

BA Business Management

Strategic Management and Sustainability

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Introduction

From a certain aspect, within any organisational setting, strategic management enables different attributes such as resource allocation, management of internal and external traits and development of growth strategies to accomplish objectives and goals. To be more specific, strategic management also has a direct connection with organisational supply chain management along with a clear understanding of success and failure measurements for a gradual improvement (Ketchen and Craighead, 2020). On the other hand, nowadays, strategic management within any organisation can include a definite management of sustainability, being chiefly biased toward nature and natural resource conservation.

Here in this essay, Volkswagen has been chosen regarding one of its sustainable issues, popularly known as the “Dieselgate scandal”. With a clear understanding of the organisational background, the essay will include evidence-based research about organisational business strategies along with its resources and capabilities. Furthermore, the essay will also include the competitiveness of the chosen organisation in terms of sustainability and management of environmental factors. Lastly, the key areas will be evaluated as profound recommendations based on which Volkswagen can refurbish its sustainability actions becoming more competitive within the broader market.

Main Body

Brief company background

Within the global market, considering the automotive industry, Volkswagen is a huge brand penetrating the whole sector with its innovative approaches in contemporary times. From 1978 onwards the venture centralised its whole operation into its headquarters situated in Blakelands, Milton Keynes. Sourcing, marketing and all the control over the distribution of all the vehicles and other parts are directed from Blakelands to the UK (volkswagen.co.uk, 2023). Having a good range of ambition towards electrification of its vehicles, Volkswagen is developing successfully being aware of the sustainability issues over the years. This venture was one of the first companies to sign the Paris Climate Agreement following the COP21 Paris Agreement (volkswagengroup.co.uk, 2020). Specifically, based on its penetrating targeting and positioning, Volkswagen Group in the UK is the only known wholly-owned company with over 12 renowned brands penetrating over 153 countries.

The brand has grown over the past few decades and based on its business strategies it has penetrated the whole industry in both the UK and globally. From different European countries, the brand has ten to twelve subsidiaries such as Audi, CUPRA, Bentley, Skoda, SEAT, Porsche, Lamborghini, Ducati, Skoda and others (volkswagen-group, 2023). To be very specific, being the world's leading automobile producer Volkswagen has the aim to reshape the new age mobility along with reconstructing other business areas and financial areas. Worldwide, Volkswagen has been announced as the wealthiest automotive manufacturer as this venture has shown almost 240 billion GBP (279 billion Euro) market revenue in the fiscal year 2022 (statista, 2023).

The key business strategies of the Company

In the contemporary business landscape, business strategies are certainly the forerunning thing behind every organisation's success. All the functional departments and the overall organisational power can be driven ethically and effectively through a productive

accumulation of business strategies (Johnson *et al.*, 2020). Within every business organisation, strategic management is the pivotal thing which is chiefly based on organisational benefits in terms of productivity, profitability, stakeholder management and acquisition of competitive edges. The vision and mission should be clear enough in the context of these beneficial attributes that to consider all the factors of the macro and microenvironment. According to the understanding of Edwards, (2021), business strategies must be regenerative and need to be envisaged productively for mainly the economic growth of a certain organisation.

Volkswagen, especially in the UK market along with considering its global presence is more intrigued by two definite business practices such as market penetration and product development. The main objective hereby can be mentioned which is more futuristic and compatible with global sustainable goals which is technological development and the emergence of electric vehicles in the context of the automotive industry. Discussing the topic, of business strategies keeping strategic management and sustainability in mind, the **Ansoff matrix** can be demonstrated aligning with the strategic approaches of this global automobile venture, Volkswagen. This strategic framework briefing different business practices is mainly divided into four types of business growth strategies such as “**market penetration, market development, product development and diversification**” which can be mentioned as the basic pillars of business progression (Clarissia, 2020). To be very specific, Volkswagen is refurbishing its business strategies with a more futuristic approach certainly being aware of sustainable issues and fast-paced changes within the business environment. They have launched a productive strategy named “Accelerate strategy” where they are transforming the whole strategic approaches radically than ever before. Based on some innovative strategies, the venture wanted to increase its share in the all-electric market by 70% in Europe by the year 2030 placing the company in the global market as “climate-neutral e-mobility” (volkswagen-newsroom, 2023).

In order to demonstrate this framework, the first strategy **Market penetration** is the thing, where any organisation tries to maintain and balance its streamlined distribution process intact being more aware of its position (Peterdy, 2022). This is the least risky approach from the organisational end in comparison with the other three. The second one is **market development** where organisations are more intrigued by differentiating their target segments and acquiring new areas entering with penetrable strategies. The third strategic approach includes **product development** where more product enhancement, innovative approaches and exploring different distribution channels are reinforced by the company which can be mentioned as the most stable and beneficial business strategy. The last and most risky one is **diversification** where a synergy is created from the organisational end between existing business practices and new marketing areas for a better organisational progression (Clarissia, 2020).

Based on the aforesaid Ansoff Matrix business growth strategies, it can be said that **Volkswagen** is strictly following two major aspects such as **product development and market penetration**. With profound evidence supporting it, in the year 2016, the venture has established its futuristic goal named “TOGETHER 2025+ STRATEGY” which has aimed to manage its strategic projects and implement sustainable approaches for both the present and future generations. For instance, in this context, a long-term goal can be mentioned as the company is committed to being a carbon-neutral organisation by 2050 including all its plants, vehicles restructuring and coming up with new-generation business processes (annualreport2020.volkswagenag, 2020). Also, five key areas need to be mentioned where this strategic reinforcement would focus including corporate governance, increment in brand values, performance enhancement, upliftment of software and other technologies and lastly employee engagement reinforcement.

From a certain aspect to give a more precise insight into **product development**, some examples can be mentioned based on which Volkswagen is rapidly transforming itself toward e-mobility and digitalisation. For instance, a future-oriented mechatronics platform

has been developed with a scalable system platform for creating next-generation all-electric software architecture. Next, for providing sustainable mobility Volkswagen has also fostered more conscious supervision of battery development and charging facilities. Most effectively this venture has aimed to develop around 45,000 high-power charging points by 2025 in Europe, China and the USA (volkswagen-group, 2023). ***Penetrating the market***, the venture has taken off some mobility solutions where the organisation has taken account of different global trends, also, the group has planned to amalgamate all its brands' mobility services.

The resources and capabilities of the case study company

From a wider aspect, within any organisation, the resources and capabilities are the main strengths based on which they can seek different market-linked opportunities. On the other hand, those organisations often acquire some weaknesses either by breaching some organisational or governmental policies and become responsible for grasping some threats for a gradual persuasion. ***SWOT analysis*** is the best-proven framework which can help amalgamate all these aspects for a holistic insight into organisational perseverance. From a certain aspect, every organisation tackle both opportunities and threats depending on their strategic thinking and decision-making skill where the resources and capabilities are the pivotal assets behind the operational success (Stamevska and Stamevski, 2020). Volkswagen in the global context is certainly dependent upon its development capabilities where the organisational resources are evident to be presented for grabbing more growth and mitigating the threats such as the Dieselgate scandal.

Considering the SWOT framework, first, to elaborate on the organisational ***strengths***, Volkswagen is chiefly dedicated to its charging infrastructure where the team is targeted to incorporate over 4000 charging points at the brand site by the year 2025 a comprehensive commitment (volkswagen-newsroom, 2020). The next stronghold area is the research and development department, the capabilities of which certainly fostered its efficiency in communicating with the environmental changes and market trends to be electrical and

autonomic soon. Supply chain management is also can be mentioned thereof where managing all the customer's intentions and perceptions Volkswagen is practising ethically for sustainable driving and mobility of the organisation. Lastly, the HRM and cultural attributes need to be considered where the global automotive venture is more triggered about seven key areas. These include sustainable mobility, strong partnerships, revolutionary mobility, embodied individuality, exhilarating mobility, inspiring networks and technical innovations influencing the core asset, the human workforce (volkswagen-karriere.de, 2023).

Furthermore, mentioning the **weaknesses**, over the last five years, Volkswagen is struggling with its dieselgate scandal, held in the year 2015 and for a productive settlement. Different fines, civil settlements and compensations along with some buyback schemes are to be mentioned in the company's settlement action which leverages a good range of financial backdrop as the venture has already paid over 30 billion GBP worldwide (bbc, 2022).

Based on the aforesaid strengths and weaknesses, the venture can also be capable of acquiring some market-based growth **opportunities** if the scandal is mitigated soon. The pivotal areas of growth based on the business strategies and organisational resources and capabilities, product development, the accomplishment of objectives, financial uptake and acquisition of sales and marketing capabilities can be evident. On the other hand, one considerable **threat** can be mentioned in the UK context, Volkswagen can be disrupted, especially in the area of supply chain management for the Ukraine war (Reuters, 2022). The main harm could be envisaged in acquiring raw materials from China and Mexico where Russia's invasion can disrupt the complex supply chain of Volkswagen reinforcing a definite conflict.

Evaluation of the UK automotive industry and VW as an automaker competing in this industry

Within the automotive industry considering the UK context, the company, Volkswagen can sustain itself in an eventual manner as the business landscape is pretend to be optimistic

and future-oriented. Through the **PESTEL analysis**, overall market attributes can be measured and from the findings, a critical analysis can be developed in terms of market optimism and pessimism. Considering the external market, the political stability index can be mentioned as one of the critical **political factors** and according to the data for 2021, it is remaining at 0.54 (theglobaleconomy, 2023). This is certainly an optimistic thing for the company Volkswagen as the competition can be envisaged in a sporting manner with less chance of political dilemmas and violent attitudes. Furthermore, to consider the **economic factor**, market inflation can be mentioned and from a certain aspect, this is the most beneficial thing as after the global pandemic this year a gradual downturn is continuing.

Based on the current statistics it is remaining at 7.9% fostering an insight of a continued decrease (tradingeconomics, 2023). The sustainability measurements and future goals can be accomplished within Volkswagen in an effective manner where they can obscure the threat of household income decrease and increase of cost of living. Discussing this the per capita household income standard can also be addressed in terms of **social factors** where the magnitude of 44,255 GBP is ostensible, earned by the age group 25-44 on an average (Statista, 2023). **Technological enforcement** can be mentioned furthermore, where digital marketing needs to be uplifted by the company to be engrossed towards customer acquisition and reinforcement of more awareness. In the UK, currently, the internet penetration rate remains at 92.74% (Statista, 2022).

Environmental consideration is the next, where every organisation within the automotive industry is liable to protect the environment by respecting the principles of the Environmental Protection Act 2021. Reduction of wastage, controlled use of non-renewable energy, and decreasing the use of natural resources must be achieved from the company's end where Volkswagen is more intrigued in going all-electric by the time. Lastly, **legally**, all the company must align their ventures with different compliances of government legislation and the industry could make up employee upliftment strategies for better employment. For instance, the Employment Rights Act 1996 can be addressed where every organisation

needs to motivate the employees giving them a chance to raise their voices against any unethical dismissal or unwanted redundancies (netlawman.co.uk, 2022).

Implementation of the strategies based on which VW can implement environmental sustainability science, theories, and ways of thinking to become more competitive

Considering Volkswagen, the venture's chief priority should be the competitive edge and in the context of globalisation and digitalisation this company is certainly intrigued in uplifting themselves for a better long-term orientation. People have become greener in the last five years and especially in the UK, people are willing to pay 25% more for sustainable alternatives to their products (consultancy.uk, 2021). Some theory-based approaches can alter the ways of thinking for Volkswagen based on which they can manifest better management for strategic sustainability, better corporate social responsibility, green actions and enforcement of futuristic and opportunities business ethics.

In accordance with the most productive model of sustainable business management, ***three pillars of sustainability*** can be mentioned and recommended for Volkswagen where they can manifest better business practices uplifting ***social, economic and environmental strategies*** (Purvis, Mao and Robinson, 2019). In the social upbringing strategies, the venture needs to be aware of its ***CSR attributes*** where they are already determined of their activities as these have optimistic impacts regarding the company's values and reputation. On the other hand, in regard to the environmental aspect, different strategic decisions and goals can be evaluated in order to reinforce its ***green strategies***. Certain evidence addresses that, Volkswagen is ambitiously targeting to cut off its carbon footprint by 40% in Europe by the fiscal year 2030 by considering the whole lifecycle of the company including supply chain to production (volkswagen-newsroom, 2023). Lastly, from the economic perspective, upliftment can be beholden by the company incorporating some ***business ethics*** for a gradual betterment in the organisational progression. Recommending such, the company can leverage better persuasion if be focused on its core values regarding continuous innovation, team management and stakeholder management.

Conclusion

From the above discussion, it can be concluded that Volkswagen has the potential to build their venture for the future getting rid of all the business obstacles by a certain means. Critically considering the obstacle of Dieselgate the strategies of Volkswagen can refurbish the whole, typically being concerned with business sustainability. The best strategic approach from the organisational end may be product development and market penetration where the evidence can address the business potential regarding resources and capabilities. Through the SWOT and PESTEL analysis, the competitive strengths and market attributes can consider business sustainability and environmental protection. Volkswagen, thus, through the strategic analysis can ensure business activities based on which the future can be assured in order to benefit the customer and global automotive industry.

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Appendices

Appendix 1- SWOT Analysis

Strengths	Weaknesses
• Charging infrastructure • Research and development department • Supply chain management • HRM and cultural attributes	• The dieselgate scandal in 2015 • The sustainability issues
Opportunities	Threats
• Organisational resources • Product development • Accomplishment of objectives • Financial uptake • Acquisition of sales and marketing capabilities	• Supply chain management • Acquisition of raw materials

Appendix 2 – PESTEL analysis

Elements	Factors	Influences
Political	Political Stability Index – 0.54	This is an opportunistic thing for Volkswagen to penetrate the market.
Economic	UK market inflation – 7.9%	The downturn can help the company to ensure its pricing strategy.
Social	Per capita disposable income – 44,255 GBP	A decent household income can be maintained where people can spend more on sustainable businesses.
Technological	UK Internet penetration rate – 92.74%	The best strategic approach can be social media marketing to grasp more people on board.
Environmental	Environmental Protection Rate 2021	The all-electric approach of Volkswagen can be envisaged in order to respect the compliances of the act.
Legal	Employment Rights Act 1996	Employee retention and motivation