IMPRESSION MANAGEMENT DURING A CRISIS EVENT

Mihaela Stratulat
Anglo-American University, Prague, Czech Republic

ABSTRACT. Background: With annual and integrated reporting becoming a standard practice, companies are disclosing more of their non-financial information to the public. As these corporate narratives are not regulated, they can become quite lengthy, thus, leaving room for impression management. Companies tend to present their performance in an overly positive way, resorting to various impression management strategies, especially pertaining to negative aspects. Such strategies are expected to be even more prevalent in companies faced with serious crisis events that can significantly tarnish their reputation. Thus, the purpose of this research is to analyse impression management techniques undertaken by companies in distress.

Methods: Building on existing research, a content analysis of the Volkswagen company’s reports was conducted, selected as representative for analysed situation. The aim was to analyse the reporting before the emission scandal happened (2014), to see how the company positioned itself, and after the scandal (2015, 2016), to observe any changes in the annual reporting and analyse the company’s communication about the scandal.

Results: The strong sustainability positioning Volkswagen has been building over the years was seriously tarnished by the emissions scandal, suggesting a high level of threat to the company’s reputation. Thus, Volkswagen resorted to various impression management, the main ones being: competence enhancement, ingratiation, exemplification, apology, and redefinition of the event.

Conclusion: The impression management tactics employed by a company in distress are, to some extent, contingent on its positioning before the crisis event. Thus, a previously strong positioning on sustainability led Volkswagen to employ image salvaging tactics in an attempt to manage the public’s impressions. This research sheds light on the disclosure strategies of companies in distress and contributes to existing studies of various impression management techniques used by such organizations. Potential avenues for future research could be extending the analysed corporate narratives, including press releases and other communication of the company, as well as evaluating the media’s response and the public’s reaction to the impression management strategies.

Key words: corporate narrative, crisis management, disclosure strategies, impression management.

INTRODUCTION

With annual and integrated reporting becoming a standard practice, companies are disclosing more of their non-financial information to the public. As these corporate narratives are not regulated, they can become quite lengthy, thus, leaving room for impression management. Impression management, sometimes used interchangeably with self-presentation, is defined by Hooghiemstra [2000] as a field of study dealing with the way people present themselves to be positively perceived by others.

The concept was first introduced by Goffman [1959], discussing the various communication and self-presentation techniques that individuals use to favourably influence others’ impressions of them. It was later applied by other researchers in a corporate context, seeking to observe whether and how companies use impression management techniques in their reporting or communication with the public.
The purpose of this research is to analyse impression management techniques undertaken by companies in distress, specifically Volkswagen during the recent emissions scandal. After scandals of such a high level that significantly tarnish the corporate image, companies may employ distinct manoeuvres in an attempt to salvage their reputation.

Volkswagen Group is a German automobile manufacturer with a worldwide presence. In September 2015, the Environmental Protection Agency (EPA) conducted an investigation into the company and discovered that its vehicles were equipped with a ‘defeat device’. This software allowed the engines to detect when they are being tested and adjust the emissions to show better results [Hotten, 2015]. Volkswagen faced a severe backlash and threat to its reputation.

The company Volkswagen Group is a big and well-known company and therefore the analysis of its way to manage a crisis is a good basis for general conclusions in this area.

The next section provides a review of previous literature, followed by the research methodology used, a discussion of the findings and, finally, a conclusion.

LITERATURE REVIEW

Numerous studies have delved into the way companies present themselves to the public and the strategies they use. Oliver [1991] classified various strategic responses to institutional processes, from passive conformity to proactive manipulation. The researcher also used institutional factors in an attempt to predict the occurrence of the strategic responses and the extent to which companies are conforming or resisting institutional pressures.

Clatworthy and Jones [2003] looked into financial reporting of good and bad news, analysing impression management techniques in the chairmen’s narratives. The objective was to observe whether companies with a declining performance report the news differently to companies with an improving performance. Findings reveal a similar self-serving approach in all companies, as they tend to emphasise the positive aspects and attribute the good news to themselves, while blaming the external circumstances for the bad aspects.

Hooghiemstra [2000] provides new perspectives into why companies engage in CSR reporting, discussing the legitimacy theory and the concept of corporate communication, focusing on corporate image and identity. The author also synthesizes previous literature and identifies four impression management tactics, applying those to the case of Royal Dutch Shell and its negative publicity in 1995.

With business model (BM) reporting deemed as essential for investors’ analysis, Melloni, Stacchezzini and Lai [2015] set out to investigate whether companies use impression management (IM) techniques to manipulate the tone of their BM disclosures. Performing a content analysis on several reports, the authors found that companies do use BM disclosure as an IM strategy, with majority of the disclosures having a positive tone.

Merkl-Davies and Brennan [2007] researched the various disclosure strategies used by preparers of corporate narrative reports and how users of the reports react to them. The authors provide a comprehensive synthesis of the existing literature, classify the motivations for discretionary disclosure, and discuss the various impression management strategies undertaken by companies. The same authors [2011] also contribute to a better understanding of impression management in the corporate context by building a conceptual framework, including psychological, sociological, and critical perspectives. The purpose of the paper was to create a taxonomy of prior research, classifying it into distinct perspectives, and, thus, helping researchers to pinpoint their study within a particular perspective.

A study was conducted into rhetorical impression management in corporate narratives and aimed to observe whether the institutional environment of a company is reflected in the rhetorical style of the CEO’s shareholder letter. Findings reveal three different linguistic styles, which proved to be more evident in US versus
UK companies [Yan and Aerts, 2014], Rahman [2012] discusses the motivations behind impression management, the different strategies, and whether these affect the credibility of the message.

Tata and Prasad [2014] looked at CSR communication through an impression management perspective, proposing that companies are motivated to use CSR communication to bridge the gap between their current and desired CSR images. The paper introduces a model of four dimensions of CSR communication and impression management tactics.

Some studies are specifically focused on how companies manage impressions in a sustainability context. Hanh and Lüfs [2014] conducted qualitative research into corporate disclosures in sustainability reporting to observe the strategies used for legitimizing negative aspects. The authors found six different strategies and concluded that symbolic legitimation strategies are more prevalent in the analysed reports, as opposed to substantial strategies. The researchers also designed a model for reporting the negative aspects, aimed at improving the balance and fairness of sustainability disclosure.

A similar approach was taken by Sandberg and Holmlund [2015], researching impression management tactics that companies use in sustainability reporting. The authors performed a qualitative template analysis of two reports, identifying four specific strategies - description, praise, admission, defence, and four different writing styles - subjective, positive, vague, and emotional.

Researchers have also looked into impression management techniques of companies during crisis events or scandals, to observe the tactics they use to salvage their reputations. Van Halderen et al. [2016] discuss impression management in the oil industry, aiming to observe how firms’ strategies change under extreme pressure. The researchers analysed the actions of two companies, suggesting that firms feel obliged to keep defending one specific view of themselves, their strategies changing only slowly.

A similar research into strategic manoeuvres and impression management was done by O’Connell et al. [2016], examining the communication approaches of an asbestos company during a crisis event. Based on Oliver’s [1991] research into strategic responses, the authors analysed corporate disclosures, unveiling strategies of avoidance, defiance, manipulation, and compromise.

Ang and Ayoko [2008] set out to observe employee’s emotional states during an organizational crisis, and their reactions to the impression management strategies used by the company. The authors built on the previous research performed by Benoit [1997], who introduced a model for image repair discourse, aiming to provide deeper understanding of corporate crises.

Coombs [2007] developed a Situational Crisis Communication Theory, which is an evidence-based framework for achieving maximum reputational protection through crisis communication. The author classified the types of crises into clusters, discussed the steps in analysing their threat level for the company, and provided crisis response strategies. The strategies are divided into primary – denial, scapegoat, excuse, apology, etc., and secondary – reminder, ingratiation, victimage. The secondary strategies can be applied to an impression management perspective, as well.

McDonnell and King [2013] researched the use of prosocial claims by companies that are the subject of social movement boycotts. To preserve their public image, firms may communicate their “commitment to socially acceptable norms, beliefs, and activities”, the authors claiming that these prosocial claims serve as impression management tactics. The findings reveal that these claims do increase once boycotts against the firm are announced and the extent of the increase depends on the level of threat the firm faces.

Hakala [2017] did a similar study of Volkswagen’s corporate narratives before and after the scandal occurred. The paper, however, focuses on sustainability reporting, analysing the ethos, logos, and pathos of the company’s reports.
RESEARCH METHODOLOGY

The research methodology used was content analysis of Volkswagen’s corporate narratives in three annual reports – 2014, 2015, and 2016. The aim was to analyse the reporting before the emission scandal happened (2014), to see how the company positioned itself, and after the scandal (2015, 2016), to observe any changes in the annual reporting and analyse the company’s communication regarding the scandal.

The company’s annual reports are divided into 5 sections: Strategy, Divisions, Group Management Report, Consolidated Financial Statements, and Additional Information. The “Divisions” section contains information about individual brands and business fields, and the key figures for each. A lot of the subsections from the “Group Management Report” include boilerplate information with minor adjustments to the specific year of reporting. Thus, for the purpose of this research, only relevant information was considered. This includes any information pertaining to the diesel scandal itself or to the company’s stance on sustainability in general. Such information was predominantly found in the “Letter to Our Shareholders”, “Goals and Strategies”, and “Sustainable Value Enhancement” subsections. In the post-scandal annual reports, the company dedicated a separate subsection to the emissions issue, which was also analysed.

Seeing as crisis management and impression management are closely linked in the context of this paper’s objective, the basis for this research was taken from literature related to both of the concepts. Jones and Pittman [1982] introduced five strategies for self-presentation from a social psychology perspective – ingratiation, intimidation, self-promotion, exemplification, and supplication. These have later been used in a corporate context by other researchers.

Allen and Caillouet [1994] researched impression management techniques in the external discourse of a company in crisis. Findings revealed that different strategies were directed at different stakeholders, and among these are ingratiation, intimidation, and denouncement.

Tierney and Webb [1995] analysed the press conference tapings of Exxon Corporation after the major oil spill scandal. Drawing from the work of Goffman, the authors identified four specific strategies followed by Exxon during the crisis – competence enhancement, information control, personalization of the event, and redefining the event.

Benoit [1997] identifies fourteen image restoration strategies, classifying them into denial, evasion of responsibility, reducing offensiveness of event, corrective action, and mortification.

These are the main previous studies based on which the research of Volkswagen’s corporate narratives was conducted. Some strategies identified by the authors either overlap or have a similar meaning, the findings of the content analysis are discussed below.

RESULTS AND DISCUSSION

Before the Scandal

The content analysis of Volkswagen’s 2014 Annual Report, before the scandal occurred, reveals the self-presentation tactics used by the company. The overall tone of the report is rather confident and optimistic, with a lot of praise of the company’s performance, juxtaposed against the challenging and uncertain external environment. This is similar to the findings of Clatworthy and Jones [2003], except that Volkswagen doesn’t blame the external circumstances for its performance, but rather uses it to elevate the company in the public’s eye. The following statements are taken from Martin Winterkorn’s, the CEO at that time, Letter to Shareholders:

“In addition, the automotive industry is currently experiencing fundamental change… But at Volkswagen, we do not see this transition as a threat, but rather as a tremendous opportunity...” [Volkswagen AG, 2015].

“Political and economic uncertainty dominated the situation in many regions of the world, and this also had far-reaching
consequences for the automotive industry. Despite these headwinds, we successfully kept your Company on a strong, stable trajectory.” [Volkswagen AG, 2015].

Worth noting is the choice of the pronoun in the last sentence – “your”, rather than “our” Company. This is done with the aim to further engage the shareholders, elicit more involvement, and boost their loyalty and trust. The entire letter to shareholders, essentially, emphasizes the company’s stellar performance, reassuring the shareholders that their trust and support of the company are not futile:

“This is another reason why I am convinced that your confidence in and support for the Volkswagen Group and its team will pay off. In every respect.” [Volkswagen AG, 2015]

The report also reveals a great emphasis placed on the company’s stance on sustainability. Its environmentally friendly orientation and the major goals it intends to achieve ecologically are discussed throughout the report, and referred to as “Strategy 2018”. This strategy entails Volkswagen becoming the global economic and environmental leader, and is mainly discussed in the “Goals and Strategies” and “Sustainable Value Enhancement” sections, with a separate subsection titled “On the way to becoming the ecological leader”. Even in its discussion of environmental strategies, the company still boasts of its superior capabilities:

“With its long history of commitment to protecting the environment, the Volkswagen Group is better equipped than most companies to meet these challenges” [Volkswagen AG, 2015].

There is also a significant accent placed on responsibility, transparency, and bringing benefits to all stakeholders. The company’s goal to become an ecological leader is based on specific key areas, one of which is reducing the fuel consumption and CO₂ emissions of the vehicles.

The pre-scandal corporate narrative, in hindsight, is now marred with a rather hypocritical note, which underlines the severity of the issue. The strong sustainability positioning Volkswagen has been building over the years was seriously tarnished by the emissions scandal, suggesting a high level of threat to the company’s reputation. Thus, it can be expected that Volkswagen will resort to various impression management tactics in its post-scandal reports, attempting to save its corporate image.

After the Scandal

The “Group Management Report” sections of both the 2015 and 2016 Annual Reports are longer than in the pre-scandal report, as the company dedicates a separate subsection to the issue, as well as mentions and refers back to it throughout the report. These subsections provide a clarification of the emissions issue and an overview of the conducted investigations. Both of the reports also repeatedly underline Volkswagen’s cooperation in the investigations and the numerous steps it claims to be taking to fix the issue.

Interestingly, in the 2015 report, when talking about the scandal, the company uses phrases like “it has been alleged”, “appeared to have been”, and “potentially illegal”. This choice of words creates an impression of the company not wanting to assume full responsibility. Another example is “we found slight discrepancies in only a very limited number of engine-transmission variants”. This seems like the company’s attempt at reducing the severity of the issue, although, Volkswagen does repeatedly state that it condemns infringements of law. In the 2016 report, such choice of words is absent, the company mainly emphasizing its work towards correcting the problem. Below are some impression management techniques that Volkswagen used in its post-scandal reports.

Competence enhancement. Tierney and Webb [1995] introduce this strategy as conveying an image of competence and an effective response to a crisis event. As previously mentioned, both of the reports repeatedly stress Volkswagen’s key role in investigating and fixing the issue. Thus, this tactic is prevalent in the corporate narratives, accompanied by strong adjectives and adverbs:
“Volkswagen’s reaction has been comprehensive and the Company is working intensively to clarify the irregularities.” [Volkswagen AG, 2016]

“We are now working expeditiously to implement the technical solutions in the field.” [Volkswagen AG, 2017]

This tactic is used by the company to reassure the public that it is adequately handling the issue, thus, boosting its corporate image. Another aspect of this strategy is putting an emphasis on the company’s good traits, Benoit [1997] defining this as bolstering. Similarly, Jones and Pittman’s [1982] strategy of self-promotion describes the pursuit for an attribution of competence.

This tactic is especially evident in the Letter to Shareholders, from Matthias Müller, the current CEO. The corporate narrative addresses the issue, but aims to draw more attention to the positive aspects, underlining the fact that Volkswagen still managed to perform well, despite the issue:

“… our operating business continues to be in excellent shape…”

“… the Group’s unchanged robust financial strength, …” [Volkswagen AG, 2016].

In the same Letter from the 2015 report, Mr Müller also stresses the importance of Volkswagen’s corporate identity not being reduced to the emissions scandal, neglecting its previous accomplishments. The 2016 Letter to Shareholders, again, emphasises the company’s proficiency, boasting its title of best-selling automaker:

“For me it is important that you know there is much more to Volkswagen than this crisis. Our Group has qualities that did not vanish overnight, qualities on which we can also build for the future” [Volkswagen AG, 2016].

“… when we are still coping with the consequences of the crisis and have long since defined new priorities for the future – the headlines read: “Volkswagen becomes the world’s best-selling automaker.”” [Volkswagen AG, 2017].

There is an obvious attempt to revamp the corporate image, and remind the stakeholders of the company’s core competencies. Considering the seriousness of the issue and its threat to the reputation, it is an expected strategy to be undertaken by Volkswagen, attempting to move the spotlight towards its positive qualities.

Ingratiation. According to Jones and Pittman [1982], ingratiation entails seeking an “attribution of likability” and, in the corporate context, Allen and Caillouet [1994] describe it as organizations expressing conformity to normative rules to obtain the audience’s approval.

This tactic was also extensively used by Volkswagen throughout the reports, the company attempting to achieve likability in different ways. One of the ways was making sure the readers know that Volkswagen does not condone such behaviour, aiming to portray a sound corporate value system:

“Volkswagen does not tolerate any infringements of rules or laws. The irregularities that occurred contradict everything Volkswagen stands for.” [Volkswagen AG, 2016].

In the following excerpts, another attempt at achieving audience’s approval can be noted. By alluding to the fact that making mistakes is part of human nature, it seeks to achieve more likeability, especially as it expresses its readiness to learn from its mistakes:

“… we must above all learn from past mistakes and draw the right consequences so that something like this can never happen at Volkswagen again.” [Volkswagen AG, 2016].

“We are working urgently to live up to our own standards again and restore our customers’ and society’s confidence.” [Volkswagen AG, 2016].

Considering the high level of threat to the corporate reputation, there are many instances
of Volkswagen ingratiating itself with the stakeholders. It is repeatedly asking for their trust, calling it its most important asset, and thanking them for their patience and loyalty:

“Now more than ever, that trust must be earned. And we are working on that. Which is why, this year, I am asking above all for your continued loyalty to Volkswagen…” [Volkswagen AG, 2016].

On behalf of our employees and in my own name I would like to thank you for your loyalty and support during a difficult time for your company [Volkswagen AG, 2017].

Exemplification. Jones and Pittman [1982] define this strategy as projecting “integrity and moral worthiness”. This is quite similar to ingratiation, or, could be considered part of it, since having integrity also increases likeability and the audience’s approval.

In response to the crisis, the company reminds the stakeholders of its strong convictions, painting an image of integrity. Also, after praising Volkswagen for becoming the best-selling automaker, the CEO states that pursuing such records is actually not what stimulates the company, but continuously perfecting itself is:

“However, our conviction remains unchanged: compliant behavior is a cornerstone of business success…” [Volkswagen AG, 2016]

“… chasing records is not what drives us. Our real mission is to make Volkswagen and its products better and better.” [Volkswagen AG, 2017].

An attempt to further heighten itself in the public’s eye can be seen in the following excerpt. Volkswagen not only states that it has already made major changes to its activities, but also sets a goal of becoming a role model for its integrity and the way it handled the crisis:

“The Group has substantially elevated its commitment to working ethically and with integrity. Volkswagen can and will set an example in the years ahead as to how a large, global company embodies and takes its social responsibility seriously” [Volkswagen AG, 2017].

Apology. Assuming responsibility and apologizing for the act is another strategy, Benoit [1997] classifying it under mortification. This, again, could be considered a part of ingratiation.

In the 2015 annual report, Volkswagen explicitly asked for forgiveness, Matthias Müller opening his first statement as CEO with an apology for the issue. In the 2016 report, however, the company mostly expresses its remorse, but doesn’t explicitly apologize:

“On behalf of the Volkswagen Group I would like to apologize to you, our shareholders, that the trust you placed in Volkswagen has been broken” [Volkswagen AG, 2016].

“We deeply and sincerely regret the behavior that gave rise to the diesel crisis” [Volkswagen AG, 2017].

Asking for forgiveness in such a crisis is an obvious strategy for a company wanting to salvage its corporate image. Interestingly, it is only present in the 2015 report, as the 2016 one mostly draws attention to more positive aspects. This could be explained by Volkswagen wanting to move on from the issue and regain its positioning as a sustainable company by focusing on specific actions it is taking.

Redefinition of the event. According to Tierney and Webb [1995], companies may redefine the event to reduce the stigma and present the company in the best possible way. Volkswagen’s use of this strategy was spinning the scandal and presenting it as an opportunity:

“… it is important we use this crisis as an opportunity: an opportunity to realign the Group in an automotive world…” [Volkswagen AG, 2016].

“Getting to the root of what happened and learning from it. Taking advantage of the
opportunity for a fundamental realignment” [Volkswagen AG, 2016].

The company also used this as a chance to introduce its new Strategy 2025, building on the previous Strategy 2018. Seeing as the previous strategy of becoming an economic and environmental leader was heavily stained by the scandal, Volkswagen, essentially, rebranded it and presented it as a framework for its fundamental transformation and success:

“With its future program … Strategy 2025, the Volkswagen Group has launched the biggest change process in its history, laying the foundations for lasting success … and for its evolution into a globally leading provider of sustainable mobility” [Volkswagen AG, 2017].

CONCLUSIONS

Companies tend to present their performance in an overly positive way, resorting to various impression management strategies, especially pertaining to negative aspects. Such strategies are expected to be even more prevalent in companies faced with serious crisis events that can significantly tarnish their reputation. After conducting a content analysis of Volkswagen’s post-scandal annual reports, five impression management techniques were identified – competence enhancement, ingratiation, exemplification, apology, and redefinition of the event. The severity of the issue and the previously strong positioning on sustainability led Volkswagen to employ image salvaging tactics to manage the public’s impressions. The company mainly tried to present itself in the best possible light, by emphasising its competence and adequate problem-solving abilities. It also attempted to maintain an image of integrity, redefining the event into an opportunity for implementing significant change in the organization.

This research contributes to existing studies of various impression management tactics used by organizations in crises. The main limitations stem from the research method used, the findings being contingent on the subjective interpretation of the researcher. Potential avenues for future research could be extending the analysed corporate narratives, including press releases and other communication of the company, as well as evaluating media’s response and the public’s reaction to the impression management strategies.

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ZARZĄDZANIE WIZERUNKIEM W SYTUACJI KRYZYSOWEJ

STRESZCZENIE. Wstęp: Wraz z popularyzacją rocznych raportów publikowanych przez firmy, które to stają się standardem postępowania, coraz więcej informacji przedostaje się do wiadomości publicznej. Ponieważ sposób komunikacji nie jest poddany żadnej regulacji, zdarza się, że te komunikaty są na tyle długi, iż umożliwiają różnicę interpretację. Firmy mają skłonność do prezentowania siebie w pozytywny sposób, używając do tego różnych technik komunikacyjnych, szczególnie w przypadku negatywnych aspektów. Takie techniki unikają szczególnie popularne w przypadku poważnych kryzysów, które mogą istotnie nadszarpnąć ich reputację. Celem tej pracy jest analiza technik zarządzania wizerunkiem przez firmy w sytuacji kryzysowej.


 Wyniki: Przez lata firma Volkswagen budowała wizerunek firmy o zrównoważonym rozwoju i zarządzaniu, który został zaburzony przez skandal emisyjny. W związku z tym firma podjęła szereg działań ujmujących jako zarządzanie wizerunkiem, wśród których najważniejsze to: poprawa kompetencji, pochlebienie, zilustrowanie, przeprosiny, przedefiniowanie zdarzenia.

Wnioski: Metody zarządzania wizerunkiem przez firmę w czasie kryzysu, zależą od jej pozycji i wizerunku w okresie przedkryzysowym. W przypadku Volkswagen silnie podkreślany wizerunek firmy zrównoważonej umożliwił firme odpowiednie zarządzanie jej wizerunkiem w czasie kryzysu. W pracy zaprezentowano różne techniki stosowane przez firmy dla zarządzania swym wizerunkiem. Jednocześnie praca ta może być podstawą do dalszych badań w tym zakresie oraz do oceny odpowiedzialności mediów w obszarze zarządzania wizerunkiem przez firmy.

Słowa kluczowe: komunikacji w korporacji, zarządzanie kryzysem, strategie wyjaśniania, zarządzanie wizerunkiem