



SCHOOL OF HUMANITIES & SOCIAL SCIENCES
BACHELOR OF ARTS IN COMMUNICATION
BACHELOR OF ARTS IN INTERNATIONAL STUDIES
END OF SEMESTER EXAM
BAC 4101: ISSUES AND CRISIS MANAGEMENT

Date: 8th November 2021

Time: 15:30 – 17:30

Instructions

1. This examination consists of **Four** questions.
2. Answer **ALL** questions in **SECTION A** and any other **TWO** in **SECTION B**.

SECTION A

Read the following article and answer the questions below:

WHAT IS VOLKSWAGEN ACCUSED OF?

It's been dubbed the "diesel dupe". In September, **the Environmental Protection Agency (EPA)** **found** that many VW cars being sold in America had a "defeat device" - or software - in diesel engines that could detect when they were being tested, changing the performance accordingly to improve results. The German car giant has since admitted cheating emissions tests in the US.

VW has had a major push to sell diesel cars in the US, backed by a huge marketing campaign trumpeting its cars' low emissions. The EPA's findings cover 482,000 cars in the US only, including the VW-manufactured Audi A3, and the VW models Jetta, Beetle, Golf and Passat. But VW has admitted that about 11 million cars worldwide, including eight million in Europe, are fitted with the so-called "defeat device".

The company has also been accused by the EPA of modifying software on the 3 litre diesel engines fitted to some Porsche and Audi as well as VW models. VW has denied the claims, which affect at least 10,000 vehicles.

In November, VW said it had found "irregularities" in tests to measure **carbon dioxide emissions levels** that could affect about 800,000 cars in Europe - including petrol vehicles. However, in December it said that following investigations, it had established that this only affected about 36,000 of the cars it produces each year.

Full details of how it worked are sketchy, although the EPA has said that the engines had computer software that could sense test scenarios by monitoring speed, engine operation, air pressure and even the position of the steering wheel.

When the cars were operating under controlled laboratory conditions - which typically involve putting them on a stationary test rig - the device appears to have put the vehicle into a sort of safety mode in which the engine ran below normal power and performance. Once on the road, the engines switched out of this test mode.

The result? The engines emitted nitrogen oxide pollutants up to 40 times above what is allowed in the US.

"We've totally screwed up," said VW America boss Michael Horn, while the group's chief executive at the time, Martin Winterkorn, said his company had "broken the trust of our customers and the public". Mr Winterkorn resigned as a direct result of the scandal and was replaced by Matthias Mueller, the former boss of Porsche.

VW has also launched an internal inquiry. With VW recalling millions of cars worldwide from early next year, it has set aside €6.7bn (£4.8bn) to cover costs. That resulted in the company posting its **first quarterly loss** for 15 years of €2.5bn in late October.

But that's unlikely to be the end of the financial impact. The EPA has the power to fine a company up to \$37,500 for each vehicle that breaches standards - a maximum fine of about \$18bn. The costs of possible legal action by car owners and shareholders "cannot be estimated at the current time", VW added.

Questions:

- a) Explain the following concepts using illustrations from this article:
 - i. Crisis **(2 marks)**
 - ii. Crisis control actions taken by the Volkswagen Group. **(4 marks)**
- b) Identify and discuss any **TWO** components of the reducing offensiveness strategy that the Volkswagen group has used. **(4 marks)**
- c) Briefly discuss why **accountability** is important in a crisis cycle. Use examples from this case. **(6 marks)**
- d) Discuss any **FOUR** ways the Volkswagen Group should handle journalists during this crisis. **(4 marks)**
- e) "We've totally screwed up," said VW America boss Michael Horn, while the group's chief executive at the time, Martin Winterkorn, said his company had "broken the trust of our customers and the public". ...Prepare a holding statement addressing the crisis and the way forward. The Holding Statement shall be sent out to news editors from the CEO's office. **(10 marks)**

SECTION B

QUESTION 2

(15 MARKS)

Since the onset of the covid19 pandemic in Kenya in March 2020, several 3-star hotels in the outskirts of major towns and cities are struggling to stay afloat. According to a study done by Statista, several hotels in Kenya are under a considerable level of uncertainty regarding the return to the status of operations that existed before the COVID-19 pandemic. One-third of the surveyed establishments were uncertain or did not know when previous levels of activity would be resumed.

Using the 7 steps of issue management, design a program that will assist Mocha Hotel, a 3-star hotel based in Kisii town (rural Kenya) to navigate the current unpredictable business climate.

QUESTION 3

(15 MARKS)

- a) An issue originates as an idea that has potential impact on an organization or public. Mention any **THREE** major technological challenges that affect large multinational corporations, which often times end up becoming issues. **(3 marks)**
- b) According to Meng (1987), there are **SIX** groups that make issues. Using relevant real-life examples and illustrations, identify and discuss these groups. **(12 marks)**

QUESTION 4

(15 MARKS)

- a) Outline any **THREE** major challenges that the ministry of health has faced when managing information on the Covid-19 crisis on Twitter. **(3 marks)**
- b) Discuss any **SIX** steps a business should undertake in order to effectively manage a social media crisis. **(12 marks)**