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LCBB6004 Strategic Management and
Sustainability

Assessment 1: Written Report

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Introduction

In the modern business world, the strategy of a business can help the business to survive and grow in a very competitive environment (Teece, 2010). Businesses often develop their strategy to cope up with the changes that occur in the external environment. After developing the strategy, businesses try to align the strategy with their resources and capabilities to ensure the best possible outcome. Moreover, as people are becoming more and more environment conscious, companies now put a lot of emphasize on environmentally sustainable practices as doing so can help companies to develop a good brand image which can help companies to attract and retain customers (Kumar et al., 2021). However, malpractices can also tarnish the image of a brand which can result in financial and non-financial losses. This report discusses these issues for one of the leading car manufacturing companies of the world, Volkswagen and provides some recommendation for this company.

Company Overview

Volkswagen is in the business of manufacturing and marketing automobiles. Vehicles and components for the brands owned by the company are also designed and produced by the company. Everything from automobiles to manufacturing equipment to financial services is represented within its four categories (Forbes, 2023). The Passenger Vehicles business covers everything from vehicle and engine design to production and sales, as well as the distribution of genuine vehicle and engine parts. Everything from compact vehicles to heavy-duty trucks and buses, as well as the aftermarket for genuine components and related services, is included in the Commercial Vehicles industry. Manufacturing gear units, propulsion components, and testing systems, as well as designing and developing large-bore diesel engines, turbo compressors, industrial turbines, and chemical reactor systems, all fall under the purview of the Power Engineering division (Forbes, 2023). The Financial Services industry provides financing, leasing, banking, insurance, and fleet management services to both dealers and their customers. The company was established on May 28, 1937, and it maintains its headquarters in Wolfsburg.

Key Business Strategies of Volkswagen

In the last five years, one of Volks Wagen's primary business goals has been to incorporate cutting-edge technology into both their vehicles and their production

methods. By investing heavily in software, electric vehicle (EV) development, integrated services, and mobility as a service, Volkswagen has been repositioning itself for the future during the past five years. Beyond the conventional business strategy of selling vehicles through dealer networks, the company hopes to generate cash from more futuristic sources, such as software and autonomous driving technology (Ramey, 2021).

New Auto Strategy

Volkswagen plans to increase the number of electric vehicles (EVs) it offers as part of its New Auto strategy, with a goal of having all of its vehicles be EVs by 2040. (Ramey, 2021). Similarly, it anticipates a shift in revenue and profit towards battery-electric vehicles and software and services, the latter of which stands to benefit from autonomous driving technologies.

Since charging infrastructure and battery technology are crucial to Volkswagen's new business model, the automaker intends to create a standardized supply chain for batteries that spans from raw materials to recycling. The automaker intends to build a self-contained battery industry. By 2030, a total of 240 GWh of batteries will have been manufactured at six European "gigafactories" (a term also used by VW). (Ramey, 2021). The first location has been decided upon: in Skellefte, Sweden, where Northvolt AB will run a single gigafactory beginning in 2023. In 2025, the Salzgitter facility in Germany will open, and in the same year, the Spain location will open (Ramey, 2021).

Energy Management Services are a part of Volkswagen's charging infrastructure strategy, and they will offer an all-encompassing charging and energy eco-system to their customers. Manufacturer plans to considerably increase public charging infrastructure in several countries thanks to new partnerships with charging station builders and operators. (Ramey, 2021).

Accelerate Strategy

The strategy identifies four main drivers that will shape the future of automotive innovation: electrification, software-defined vehicle, alternative business models, and driverless vehicles. Volkswagen is at the forefront of innovation thanks to its focus on software and the digital customer experience, its ability to generate new revenue streams from data-based services provided during the vehicle's usage phase, and its efforts to hasten the widespread adoption of autonomous vehicles by the year 2030. (Volkswagen, 2019).

Trinity, introduced to the public for the first time in 2026, will be the embodiment of all of Volkswagen's future plans (Volkswagen, 2019). In addition to being technologically advanced, the vehicle will also be produced using cutting-edge, ground-up methods.

By 2026, Volkswagen will have invested over 18 billion euros on e-mobility, hybridization, and digitalization. To keep up with these costs, the business plans to keep an operating margin of at least 6% through 2023 (Volkswagen, 2019).

Volkswagen is undergoing a radical transformation. The company intends for the brand to represent autonomous driving as a whole, as well as climate-friendly e-mobility, engaging digital consumer experiences, and innovative business structures (Volkswagen, 2019). The company has established a solid foundation over the previous few years. The company's new "ACCELERATE" initiative is intended to speed up the brand's transition to digital platforms.

These new strategies have been developed by VW in the past 5 years largely because of the emission scandal which has been recognized as a weakness in the SWOT analysis of VW (See [Appendix 1](#)). Moreover, the SWOT analysis has identified focusing on eco-friendly cars as an opportunity for VW and the increased focus of the company on eco-friendly electronic cars just shows that the company itself has also realized this issue.

Resources and Capabilities of Volkswagen

Volkswagen has different types of resources which are utilized properly by the capabilities of the company. In the context of a business, resources refer to the factors that are required to reach a goal or carry out different types of activities (Kraaijenbrink et al., 2010). Volkswagen has some different types of resources such as financial resources, human resources and other tangible and intangible resources. Using these resources and capabilities, the company has been able to generate other resources as well. An analysis of this process is provided here-

Financial Resources

Volkswagen is financially in a very strong position. In the last 3 years, the company has been able to generate a huge revenue and the company also has been able to grow its revenue. In 2020, the company generated approximately €223 billion. The revenue increased by €27 billion to €250 billion in the year 2021 (Statista, 2023). The growth

in the revenue continued in the year 2022 as well. In 2022, the revenue increased by €29 billion to €279 billion (Statista, 2023).

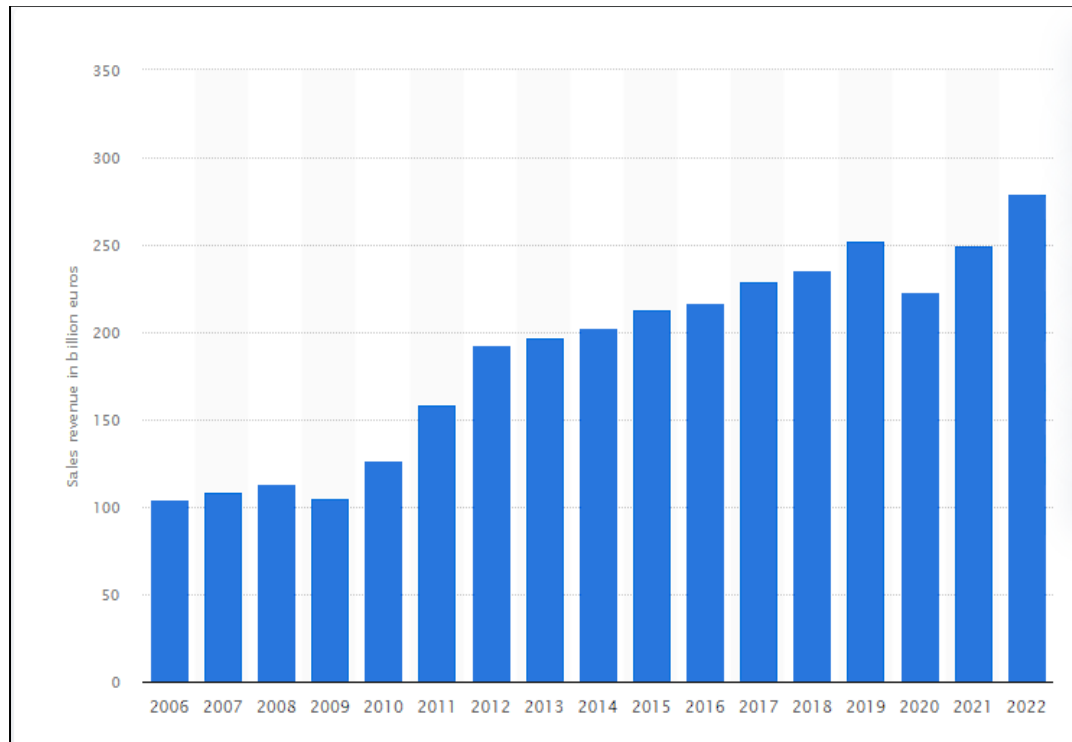


Figure 1: Sales Revenue of Volks Wagen from 2006 to 2022 (Statista, 2023).

This huge amount of revenue is invested by the company in the research and development. This provides the company with the capability to remain innovative and gain the satisfaction of the customers through innovative cars. For example, the company has developed the 12 group initiatives which will allow the company to build highly modernized cars with improved technology (Volkswagen, 2022).

Human Resources

Volks Wagen has a good reputation when it comes to its image as an employer. In 2022, the company stood 44th in the world in the list of world's best employer companies (Forbes, 2023). This capability of the company has allowed it to hire and retain the talented minds in the industry. The company has 668,000 employees (Statista, 2022). These employees help the company to complete its daily operations in the most effective and efficient way.

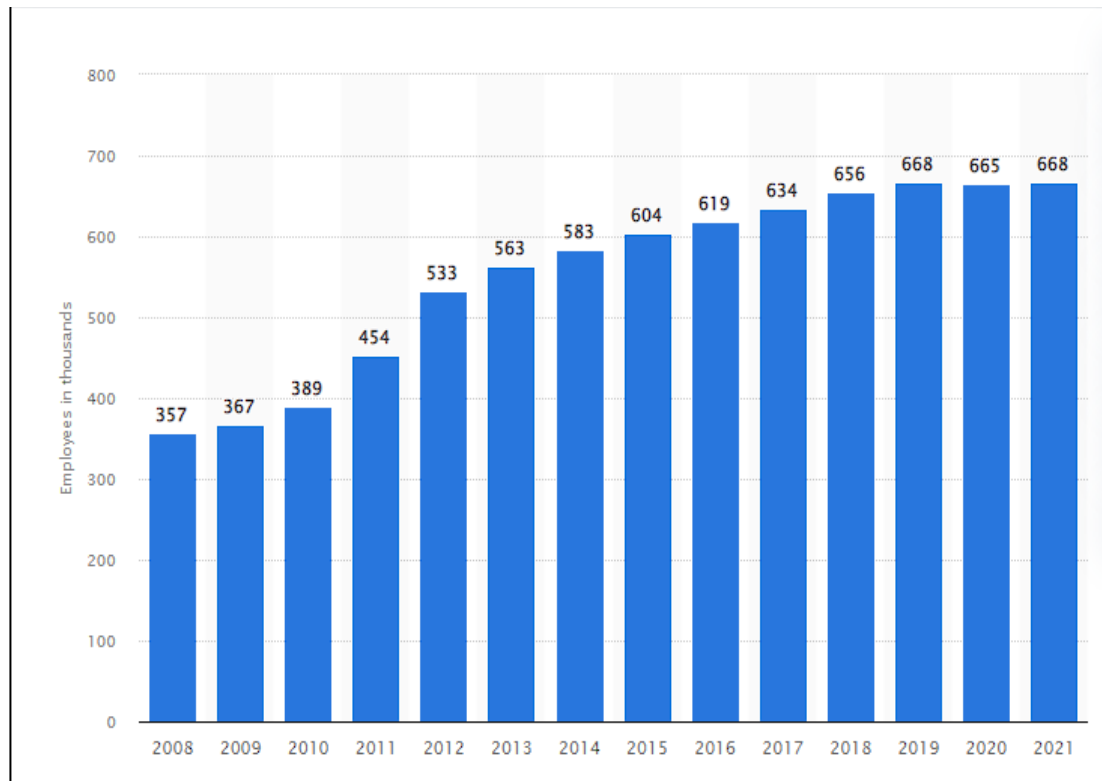


Figure 2: Number of Employees Volks Wagen (2008 to 2021) (Statista, 2022).

Brand Image and Loyal Customers

The brand image of Volks Wagen has allowed it to develop a very loyal customer base. This has allowed the company to sell large number of vehicles around the world over the years. In 2021 the company had sold 8.88 million vehicles around the world and in 2022 the company sold 8.26 million vehicles (Statista, 2023). This huge amount of vehicle sales has allowed the company to generate huge amount of revenue which has allowed the company to ensure a strong financial position.

Production Facilities

The production ability of Volks Wagen is also very extended. The company has 118 production facilities and among these 118 production plants, 70 plants manufacture cars and 48 manufacture vehicle components (Volkswagen Newsroom, 2023). These plants on average manufacture 40,000 cars per day (Volkswagen Newsroom, 2023). These numbers show that the company has been able to use its production plants resources to develop an excellent manufacturing capability. This company has production plants in different parts of the world which has also allowed the company to gain competitive advantage over its competitors.

Thus, it is quite clear that Volks Wagen has a number of resources as well as capabilities which allow the company to gain different types of competitive advantages. A VRIO analysis is provided in the [appendix 2](#) to provide an overview of the issue.

Sustainability and Environment

Volks Wagen has been trying to become a more competitive company in the industry by becoming a more environmentally sustainable company. This company has been trying to implement environmentally sustainable practices in its car manufacturing operations. However, some recent incident has damaged the company's image.

By 2050, the corporation hopes to have achieved carbon neutrality. To that end, the firm is currently investing heavily in the production and research and development of electronic vehicles, which it refers to as BEVs (for "battery electronic vehicles"). Volkswagen Group expects to lead the global e-mobility market by investing 35 billion euros by 2025. More than doubling their 2019 total, the Group brands delivered 231,600 EVs in 2020 (Volkswagen, 2023). The number of plug-in hybrid electric cars (PHEVs) also increased significantly, from 50,000 to 190,500 an astonishing growth of 175% (Volkswagen, 2023).

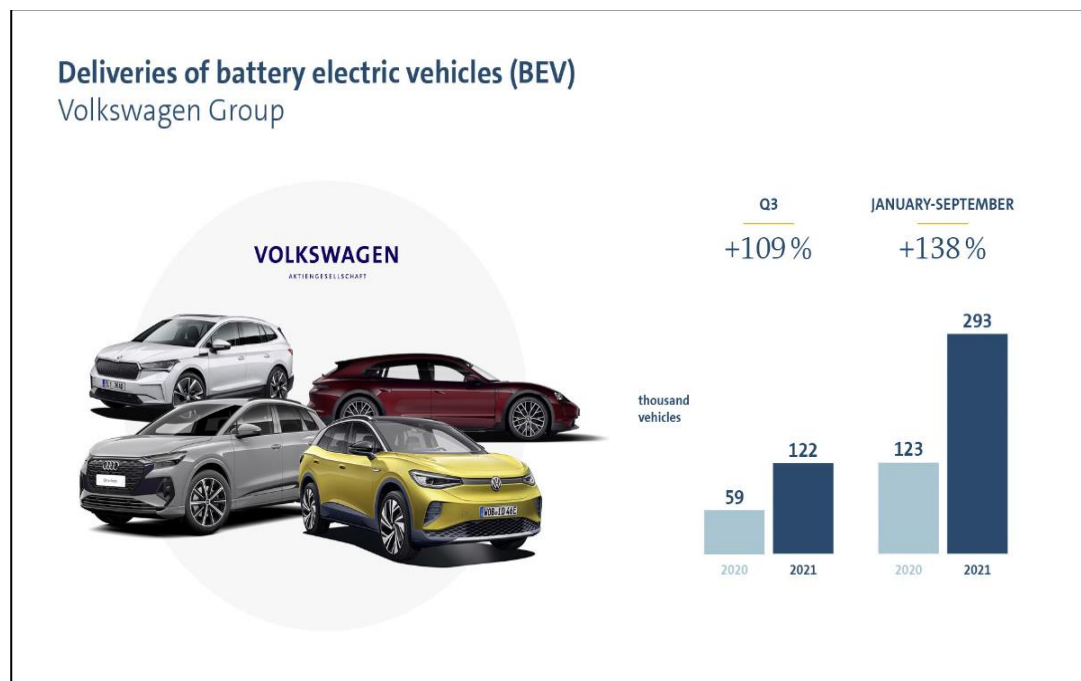


Figure 3: Sales of BEV of VW in 2020 and 2021 (Volkswagen, 2023).

The popularity of EVs is predicted to keep growing rapidly in the coming year. The global delivery of BEVs reached 293,100 by the end of September, up more than 138

percent from the same time in 2020. (Volkswagen, 2023). Plug-in hybrid cars also continued to be in high demand. There was a 133% year-over-year rise in PHEV deliveries to 246,000 in the first nine months (Volkswagen, 2023).

The Volkswagen Group plans to release about 70 fully electric vehicles to the market by 2030, with production currently underway on about 20 of these models. More than half of the line's planned 60 hybrid vehicles will be available for purchase by the end of the decade (Volkswagen, 2023). The Modular Electric Drive Matrix is the logistical and financial backbone of the electronic assault (MEB). The vehicle's architecture was developed specifically for the electric powertrain, so it can travel farther, have more room inside, and perform better.

The “ACCELERATE” strategy of the company firmly anchors sustainable mobility. The ACCELERATE strategy for Volkswagen Passenger Vehicles is founded on the principle of sustainable transportation (Volkswagen Newsroom, 2022). The decarbonization of the brand and the electrification of the portfolio are two important components. Among these are the reduction of ecological and social impacts on production and logistics, the creation of novel mobility solutions, and the optimization of the entire value chain from raw material extraction to recycling (Volkswagen Newsroom, 2022).

When it comes to environmental responsibility, Volkswagen's Passenger Vehicles division is very ambitious to reach its sustainability targets. One of these is a 40% cut in Europe's CO2 footprint for fleets by the year 2030 (Volkswagen Newsroom, 2022). The company's decarbonization strategy takes into account every stage of the process, beginning with the raw materials and continuing through production, consumption, and disposal.

However, the diesel emission scandal damaged the reputation of the brand. Volkswagen was widely regarded as one of the most reliable automakers until the company admitted in September 2015 that it had installed software in its vehicles to falsify emissions tests. Volkswagen paid over €30 billion in fines across many countries due to the diesel emissions crisis and has since failed to win back customer confidence (Jolly, 2019). Volkswagen revealed in 2015 that it had altered 11 million vehicles throughout the world in order to pass emissions inspections. In addition to the scandal's estimated direct costs of €30 billion, the political backlash to "Diesel gate" has led to a drop in

diesel sales across Europe. VW executives have acknowledged that the crisis has accelerated the company's transition to battery-electric vehicles (Jolly, 2019).

Recommendations

Volkswagen (VW) is one of the world's largest automotive companies, and its operations have been scrutinized for its environmental impact. The company has already taken steps towards sustainability, such as reducing carbon emissions and investing in electric vehicles (Cavico and Mujtaba, 2016). However, there is room for further improvement. This section of the report aims to provide recommendations on how VW can develop competitive advantages through additional sustainability practices.

Develop Sustainable Supply Chain

One of the most significant areas where VW can make a difference is through its supply chain. The company can start by developing sustainable procurement policies that require suppliers to meet certain sustainability standards. This policy can include requirements for suppliers to use renewable energy, reduce waste, and avoid the use of harmful chemicals (Mansouri, 2016). Such policies will not only reduce VW's environmental impact but also create a positive impact on the communities where the company operates.

Use Renewable Energy

Volkswagen can also adopt sustainable energy practices by making use of renewable energy sources like solar or wind power in its production procedures. The company will be more competitive in the long run as a result of this strategy's reduced carbon footprint and increased energy efficiency (Turna, 2022). Additionally, VW can consider investing in its renewable energy sources, which can provide additional revenue streams and further reduce its reliance on traditional energy sources (Mansouri, 2016).

Promote Sustainable Mobility

VW can promote sustainable mobility by investing in electric and hybrid vehicle technologies, which will help reduce the carbon emissions associated with traditional combustion engines (Turna, 2022). The company has already been investing large amount of money in promoting sustainable mobility and the company needs to continue doing so in order to move forward with its sustainable practices.

Conclusion

Since the scandal issue hit the company, VW has come a long way and developed new strategies to overcome the damage. The company has strong resources and capabilities which have allowed the company to remain in a strong position and ensure growth. Sustainability is a critical issue that VW must prioritize to secure its future. By implementing sustainable manufacturing practices, investing in electric vehicles, developing sustainable supply chain practices, investing in R&D, and collaborating with stakeholders, VW can develop competitive advantages in the future. These recommendations can help VW reduce its environmental impact, enhance its environmental image, and secure its future in the industry.

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Appendices

Appendix 1: SWOT Analysis

Strengths

- Brand recognition
- Great financial performance
- Highly ranked as employer
- Good brand value
- Extended production network
- Huge investments in research and development

Weaknesses

- The emission scandals
- Absence of proper diversification in designing
- Poor marketing strategies for markets outside Europe

Opportunities

- Concentrating on eco-friendly cars
- Expansion in emerging markets

Threats

- Increased competition
- Lawsuits in different markets
- Recession in the world

Appendix 2: VRIO Analysis

Resources	V	R	I	O	Competitive Advantage
Ability to attract and retain the talented minds	✓	✓		✓	✓
Strong financial position	✓			✓	✓
Brand awareness and loyal customer base	✓	✓		✓	✓
Extended production facility	✓			✓	✓
Access to cheap capital	✓		✓		

