



Strategic Management and Sustainability report

Assessment 1

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Students name: Nina Angelova

ID: 2023254

Lecturer's name: Dr Jayalakshmi Gopalkrishnan

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Introduction

Volkswagen (VW), a well-known international automaker, recently underwent a significant change in its strategic orientation. This change is the result of a confluence of internal considerations and outside factors, and it marks a significant turn in the direction of sustainability and innovation. The pivotal point was the historic "Dieselgate" scandal of 2015, which revealed VW's dishonest emissions practices and had a significant impact on the company's reputation and legal position. This catastrophe gave Volkswagen the impetus it needed to carefully examine its business practices and map a new course in line with shifting market dynamics and public expectations. An in-depth analysis of Volkswagen's strategic evolution during the previous five years is the focus of this research. It examines how the business has changed its assessment of how its corporate strategy has changed in response to both internal and external influences. The study sheds light on instances in which the company utilised its advantages to attain strategic goals by looking at Volkswagen's resources and skills in connection to its newly defined strategy. Objectives. The study also analyses initiatives that have boosted Volkswagen's market position while addressing environmental concerns, evaluating the company's steadfast attempts to sharpen its competitive edge by embracing sustainability. In the parts that follow, this research offers recommendations that could aid Volkswagen in utilising sustainability as a cornerstone of its competitive advantage. This study examines the interplay between developing strategies, resource alignment, sustainability measures, and relevance in a dynamic automotive market to uncover the intricate web of Volkswagen's strategic transformation and forecast its potential for future success.

Background

Volkswagen is a German automaker with its main office in Wolfsburg, Lower Saxony. The creation, manufacture, and marketing of trucks, vehicles, motorbikes, and other associated services and accessories comprise the company's primary business. After Toyota in terms of sales and manufacturing, Volkswagen is the second-largest automaker globally. The German Labour Front established Volkswagen as a state-owned enterprise in 1937. In 1945, the Volkswagen Beetle, the first vehicle designed by Ferdinand Porsche, was introduced to the public. Volkswagen became a leading carmaker and a global icon thanks to the Beetle. Audi, Seat, Skoda, Porsche, Bentley, Lamborghini, and Bugatti are just a few of the vehicle brands that Volkswagen presently owns. Additionally, the business has formed numerous alliances with other producers, most notably the Chinese SAIC.FAW Group and Motor. Volkswagen employs more than 670,000 people worldwide and has production plants in more than 20 nations. The business brings in more than 250 billion euros annually. Volkswagen is the top automaker in both Europe and China in terms of market share. North and South America have seen success for the business as well. Volkswagen is dedicated to innovation and sustainability. The business has made significant investments in innovative technology and electric automobiles. Volkswagen is dedicated to minimising its negative environmental effects. Here are some statistics:

- 670.000 employees
- 250 billion euros in sales annually
- 25% of the market is in Europe.
- China: 19%
- 12% in North America
- 6% in South America
- Brand: Audi, Seat, Skoda, Bentley, Lamborghini, Bugatti, Volkswagen Passenger Car
- Manufacturer: Over 20 nations
- Main markets: North America, Europe, China, and South America
- Innovation, safety, electric vehicles, and reducing the effects of environmental pollution are all priorities (The 12 group initiatives of the new auto strategy, 2021).

Identify with evidence the key business strategies of VW over the past five years.

Volkswagen has played a significant role in the production and design of electric vehicles. The firm set a goal to sell 1 million electric vehicles annually by 2025 when it unveiled its "Strategy 2025" plan in 2016. Since that time, the business has become one of the top automakers in the world and has established the significance of this brand electric vehicle industry. Volkswagen is also making significant investments in other emerging technologies, like driverless cars and artificial intelligence. According to the business, this technology will be crucial for the development of the automobile sector. Volkswagen is extending its business into new markets, including China and India. These sectors are anticipated to propel the automobile industry's growth in the years to come. Volkswagen is still working to improve efficiency. To cut expenses, the business invests in new plants and technologies. Volkswagen is making a lot of effort to develop its brand. To enhance its standing among customers, the business has made marketing and advertising investments. These concepts have been applied to or altered in response to a variety of factors, such as the popularity of electric vehicles is on the rise, and Volkswagen is scaling back its investment in this field. Chinese automakers are posing an increasing level of competition, and Volkswagen has responded by expanding into China and investing in new technology. The demand for increased effectiveness Cost-cutting pressure on the automotive industry is growing, and in response, Volkswagen improved efficiency (Blackwelder, et al., 2016).

Evidence

Volkswagen is battling to repair its reputation after the oil scandal damaged it. The following important figures back up this assertion. Volkswagen expects to sell more than 9 million vehicles—including more than 200,000 electric vehicles around the world in 2021. Volkswagen has put more than 100 billion euros into cutting-edge technology including electric cars, driverless cars, and autonomous cars. Volkswagen aims to construct new factories in China and India in the upcoming years after expanding its current ones in those countries. Volkswagen has improved supply chain management and cut production costs to promote efficiency. In recent years, the Volkswagen brand has steadily grown and is considered one of the world's most valuable products. The possibilities for strategy include the potential paths that a strategy could take as well as the potential steps and action that a strategy could employ (Johnson, et al.2020).

Identify with evidence the resources and capabilities of the case study company over the past five years and analyse to what extent the company has aligned its resources and capabilities to its current business strategies.

Throughout the past five years, Volkswagen's resources and capabilities have been strategically categorised into four key areas that together strengthen the business's ability to compete:

Financial Resources: Volkswagen has enormous leverage thanks to its strong financial position, which is seen in its impressive balance sheet. The corporation can invest in cutting-edge technologies, break into emerging markets, and improve operational efficiency thanks to a sizable cash reservoir. Volkswagen's bold pursuit of electrification has benefited from the financial foundation, which has committed more than €100 billion to cutting-edge technology and electric vehicles.

Human Resources: Volkswagen's skilled and large staff is a pillar of its strategic alignment. The organisation has promoted an innovative and creative culture by making significant investments in the training and development of its employees. This human resource has resulted in the capacity of the organisation to continually innovate and launch new goods and services, smoothly adjusting to changing consumer needs (Goals and Strategies, 2021).

Physical Resources: Volkswagen's extensive network of manufacturing plants and international dealerships highlights the strength of its physical resources. This infrastructure makes it easier for the business to strategically enter emerging markets. Notably, the business's strategic expansion into China and India takes advantage of these markets' rising interest in electric cars, which resonates with the global movement towards sustainability (Sergio, and Rylova, 2018).

Intangible Resources: A cornerstone of Volkswagen's competitive edge is its intangible resources. The company's storied brand reputation and devoted client base have been beneficial. The standing for excellence and dependability increases client confidence. Volkswagen has improved the quality of its products by making investments, and by

enhancing brand recognition through strategic marketing, benefiting from these intangible assets to encourage attracting and keeping customers (Strategy, 2023).

Evidence

The skilful execution of Volkswagen's resource and capability alignment to coincide with its commercial strategy has created a perfect synergy:

"Strategy 2025": Originally conceived in 2016, Volkswagen's pledge to sell 1 million electrified vehicles a year by 2025 required a large financial investment. Due to its strong financial position, the corporation was able to dedicate nearly €100 billion to leading the development of electric vehicles, firmly aligning its resources with its electrification goal.

Global Market Expansion: The strategic entry of Volkswagen into crucial areas like China and India fits in perfectly with the rising demand for electric vehicles. By making the most of its physical assets, especially its manufacturing facilities, the company is nimbly able to serve expanding markets and align its assets with international growth.

Innovation: Volkswagen's commitment to technical advancement and Investments in R and facilities demonstrate progress (Lynch, 2018). The corporation is in a strong position to lead in fields like autonomous driving and artificial intelligence thanks to the alignment of these capabilities with its commercial plan.

Analysis of Volkswagen's (VW) VRIO:

The VRIO methodology, which assesses the Value, Rarity, Imitability, and Organisation of its resources and capabilities, can be used to determine Volkswagen's competitive advantage(Whittington, et al., 2020).

Value: VW has resources and skills that significantly increase value. Its solid brand reputation, knowledgeable personnel, extensive worldwide production network, and financial stability all support its strong market position and enduring client base.

Rarity: VW has several scarce resources. Due to the relative rarity of large financial expenditures in emerging technologies and electric vehicles, VW is in a unique position. Its long-standing industrial facilities and excellent brand reputation are other advantages unique assets (Mačaitytė, and Virbašiūtė, 2018).

Imitability: While some of VW's resources, including its talented workforce, are replicable, the company's renowned brand, wide-ranging worldwide presence, and significant financial

investments in sustainability programmes are challenging to match in the short term (Birkinshaw, 2019).

Organisation: Resources and competencies at VW are efficiently arranged and incorporated into activities. Strong organisational skills are displayed by the company's management of its worldwide manufacturing network, investments in RandD facilities, and alignment of employee development with innovation goals (Mačaitytė, and Virbašiūtė, 2018).

Evaluate with evidence how VW has tried to become more competitive while taking into consideration sustainability and the environment.

Volkswagen has made numerous efforts to increase its competitiveness while keeping the environment and sustainability in mind. Volkswagen has played a significant role in the creation and manufacture of electric cars. The company aims to sell 1 million electric vehicles annually by 2025 when it unveiled its "Strategy 2025" plan in 2016. Since that time, the business has realised the value of this brand and is currently among the top automakers in the world (Bohnsack, et al., 2020). Volkswagen is also making significant investments in other emerging technologies, like driverless cars and artificial intelligence. This technology will be crucial for the development of the automobile sector. Increasing its presence in new markets: Volkswagen is in emerging markets like China and India. In the upcoming years, it is anticipated that these sectors would propel the automobile industry's growth (Köhler, and Zerfass, 2019). Volkswagen is still working to improve efficiency. To cut expenses, the business invests in new plants and technologies. Volkswagen is making a lot of effort to develop its brand. To enhance its standing among customers, the business has made marketing and advertising investments. Volkswagen has also put in place several environmental and sustainability-related measures. Volkswagen has committed to reduce its CO2 emissions by 30% by 2030. The corporation achieves this through utilising renewable energy, upgrading the efficiency of its plants, and investing in electric vehicles. Volkswagen has committed to adopting sustainable materials in the components of its automobiles. The company works to produce cars made of bio-based components and uses recycled materials on the inside. Volkswagen is reducing emissions by investing in renewable energy sources. The business is also making efforts to lessen its environmental impact in other ways, such as by raising the standard of the water. Volkswagen has had some success in its efforts to be

competitive while keeping sustainability and the environment in mind. The business is currently among the industry leaders after making strides towards the switch to electric vehicles. The corporation still has issues, though, like the high price of electric vehicles and the failure to pay for equipment. Volkswagen must make investments if it hopes to dominate the mobility industry in the future in these regions more.

Evidence

Here are some instances of Volkswagen's efforts to improve that in 2021, the corporation unveils its brand. A generator composed of recyclable materials is called Buzz. Volkswagen has also committed to using only renewable energy in its manufacturing facilities by the year 2030. The business is working to develop items that are carbon neutral. Volkswagen also makes investments in the study and creation of cutting-edge technologies like capture and storage (Whittington, et al., 2020).

Make recommendations on how further sustainability practices can help the organisation to develop competitive advantages in the future.

- Continue to invest in new technology and electric vehicles since Volkswagen is well-positioned to benefit from this trend. Electric vehicles are getting more and more popular. The business should keep funding both the development of new electric vehicle technology and the manufacturing of electric vehicles.
- Create a more environmentally friendly supply chain. Volkswagen's supply chain contributes significantly to the company's environmental effects. The corporation needs to use recycled resources, cut waste, and boost energy efficiency to make its supply chain more sustainable.
- Volkswagen can reduce its emissions by planting trees or investing in renewable energy initiatives. This assists the business in lowering its environmental impact and enhancing its standing.
- Volkswagen may educate its workers and consumers about sustainability by offering training programmes and making information available about sustainability on its website. This will promote a more resilient culture both within the business and among its clients.

- Be open and honest about its sustainability efforts. Volkswagen should be open and honest about its sustainability efforts by disclosing information about its sustainability goals and achievements as well as by publishing its sustainability report. By doing this, the company will be able to win over its stakeholders' trust and show that it is committed to sustainability.

Conclusion

In conclusion, Volkswagen has undergone a purposeful strategy development over the past five years in response to both internal and external influences. The corporation re-evaluated its strategy and set it on a sustainable and fresh trajectory because of the 2015 Diesel gate crisis. Volkswagen has successfully revolutionised the automobile sector because of the clever combination of resources and talents. Volkswagen can make substantial investments in new technologies and electro mobility thanks to the wise distribution of financial resources backed by the balance sheet. Due to the company's dedication to the growth of its human resources, it has attracted skilled and creative workers who drive the performance and innovation of its products. Volkswagen has positioned itself as a market leader for electric vehicles and penetrated emerging markets thanks to its global production network. The company's intangible assets, such as its solid brand reputation and devoted clientele, boost its competitive position and ease the move to sustainability. It is evident that Volkswagen has acknowledged its value, rarity, and lack of potential when viewed through the prism of strategic concepts like the Resource-based viewpoint and the VRIO framework, and it is likely to get better. The company's edge in the market as a pioneer in energy and mobility is strengthened by this combination. Volkswagen's continued evolution is evidence of its adaptability, superior driving commitment, and great performance. In line with the shifting industry, the company's chosen course reflects its obligation to its clients and the wider community. Volkswagen is well positioned to handle the difficulties in a business environment that is continually evolving a vision of the future that emphasises innovation and sustainability.

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Appendix

Swot Analysis

Strengths

- Strong brand reputation and image
- A sizable and devoted customer base
- Financial stability and global reach
- Strong capacity for research and development
- The dedication to sustainability

Weaknesses

- Reputation was harmed by the diesel emissions issue.
- Historical neglect of focusing on electric automobiles
- Chinese automakers compete for market share.
- Escalating prices for raw materials
- Wars in trade

Opportunities

- Rising interest in electric vehicles
- Entering new markets like China and India
- Creation of novel technology such as artificial intelligence and autonomous vehicles
- Public financial aid for electric vehicles

Threats

- Chinese car companies are becoming more competitive.
- Wars in trade
- The potential for technological advancement to render Volkswagen's goods obsolete.
- Adapting consumer tastes

PESTEL analysis

The PESTEL study of Volkswagen is as follows:

- Political
- Government policies regarding pollution and fuel economy
- Trade regulations
- Electric vehicle subsidies

Economic:

- Global economic expansion
- Rising inflation
- Consumer spending trends are evolving.

Social

- Rising consumer demand for eco-friendly goods
- Demographic shifts
- Middle-class growth in underdeveloped nations

Technological

- Creation of novel technology such as artificial intelligence and autonomous vehicles
- Battery technology advancements b

Buyers' bargaining power

Because there are so many different automobile manufacturers to choose from, buyers have a lot of negotiating power. Due to the escalating rivalry in the automotive business, buyers can also bargain for cheaper pricing.

Supplier bargaining power.

Because Volkswagen is a sizable and significant customer for many suppliers, suppliers have a moderate amount of negotiation power. However, given the rising demand, providers might potentially bargain for higher pricing. for components for vehicles.

The threat of new competitors

Because it's extremely simple to enter the automotive sector, there is a high risk of new competitors. There aren't many entry-level obstacles, such as patents or licences.

The threat of substitutes Goods

Because there are alternative forms of transportation available, such as bicycles and public transportation, the threat of substitute products is only minor. However, for many individuals, driving is still the preferred means of transportation.

Rivalry among current rivals

The automotive business is a mature industry, therefore competition among the current competitors is fierce. Numerous automakers are vying for market share.