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The Key to Solving Volkswagen's Identity Crisis

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Automaker Volkswagen (VW) recently made international headlines with its emissions scandal. The company misled both regulators and customers on the emissions levels of its vehicles through software created to manipulate testing.

According to a Gallup survey conducted in October, 75% of Americans were familiar with the scandal. Though the popular automaker came clean, the scandal has had major implications for both VW's reputation and its financials. A scandal of this magnitude raises the question of what led such a renowned brand to deliberately deceive its customers.

In 2010, VW revealed a plan to be the No. 1 car seller in the world by 2018 despite both of its predecessors, Toyota Motor and General Motors, acknowledging the downfalls of being "supersized." VW's plan was aggressive, aiming to triple sales through key tenants such as maintaining the German look of models, continuing to focus on fuel efficiency and sustainable mobility, improving quality, and capitalizing on a simplified hardware strategy. In hindsight, this ambitious growth plan seems to have created a culture in which consumer transparency and integrity became less of a priority, and where cutting corners became acceptable. VW admitted that its internal investigation thus far has pointed to a long pattern of errors and a mindset of "tolerance for breaking the rules."

The VW growth plan created a singular focus for employees. Instead of prioritizing the brand promise that VW made to the public -- and more importantly to its customers -- employees felt pressure to deliver on sales goals and, in turn, resorted to unethical means to reach them. Strong leadership communicating the importance of VW roots in its purpose and brand did not balance the "do whatever it takes" attitude that developed. Volkswagen lost sight of its original brand promise and, more broadly, its overarching

purpose while trying to grow. Unfortunately, VW leadership now faces the challenge of repairing its customer relations on a global scale. This process needs to start by addressing the cultural issues that created and facilitated the scandal.

Gallup's research has found that creating a strong culture that can support an organization's desired identity -- the connection between a company's aspired purpose, brand and culture -- requires effort, measurement and management. VW should focus on four key priorities to begin repairing the organization from the inside out:

1. **Understand what shapes employees' behaviors in the current culture.** Employees routinely receive feedback that influences their behaviors each day. VW should reflect on the messages it sends employees to ensure that they are consistent and support the organization's desired culture. In the past, it seemed pressure to meet sales targets was overly influential in guiding employees' behaviors. VW should begin by reviewing the impact of sales targets and incentives on employees' behaviors. Leaders should also seek to specifically identify what other systems, processes and goals are most influential in guiding employee behavior.
2. **Clearly communicate the desired identity.** VW leaders need to clarify cultural expectations going forward. Managers should help employees understand what takes priority in the VW workplace, for example, honesty and transparency in combination with striving to achieve sales benchmarks. Similarly, employees need to understand VW's desired brand and purpose. According to a 2014 Gallup Panel study, only one in three U.S. workers strongly agree that the mission or purpose of their organization makes them feel their work is important. Employees at VW must clearly understand how their day-to-day work and decisions relate to their organization's larger purpose.
3. **Align all elements of the organization's identity.** Identity is stronger when employees understand how their workplace culture connects to the organization's brand and is consistent with its purpose. Rather than allowing separate factions within VW, such as HR or marketing, to create and manage culture or brand separately, VW should begin to manage its brand and culture together. The three interrelated elements of organizational identity -- purpose, culture and brand -- must work in symmetry. Balancing these elements of organizational identity requires that each one is clear to employees, consistent across the organization and something that employees not only understand, but also are willing to commit to, creating a strong, positive culture going forward.
4. **Monitor the strength of the organization's identity.** VW should begin to quantitatively monitor the strength of its culture, specifically regarding the one it seeks to create. Going forward, integrity must be a priority, and VW must measure

cultural behaviors that embody all of the desired aspects of the organization's identity. This measurement system not only provides leaders a gauge on progress toward the desired culture, but it can also serve as a warning system to identify potential areas in the organization where cultural risks may lead to brand delivery issues. Early identification of warning signs can help leaders address organizational challenges before they become damaging public scandals.

VW faces a long road ahead to fully recover from the emissions scandal. But in the chaos comes an opportunity for VW to reflect on and reset its aspired identity, aligning purpose, culture and brand to best support performance. By focusing on these four priorities, VW leaders can effectively rebuild the iconic brand name along with a culture to support its promise to customers for years to come.

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