



The case of Volkswagen

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Introduction

Strategic management of an organisation refers to the process of goal setting and objectives that directs its competitive advantage and helps it to thrive in the respective industry (Barney and Hesterly, 2018). In business, catering operations with the goal of reducing their impact on the environment, society, and community serves the same's long-term activities (Young and Dhanda, 2012). Volkswagen is a German-based automobile manufacturer that was formed in 1937 and is headquartered in Wolfsburg (Volkswagen, 2022). The company has hired over 182,860 people who have worked tirelessly to achieve the brand's accelerated strategy throughout the world. Due to the installation of pollution cheating devices in its vehicles, the company was recently ordered to pay roughly 193 million pounds to over 90,000 drivers throughout England (BBC, 2022). This research will go through Volkswagen's corporate strategy, resources and competencies, as well as competitive decisions and activities. The study will conclude with recommendations aimed at improving the sustainability practises of the same.



Main Body

Business strategies of Volkswagen

Business strategies play a key role in defining the actions of a business and providing them with distinct values and purpose (Martyn Pitt and Dimitrios Koufopoulos, 2017). Business strategies have resonated at Volkswagen as an action plan aimed at achieving long-term success through the fulfilment of stakeholders' expectations. Some years ago, the brand embarked on a change of its actions with the adoption of the TRANSFORM 2025+ strategy beginning in 2020 (Volkswagen, 2022). Over the last five years, the brand has been refreshing its whole model lineup and has made firm pledges to invest in the development of e-drive cars. It has been established to achieve CO2-neutral mobility and to supply it to its target client base. Volkswagen's ACCELERATE strategy was established to combat climate change and to incorporate fast innovation into company operations.

For 2018, Volkswagen intended to integrate innovation and technology to boost customer satisfaction and the quality of its vehicles (Sergio and Rylova, 2018). Environmentally friendly orientations and the profitability of its projects were the intentions of its strategies. For 2019, the strategy for its development resided in shaping mobility to retain sustainability for future generations. The same significantly endorsed autonomous driving and digital connectivity. In 2021, the company worked past becoming electrification of its plants and transformed its headquarters with Project Trinity. As of 2022, the business strategy of the brand has been directed to increment the share of electric cars across Europe and flourish in sales. The establishment to cater to customer retention and satisfaction is readily adopting newer software solutions.

Porter's generic strategies rest with the identification of the narrowing competitive scope present within an industry and it is useful to frame future decision-making and actions of a brand

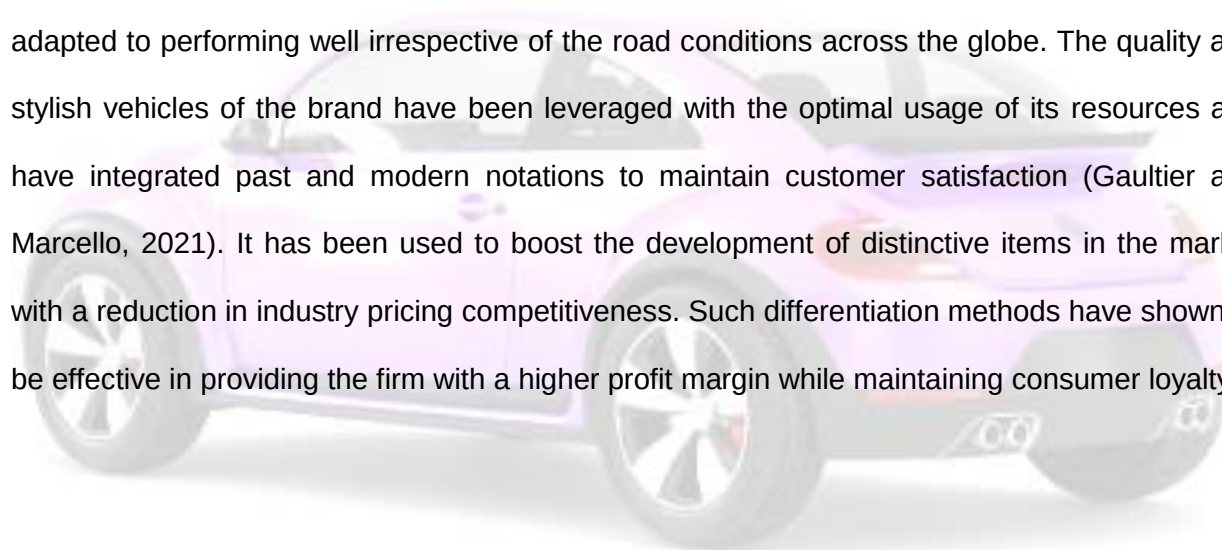
(Bhattarai, 2018). The idea states four major strategies: cost leadership, differentiation, focus, and differentiation focus, which may assist a brand in excelling in its operations to acquire quick development and benefit. Differentiation entails transforming a brand's products and services in order to acquire an advantage over competitors (Islami *et al.*, 2020). In Volkswagen, **differentiation** has been utilised with the alignment of research, development and innovative strategies. It has intended to deliver high-quality products and customer service with gaining higher sales and marketing spheres.

For Volkswagen, innovation has been adopted to help the brand make successful notations across the observance of its TOGETHER 2025+ strategy (Welch, 2019). In such conditions, differentiation has been immense for creating future expertise and leading the market with its high-quality vehicles. With the superior value of its sustainable automobiles, customers were able to distinguish the brand irrespective of its high-end competitors. Since 1969, the firm has performed research initiatives that have resulted in customer-centric orientations in its models and services. Adoption of a differentiation strategy has been the targeted point in global markets to assist the brand become a technological leader and led to the achievement of long-term goals. Volkswagen's unique product development has been a crucial driver in influencing customers to maintain their faith and devotion to the brand and channel its financial ambitions.

Ansoff Matrix can be defined as the strategic planning tool that helps a business decide and develop strategies for future progression with the usage of market penetration and development, product development and diversification (Khajezadeh *et al.*, 2019). In Volkswagen, **product development** is followed under the research and development sphere to capture the target market and integrate modern technologies. Shorter product cycles and faster digital offerings have been the focus of the brand with the shortening span of products by 25% (Volkswagen, 2022). It has been utilised to cater to digital transformation in the operations and products of the brand and gain rapid contentment from the target customer base.

Bowman's strategic clock forms the strategic tool that provides positioning operations for a brand and is based on attributing the perceived value and price of the industry (Weston and Nnadi, 2021). The changeable positions of the strategic clocks are items with a low price and low value, followed by a cheap cost, hybrid, differentiation, targeted differentiation, and risky high margins. Monopoly pricing and market share loss from complete alternatives to a brand's dominance in the specified sphere. Focused differentiation is recognised when a brand outperforms its competition by offering higher-quality items at higher pricing (Echchakoui, 2018). This is seeded with a focus on small market penetration and the distinctiveness of its offerings.

In Volkswagen, **focused differentiation** is visible as they excel in producing vehicles that are adapted to performing well irrespective of the road conditions across the globe. The quality and stylish vehicles of the brand have been leveraged with the optimal usage of its resources and have integrated past and modern notations to maintain customer satisfaction (Gaultier and Marcello, 2021). It has been used to boost the development of distinctive items in the market with a reduction in industry pricing competitiveness. Such differentiation methods have shown to be effective in providing the firm with a higher profit margin while maintaining consumer loyalty.



Resources and capabilities of Volkswagen

Use of **value chain analysis** can be used to identify company's capabilities. The model includes both primary and secondary activities such as advanced technology, efficient procurement process, qualified human resource and others. (*Refer to appendix for Volkswagen's value chain*)

In a brand, resources can be perceived as the assets, skills and knowledge of employees present which can help it to attain its decided objectives successfully (Varadarajan, 2020). Capabilities, on the contrary, explain the ability of an organisation to meet its objectives with the rational and optimal usage of its resources. Volkswagen's resources and capabilities have been linked to the achievement of goals and a focus on improving the quality of its goods and services. Over the course of five years, the brand's resources have been allocated to the physical, financial, and human worlds. Volkswagen's physical resources have included electrical and raw material components that have been employed in factories and kept in various facilities, buildings, and stocks to help in automobile production. Financial resources have been recognised with the assistance of investors who have played an important role in verifying the cash flow and supporting operations. The brand's human resources may be rescreened by 182,860 workers who have played a major part in the brand's performance and strategic management (Volkswagen, 2022). Employees of the brand have been cut by 25,000 over the last five years, and the situation has gotten worse since the Covid epidemic began (Statista, 2022).

VRIO Analysis framework helps in the discussion of competencies of business and identifies resources which can be utilised to gain competitive advantage (Ariwibowo *et al.*, 2021). A VRIO analysis for the resources of Volkswagen is stated below:

Resources and capabilities	Valuable	Rare	Imitable	Organised to exploit	Impact on competitive advantage
Global presence	Yes	Yes	Yes	Yes	Realised Sustainable competitive advantage
Employee base	Yes	No	Yes	Yes	Realised Temporary competitive advantage
Research and development	Yes	Yes	No	Yes	Realised Temporary competitive advantage

Table 1: VRIO Analysis

(Source: Created by the writer)

Global presence

Valuable: Volkswagen's global presence has been a valuable asset in increasing revenue channels and brand growth.

Rare: Regardless of the existence of different trademarks, it has been functioning globally; Volkswagen is recognised owing to its continual evolution.

Imitable: Other brands will need time and money to surpass Volkswagen's reputation.

Organised to exploit: The brand has effectively used this to develop its dominance in 150 countries.

Impact on competitive advantage: Realised Long-term competitive advantage.

Employee base

Valuable: It is valuable because it employs over 180,000 people worldwide to help it achieve its goals.

Rare: The resource is not scarce, and most businesses in the automobile manufacturing industry have a substantial staff base.

Imitable: It is replicable, but it necessitates a significant investment in the recruiting and training process.

Organised to exploit: Volkswagen has used its employees' talents and competences to accomplish milestones in the innovation and long-term development of its vehicles.

Impact on competitive advantage: Temporary competitive advantage obtained

Research and development

Valuable: Volkswagen places a high value on research & development due to its involvement in conceptualising, creating, and testing future models.

Rare: For the last 50 years, the company has been conducting research and development to help it grow with technology improvements.

Imitable: It is difficult to imitate due to the brand's rapid development through content creation.

Organised to exploit: It has been employed in the brand to cater to long-term development.

Impact on competitive advantage: Temporary competitive advantage obtained

The presence of ample resources and capabilities of Volkswagen has been impeccable for supporting the future progression of its operations. Global presence of the brand has been attributed to its expansion over 150 countries and gaining the trust of the customer across nations. It has lowered the marketing costs of Volkswagen and leveraged numerous scopes of gaining higher profit levels. However, due to the great worldwide recognition, challenges are encountered as a result of shifting client wants and lifestyles across different states (Dahana et al., 2019). The global competitive climate is continuously shifting, making it harder for Volkswagen to prosper.

Employees for the most important criteria of advancement for the operations of Volkswagen and have helped to use skills, competencies and knowledge to fulfil objectives. However, this has the problem of not knowing the demands and requirements of each person in the company, resulting in restricted perks and flexible working alternatives. Furthermore, following the pandemic, such resources have suffered greatly in order to fulfil conceptions of its economic plans. Finally, Volkswagen's research and development department is responsible for the company's long-term development and has been interested in solving problems for decades (Park and Chen, 2022). This has assured the inclusion of new technology in models, but it has come at a cost to the brand.

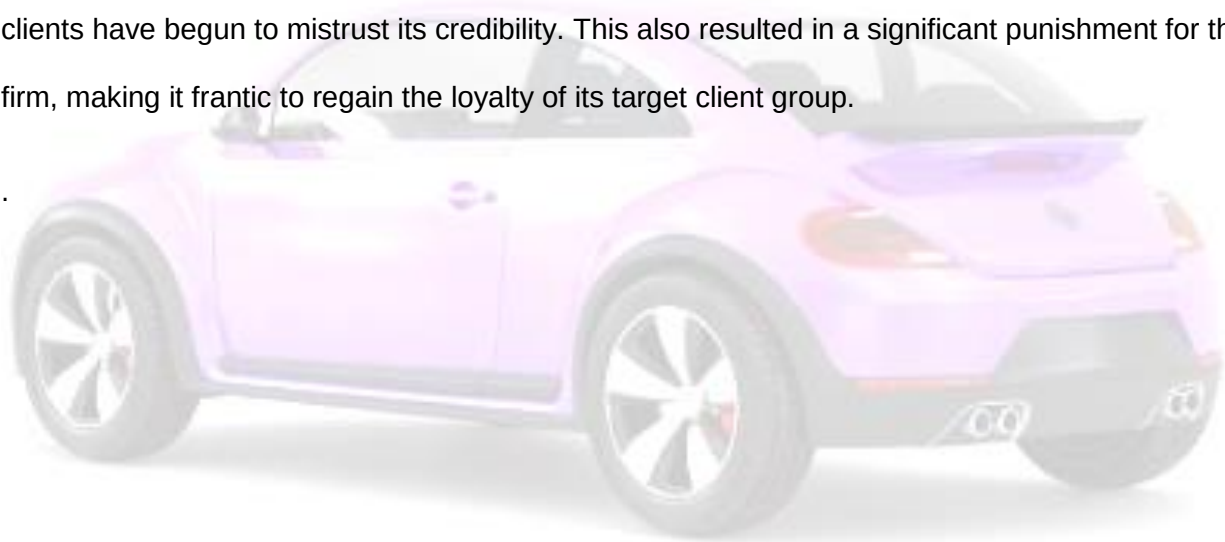
Competitiveness of Volkswagen

Sustainable measures have been undertaken at Volkswagen in order to progress the brand toward fulfilling economic, ecological, and social goals while promoting equitable energy. The brand has been oriented with the construction of long-lasting values, conservation of resources, and fruitful use of them to ensure the restriction of bad issues in the environment in order to achieve sustainable advantage. Sustainability in the firm has become an intrinsic component of New Auto efforts, with the goal of achieving mobility for everyone and future generations. ESG, or Environmental, Social, and Governance, are the fundamental principles of a company's long-term operations, and they have been considered in Volkswagen's aims and actions (Gillan et al., 2021). The group has been working with stakeholders to accelerate decarbonisation while maintaining the integrity of its initiatives (Volkswagen, 2022). The company's corporate strategy has been dedicated to adhering to the goTOzero environmental purpose and lowering carbon emissions from its operations. However, it has been difficult to govern and manage operating costs inside the internal domains.

With the finite number of resources, recycling and the usage of biodegradable options have been used radically in its industrial sector. The brand has been indulged in the promotion of sustainable actions along with diversified staff, which are essential for the proper transformation of Volkswagen. This has helped it to achieve corporate success but has faced issues owing to personality clashes. Volkswagen has accepted the rationale to promote transparency in its interactions with suppliers and combat corruption with long-term initiatives (Volkswagen, 2022). Human rights and responsible raw material procurement, as well as the removal of unethical labour practises, have been easily eliminated in the brand to reduce external community concerns. Volkswagen has taken full responsibility for its issues of climate protection and it has been committed to the observance of the Paris Climate Agreement and gaining carbon neutrality within the year 2050. Competitiveness in the company has been credited with the

usage of a sustainable framework that allows it to improve its income and dutifully reduce the impact of the same on the environment.

In Volkswagen, sustainable strategies for the creation of electronic vehicles and amplification of recycled materials and resources have led to the discovery of different competitive advantages. In the process of its ESG observance, employees and suppliers are content with its decisions. Minimisation of waste and conservation of energy has been advantageous for the public image if the same and lower operating cost (Dursun *et al.*, 2018). This, however, has been hindered due to the occurrence of unprecedented events and scandals from 2015 where it had violated the EU pollution standards (BBC, 2022). As a result, its global reputation has suffered, and clients have begun to mistrust its credibility. This also resulted in a significant punishment for the firm, making it frantic to regain the loyalty of its target client group.



Recommendations

As indicated below, several strategies might be addressed in order to assist Volkswagen in improving its sustainable operations and gaining a competitive edge.

- Green strategy is inclusive of transformation and decision-making for the advancement of environmental operations of a brand (Singjai *et al.*, 2018). This form of green marketing can be infused with the operations of Volkswagen in the form of green campaigns and recycling programs for the target market.
- As electronic cars improve, Volkswagen may collaborate with vendors to offer fuel alternatives and integrate technology with the same.
- The brand's working culture may be addressed by announcing training sessions for staff on the dangers of pollution.



Conclusion

According to the aforesaid research, Volkswagen has been in operation since 1937 and has executed many business strategies during the past five years. The same has proclaimed TRANSFORM 2025+, Accelerate, and Project Trinity to explode their revenues and image across the world. It prioritises diversification and product development in order to improve the quality of its services and automobiles. It has thrived in a competitive climate thanks to its big staff base, worldwide presence, and committed research and development departments. With Volkswagen's ESG initiatives, modern technology have been integrated into the establishment's everyday operations. Recommendations for green marketing and improving workplace culture can help it achieve its objectives.



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Appendix

Value Chain Analysis

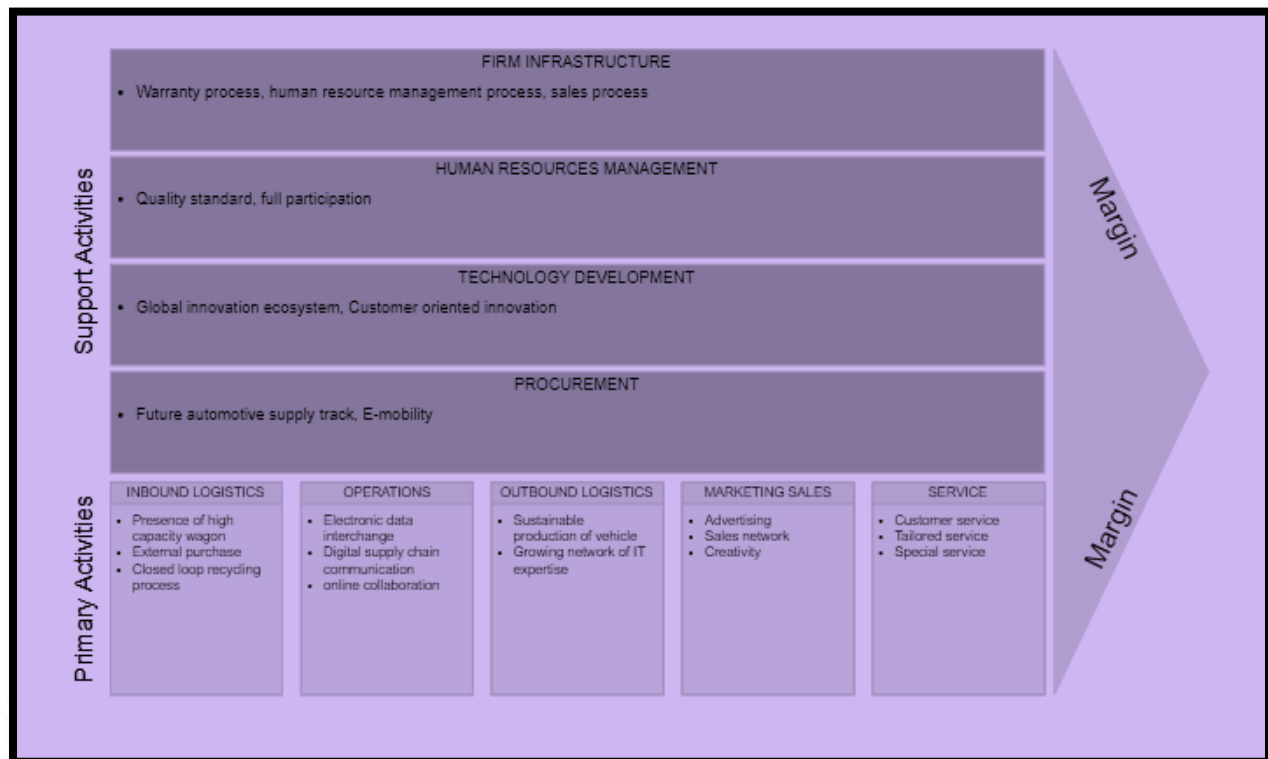


Figure 1: Value Chain Analysis