in February 2018. You will be asked about the role and influence of NGOs, the relationship to VWG, your perception regarding the influence of NGOs on the automotive industry and VWG's CSR approach, and your perspective on the incidents ('Dieselgate' 2015) at VWG. With your permission, the interview will be recorded using audio recording equipment, in order to create an interview transcript for data analysis purposes, which is complete and accurate. You will be asked to sign a Consent Form to confirm you understand the purpose of the research and agree to participate in this study.

#### **What are the risks associated with this project?**

The interview does not include intimate or other questions of private nature. The questions asked are solely regarding the role and influence of NGOs, the relationship to VWG, your perception regarding the influence of NGOs on the automotive industry and VWG's CSR approach, and your perspective on the incidents ('Dieselgate' 2015) at VWG. Any personal or controversial information shared by the participant will remain confidential at all times. It will be coordinated with the participant which part of the interview shall be included in the project. This research will not contain any unethical or violating information. With utmost confidence I can assure that this research will not cause any harm or discomfort to the participant, supervisor or the University.

**What are the benefits of taking part?**

There will be benefits of taking part in this research for NGOs, policy makers and automotive companies, as the research may help to develop a better understanding about the influence of NGOs, their role and perception, as well as, related interactions and streams of influence between institutions and companies in the automotive industry. The findings will also be shared with the involved institutions and companies.

**Will my taking part in this study be kept confidential?**

Participants will remain under anonymity in all stages of this investigation. Information received from every participant will be stored securely in password protected electronic files. All references to individuals or organisations will be removed or given pseudonyms if data is to be included within the submitted study, unless express permission has been given. Various data collected will be demolished on submission and completion of the research project.

**What if something goes wrong?**

If you do not wish to be involved in the interview process anymore, you may withdraw at any time. If things go wrong, or you wish to complain, you can contact myself or the project supervisor. Contact details are given below.

**What will happen with the results of the study?**

The results of the study will be used for the researcher's PhD thesis. At a later point, parts of the thesis may be published in peer reviewed academic journals. The results of the study may also be presented at academic conferences.

**Who is organising and funding the research?**

The research is being organised by Malte Busch, a PhD student in the Centre for Business in Society (in the Faculty of Law and Business) at Coventry University. The centre is funding the research.

**Who has reviewed this study?**

The project supervisor and a Faculty Research Ethics Leader, as part of the University Applied Research Committee (UARC).

**Further information/Key contact details of researcher and supervisor****Researcher Contact Details:**

Malte Busch  
Faculty of Business and Law  
Centre for Business in Society  
The University of Coventry

**Director of Studies Contact Details:**

Dr. Jason Begley  
Centre for Business in Society  
The University of Coventry



**The Influence of Non-Governmental Organisations on a Multinational Company's Corporate Social Responsibility Approach during a Crisis**

(Researcher keeps this section)

I agree to take part in this interview under the conditions explained to me above:

Participant Signature..... Date.....

Researcher Signature..... Date.....

Are you interested in receiving a report based on this research when the study is complete?

YES.....

NO.....

Contact details:

Phone number.....

Email.....

## **Informed Consent Form**

### **Project title:**

The Influence of Non-Governmental Organisations on a Multinational Company's Corporate Social Responsibility Approach during a Crisis

### **Name of researcher:**

Malte Busch

**Please tick**

1. I confirm that I have read and understood the participant information sheet for the above study and have had the opportunity to ask questions.

☐

2. I understand that my participation is voluntary and that I am free to withdraw at any time during the research process.

☐

3. I understand that all the information I provide will be treated in confidence

☐

4. I agree to be recorded as part of the research project

☐

5. I agree to take part in the research project

☐

Name of participant:

Date:

Signature:

Malte Busch (researcher)

Date:

Signature:

### **Appendix 3: Email to NGOs: Request for Interview**

This is an example of a cover letter of an email that I sent to NGOs to ask for an interview. This email was translated from German.

Dear Mr/Mrs X,

My name is Malte Busch, I am a PhD student at Coventry University. My work focuses on how civil society institutions such as NGOs influence corporate social responsibility (CSR) approaches of multi-national companies (MNCs) in the automotive industry, especially the Volkswagen Group (VWG). In the course of the data collection, I am talking to non-governmental organisations (NGOs), politicians, and representatives of companies.

Would it be possible to talk to you personally in your office or by phone for about 30 minutes? It would be very interesting to include the perspective of your organisation [insert NGO] and to discuss, among other things, how you perceive CSR in the automotive industry, the influence of NGOs on the CSR approach of an automotive MNC, such as VWG, and to learn more about your perspective on the emissions scandal at VWG/the automotive industry.

Thank you in advance. I look forward to getting in touch with you.

Best wishes,

Malte Busch

#### Appendix 4: Aggregate Dimensions, Second and First Order Themes, Exemplary Quotes

Aggregate dimension: <i>Structures of Intertwining</i>		
Second order categories	First order categories	Exemplary quotes
Regulatory softness	MNC felt protected by policy makers	<p>'[VWG] felt safe to do such things [and] probably thought they are always protected by the political system in Europe' (Interview #13, TI).</p> <p>'The policy [makers] could affect the company [VWG] in a different way, but this is obviously not wanted. It is probably no longer the goal to enforce stricter targets in order to meet the exhaust gas norms and then one comes to such problems as you have not only with VWG, but with a large part of the automobile industry' (Interview #19, DKA).</p>
	Imprecise formulation of laws and regulations	<p>'The first failure was quite clear that the Regulation 215/2007 was not properly implemented. This clearly states that until 2 January 2009 it is necessary to express effective sanctions which have to be proportionate, but also daunting. In the US, there are these sanctions, so there are now enormous fines to be paid by VW and which can then be used to develop the infrastructure for electric mobility. There is nothing like that in Germany' (Interview #6, BUND).</p> <p>'There are always these borders between what is legal and what is already fraud. They are so fluent. Since the automobile industry has been so creative. Also, because the lawmaker did not look closely and sometimes, did not quite define what's allowed and what isn't. And here, the industry has become increasingly better to exploit these loopholes' (Interview #7, NABU).</p>
	Problems known for years (inactivity of policymakers)	<p>'Something like the Federal Minister of Transport and their inactivity, I have never experienced that in this form. From this point of view, unfortunately, nothing surprises us. One can only hope that through the investigation committee, which is now at the federal level or from the EU Parliament, that there is now much more pressure from this side' (Interview #7, NABU).</p> <p>'It is a crisis of the institution, of those who have been aware of the problem for years and have not reacted to it' (Interview #18, DUH).</p>
Indicators of political institutional failure	Policy makers torpedo stricter legislations	<p>'This is a dilemma in which we are at the moment, that we are trying to make clear who is responsible for the whole thing and who is to blame in the future for driving bans in cities. Not us, that's the producers and the government that hasn't felt addressed and did not control. That must be said clearly' (Interview #28, BUND).</p> <p>'It is a crisis of the institution, that is, of those who have been aware of the problem for years and have not reacted to it. Then the question [is], why can the industry do something like that. I would have an</p>

<b>Aggregate dimension: <i>Structures of Intertwining</i></b>		
<b>Second order categories</b>	<b>First order categories</b>	<b>Exemplary quotes</b>
		<p>annoying lawsuit breathing down my neck...' (Interview #18, DUH).</p> <p>'German policy makers have always advocated for the automobile manufacturers, to push pollutant emission standards through on European level [and] torpedo any legislation that might harm the automobile industry in Germany' (Interview #13, TI).</p>
	Government followed requests of lobbyists	<p>'The lobby departments of the automotive corporations are very well-equipped. Among all producers, VWG spends the most money. Furthermore, we observe a massive exchange of personnel between industry and politics. We see the boss of VDA, Wissmann, he was minister of transport in his political career. There are very good connections. Even politicians of The Greens confess themselves to the industry with words, which you would hardly expect from a party that calls itself ecological' (environmental expert Moser (Greenpeace) in Scheunert (2016)).</p> <p>'The VDA is a lobbying association that just wants to enforce its interests, which is a legitimate request. The only problem is that the VDA is constantly in the Chancellery. If the DUH would try to do that, they would be laughing at them when they want to talk to the chancellor' (Interview #25, opposition party).</p>

<b>Aggregate dimension: <i>Mechanisms of conditional direct NGO influence</i></b>		
<b>Second order categories</b>	<b>First order categories</b>	<b>Selected evidence</b>
Influence within changing relationships	New developments made relationships difficult ('more skeletons in cupboard')	<p>'Over time, it became clear that there is still one or the other skeleton in the cupboard. Especially, now after <i>Der Spiegel</i> revealed [the cartel agreement scandal in the German automobile industry]. There, we have to keep some distance for now. They must do their homework' (Interview #27, NABU).</p> <p>'VWG has not [changed] to the extent that I had thought. I know people at VWG [...], who say that little has changed within VWG. That is clear. One cannot expect that decades of gridlocked structures change within one year. You need more air' (Interview #28, BUND).</p>
	NGOs were involved to foster environmental actions (before crisis)	<p>'[There were] sponsoring projects on the topic of peatland conservation as a major climate protection tool, that was a few years ago. With the funds we were able to generate with VW, we could found the "International Peatland Conservation Fund" and also renovate many moors in Germany' (Interview #7, NABU).</p> <p>'This is a decision for climate protection and an important signal for the protection of the environment and society and the production of climate-friendly technical solutions in series. We will continue to keep in touch with Volkswagen [VWG],</p>

Aggregate dimension: <i>Mechanisms of conditional direct NGO influence</i>		
Second order categories	First order categories	Selected evidence
		also with regard to mobility concepts for the future' (Greenpeace 2013).
Influence within stakeholder dialogues	Preconditions need to be fulfilled for NGOs to engage	<p>'We have said [that] something substantial needs to happen in the company. It can not only be that the vehicles become compliant. And that is where we have made this series of demands. My status today [July 2016] is that quite a number of requirements have been implemented' (Interview #7, NABU).</p> <p>'We notice that we hit the right nerve with a campaign when companies call and want to talk to us [...] It's usually about them wanting to know more about what our demands are. 'What do we have to do, so you do not get on our nerves'? (Interview #33, Greenpeace).</p>
	Stakeholder dialogue led by powerless people	<p>'I am actually in [a] good exchange with company representatives, but not with those who end up making the decisions.... The people from the sustainability departments say, 'We can basically do what we want, if that means €50 less profit per car at the end of the day, then it will not be done'. This is less frustrating for me because I do not expect anything else than for the people in the sustainability departments who put a lot of work, effort, and brainpower in the development of really innovative, good things that do not end up in the product because it reduces the profit' (Interview #28, BUND).</p> <p>'[VWG] would not enter into any commitments [in stakeholder dialogues], which had legal implications. These are meetings, which would have to be led in a much smaller circle and then with people, who make decisions. Otherwise, I can also read the annual report. I'd have the same information' (Interview #18, DUH).</p>
	Roundtable discussions to address issues	<p>'If VWG or other corporations have developed a new environmental policy or a new car, then they want to get a first assessment of environmental experts. That's very often informal. Then there are also formal round tables, where the individual companies usually meet with several environmental associations and experts' (Interview #32, Greenpeace).</p> <p>'This is a process where you get informed about certain connections. This is necessary for an environmental association to get expertise from experts from specific areas, to get insights into what is possible and what is not possible. These discussions are partly very constructive. But if you break it down to what is currently happening [August 2017], there are no conversations' (Interview #29, DUH).</p>
Process of creating gradual pressure	Simultaneous and successive exertion of influence instruments	<p>'There must be a campaign around the lawsuits that leads the DUH, we do that. Then, there is a public debate that may create and exert pressure. Of course, the legal way is very strong and expedient,</p>

Aggregate dimension: <i>Mechanisms of conditional direct NGO influence</i>		
Second order categories	First order categories	Selected evidence
		<p>but if there was no debate at all, etc, the DUH and we would not take any measurements [...] the whole repertoire then leads to changes' (Interview #32, Greenpeace).</p> <p>'We want to convince [others] with professional arguments, we want to convince policy [makers] and hope that the automobile groups are also looking at what we produce on paper and comparing in the studies. At the end of the day, it will probably only be about lawsuits. This is totally sad, but the experience shows it' (Interview #28, BUND).</p>

Aggregate dimension: <i>Mechanisms of conditional indirect NGO influence</i>		
Second order categories	First order categories	Selected evidence
Conditional influence: pressuring political actors	NGOs are invited to parliamentary committees & forums	<p>'We are in very strong dialogues in different compositions. With other associations, then with industry associations, we sit at a table, with external experts, but there are also parliamentary events, parliamentary evenings or breakfasts, where the appropriate political decision makers are invited to put certain demands on the table. Or, of course, the bilateral talks at federal as well as European level with the deputies. At European level, we are talking with the Commission depending on the subject' (Interview #29, DUH).</p> <p>'A [BUND] representative [of environmental and consumer protection associations] sits in the Council of the <i>Agora Verkehrswende</i> [transport transition] with state secretaries of all the Federal Ministries, a minister of state and representatives of all large German corporations, and IG Metall' (Interview #28, BUND).</p>
	Pressuring policy makers: e.g. public letters	<p>"Without the Environmental Action Germany [DUH] nothing would have happened in the last few years before the VW scandal. They themselves have made their own measurements with Axel Friedrich and can place them [the results] in the media, but nothing really has happened. Now they are the pioneers who filed lawsuits for false declarations of cars. Actually, they play the role that an audit authority under the Ministry of Transport should play. So...the DUH is very important in this context" (Interview #25, opposition party).</p> <p>'There [...] are joint letters to ministries or the Federal Chancellor' (Interview #30, DUH).</p>

<b>Aggregate dimension: <i>Mechanisms of conditional indirect NGO influence</i></b>		
<b>Second order categories</b>	<b>First order categories</b>	<b>Selected evidence</b>
Influencing strength of NGO alliances	Coordination of topics and tasks	<p>'We do very much with NABU, BUND and WWF, etc. We are very well in contact with all other environmental associations and work very close together. We've been doing this for decades. [...] We also work closely with other environmental associations and agree on most points. We are more or less always on a line - as regards the technical requirements and also the demands on the policy' (Interview #29, DUH).</p> <p>'it is a fact that there is a good cooperation, even though one or the other [NGO] may receive most of the merits. It sometimes sinks into oblivion that we all contribute and all play a part. We and DUH do lawsuits, as the DUH has the lawyer, who has done that from the very beginning' (Interview #31, BUND).</p>
	Taking advantage of each other's differences	<p>'Different NGOs then complement each other with different strategies. If a group gets a beating from us, but then has the opportunity to engage in a more intensive exchange with other NGOs, to which we have no interest, but to get the learning' (Interview #33, Greenpeace).</p> <p>'Everyone also makes something alone for themselves or takes over key issues. We have developed legal matters more strongly than the other associations. NABU focusses on cruise ships and emissions, the VCT on public transport or fleet management' (Interview #30, DUH).</p>
Unconditional influence: coercive stakeholder pressure	NGOs sue cities & Federal States	<p>'We filed a lawsuit as BUND in Hamburg and won. The city has to set up a new 'urban clean-up plan', which is now based on false figures. Something has to happen. If the automobile industry does not use such an opportunity to contribute to air pollution control, such as the diesel summit, the DUH will make even more efforts through lawsuits' (Interview #28, BUND).</p> <p>'We also have various legal procedures. We have just opened a new one again today [in October 2016] and the last verdict in Dusseldorf; driving bans for diesel are clearly named as the central measure, there was no doubt about that at the hearing' (Interview #29, DUH).</p> <p>'If we did not have the lawsuits in the many cities, the pressure would not be so great' (Interview #30, DUH).</p>
	Lawsuits being the most effective approach	<p>'At the end of the day it will probably only be about lawsuits. This is totally sad, but the experience shows it. We filed a lawsuit as BUND in Hamburg and won [...] the DUH will make even more efforts through lawsuits. You can assume that. The courts will follow them. All parameters and legal requirements force them to do so' (Interview #28, BUND).</p> <p>'The basic problem that we see is the strong bond between industry and politics, which doesn't make life easier for us. For this reason, the most effective</p>



Aggregate dimension: <i>Mechanisms of conditional indirect NGO influence</i>		
Second order categories	First order categories	Selected evidence
		way for us is the juridical (i.e. the laws), which we have. Without these, we wouldn't hardly be making any progress, I must say. There is not much to do in the dialogue. Quite apart from that, the dialogue from the other side is not wanted at all' (Interview #29, DUH).
	Multiplicity of influencing instruments	<p>'There must be a campaign around the lawsuits that leads the DUH, we do that. Then, there is a public debate and you can also create and exert pressure. Of course, the legal way is very strong and expedient, but if there was no debate at all, etc. The DUH and we would not take any measurements [...] the whole repertoire then leads to changes' (Interview #32, Greenpeace).</p> <p>'If we take up a topic, it is often so [that] we as DUH organise regularly expert rounds, where we try to bring all the actors to the table. Manufacturers, associations, representatives from the supplier industry who can supply innovative technologies. [We] try to discuss the problem in this circle and to bring forward solutions. Some of these topics are then more or less advanced in this context, without large-scale public relations work. For other topics it is different, it is also depends on how complex the topic is and whether we can hope to raise some interest outside, whether we need the public pressure or whether we feel, that goes well without' (Interview #18, DUH).</p>

Aggregate dimension: <i>NGO perception of (conditional) influence</i>		
Second order categories	First order categories	Selected evidence
NGOs' conditional influence	Rare feedback on NGO publications	<p>'We do not get any feedback from the automotive industry. Seldom, something comes back. I know from different persons in the automotive industry that they notice (the messages) and I also know that politics notices it' (interview #6, BUND).</p> <p>"I think VWG will only come forward to do that under great pressure. So, I believe [...], the shareholders feel so safe and, because of the power relations, the share ownership, that they do not consider it to be necessary to enter into dialogue with civil society" (Interview #19, DKA).</p> <p>'They should have rather heard at one point or another what we have suggested. Therefore, there are some in the company that now evaluate the role of NGOs differently. Whether the influence has now grown or decreased is difficult to say' (Interview #27, NABU).</p>
	Influence is restricted on 'smaller' aspects	'We have always managed to raise awareness in the public as well as among the companies that there is a greater perception, in our case, regarding environmental performance in the widest sense. At the same time, I would say that, of course, at the

Aggregate dimension: <i>NGO perception of (conditional) influence</i>		
Second order categories	First order categories	Selected evidence
		<p>end of the day, there are always internal economic interests that decide whether a thing is decided one way or the other. We were quite intensively in discussions with the manufacturers concerning the choice of a new refrigerant for air conditioning systems and we have led quite constructive conversations – on a comparatively high level. Initially, there was also an agreement to choose an environmentally-friendly refrigerant, but in the end, they decided against it' (Interview #18, DUH).</p> <p>'I'll say it this way, stories that don't change the structure, that can all be done. A particle filter can be installed, other coolant can be installed, without reducing the power of the vehicle, not making the vehicle less attractive. You can say, these are soft factors. This can be introduced, that makes us happy and then we say, 'oh just look, we've made it'' (Interview #6, BUND).</p>
NGOs' perception of corporate social irresponsibility (CSI)	NGOs' impression that CSR is a lip service	<p>'VWG was exemplary in some areas. But that was quickly unmasked. That was only pretence, because of this fraudulent software. Therefore, you must revise all that we previously thought of VW as a modern, environmentally conscious company' (Interview #19, DKA).</p> <p>'I don't disagree that [CSR] is discussed at the highest level, but when it comes to money, when there's the threat of selling less cars, then CSR doesn't play a role anymore. If VWG or other corporations would have taken CSR really seriously, then it [the crisis] would have never happened' (Interview #6, BUND).</p>
	NGOs used as fig leaf	<p>'I feel, and I think the others as well, like a fig leaf. We talk to the company and nothing comes out. The cars get bigger, the cars get heavier, dirtier, or rather not cleaner. Then, you have not accomplished much in principle. Then, a corporation like VW doesn't really engage itself much' (Interview #6, BUND).</p> <p>'As long as this is just a rhetorical story and the corporation does not really add substance, we are very careful and then do not let ourselves be abused as a fig leaf. We do not feel like doing that. We have to have the impression that there is an exchange, where there is interest in what we do' (Interview #33, Greenpeace).</p>
	Lack of MNC insight: scandal is called 'Dieseltopic'	<p>'The wording is already a problem. They call it 'Dieseltopic' [...] This is systematic fraud. My boss says that is bodily injury causing death. It is not a topic. Therefore, I think within the companies I actually believe that there are two strands that are being pursued. I also believe that CSR people are not really communicating with those who deal with the acute issue' (Interview #18, DUH).</p>

<b>Aggregate dimension: <i>NGO perception of (conditional) influence</i></b>		
<b>Second order categories</b>	<b>First order categories</b>	<b>Selected evidence</b>
		'The first thing that crosses my mind is that for VW, the scandal is always only Dieseltopic, that is, they have not understood within the company at all that this is a large-scale scandal, which also costs quite a lot of money. This still seems to me to be, according to the motto, somehow that's a topic that can be processed quickly and then everything's good' (Interview #13, TI).

## Appendix 5: More Detailed Table of Selected Lawsuits

### Approach to analyse relevant lawsuits:

1. Screening websites of the NGOs for indications of and reports about lawsuits
2. Scanning the press releases of the 24 German Higher Regional Courts (In German: *Oberlandesgericht*). The Higher Regional Courts are second highest judicial authority in Germany
3. Focussing on the news on lawsuits and court decisions that involved NGOs (e.g. NGOs against cities, Federal States and VWG).

Refer to Table 10 for the less detailed version

Description of Lawsuit/Case	Date and File number	NGO	Year	Result
DUH v Dusseldorf DUH demanded that Dusseldorf does not allow diesel cars with illegal software to enter the city. ( <i>Justiz NRW</i> 2016)	13.09.2016 3 K 7695/15	DUH	2016	Rejected. Reason: DUH is not entitled to file a lawsuit
BUND v KBA BUND demanded that there should be a sales ban on diesel cars as these do not comply with EU regulation 715/2007 (BUND 2017; <i>Schleswig-Holsteinisches Oberverwaltungsgericht</i> 2017b)	27.03.2017 3 B 41/17	BUND	2017	Rejected. The administrative court argued that the EU regulation 715/2007, to which the NGO referred to, does not allow for a sales ban
DUH v KBA ( <i>Schleswig-Holsteinisches Oberverwaltungsgericht</i> 2017a)	13.12.2017 3 A 26/17, 3 A 30/17, 3 A 38/17, 3 A 142/17 und 3 A 59/17	DUH	2017	The administrative court rejected five DUH lawsuits. Reason: DUH is not entitled to file a lawsuit. However, the court allows an appeal considering the fundamental meaning of the case
DUH v BMVI DUH demanded BMVI to reveal the document that VWG handed over in November 2015 with information about the	19.12.2017 VG 2 K 236.16	DUH	2017	NGO won. BMVI must publish the document. The court stated that the freedom of information for

Description of Lawsuit/Case	Date and File number	NGO	Year	Result
cheating of the values of 800.000 cars. (DUH 2017a)				the public comes before the interests of the BMVI
BUND v managers at VWG, Porsche, Audi, Daimler Group, BMW Group.  NGO submitted criminal charges on suspicion of intentional air pollution by NOx emissions from diesel vehicles. (BUND 2017a)	Email was sent to BUND in March 2018 for details, however no reply. The NGO's website stated that "BUND's criminal charges are available on request" (BUND 2017a).	BUND	2017	
DUH v Stuttgart The NGO demanded rectification of the clean air plan of the city Stuttgart and a year-round driving ban for diesel vehicles from 2018 onwards. ( <i>DUH v Federal State Baden-Württemberg</i> 2017)	28.07.2017  Az. 13 K 5412/15	DUH	2017	NGO won. The court stated that health protection is to be rated higher than the interests of diesel drivers.
Three US-American funds v VWG ( <i>Oberlandesgericht Celle</i> 2017)	8.11.2017  Az.: 9 W 86/17	-	2017	Funds won. VWG must let a special auditor investigate the events around Dieselgate.
With two judgments, the Federal Administrative Court (highest administrative German court) in Leipzig has largely rejected the leapfrog revisions of the federal states of North Rhine-Westphalia (BVerwG 7 C 26.16) and Baden-Württemberg (BVerwG 7 C 30.17) against first-instance court decisions of the administrative courts of Dusseldorf and Stuttgart for updating the air quality plans Dusseldorf and Stuttgart. ( <i>Bundesverwaltungsgericht</i> 2018)	27.02.2018  BVerwG 7 C 26.16 BVerwG 7 C 30.17	DUH	2018	NGO won. The Federal Administrative Court confirmed previous judgments in favour of DUH.

Source: Author

Note:

It is expected that the Federal Court (in German: *Bundesgerichtshof*), Germany's highest court, will decide verdicts within the next 3-5 years, which will affect the outcome of future lawsuits that NGOs, consumers and institutional investors intend to seek.