

Module: Strategic Management and Sustainability

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Introduction

Volkswagen is a German Company that is also known as VW. It is a manufacturer of a motor vehicles. The headquarter of the company is situated in Wolfsburg Germany. It was founded in the year 1937. With a lot of struggles, the company becomes the largest automotive manufacturer in the global aspect. In China, VW has the biggest market that use to deliver almost percent of its total sales and profits. It is one of the large international corporations that use to deal in truck brands and multiple cars involve Bentley, Porsche, SEAT, Audi, Skoda, MAN, and Scania. There are 74,000 employees working with the company along with 7700 dealerships. Over 20% of the market share has had belongs to Volkswagen. However, the present report is constructed over the case of Volkswagen that will be emphasized over key business strategies of the company, its resources, and capabilities, competitive while taking into consideration of environment and sustainability and in the end, recommendations will be involved in terms of sustainability practices that could support the company to gain competitive advantage in future aspect.

The key business strategies of VW over the past five years

VW believed in its business strategies and working for many years. Hence, the company named its strategy TOGETHER 2025+ Group strategy is based on consistent modules and strategic decisions to safeguard the long-term future of the company and make profitable growth in the market. This strategy is based on five different key elements namely **best governance, best brand equity, best performance, excellent leadership, and software-enabled car company**. VW continuously reviews its status and progress by focusing on initiatives to examine the importance, target achievement, and suitability of defined measures. Similarly, the strategy worked from 2016 and continuously bring transformation.

In terms of **best governance**, the company worked to develop a streamlined corporate structure and focused on manage brands in a continuous aspect that leverages synergies and accelerates the process of decision-making (Clark & Urwin, 2007). The company also made its perception trustworthy, efficient, transparent, and sustainable. The key business strategy is intensified with its key stakeholders to work and systematically perform activities. The strategy represented a transparency level in the market that supported the company to work on a longer basis.

Similarly, the **best performance** is the element of the strategy which is incorporated with the sustainability factor to gain value by boost productivity level, efficiency, and profits. VW is a global company where size is used to enable them to make proactive use of economies of scale. This helps the company to be committed to the stakeholders and target people with consistently working and strive hard. Thus, the company contains primary basics for extensive investment by incorporation of employees and mobility for future and current generations (Lieberman, 2013).

Within the business strategy, **brand equity** is another element that is also involved. The company focused on realigning and refining the portfolio of the brand to make an efficient increase in value of the company by end of 2025. Hence, the company considers its brand to overlap and optimized its market positioning a big reduced (Tiwari, 2010). This is due to optimizations of the brand where they are required to make the decision for the product portfolio, future design, and service that they utilized for serving customers.

In terms of a **software-enabled** key element of the strategy, VW working to make the development of its software that is one of its core competencies. VW work to gain a competitive advantage by pooling existing expertise and working with dedication. By end of 2025, the company involves in new vehicles in its group through the implementation of new software. In this aspect, VW enabled itself to leverage synergies among individual

brands and project vehicles. In this aspect, the group of the company and its related brands worked the best aspect to provide competitive vehicles with equal measures in these five years.

Similarly, the company also involves **excellent leadership** as its business strategy element which helped them to accelerate transformation by open leadership. It partnered with different companies and gained value. They restructured their management and increase development in a systematic approach that integrate succession planning in the right direction at right time (Meng, et al., 2012). In this way, VW managed its managers and employees by fulfill their expectations. Thus, they focused on customers, work to manage corporate responsibility, and enhanced effectiveness to gain positive outcomes. Similarly, Volkswagen also incorporated enhancing diversity at different levels of the company along with measurable targets to gain a competitive advantage in the market (Volkswagen, 2019).

The resources and capabilities of VW

The value chain involves different resources and capabilities of a company. It is based on different activities from production to sales to sales service. However, every step of the value chain is focused on the final product or service along with the management of the chain to facilitate productivity and boost the performance of the brand (Crain & Abraham, 2008). Hence, the value chain encompasses primary and supportive activities. Thus, the value chain analysis of Volkswagen Group is presented as under:

Primary Activities

The primary activities focused on internal aspects such as inbound logistics, operations, outbound logistics, marketing and sales.

- Inbound logistics: VW use to manage a large global supply chain. It also concerns fast tracking and quality of production. It is based on the training and sustainability

of its suppliers to properly adopt the process to gain growth. In the year 2017, the company accomplished training almost 29,000 suppliers at different locations.

- Operations: Volkswagen depends upon a global production network that is about 120 production locations. For the company, Europe is a significant region contain 71 locations. Likewise, Germany contains 28 sites of production. North America is based on five locations whereas the Asia Pacific is based on five production locations.
- Outbound logistics: At concerned manufacturing locations, Volkswagen produced different cars that are shipped to the corresponding dealer in the network in the world for sales aspect.
- Marketing and sales: The company has made new marketing and sales strategy to excite its customers that has the objective to excite customers on the level of wholeness (Dubas, et al., 2014). Though, the company has its new slogan of marketing as Customer Delight. The company also has a business strategy known as TOGETHER.

Supporting Activities:

Supporting activities are based on external aspect like technology, human resource management, procurement, and firm infrastructure.

- Technology: VW believes in its technology which is a key focus for the brand to bring maximum innovation. They spend a large amount to innovate products and services by the creation of new models and technologies. Thus, the company spent 13.13 billion Euros in 2017 on research and development. Relative to other companies, the technology used in VW is advance and meet up to date market requirements.
- Human resource management: For working with the company, VW employed 642,300 employees by end of 2017. They also revised their human resource

strategy by align with a new strategy of a business. They also empower their employees to transform their culture.

- **Procurement:** VW set out proper procurement goals by end of 2017 to properly secure supplies and make innovative, competitive products at a reasonable cost. The company continuously processes procurement and expanded its cooperation with suppliers (Dabija, 2011).
- **Firm infrastructure:** The company managed itself with its efficient infrastructure that involves research and development facilities, production facilities, and corporate offices.

VW has aligned its resources and capabilities to its current business strategies

Resources and Capabilities of Volkswagen Group:

Volkswagen aligned its resources and capabilities with its present business strategies.

These are discussed below:

- **Large production infrastructure:** The company maintained its production infrastructure effectively. They developed 10.9 million units of vehicles. It consists of a global production network that depends on 120 production locations. The company has large production locations in Europe. The brand constantly increases the concepts of production and aligns with new technologies. They align the competitive design to gain a maximum advantage (Karabakal, et al., 2000).
- **Brand image and global presence:** VW maintained an efficient brand image in the market along with a strong global presence. Though one of the past scandals ruined its reputation in the market it worked hard to improve its brand image. VW is working at different locations, but its largest markets are Asia and Europe.
- **Research and development capabilities:** The company managed its strong research and development capabilities and also spends the proper amount. It is

significant for the company to enhance its value and gain sustainability. They made 13.13 billion Euros in research and development of the company.

- Extensive supply chain: Similarly, the extensive supply chain is another capability of the brand. The company developed a special network of FAST suppliers. It was initiated by VW to develop its supply network to prove the future. They gain success by implement globalization and innovation to enhance the participation of suppliers in an intense aspect.
- Large product portfolio: This is another capability of the company based on a large product portfolio that is developed of 12 different brands with various controlling stakes. They incorporate the company's commercial vehicles, Skoda, Audi, Seat, Bugatti, Bentley, Man, Scania, Lamborghini, Ducati, and others. Hence, the large product portfolio permits the company that required a diverse group of customers from the upper end and premium customers to mid-income-based consumers.
- Human resource management and organizational culture: VW concentrates on human resource management to enhance its growth by empower its workforce. They also transfer organizational culture to meet the needs of the 21st century.

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

Like other companies in the world, Volkswagen also works competitively to gain sustainability which means pursuing social, economic, and ecological goals along with the balance of energy. It is the objective of the company to develop good working conditions, lasting values, and conserve resources. The concept of sustainability at VW is to make sure for opportunities and risks that are linked with the environment, governance, and social activities to determine initially for the value creation process (Andersen, et al., 2018). Likewise, the company's corporate social responsibility identified different activities

that impact its value and reputation. Likewise, the company gains maximum attention by working as an environmentally responsible and taken initiative to think blue. It is one of the programs of VW that played a vital role to bring necessary changes by LEED certification. However, the program is based on corporate sustainability which is simple and based on the right things. The company focus on various elements of sustainability program and make sure to execute them efficiently. VW is a large company where it involves emission sources to implement a proper sustainability program that would provide long-term success and rapid gains (Schumacher, 2017).

Further, the company also runs a sustainability campaign that is innovative for the business to ensure its program proved efficient (VW, 2022). The program is accountable for different elements that are discussed as follows:

Quantifiable goal: VW set out measurable targets such as deadlines and timeliness. They make overall plans to bring improvement in the environmental performance by 25% by decreasing usage of water, enhance renewable energy sources, decreasing air emissions, and reduce waste. Think Blue program is focused on the development of key performance indicators (KPIs) where VW would utilize constant monitor performance around the year. In this way, environmental performance is concentrated and gets attention. Corporate sustainability programs gain success in real time and concrete objectives can be properly tracked and measured on yearly basis. thus, they believe in quantifiable objectives to make things easier and identify activities that are helpful to increase continuous progress along with solving problems.

Communication is key: This is another element of the Think Blue Program that works to do communication in VW channels including internal and external channels. Communication plays a vital role to involve and provide knowledge to get success. However, VW incorporates Think Blue in its newsletters as well as press releases. It is

one of the big-size marketing tools based on the philosophy of the business. VW informs different levels of the business about the program that involves mechanics on the floor of the shop, environmental experts, and top executives. The program uses to empower real differences in operations to work as a hands-on aspect by following proper action plans to be executed on a routine basis (Li, et al., 2019).

Blend sustainability with corporate social responsibility: According to VW, the Think Blue program of sustainability work tremendously. It integrates with the corporate social responsibility factor for managing projects. This program focused on increasing public awareness in various aspects to save fuel and also facilitate taking initiative on ideas for people to develop ways to save energy and water (Gutiérrez-Gómez, et al., 2018). These activities supported the company to enhance internal and external communication and grow the company productively.

Recommendations on how further sustainability practices

For sustainability, different recommendations are presented for Volkswagen to improve itself in a further manner.

- It is recommended to the company incorporate recycling with waste and apply one-use and disposable plastics like plastic packaging.
- It is also suggested to focus on biodegradable plastics that need exempt from rules and regulations. Due to this, plastic does not persist within the environment as it is a concern in fewer ways.
- The government needs to offer financial incentives for engaging producers in the marketing and development of biodegradable plastics to motivate growth in the industry.

- It is also necessary for the producers to make proper partnerships with those companies that establish incineration and recycling practices that apply to different types of plastic to decrease plastic waste amount to enter in the waste stream.
- The company needs to motivate virgin plastic material to reduce its usage through the manufacture of stronger, lighter, and more developed plastics in terms of packaging techniques efficiently (Miloudi, et al., 2013).
- It is suggested to the company offer financial incentives for engaging producers to bring improvement in recycle infrastructure and to expand its market for materials that will develop recycled plastics.
- It is also necessary for the producers to give priority to natural degradation methods to make biodegradable plastics or organisms through bioengineering that would break down polymers in the traditional aspect.

Conclusion

Volkswagen focused on its key business strategies for five years but now it needs to bring adequate changes to continue excellence in the market. This will help the company to increase its sales and rebuild customer trust positively. Moreover, VW also needs to try competitive advantage along with environmental sustainability to properly manage the value of vehicles in the market. Moreover, every business has its strategy to follow and work likewise, VW focused on the TOGETHER strategy to increase its growth in the market and boost sales effectively. This business strategy is supportive of VW as it helps them to become a market leader. In addition, the company also tried hard to become more competitive by considering sustainability and the environment to gain an advantage on a long-term basis.

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