

Assessment 1

BA Business Management

Strategic Management and Sustainability

LCBB6004

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Introduction

Volkswagen (VW) is a German automotive company that was founded in 1937. Today, it is one of the largest automakers in the world, with a presence in over 150 countries. The company's headquarters are in Wolfsburg, Germany.

VW is known for producing a wide range of vehicles, including passenger cars, trucks, and buses. The company's brands include Volkswagen, Audi, Porsche, Lamborghini, Bentley, Bugatti, and Ducati. Some of VW's most popular models include the Golf, Passat, Jetta, and Tiguan.

Over the years, VW has faced several challenges, including a major emissions scandal in 2015. The scandal involved the installation of illegal software in diesel vehicles that allowed them to cheat emissions tests. The scandal led to significant financial losses for the company, as well as damage to its reputation.

In recent years, VW has made efforts to pivot towards electric vehicles and sustainable mobility solutions. The company has set a goal to become the global leader in electric vehicles and has made significant investments in EV technology and charging infrastructure. VW has also implemented sustainability initiatives in its production processes and supply chain, such as reducing waste and carbon emissions.

Overall, VW's history is one of innovation, growth, and occasional controversy. The company has remained a major player in the global automotive industry by adapting to changing market trends and investing in new technologies.

The key business strategies of Volkswagen used in the past five years.

Cost-leadership is a business strategy that involves producing goods or services at the lowest cost possible while still maintaining quality. Volkswagen has employed a cost-leadership strategy in various ways in the past few years. Here are some examples:

Modular platforms: Volkswagen has implemented modular platforms such as the MQB and MEB, which allow the company to produce multiple models using the same basic structure and components. This approach helps to reduce manufacturing and development costs.

Modular platforms, like Volkswagen's MQB and MEB, are innovative approaches in the automotive industry that aim to optimize production efficiency and cost-effectiveness. These platforms enable car manufacturers to create a variety of vehicle models that share a common set of components, structures, and technologies. Volkswagen's MQB (Modular Transverse Toolkit) and MEB (Modular Electrification Toolkit) are prominent examples of this strategy.

1. **MQB (Modular Transverse Toolkit):** The MQB platform was introduced by Volkswagen in 2012 as a way to standardize the underlying architecture of vehicles across multiple brands under the Volkswagen Group umbrella. This platform is primarily designed for vehicles with a transverse engine layout (engine mounted sideways). It encompasses a range of vehicle sizes, from compact cars to mid-sized SUVs. By sharing a common set of components such as engines, transmissions, suspensions, and electrical systems, Volkswagen and its associated brands (Audi, SEAT, Škoda) can streamline manufacturing processes and reduce development costs.

The benefits of the MQB platform include:

- **Cost Efficiency:** Sharing components and technologies across various models reduces the need for unique parts and engineering efforts for each model, resulting in cost savings.
 - **Flexibility:** The platform's modular design allows for a wide range of vehicle sizes and types to be produced without major changes to the manufacturing process.
 - **Faster Development:** Common components and modules mean that engineering efforts can be focused on improving specific features and technologies rather than creating an entirely new vehicle architecture.
 - **Scale:** Because multiple brands within the Volkswagen Group can utilize the same platform, economies of scale can be realized, leading to better bargaining power with suppliers and cost reduction.
2. **MEB (Modular Electrification Toolkit):** As the automotive industry shifts towards electric mobility, Volkswagen developed the MEB platform to accommodate electric vehicle (EV) production. MEB was designed from the ground up to underpin electric vehicles, optimizing the placement of batteries and electric powertrains. This platform aims to make EV production more efficient and affordable.

Key features of the MEB platform include:

- **Battery Integration:** The platform is engineered to house large battery packs within the vehicle's floor, optimizing interior space and achieving a balanced weight distribution.
- **Scalability:** Like the MQB platform, the MEB platform is scalable and can be adapted for various vehicle sizes and types.
- **Consistent Technology:** By using a standardized platform, Volkswagen can maintain consistent technology and quality across its electric vehicle lineup.
- **Cost Reduction:** Shared components, manufacturing processes, and tooling for electric vehicles lead to cost savings in production.

Supply chain optimization: Volkswagen has implemented various measures to optimize its supply chain and reduce costs, such as working more closely with suppliers and using data analytics to improve logistics and inventory management.

Supply chain optimization is a crucial aspect of modern manufacturing and business operations. It involves streamlining the processes involved in sourcing, producing, and

delivering goods to minimize costs, improve efficiency, and enhance overall competitiveness. Volkswagen, like many other large companies, has implemented several measures to optimize its supply chain and reduce costs. Here are some of the key strategies they have employed:

- **Lean Manufacturing Principles:** Volkswagen, like many other successful manufacturers, embraces lean manufacturing principles. Lean principles focus on minimizing waste, improving efficiency, and maximizing value. This involves reducing unnecessary steps in production, optimizing workflows, and eliminating bottlenecks. By applying lean practices, Volkswagen can reduce production lead times, lower operating costs, and enhance overall productivity.
- **Supplier Diversification and Risk Management:** To reduce the risk of supply chain disruptions, Volkswagen aims to diversify its supplier base. Relying on a single supplier for critical components can lead to vulnerabilities if that supplier encounters issues. By working with multiple suppliers and having contingency plans in place, Volkswagen can better manage potential disruptions and ensure a more stable supply chain.
- **Just-in-Time (JIT) and Just-in-Sequence (JIS) Production:** Volkswagen employs just-in-time and just-in-sequence production methodologies, which involve receiving components and materials only when they are needed for production. This approach helps minimize inventory carrying costs and reduces the need for extensive warehousing space.
- **Optimized Transportation and Logistics:** Efficient transportation and logistics are essential for a smooth supply chain. Volkswagen uses data analytics and optimization algorithms to determine the most cost-effective and time-efficient routes for transporting materials and finished vehicles. This helps in reducing transportation costs and delivery times.

Outsourcing: Outsourcing is a strategic business practice where a company delegates certain non-core functions or processes to external specialized providers. The goal of outsourcing is often to reduce costs, enhance efficiency, and allow the company to focus on its core competencies. In the context of Volkswagen, outsourcing non-core functions like IT services can offer several benefits:

- **Cost Savings:** Outsourcing can often lead to cost savings for companies. By delegating functions like IT services to specialized providers, Volkswagen can avoid the costs associated with building and maintaining in-house IT infrastructure, hiring and training IT personnel, and ongoing operational expenses.
- **Expertise and Specialization:** Outsourcing allows Volkswagen to tap into the expertise of specialized service providers. These providers are often industry leaders in their respective fields and possess the latest knowledge, technologies, and best practices. This expertise can lead to higher quality services and solutions.
- **Focus on Innovation:** By outsourcing routine functions, Volkswagen's internal teams can allocate more time and resources to innovation and strategic initiatives that drive the company's future growth.

However, there are also potential challenges and considerations associated with outsourcing, including the need to manage the outsourcing relationship effectively, ensure data security and confidentiality, and maintain clear communication with the outsourced provider.

Economies of scale: As one of the world's largest automakers, Volkswagen benefits from economies of scale in areas such as procurement, manufacturing, and marketing. This allows the company to produce and sell vehicles at a lower cost per unit.

Economies of scale are cost advantages that a company can achieve as its production volume increases. In other words, as a company produces more units of a product, the cost of producing each individual unit decreases. Volkswagen, being one of the world's largest automakers, enjoys significant economies of scale across various aspects of its operations. Here's how economies of scale work and how Volkswagen benefits from them:

- **Procurement:** With a large production volume, Volkswagen can negotiate better deals with suppliers due to the higher quantities of parts and materials it requires. Suppliers may be more inclined to offer lower prices or bulk discounts when dealing with a major player like Volkswagen. This reduces the cost of individual components and materials, contributing to overall cost savings.
- **Manufacturing:** In manufacturing, certain fixed costs, like machinery and facilities, are spread over a larger number of units. This means that the cost per unit of producing vehicles decreases as production volume increases. Additionally, production processes can become more efficient as production scales up, leading to reduced labor costs and streamlined operations.
- **Marketing and Advertising:** Marketing and advertising costs can also benefit from economies of scale. As Volkswagen's brand becomes more recognized and its reach expands, the cost of promoting each vehicle can decrease. The cost of advertising campaigns, dealer promotions, and brand-building efforts can be distributed over a larger sales volume.

Electric vehicles: Volkswagen's approach to electric vehicles combines elements of differentiation and focus. The company is investing heavily in developing electric drivetrains and technology, which sets it apart from competitors. At the same time, Volkswagen is targeting specific segments of the market, such as urban commuters, with its ID.3 and ID.4 models.

Volkswagen's approach to electric vehicles (EVs) represents a strategic response to the changing landscape of the automotive industry, driven by environmental concerns, technological advancements, and evolving consumer preferences. The company's strategy combines differentiation and focus to position itself in the electric mobility market.

- **Differentiation through Technology:** Volkswagen has invested significantly in the development of electric drivetrains and related technologies. This commitment to innovation sets the company apart from competitors and reflects its determination to be a leader in the electric

mobility space. By focusing on cutting-edge electric propulsion systems, battery technology, and vehicle platforms like the MEB, Volkswagen aims to deliver EVs that offer high performance, range, and efficiency, thereby appealing to a broad range of consumers.

- **- Range of Models and Segments:** Volkswagen has introduced a range of electric models under its ID family, including the ID.3 and ID.4. Each of these models is designed with a specific target audience in mind. For example, the ID.3 is positioned as a compact electric car suited for urban commuting, while the ID.4 is an electric SUV designed to meet the growing demand for electric crossovers. By focusing on various segments of the market, Volkswagen aims to address different consumer needs and preferences.
- **Infrastructure and Charging Solutions:** To support the adoption of electric vehicles, Volkswagen is also investing in charging infrastructure and solutions. The company is working to expand the availability of charging stations, both in public spaces and at home, to alleviate concerns about range anxiety and promote widespread EV adoption.
- **Transition to Electrification:** Volkswagen's approach to electric vehicles is not just about introducing new models but represents a broader commitment to transitioning its entire fleet to electric power. This involves discontinuing certain internal combustion engine models and progressively offering electrified alternatives across its line-up.

Sustainability: Volkswagen has been emphasizing its commitment to sustainability, which has become an increasingly important factor for consumers when choosing a vehicle. The company's focus on electric and hybrid vehicles, as well as its efforts to reduce emissions and improve environmental practices, helps to differentiate Volkswagen from competitors.

Sustainability has become a critical consideration for both consumers and businesses in various industries, including the automotive sector. Volkswagen's emphasis on sustainability is a response to growing environmental awareness, stricter regulations, and changing consumer preferences. Here's a deeper look at how Volkswagen is prioritizing sustainability and its impact on the company's positioning in the market:

- **Electric and Hybrid Vehicles:** Volkswagen's commitment to sustainability is evident through its investment in electric and hybrid vehicle technologies. Electric and hybrid vehicles produce lower or zero tailpipe emissions compared to traditional internal combustion engine vehicles, reducing air pollution and greenhouse gas emissions. By developing and promoting electric and hybrid models, Volkswagen is contributing to cleaner transportation and aligning with global efforts to combat climate change.
- **Reduced Emissions:** Volkswagen is focusing on reducing emissions from its entire fleet, not just electric vehicles. The company is investing in improving the efficiency of internal combustion engines, implementing stricter emissions controls, and adhering to regulatory standards. This approach aligns with the automotive industry's transition towards lower emission levels and cleaner technologies.

Resources and capabilities:

Resources and capabilities are two important concepts in strategic management.

Resources refer to the assets and factors that a company can use to achieve its goals, such as financial resources, human resources, physical resources (e.g., facilities and equipment), technological resources, and intellectual property.

Capabilities, on the other hand, refer to the abilities and skills that a company has developed over time that enable it to perform certain tasks or activities more effectively than competitors. Examples of capabilities might include marketing expertise, manufacturing efficiency, or research and development capabilities.

Volkswagen (VW) has gone through several business strategies over the years, and its approach to aligning its resources and capabilities with these strategies has evolved accordingly. Here are some examples of how VW has aligned its resources and capabilities to its current business strategies:

Electric Vehicle Strategy: In recent years, VW has made a major shift towards electric vehicles (EVs) as part of its business strategy. To align with this strategy, VW has invested heavily in developing EV technology and has focused its R&D efforts on creating a new electric platform called the MEB (modular electric drive matrix). VW's existing manufacturing capabilities have been adapted to support the production of EVs, and the company has also made significant investments in charging infrastructure.

Digitalization Strategy: Another key aspect of VW's current business strategy is digitalization. To align with this strategy, VW has invested heavily in developing digital capabilities such as connected car technology, autonomous driving technology, and data analytics. VW has also partnered with tech companies such as Microsoft and IBM to leverage their expertise in areas such as cloud computing and artificial intelligence.

Brand Portfolio Strategy: In recent years, VW has streamlined its brand portfolio, focusing on its core brands such as Volkswagen, Audi, and Porsche. To align with this strategy, VW has reorganized its production facilities to maximize efficiency and has also invested in marketing and branding efforts to differentiate its core brands from each other.

Volkswagen has aligned its resources and capabilities with its current business strategies by making strategic investments in R&D, manufacturing, digitalization, and marketing. By focusing on its core competencies and adapting to changing market trends, VW has been able to maintain its competitive position in the automotive industry.

Recommendations:

Adopting sustainable practices can help Volkswagen (VW) become more competitive in the future. Recommendations for VW to further enhance its sustainability practices:

Expand Electric Vehicle Offerings: VW should continue to expand its electric vehicle offerings to meet growing consumer demand for sustainable transportation. This could include investing in new technologies, such as solid-state batteries, to improve range and charging times, as well as increasing the number of charging stations available to customers.

Expanding electric vehicle (EV) offerings is a crucial strategy for Volkswagen to remain competitive and responsive to the changing automotive landscape. Here are some recommendations to help Volkswagen effectively expand its EV lineup and meet growing consumer demand:

- **Diversify EV Models:** Volkswagen should continue to develop a diverse range of EV models that cater to various market segments and consumer preferences. This includes compact cars, SUVs, crossovers, and even electric performance vehicles. Diversification can attract a broader customer base and maximize market penetration.

- **Invest in Battery Technology:** To address range anxiety and improve charging times, Volkswagen should invest in advanced battery technologies, such as solid-state batteries. Solid-state batteries offer higher energy density, longer range, and faster charging compared to traditional lithium-ion batteries. By incorporating these cutting-edge technologies, Volkswagen can enhance the appeal of its EVs.

Invest in Sustainable Supply Chain: VW could further enhance its sustainability practices by investing in a sustainable supply chain. This could include working with suppliers to reduce their carbon emissions and promoting sustainable sourcing practices for raw materials. **Improve Transparency:** VW should improve its transparency around sustainability practices by sharing more information with customers, investors, and other stakeholders. This could include publishing sustainability reports and disclosing information about the environmental impact of its products and operations.

Conclusion:

By adopting these recommendations, Volkswagen could position itself as a leader in sustainable mobility and gain a competitive advantage in the automotive industry. Not only could this help the company meet growing consumer demand for sustainable products, but it could also help reduce the company's environmental impact and improve its reputation among stakeholders.

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