

## **Global auto industry ‘Pressure Cooker’ could have led VW to cheat emissions tests, says new research by Oxford Saïd**

*A new book from Academics at Saïd Business School, University of Oxford and University of Edinburgh Business School, argue that intense pressures in the global automotive industry could explain the Volkswagen emissions scandal*

Oxford, united kingdom (PRWEB UK) 20 January 2016 -- Intense pressures in the global automotive industry could explain why Volkswagen was driven to cheat emissions tests, according to a new book published this month.

Academics from Saïd Business School, University of Oxford and University of Edinburgh Business School argue the scandal is the latest in a series of car industry crises to stem from a ‘perfect storm’ of challenging conditions.

Based on a historical analysis of manufacturers’ performance, Professors [Matthias Holweg](#) and [Nick Oliver](#) say long term overcapacity in the industry results in low margins for many carmakers. Combined with the sector’s vulnerability to swings of the economic cycle, this means auto companies are prone to periodically dip in and out of crisis.

As demonstrated in the failures of car firms including Saab and Rover, the research shows that competence in designing and manufacturing cars, although a necessary condition for survival, may no longer be sufficient to guarantee it. The study concludes that resilience in the auto industry stems from four factors:

- Efficient operations to provide a competitive offering in the marketplace
- Sufficient production volumes to provide economies of scale (or, failing this, a strong enough brand to command premium prices that allow economic operation at lower volumes)
- Market reach in terms of presence in a) a range of markets to offset the effects of recession in any one market and b) in rapidly growing markets where margins are usually higher
- Support of powerful stakeholders committed to the continued operation of the firm, who provide support and concessions during troughs when all other measures have failed

Based on the analysis, Holweg and Oliver argue the most resilient car companies in the world are likely to be Hyundai, Toyota, Honda and General Motors. Meanwhile, PSA and Fiat-Chrysler appear most susceptible to crisis.

Professor Holweg said: ‘How to succeed in the global automotive industry has been a subject of extensive research over the years. The general conclusion has been, “become more efficient, and you will succeed”. Our review of failures and near-failures in the global car industry reveals that operational effectiveness matters, but in itself is insufficient in explaining whether firms live or die.’

Professor Oliver said: ‘In the case of VW, its corporate objective of becoming the largest car maker in the world created huge pressures within the company and demanded a dramatic increase in its sales in North

America. ‘VW’s strategy to achieve this was clean diesel, but this had to be executed within a tight envelope of engine power, emissions standards, and fuel economy. Something had to give, and in VWs case what gave was the integrity between emission testing and on-the-road performance. All car companies face these kind of pressures – but most do not respond by gaming the system so blatantly’.

The findings are published in a new book “[Crisis, Resilience and Survival – Lessons from the global auto industry](#)” by Professor Holweg and Professor Oliver, which charts the evolution of the global automotive industry. Focusing on lessons from the 40 or so companies that design, build and sell cars, the book examines the pressures and challenges facing the industry as well as approaches to management and organisation that have evolved to address these challenges.

For more information and additional resources visit the book’s website:

<http://crisisresiliencesurvival.com/>

To speak to Professor Holweg or Professor Oliver please contact the press office:

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About Saïd Business School

Saïd Business School at the University of Oxford blends the best of new and old. We are a vibrant and innovative business school, but yet deeply embedded in an 800 year old world-class university. We create programmes and ideas that have global impact. We educate people for successful business careers, and as a community seek to tackle world-scale problems. We deliver cutting-edge programmes and ground-breaking research that transform individuals, organisations, business practice, and society. We seek to be a world-class business school community, embedded in a world-class University, tackling world-scale problems.

About University of Edinburgh Business School

The University of Edinburgh was founded in 1582 and is one of the world's leading universities. The Business

School has provided business education for nearly 100 years. Today it offers undergraduate, postgraduate and executive education programmes and provides a platform for research, discussion and debate on a wide range of business issues. As one of the leading business schools in Europe, the School comprises of an international student body representing more than 88 countries.

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