

Strategic Management and Sustainability

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Introduction

According to the story, Volkswagen has settled a High Court action over the use of emissions-cheating devices in its vehicles by agreeing to pay £193m to more than 90,000 drivers in England and Wales. As a result, VW is being sued in several different jurisdictions for the broader "diesel gate" issue that broke out in 2015. Nitrogen dioxide is a pollutant related to respiratory ailments and early mortality, and Volkswagen's cars were using "defeat devices" to release up to 40 times the legally authorised quantity. Volkswagen has acknowledged a global total of 11 million vehicles were impacted by this issue, including around 1.2 million in the United Kingdom alone. The attorneys for the claimants will determine how the settlement money and the payment of legal fees will be divided. Volkswagen did not admit wrongdoing but did say that settling "was the most prudent course of action commercially." The business expressed renewed regret to its clientele and promised to do its best to win back their trust.



Volkswagen

Figure 1: (Volkswagen's Logo)

Source: (Volkswagen's website)

The key business strategies of VW over the past five years

Volkswagen (VW) has used several distinct approaches to business during the past five years, including crisis management, cost-cutting initiatives, and a pivot to electric cars (EVs).

Volkswagen's crisis management approach to the "diesel gate" issue in 2015 was one of the company's most important initiatives. Significant financial losses, legal fights, and a decline in consumer trust plagued the corporation (Hassan, 2019). Volkswagen apologised, admitted fault, and offered compensation and repurchase programmes to anyone harmed by the scandal. To avoid any further crises, the corporation has also made significant investments in creating greener technology and bolstering its compliance and governance frameworks.

Reduced production costs and streamlined operations are only two examples of the ways VW has slashed expenses to boost profits. Its main brands, including Volkswagen, Audi, and Porsche, were prioritised, and thousands of jobs were slashed as part of this approach.

Volkswagen's other strategy in recent years has been a push towards electric vehicles (EVs), with the ultimate objective of being the world's leading EV producer. To enhance its modular electric drive toolbox (MEB) platform and increase its EV model portfolio, the business expects to invest approximately €73 billion in EVs and related technologies by 2025. Volkswagen plans to sell one million electric vehicles yearly by 2025, and it plans to have 70 different electric models available (Aichner et al, 2021).

The Resource-Based View (RBV), which proposes that a company's internal resources and competencies may influence its strategic orientation, is one paradigm that could help explain VW's move towards EVs. Volkswagen's interest in electric vehicles stems from several factors, including a desire to differentiate itself from rivals and fulfil rising customer demand for environmentally responsible transportation options (Blackwelder et al, 2016)

Crisis management, cost-cutting measures, and a drive towards electric vehicles have been VW's primary business initiatives during the past five years. These measures were taken to recover from the diesel gate incident, increase profits, and cash in on the expanding sustainable transportation sector. Volkswagen's move towards electric vehicles (EVs) is being driven by the company's internal resources and competencies, which may be better understood through the RBV framework (Crete, 2016).

Identify with evidence the resources and capabilities of the case study company over the past five years

Volkswagen's skills and resources throughout the previous 5 years:

The diesel gate scandal cost Volkswagen around €30 billion (£26 billion) in penalties, reparations, civil settlements, and repurchase programmes throughout the world.

Volkswagen's brand reputation was badly harmed by the diesel gate crisis, which led to a loss of consumer trust (Painter and Martis, 2017).

Volkswagen has made significant technological investments in the development of electric vehicles, to release 70 new electric models by the year 2030.

Volkswagen's production capacity is evidenced by the fact that the company yearly cranks out more than 10 million automobiles (Gaim, Clegg, and Cunha, 2021).

Volkswagen has invested considerable legal resources into resolving the impact of the diesel gate crisis, which has resulted in lawsuits in many countries (Brinker et al., 2018).

Coordination of available means with desired outcomes:

Reputation Management: Volkswagen has made apologies, settlements, and investments in electric car technology to win back the confidence of its consumers and other stakeholders (Teece, 2019).

Volkswagen's compliance and ethics have been strengthened by the hiring of a Chief Compliance Officer and the creation of a whistle-blower mechanism.

Volkswagen's business plan of moving away from diesel and petrol engines is consistent with the company's massive investment in electric car technology.

Volkswagen's legal strategy has been to settle cases out of court and avoid protracted and expensive trials if possible.

Volkswagen's reputation and credibility took a major hit after the diesel gate scandal revealed the corporation had used illicit software to falsify emissions testing. Volkswagen, however, has made serious efforts to fix the problem and win back the trust of its customers and other stakeholders. Volkswagen has taken several noteworthy actions, chief among them being the allocation of significant financial and legal resources to resolving the issue. Further, the business has promised to improve its risk management and compliance procedures and always operate ethically. To encourage employees to disclose any unethical or unlawful practices, Volkswagen, for example, has recruited a Chief Compliance Officer and established a whistle-blower procedure. These measures demonstrate Volkswagen's commitment to addressing its wrongdoing and avoiding such events in the future. Volkswagen's long-term plan calls for abandoning traditional gasoline-powered engines in favour of developing battery-powered alternatives. This tactic is in keeping with the worldwide trend towards sustainability, as more people are looking for eco-friendly goods to buy. Volkswagen is establishing itself as an industry leader and maintaining its edge over rivals via sustained investment in electric vehicle technology. Volkswagen's business strategy is also intertwined with its efforts to control its reputation and keep a competitive advantage. The firm knows that to succeed in the long run, it must earn the trust of its customers and other important parties. Volkswagen's actions in response to the diesel gate scandal and to prevent similar accidents in the future are indicative of the company's dedication to ethical and sustainable business practices. This, in turn, will boost the company's standing and product recognition. Volkswagen's investments in electric vehicle technology are also an important aspect of the company's business plan. Volkswagen's concentration on electric automobiles puts them ahead of competitors who have been slower to

adopt this technology as consumers want more environmentally friendly products. Volkswagen is also establishing itself as a frontrunner in the movement towards environmentally friendly transportation by investing in electric car technology. Volkswagen has done a lot to fix its problems and win back the trust of its customers and other stakeholders. Investments in electric vehicle technology and a commitment to ethical standards and risk management and compliance practises are all signs of a corporation committed to the long haul. Volkswagen is well-positioned to fulfil its goals and lead the automotive sector towards a more sustainable future by combining its efforts to manage its reputation and retain its competitive edge with its commercial strategy.

How VW has tried to become more competitive while taking into consideration sustainability and the environment?

After the "diesel gate" crisis of 2015, in which it was discovered that Volkswagen had inserted "defeat devices" in its diesel cars to cheat on emissions testing, Volkswagen (VW) has had a tremendous task in recovering its reputation. The corporation has been sued and fined in various nations because of its use of emissions-cheating devices. The United Kingdom, for example, recently resolved a High Court dispute with more than 90,000 drivers for £193 million. Volkswagen has been working to improve its competitiveness in the face of the scandal by prioritising sustainability and environmental protection. The firm, for instance, plans to put €35 billion (\$41 billion) into developing electrified and driverless vehicles by 2025. By 2028, 22 million electric cars will have been manufactured thanks to this investment in the research and development of 70 new types. Volkswagen is not limiting its green initiatives to only electric automobiles. The firm plans to become carbon neutral by 2050, and it has pledged to cut its CO₂ emissions by 30% by 2025. The corporation plans to create batteries to power its electric vehicles, and it is investing in renewable energy to do it. Volkswagen has also worked to lessen the damage its manufacturing procedures due to the natural world (Simester, 2016) The corporation, for instance, has resolved to cut down on

factory waste by 25% by the year 2025. It has pledged to use only renewable energy in its plants by 2023 and is aiming to cut water use in production (Henry, 2021). The business has also been investing in research and development of greener technology for use in its goods. For instance, it has upgraded diesel engines to be more environmentally friendly and efficient. When compared to standard engines, this one is predicted to cut NOx emissions by as much as 80 per cent. Volkswagen is committed to doing its part to advance social and ethical standards in the workplace. Human rights, fair labour practises, and environmental safeguards are all addressed in the company's new code of conduct for personnel and vendors. It has also formed a Sustainability Council to provide guidance to the company's leadership on sustainability matters and to oversee the progress being made towards the council's stated objectives. Volkswagen's reputation has been severely damaged by the diesel gate crisis, and despite these efforts, the company still has a long way to go before it can recover. The controversy harmed the company's brand, and it has come under fire from environmental activists and regular customers. Volkswagen, meanwhile, is working to improve its competitiveness while simultaneously addressing sustainability and environmental issues by investing in electric and driverless vehicles, cutting its emissions and waste, and enhancing its corporate responsibility practices. Volkswagen has exerted considerable effort to increase competitiveness while also taking sustainability and the environment into account. The corporation has enhanced its corporate responsibility practises by investing extensively in electric and driverless cars, decreasing emissions and waste, and increasing employee engagement. Although the firm has made significant strides in tackling environmental and social concerns since the diesel gate crisis, it still has a long way to go before its reputation is restored (Chen and Soltes, 2018).

How sustainability practices can help the organisation to develop competitive advantages in the future?

Volkswagen (VW) is a German automaker mired in controversy ever since it was revealed in 2015 that the corporation had fitted its diesel vehicles with devices designed to artificially lower their

emissions (Zhang, Morse, and Kambhampati, 2017). The corporation has suffered greatly because of the "diesel gate" incident, losing customers, investors, and a good portion of its image. VW has so been considering strategies to restore public trust in the company's products and services. The corporation might gain future competitive advantages by embracing more environmentally friendly practices. Companies of all stripes are beginning to place a premium on sustainable practices. More and more people are concerned about the environment and want to buy goods and services that are made and provided responsibly and sustainably (Reimsbach, Hahn and Gurturk, 2018). Companies that choose to disregard these trends run the danger of seeing their market share eroded by rivals that place a higher value on environmental responsibility. Environmental and social hazards may be reduced, efficiency can be increased, and costs can be lowered with the aid of sustainability initiatives. The first, and most important task for VW is to create a thorough sustainability plan. The business must establish measurable objectives for boosting efficiency, decreasing waste, and decreasing its carbon footprint. The Sustainable Development Goals (SDGs) established by the United Nations might serve as a framework for businesses to solve some of the world's most serious environmental and social problems. VW can show its dedication to sustainability and give stakeholders a sense of its objectives by defining specific goals and reporting on progress towards those goals. Renewable energy and energy efficiency are two areas where Volkswagen might make major strides (Johnson, Redlbacher, and Schaltegger). To lessen its impact on the environment and its dependence on fossil fuels, the corporation should make investments in renewable energy sources like solar and wind power. The business might also invest in more efficient lighting and heating systems to reduce its energy use. Volkswagen will be able to save money and have less impact on the environment if it invests in these areas and also has room to improve in another key area: the creation and promotion of environmentally friendly goods. The development of electric and hybrid cars shows the company's commitment to this field. Nonetheless, further development is necessary. VW may promote these cars through focused marketing and advertising efforts and spend on R&D to increase their economy and performance. VW will stand out from the crowd and win over eco-conscious consumers by taking this step VW also recognises the value of actively listening to its stakeholders. The firm should talk to its

consumers, workers, suppliers, and investors about their worries and hopes for the company's long-term viability. Methods such as regularly administering surveys, holding focus groups, and engaging in stakeholder dialogues are all viable options for achieving these goals. VW can better show its dedication to sustainability and foster a sense of shared responsibility among its stakeholders if it actively engages with them. Volkswagen has to think about incorporating environmentally friendly procedures throughout its whole supply chain. One way to do this is to encourage sustainable procurement practices and check in with suppliers to make sure they are meeting ethical and environmental requirements. VW may lessen its negative effects on the environment and society and lessen its vulnerability to supply chain disruptions by taking this action. By implementing sustainable practices that can help it generate competitive advantages in the future, Volkswagen has an opportunity to repair its brand and recover customer confidence. VW can differentiate itself and show its commitment to sustainability by developing and promoting sustainable products; investing in renewable energy and energy efficiency; engaging with stakeholders; and implementing sustainable practices throughout its supply chain. Volkswagen can save money, increase productivity, and lessen exposure to social and environmental hazards if it places a premium on sustainability (McCullough, B.P, M.E and Nguyen, 2016).

Conclusion

To end a lawsuit filed in the High Court of England and Wales over the company's use of illegal emissions-cheating technology, Volkswagen has agreed to pay £193 million. Volkswagen is being sued in various jurisdictions after the "diesel gate" scandal broke in 2015. In total, the company has shelled out over €30 billion (£26 billion) in penalties, reparations, litigation settlements, and repurchase programmes throughout the world. Volkswagen has acknowledged a global total of 11 million vehicles were impacted by this issue, including around 1.2 million in the United Kingdom alone. Approximately 91,000 drivers in England and Wales filed lawsuits against Volkswagen and its subsidiaries Audi, Seat, and Skoda, alleging that they were deceived about the sustainability ratings of their vehicles and that this hurt the resale value of their automobiles. The trial was scheduled to

begin in January 2023, but the parties were able to arrange a settlement in the meanwhile. Volkswagen has not admitted fault but has apologised to its consumers once more and promised to restore faith in the company.

Appendix

A SWOT analysis of Volkswagen's settlement:

Strengths:

Settlement reduces the expense and hazards of a protracted court struggle.

Volkswagen avoids acknowledging legal blame, potentially limiting future legal claims against the business.

The deal gives both Volkswagen and the claimants with certainty and closure.

Volkswagen's apology and commitment to restoring confidence may assist to enhance the company's brand image and reputation.

Weaknesses:

Volkswagen will incur huge financial costs because of the settlement, which will be added to the company's already hefty global payouts.

The settlement might pave the way for future legal claims against Volkswagen, resulting in extra financial penalties.

Volkswagen makes no admission of guilt in the deal, which may have a severe impact on its reputation and brand image.

Opportunities:

The agreement may assist Volkswagen in regaining the trust of its consumers and stakeholders, therefore boosting its long-term reputation and financial performance.

Volkswagen should make use of this chance to speed the transition to cleaner, more sustainable vehicles, so mitigating the effect of the "diesel gate" crisis and addressing mounting worries about air pollution and climate change.

Threats:

Volkswagen has already suffered huge financial losses because of the "diesel gate" affair, and this might continue in the future.

The deal does not address the scandal's underlying environmental and ethical problems, which may lead to continuing public scrutiny and pressure on the firm.

The deal might harm Volkswagen employees' morale, particularly those involved in the development and manufacture of the impacted vehicles.

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