

"A man is  
great by  
deeds, not by  
birth"

-Chanakya

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INDIAN INSTITUTE OF MANAGEMENT KOZHIKODE



## Case Study

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### **Volkswagen Emission Scandal: The Stock in Smokes**

**Soumya Roy<sup>1</sup>**

**Dipayan Roy<sup>2</sup>**

**Dinakar Prabhu<sup>3</sup>**

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Please contact the corresponding authors if you would like to access the full case

<sup>1</sup>Associate Professor, Quantitative Methods and Operations Management Area, Indian Institute of Management, Kozhikode, IIMK Campus PO, Kunnammangalam, Kozhikode, Kerala 673570, India; Email: soumya@iimk.ac.in, Phone Number (+91) 495-2809109

<sup>2</sup>Associate Professor, National Institute of Construction Management and Research; Email - rdipayan@ms.nicmar.ac.in

<sup>3</sup>Dinakar Prabhu, State Street Corporation; Email - dinakar1988@gmail.com

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## Case

### Volkswagen Emission Scandal: The Stock in Smokes

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The hearing of the lawsuit filed by more than 2000 shareholders, including many powerful investment firms against the German Car maker Volkswagen (VW) started on 8<sup>th</sup> October 2018 at Braunschweig near Wolfsburg, the headquarters of the VW. The main plaintiff of the case was Deka Investment, the major asset management fund of a German network of savings bank (Boston, 2018). Deka's legal advisors were led by Andreas Tilip who had previously handled similar lawsuits. The lawsuit claimed that VW concealed the manipulation of the emission data in US leading to a loss of €9 billion (\$10.4 billion) approximately (Petzinger, 2018). It was further claimed that VW had knowledge about the fact that its diesel engines would not be able to pass the standards set by US environment regulation from 2008. The shareholders argued that VW had deliberately allowed inflating of the share prices by not passing on the information of this unethical practice to them. The judicial board thus faced a herculean task of determining the impact of this scandal on the shareholder's wealth.

#### **About Volkswagen**

Volkswagen Group was established in the year 1937 by the German government to mass produce economical cars. Before the mass production could be put in place, the world war broke out and they had to resort to utilize their resources for meeting military needs. It was in 1950s that the company started expanding their production and their sales across different parts of the world as well. After an initial joint ownership of the group by the government of West Germany and the state of Lower Saxonomy, the firm was denationalised with the sale of 60% of the stocks to the public. Although VW made a mark in the small cars segment, they changed their focus to sporty models in 1970s to avoid stiff competition in the small cars market and focus on the rising trend for sports type cars (Tolliday, 1995). VW created a name for itself as one of the most trusted brands in the automobile market and spread their markets to many international markets.

Research Office  
Indian Institute of Management Kozhikode  
IIMK Campus P. O.,  
Kozhikode, Kerala, India,  
PIN - 673 570  
Phone: +91-495-2809238  
Email: [research@iimk.ac.in](mailto:research@iimk.ac.in)  
Web: <https://iimk.ac.in/faculty/publicationmenu.php>

