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Introduction

With new technologies and increasing consumer preferences fueling innovation and competitiveness, the automotive industry has seen considerable changes recently. In this context, it is important for companies in the industry to develop effective competitive strategies that enable them to adapt to these changes and thrive in a rapidly-evolving market (Lynch, R, 2018,p.90) . Volkswagen (VW) is one such company that has been pursuing various strategies to enhance its competitive position and achieve sustainable growth.

This report aims to analyse Volkswagen (VW) over the past five years, focusing on its key business strategies, resources and capabilities, and sustainability practices. To better understand VW's strategies and their effectiveness, this report will use a range of strategic analysis tools, such as SWOT, Ansoff Matrix and Industry Five Forces Models, to analyse the external business environment and identify key drivers of competitiveness. The report will then use these findings to evaluate VW's current business strategies and assess to what extent the company has aligned its resources and capabilities to achieve its objectives. Additionally, this report will examine how VW has aligned its resources and capabilities with its current business strategies and has attempted to become more competitive while considering sustainability and the environment. Finally, based on the analysis, this report will make recommendations on how VW can further develop its sustainability practices to gain competitive advantages in the future.

Company background: The Volkswagen Group

Volkswagen (VW) is a multinational corporation that operates in the automotive industry. One of the world's leading automakers and the biggest automaker in Europe, the Volkswagen Group is headquartered in Wolfsburg, Germany.

VW is an employer of choice, providing a productive workplace, benefits, and competitive compensation. The Group has 120 production facilities spread over ten countries in the Americas, Asia, and Africa, in addition to 19 countries in Europe. 662,575 workers worldwide build vehicles, provide services for them, or work in other industries. In 153 nations, the Volkswagen Group sells automobiles. The business sold more than 9 million vehicles globally in 2020 and had a revenue of €222.9 billion. (Volkswagen Group Annual Report 2021, n.d.) .In addition, VW has a strong corporate culture that values innovation, sustainability, and diversity.

Ten brands from five European nations comprise the Group: Audi, Lamborghini, Bentley, Porsche, Ducati, SKODA, SEAT, and Volkswagen Commercial Vehicles. The Volkswagen Group also has many additional brands and business divisions, including financial services. Volkswagen Financial Services includes leasing, leasing for customers and dealers, banking, insurance, and fleet management services. (Anon., n.d.)

The development, manufacture, and marketing of trucks, buses, and light commercial vehicles are included in the Volkswagen Commercial Vehicles category., Scania, MAN, and Navistar brands, as well as the accompanying genuine parts and services business, are the main components of the Commercial Vehicles Business Area. VW's competitive advantage lies in its strong brand, extensive global distribution network, and diverse product portfolio VW has invested heavily in electric and hybrid vehicles, positioning itself as a leader in the transition to sustainable mobility.

VW Business Strategies

Volkswagen (VW) has pursued several key business strategies (Todorov, 2018) over the past five years to maintain its competitive position in the global automotive industry. Using various strategic analysis tools such as SWOT, PESTEL, Ansoff Matrix, and Industry Five Forces Models, we can better understand the reasons behind these strategies.

Industry Five Forces Models : When we apply this model to the automotive industry, we can see that it has a large number of players and is very competitive and challenging for companies to maintain their market position. Some of the key forces that affect the industry include the bargaining power of suppliers, the potential threat of new competitors, the purchasing power of consumers, the threat of substitute products, and the intensity of competitive rivalry. (Magretta, 2011)

VW has pursued several key business strategies to maintain its competitive position in this challenging environment. For example, the company has focused on reducing costs and improving operational efficiency to stay competitive in terms of pricing. It has also made significant research and development investments to develop new products and technologies that can differentiate it from its competitors. VW has leveraged partnerships and collaborations to reduce its dependence on suppliers and increase its bargaining power. Moreover, the increasing demand for electric vehicles has been a major driver of VW's business strategies (Todorov, 2018). The business has significantly invested in electric car technology and has set a target to become carbon neutral by 2050 . This has enabled the company to position itself as a leader in sustainable mobility, which is becoming increasingly important to customers.

Using the **Ansoff Matrix**, we can see that VW has pursued both market penetration and product development strategies (Ansoff, 2007). In terms of market penetration, VW has focused on increasing sales of its existing products in current markets. For example, the company has expanded its product range to include more SUVs and electric vehicles to meet the changing preferences of customers. This strategy has been driven by factors such as increased competition, changing consumer demands, and the need to stay profitable.

In terms of product development, VW has pursued a strategy of developing new products for existing markets (Todorov, 2018). This includes a strong focus on electric vehicles and digitalisation, which has been driven by changing customer preferences, government regulations, and the need to reduce carbon emissions. VW has also expanded its reach into new markets, such as China and India, through joint ventures and partnerships.

The internal and external strengths and weaknesses as well as opportunities and threats of a corporation may be determined using a **SWOT analysis** (Whittington, 2019). This analysis can help companies develop effective strategies that leverage their strengths, mitigate their weaknesses, capitalise on opportunities, and minimise threats.

Strengths:

- Strong brand image: VW has a strong global brand image that is associated with quality, innovation, and reliability.
- Diversified product portfolio: VW has a diversified product portfolio that includes a range of brands and models, allowing the company to cater to different customer segments and markets.
- Efficient production processes: VW has implemented efficient production processes that enable it to produce vehicles at a lower cost than many of its competitors.

-Strong distribution network: VW has a strong distribution network that allows it to reach customers in various markets.

Weaknesses:

-Dependence on the European market: VW is heavily dependent on the European market, which accounts for a significant portion of its sales. This renders the business subject to changes in the economy and regulatory changes in Europe.

-Limited presence in emerging markets: Although VW has a strong presence in Europe, the company has limited market share in emerging markets such as Asia and Africa.

-Dependence on a few key suppliers: VW relies on a small number of crucial suppliers' extensively critical components, which makes the company vulnerable to supply chain disruptions.

-Reputation damage due to the "Dieselgate" scandal: In 2015, VW was involved in a scandal related to the manipulation of emissions data, which damaged the company's standing and brought about huge financial gains and losses. (Sloman, 2017, p. 399)

Opportunities:

-Growing interest in electric and hybrid cars: The market for electric and hybrid vehicles is expanding vehicles, which presents an opportunity for VW to expand its product portfolio and capture a share of this market.

-Expansion in emerging markets: Emerging markets countries like China and India have excellent potential for VW, as these markets have a large and growing middle class that is increasingly interested in cars.

-Innovation and technology: VW can leverage its strong R&D capabilities to develop innovative technologies and products that differentiate it from competitors. (Whittington, 2019)

-Strategic partnerships and collaborations: VW can collaborate with other companies in the industry to develop new products and technologies, reduce costs, and enhance its competitiveness.

Threats:

-Intense competition: With a large number of well-established firms and recent entrants striving for market share, the automobile sector is extremely competitive.

-Regulatory changes and environmental concerns: Governments around the world are imposing stricter regulations related to emissions and fuel efficiency, which can increase costs and limit market opportunities for VW.

-Price fluctuations for raw materials: VW's manufacturing costs and profitability may be impacted by price fluctuations for raw materials like steel and aluminium.

-Economic uncertainty: The global financial crisis of 2008, can impact consumer demand and result in lower sales for VW.

-Trade policies and tariffs: Changes in trade policies and tariffs can impact VW's global supply chain and production costs.

VW has also pursued a strategy of diversification through acquisition. For example, the company acquired the car rental company Europcar in 2018, which allowed it to expand its services and reach new customers. VW has also focused on developing new technologies and partnerships to remain competitive in the digital era. For example, the company has partnered with Microsoft to develop an automated driving platform.

Over the past five years, VW has implemented several business strategies to increase its competitive edge. One of the key strategies that the company has pursued is a focus on electric vehicles (EVs). In 2018, the company announced its plan to invest €30 billion in electric vehicles by 2023, with the aim of producing 22 million electric

cars by 2028 (Volkswagen Group Annual Report 2018, n.d.). This strategy was pursued due to the increasing demand for EVs and the need for companies to reduce their carbon footprint.

Another key business strategy that VW has pursued over the past five years is a focus on innovation. (Volkswagen Group, 2022) The business has made significant investments in research and development (R&D) to create new technologies and features for its vehicles. In 2019, the company announced that it would invest €44 billion in R&D by 2023 (Volkswagen Annual Report 2019, n.d.). This strategy was pursued to differentiate the company from its competitors and to offer customers unique features and experiences.

VW has also implemented a strategy of cost-cutting and streamlining its operations over the past five years. In 2016, the company announced a cost-cutting plan that aimed to save €3.7 billion annually by 2020 (Volkswagen AG, 2016). This strategy was pursued due to the fallout from the diesel emissions scandal, in which billions of dollars in settlements and fines were paid by the corporation as a result. Cost-cutting was seen as a necessary step to regain profitability and improve the company's financial position. (Volkswagen Group, 2022)

Resources and Capabilities of VW

VW has a wide range of resources and capabilities (Whittington, 2019, p. 97) that have helped it to become one of the leading automotive companies in the world. Some of the key resources of the company include its manufacturing facilities, supply chain, and distribution network. The company has 124 production plants in 20 countries and sells its vehicles in over 150 countries (Volkswagen AG, 2021). The company's supply chain is also highly efficient, with a network of over 40,000 suppliers (Volkswagen AG, 2021).

In terms of capabilities, VW has a reputation for producing high-quality, reliable, and innovative vehicles. The company's R&D capabilities are also highly advanced, with over 50,000 employees working in this area (Volkswagen AG, 2021). The company's brand and reputation are also important capabilities, as VW is recognised globally as a leading automotive company.

In terms of its focus on electric vehicles, VW has invested heavily in its manufacturing facilities and R&D capabilities to produce electric cars. (Volkswagen Group, 2022) The company has also developed partnerships with battery manufacturers to ensure a reliable supply of batteries for its electric vehicles (Volkswagen AG, 2021).

VW's corporate social responsibility efforts:

Volkswagen (VW) has made efforts to improve its corporate social responsibility (CSR) (Oliver Blume, Daniela Cavallo, 2022) practices in recent years. The company recognises the importance of CSR as a means to build trust with customers, employees, and other stakeholders, while also contributing to social and environmental sustainability. Sustainable transportation is a major area of focus for VW's CSR initiatives. The business has set high objectives to become carbon neutral by 2050 and to produce 1.5 million electric automobiles by that year. (Volkswagen Group, 2022) VW has also invested heavily in the research of the creation of hybrid and electric car technologies and has established partnerships with other companies and organisations to promote sustainable mobility.

In addition to sustainable mobility, VW has also focused on other CSR initiatives, such as:

-Diversity and inclusion: VW has established programs to promote diversity and inclusion in its workforce, including initiatives to recruit and retain employees from diverse backgrounds.

-Human rights: VW has established policies to protect human rights in its operations and supply chain, such as its Human Rights Policy and Supplier Code of Conduct. The company has implemented training and monitoring programs to ensure compliance with these policies, such as its "Together4Integrity" program, which provides training on ethical conduct and compliance (Volkswagen Group. (2021). Together4Integrity, n.d.). VW has also established a Human Rights Advisory Board to provide guidance and oversight on human rights issues.

-Responsible sourcing: VW has established standards for responsible sourcing of raw materials, such as its "Sustainable Supply Chain Initiative" and "Conflict Minerals Policy". The company has implemented monitoring and verification

programs to ensure compliance with these standards, such as its "Risk Management for Critical Raw Materials" program. VW has also established partnerships with other companies and organisations to promote responsible sourcing, such as its collaboration with the Global Battery Alliance to promote sustainable and responsible battery production.

-Sustainable mobility: In 2018, VW launched its "goTOzero" sustainability strategy, (Oliver Blume,Daniela Cavallo, 2022) Its objective is to achieve carbon neutrality for the firm by 2050.The business intends to invest €30 billion on electric and hybrid car technologies by 2023 as part of this goal, and it intends to create 1.5 million electric vehicles by 2025.VW has also established partnerships with other companies and organisations to promote sustainable mobility, such as its collaboration with Ford on electric and autonomous vehicle technologies.

-Community engagement: VW has established programs to engage with local communities (Oliver Blume,Daniela Cavallo, 2022) where it operates, such as its "We Care" initiative, which supports education, environmental conservation, and social welfare projects. The company has also established partnerships with local organisations to promote community engagement, such as its collaboration with the Red Cross to provide disaster relief in Brazil.

Overall, these examples demonstrate VW's commitment to sustainable and responsible business practices. However, the company still faces challenges in this area, such as rebuilding trust with stakeholders following the "Dieselgate" scandal and addressing concerns about labour practices in its supply chain (Sloman, 2017, p. 399). By continuing to invest in sustainable mobility, diversity and inclusion, responsible sourcing, and community engagement, VW can build on its CSR achievements and address these challenges to become a leader in sustainable and responsible business practices. (Oliver Blume,Daniela Cavallo, 2022)

Recommendations :

Recommendations for how VW can further develop its sustainability practices and gain a competitive advantage:

-Increase the use of sustainable materials: VW should explore the use of sustainable materials in its production processes, such as recycled plastics, plant-based materials, and renewable energy sources. This will help the company to reduce its carbon footprint and improve its environmental impact.

-Develop a circular economy model: VW can provide a model for the circular economy where items are made to be recycled, mended, or reused. This will help the company to reduce waste and increase resource efficiency while also reducing its carbon footprint.

-Increase the usage of renewable energy sources: VW should utilise more renewable energy sources in its industrial facilities and supply chain. By putting up solar panels, wind turbines, and other renewable energy sources, this may be accomplished. This will support the company's efforts to cut back on its use of fossil fuels and carbon emissions.

-Develop more sustainable supply chain practices: VW should collaborate with its suppliers to establish more environmentally friendly procedures, such as cutting back on waste and emissions and employing sustainable materials (Oliver Blume, Daniela Cavallo, 2022). This will help the company to reduce its environmental impact and improve its overall sustainability.

-Develop more sustainable transportation solutions: VW can develop more sustainable transportation solutions, such as electric or hybrid delivery vehicles, to reduce its carbon footprint in its logistics and supply chain operations.

Conclusion

In conclusion, VW has implemented several key business strategies over the past five years to increase its competitive edge, including a focus on electric vehicles, innovation, and cost-cutting. The company has a range of resources and capabilities, including its manufacturing facilities, supply chain, and reputation for producing high-quality vehicles. However, to further develop its sustainability practices (Oliver Blume, Daniela Cavallo, 2022) and gain a competitive advantage, the company should focus on increasing the use of sustainable materials, developing a circular economy model, increasing the use of renewable energy, developing more sustainable supply chain practices, and developing more sustainable transportation solutions. By doing so, VW can position itself as a leader in sustainable automotive practices and gain a competitive advantage in the market.

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