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Strategic Analysis of Volvo

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Introduction

This strategic management report examines Volvo Car’s success as a prominent global player in the automotive industry. Renowned for its high-quality vehicles, Volvo has carved a niche in the market through its unwavering dedication to innovation and sustainability.

This report analyses Volvo Car's strategic direction, internal capabilities, and external environment in order to provide valuable insights for the company's long-term growth. To comprehend the basis for Volvo's strategic decisions and the impetus behind its pursuit of excellence, it is necessary to comprehend the company's history and core values. An examination of Volvo's external environment using PESTEL analysis and Porter's Five Forces model will shed light on the company's opportunities and challenges in the dynamic automotive industry. This analysis will assist in identifying market expansion opportunities and potential threats to its market share.

This report makes actionable recommendations for Volvo's strategic management based on the comprehensive analyses conducted. These suggestions include strategies for expanding the market, capitalising on technological advances, and nurturing a culture of sustainability.

Volvo's path to sustainable development and global competitiveness has been shaped by its unwavering commitment to innovation, quality, and accountability. This report provides Volvo with a road map for navigating the challenges of the automotive industry while maintaining its commitment to climate neutrality. By capitalising on its assets and embracing market opportunities, Volvo can solidify its position as an industry leader and continue advancing towards a greener and more prosperous future.

Background

Volvo Cars is a well-known Swedish automaker with a distinguished history that has been characterised by innovation, safety, and a dedication to sustainability. The Gothenburg, Sweden-based corporation, which broke new ground in the automobile

sector by placing a particular emphasis on safety and engineering excellence, was founded in 1927 at Gothenburg, Sweden.

Volvo quickly became well-known throughout the world after introducing the three-point seatbelt in 1959. They waive their patient right for greater good of society and safety of passengers. In result over one million lives have been saved (Volvocars, 2023). This ground-breaking safety feature, which swiftly became the norm in the industry, embodied one of Volvo's key principles: putting the safety of drivers, passengers, and pedestrians first. As Volvo continued to pioneer innovations like side-impact airbags, anti-lock braking systems, and accident avoidance technology over the years, its dedication to safety was unwavering.

Volvo Cars has constantly embraced innovation in design and engineering, in addition to safety. The sleek lines and practical design of its cars, which meld perfectly with cutting-edge technology and performance, are a direct result of its Scandinavian background.

Volvo cars was part of AB Volvo which is producer of heavy trucks, buses and construction equipment. In 1999 AB Volvo sold their Car division Volvo cars to Ford Motors Company. Due to 2008-2009 crisis Ford divesting their assets and other brands. Ford Sell Jaguar and Land Rover Businesses to Tata Motors and later on in 2010 they sold Volvo Car which was Loss making company at that time to the Geely for $1.8 Billion (MarketLine, 2018).
Currently Volvo Car is a subsidiary of Zhejiang Geely Holding Group Co., Ltd, is a car manufacturing company. It produces a wide variety of vehicles, such as SUVs, waggons, and sedans (MarketLine, 2023).

Volvo is the manufacturer and seller of a wide range of cars including wagons, SUVs, and sedans. Some of the popular car models manufactured by Volvo Car AB are the XC70, XC90, V70, V60 Cross Country, V60, S60, S80, and so on. With its headquarters in Goteborg, Sweden the company operates its product development, manufacturing, customer service, and sales in China, Sweden, Belgium, and the U.S.A. The organisation has become a strong competitor in the internal automotive industry with its international business expansion in more than 100 countries

(Volvocars, 2023a). The company also provides complete solutions for car maintenance, and safety control of cars along with financing, and services.

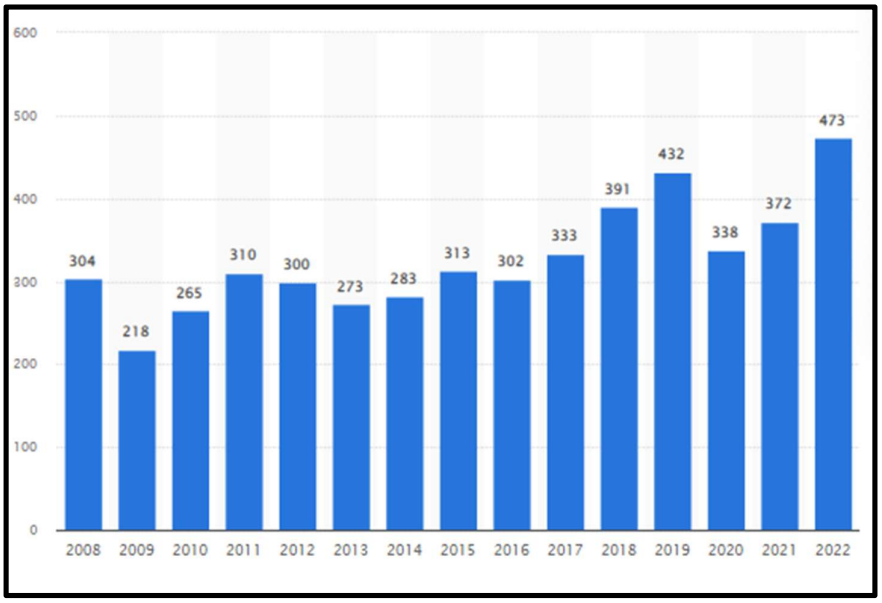

Figure 1: Revenue of Volvo

(Source: Statista, 2023)

High customer loyalty and manufacturing of quality transport solutions have led Volvo to gain a strong position in terms of financial growth. The above figure indicates that the company will generate about 473 billion Swedish kronor in 2022 which has increased from 372 billion Swedish kronor in the previous year 2021 (Statista, 2023a). The company spent SEK32,112 million on capital projects in FY2022, an increase of 37.7% year over year. (MarketLine, 2023).

Gothenburg, Sweden; Ghent, Belgium; Chengdu, China; and Daqing, China are home to the company's primary automobile manufacturing facilities. Engines are produced by Volvo Car in Skovde, Sweden, and Zhangjiakou, China. Car parts are produced in Floby, Sweden, while body parts are produced in Olofstrom, Sweden. Additionally, the business runs an assembly facility in Kuala Lumpur, Malaysia.

Mission and Objectives

Delivering innovative, sustainable, and safe mobility solutions that improve people's lives throughout the world is at the heart of Volvo Car Corporation's goal. Volvo Cars mission is “to make life easier, better and safer for everyone”. Volvo's primary goal is to help create a more sustainable future while upholding its key principles of quality,

safety, and environmental responsibility. Volvo is dedicated to becoming fully electric by 2030 (Volvocars, 2021).

Depending upon these values, Volvo's strategic objective is to manufacture competitive products such as automated solutions, electrified machines, and vehicles for the benefit of customers (Volvocars, 2009). Another business objective is to drive a mass customer group by offering diverse services including route simulations, service contracts, insurance, batteries, and superstructure services.

Macro-Environment Analysis

Macro analysis is an exhaustive examination of the external factors that can influence the strategic decisions and performance of an organisation (Bouzid, 2020). By evaluating the broader macroenvironment, businesses can identify opportunities and threats, anticipate changes, and alter their strategies to remain competitive and sustainable in an environment that is constantly changing.

PESTEL Analysis

The PESTEL analysis is a tool for strategic management that evaluates the external macroenvironmental factors that influence the operations and decisions of a company. PESTEL is an acronym for Political, Economic, Sociocultural, Technological, Environmental, and Legal factors (Perera, 2017).

Factors	Explanation
Political	● The government of Sweden is consistently supporting international trade through an effective trade policy. ● The Swedish government is consistently promoting the multilateral and rule-based system to safeguard the economy (Wto, 2023).
Economic	● The GDP is estimated to increase by approximately 99.9 billion UDS within the fiscal year of 2028 (Statista, 2023b). ● The average rate of the inflation is expected to decrease by nearly 4.8% within the financial year of 2023 to 2028 (Statista, 2023c).
Social	● Sociocultural factors include societal attitudes, beliefs, lifestyle preferences, and demographic tendencies (Issa, Chang and Issa, 2010). ● The market volume of Volvo Car is estimated to increase by approximately 10.91 billion USD within the fiscal year of 2027 (Statista, 2023d). ● In the financial year of 2019-2020, the “Volvo S/V60” also with “Volvo XC60” are the most sold car models by the Swedish customers (Statista, 2023e).
Technological	● Technological factors are advancements and innovations that have an effect on the automotive and transportation industries (Issa, Chang and Issa, 2010). ● The Swedish automotive company is working on implementing electrification, connected vehicles also with autonomous driving. ● Volvo Car is significantly installing the marine and also industrial engines for further development (Statista, 2023f).

Legal	● Legal factors include the impact of laws, regulations, and legal frameworks on the operations of a business (Issa, Chang and Issa, 2010). ● The "free trade policy" is the fundamental component of the trade policy of Sweden. ● The Swedish government is working on strengthening the innovative capacity of the automotive industry.
Environmental	● Environmental factors include ecological concerns and issues of sustainability (Issa, Chang and Issa, 2010). ● The Swedish government aims to reduce the average virtual emission of the transport sector within 2045 (Government, 2023). ● The government authority is ensuring sustainable development and minimising the negative environmental impact from the automotive sector.

Table 1: PESTLE Framework for Swedish Car industry

(Source: Created by Author)

Impact of the macro environment factor on Volvo Car Company

The multilateral as well as regulation-based system of the Swedish government plays an important role for the further growth of the different automobile companies like "Volvo Car AB". The increasing pattern of the country's revenue and decreasing in the average inflation rate efficiently influence the management authority of Volvo Car to increase the market volume and profit. For instance, by the fiscal year of 2027, per unit sales of "Volvo Car AB" is estimated to increase by approximately 44,930 compared to previous years (Statista, 2023g). On the other hand, the social acceptance of Volvo cars by the Swedish customers efficiently motivates the management authority of "Volvo Car AB" to increase the scope of this business. Additionally, the implementation of electrification along with the autonomous driving approach will be effective for the further expansion of Volvo Car that provides the opportunity for gaining the foreign currency.

The macro analysis of Sweden has indicated a positive and developing business scope for operating companies. The government of Sweden has motivated international trade and a rule-based system which is advantageous for extending business operations in foreign countries. In addition, the growing economy of Sweden is also advantageous for companies in getting investment opportunities, and subsequent growth facilities. The country is gradually becoming more advanced in using electrified technologies, engines, and automatic vehicles which are highly effective for the Sweden-based automotive industry. Governmental initiatives in reducing carbon emissions and ethical management of employees have influenced organisations to execute business operations in a more sustainable way. This positive market condition in Sweden is effective enough in terms of getting economical growth, innovation, and scope of business expansion in the foreign market.

Micro-Environment Analysis

Micro environment analysis is a strategic assessment that concentrates on the internal and immediate external forces influencing the day-to-day operations and decisions of a company. In contrast to the macro environment, the micro environment focuses on factors within the company's control and those that directly impact its business operations (Campbell and Craig, 2005).

Industry Life Cycle

Industry Life Cycle is kind of mesurment of environment, A strategic framework that illustrates the various phases an industry passes through over time (Beal, 2000). This model, created by Michael Porter, enables businesses like Volvo to comprehend the dynamics and characteristics of their industry at different stages, allowing them to adjust their strategies accordingly (Johnson *et al.*, 2020c). The follwing image shows the model:

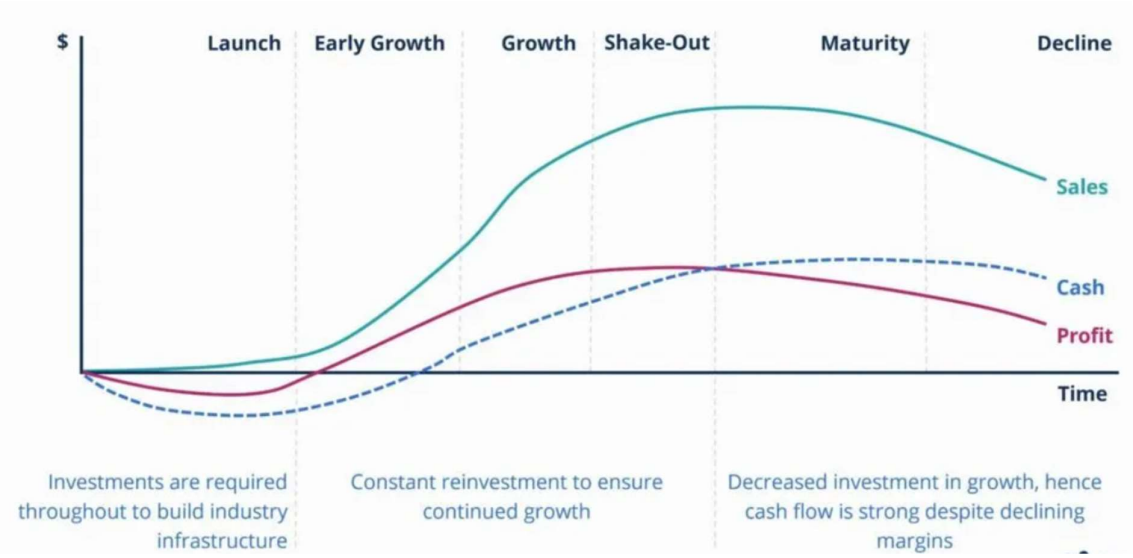

Figure 2: Industry Life Cycle

(Source: CFI Team, 2022)

1. Introduction Phase: In the early phases of its existence, Volvo Cars focused on safety innovation innovation. Notably, in 1959, the company introduced the three-point safety belt, a revolutionary safety feature that signalled its dedication to passenger protection (MarketLine, 2023). During this time period, Volvo's product lineup was predominantly composed of sedans and station waggons. These initial innovations in safety and product development signalled the company's introduction to the automotive industry.
2. Growth Phase: As time progressed, Volvo Cars entered a period of significant expansion. Diversification of its product portfolio was a major contributor to this expansion. In addition to conventional sedans and waggons, the company expanded to include SUVs, electric vehicles (EVs), and hybrids (MarketLine, 2023). This diversification enabled Volvo to acquire a larger share of the market and adapt to changing consumer preferences. During this period, Volvo's global expansion became evident, as the company established a presence in more than 100 countries. This international presence indicated the company's pursuance of growth opportunities outside of its domestic market.
3. Maturity Phase: Volvo Cars has entered a maturity phase characterised by a number of significant factors. First, the company's emphasis on safety, which was once a unique selling point, has become an industry standard in the

automotive sector. Safety innovations such as airbags, collision avoidance systems, and advanced driver-assistance technologies are no longer exceptional; they are now standard (MarketLine, 2023). Volvo confronts stiff competition from well-established automakers such as Volkswagen AG, Ford Motor Company, and Toyota Corporation. Innovation, product quality, pricing, dependability, and environmental impact have emerged as essential competitive factors.

4. Decline Stage: Similar to other industries, the car market may encounter challenges in the future as a result of disruptive innovations or shifting customer preferences. To sustain its development and success, Volvo must remain vigilant and responsive to emerging trends and technological advancements in order to avoid a potential decline in particular product segments or markets.

Porter's Industry Five Forces Analysis

Porter's Five Forces Analysis is a powerful instrument used to evaluate the competitive forces within an industry and their impact on the profitability and competitive position of a business (Lynch, 2018). By analysing these forces, Volvo cars is able to gain a deeper understanding of the dynamics of the commercial transport solutions industry and to develop strategies that effectively address competitive challenges (Perera, 2020).

- **Threat of New Entrants (Low to Moderate):** Volvo Car operates in a highly competitive automotive industry with significant entry barriers. Infrastructure for manufacturing and distribution, as well as investments in research and development, present challenges for entrants (Fedotov, 2022). In addition to establishing a strong brand reputation, Volvo's emphasis on innovation, safety, and sustainability has made it difficult for new entrants to gain consumer trust (MarketLine, 2023). Market is also dominated by well established firms like Toyota, Volvo, Land Rover, Ford, Tesla, Mercedese, BMW, KIA, Audi, Hyundai and they all are ready to enter in electric vehicles as well that's why the threat posed by new competitors is Low to moderate.
- **Bargaining Power of Suppliers (Moderate):** Volvo sources components and materials from a variety of global suppliers. While it has a large number of suppliers, certain suppliers may wield considerable influence due to their

unique or specialised components. For example, electric vehicle battery manufacturers, semiconductor chip manufacturers could exert influence.

- **Bargaining Power of Buyers (Moderate to High):** Volvo Car AB's clientele ranges from individual consumers to corporate fleet purchasers (MarketLine, 2023). Due to the availability of numerous options, buyers in the automotive industry have relatively strong bargaining power, making price sensitivity a crucial factor. Buyer power can be somewhat reduced by consumer preferences and create uniqe positioning in market.
- **Threat of Substitutes (Moderate):** For Volvo's products, the threat of substitutes is moderate. In the automotive industry, substitutes include public transportation, ridesharing, and alternative modes of transportation. However, many consumers continue to favour private vehicles, particularly in regions with limited public transportation.
- **Rivalry Among Existing Competitors (High):** Maintaining a competitive advantage requires differentiating through technology, design, brand and customer experience (Fedotov, 2022). The automotive industry is characterised by fierce competition among existing competitors. Volvo Car AB competes with well-known manufacturers such as BMW, Mercedes-Benz, Audi, and others (MarketLine, 2023). Product differentiation, quality, pricing, and technological innovation are the primary determinants of the competitive landscape. As the industry shifts towards autonomous and electric vehicles, competition intensifies.

Figure 3: Porter's Five Forces

(Source: think-beyond, 2020)

Internal Analysis

Internal analysis, also known as organisational or company analysis, is a crucial strategic management procedure that evaluates the internal resources, capabilities, and competencies of a business (McKinsey & Company, 2022). It seeks to identify the organization's strengths and weaknesses, providing valuable insight into its fundamental competencies and improvement areas.

Strategic Resources and Capabilities

A company can determine its organisational strengths and weaknesses with the aid of internal analysis. Additionally, it aids a company in identifying which of its resources and competencies are more and less likely to be sources of competitive advantage, businesses can employ internal analysis to pinpoint the parts of their structure that need changing and improving (Barney and Hesterly, 2018). Understanding these strategic resources and capabilities lays the groundwork for developing strategies that position Volvo for continued growth, innovation, and industry leadership The company's main strategic capabilities are as follows:

Volvo Car	
Strategic Resources	**Capabilities**
● Skilled and knowledgeable workforce ● Contemporary financial strength ● Clear strategy regarding technology and product development ● Efficient and collaborative working environment ● Diverse product portfolio ● Integrated procedure of the manufacturing, supply chain, quality control and procurement	● Balanced portfolio of the products and services that is generating consistent profit ● Intensely strong market position within the Swedish automotive industry ● Advanced features in the cars with an effective "driver assistance system" ● Sound safety features of the cars providing the seamless experience to the customers

Table 2: Strategic Resources and capabilities of Volvo Car Company

(Source: created by Author)

Analysis of strategic resources and capabilities of Volvo Car

The strategic resources could be explained as the specific assets of an organisation which plays an important role to maintain the performance excellence within the market. More precisely, the financial growth and enterprise knowledge efficiently acts as the core determinants of the strategies resources of a company. On the other hand, Izadi ZD *et al*. (2020) analysed that, the organisational capability is the compilation of the people, process along with the operational efficiency. For instance, the employee talent, shared mind-set, collaboration, efficiency, innovation and strategic unity are the core components of the capabilities of a well-structured company. The strategic resources of Volvo Car consist of multiple strategic resources such as skilled workforce, financial strength and transparent strategy for technological growth. Additionally, the management authority of Volvo Cars also set the strategic direction for becoming a fully electric company within the fiscal year of 2030 Volvocars, (2021). Currently company's product portfolio is diverse and includes SUVs, waggons, and

sedans to appeal to a variety of consumer preferences. The range of plug-in hybrid and entirely electric models, including the XC90 Recharge and XC40 Recharge, demonstrates the company's commitment to sustainable mobility (MarketLine, 2023). The core capabilities of this company are engaged in utilisation of the “higher technological safety system” as standard equipment in the wide range of the vehicles. The strategic resources of Volvo Car are associated with the shaping of future mobility with intensely storing ambitions for growth and sustainability. In the contemporary situation, the administrative managers of Volvo Car are also working to evaluate the responsibilities of the leadership body (Volvocars, 2023b). Similarly, the administrative manager of Volvo Car would also create the value for the technological advancement and also develop the wide ranges of the products also with the software capabilities. Additionally, the administrative managers of Volvo Car are primarily modernising and also upgrading the path for the customers and increasing the global volume by 2025 (Volvocars, 2020). The operational managers of Volvo Cars are working on to provide the modern also with hassle-free retail experience to the customers.

Value Chain Analysis

Value Chain Analysis is a powerful instrument used to examine and comprehend the various activities and processes within an organisation that contribute to the creation of a product or service (Kaplinsky, 2000). Analyse the process of Create value for its customers and ultimately achieve a competitive advantage in industry. It divides a company's operations into primary and secondary activities, assisting to identify competitive advantages and improvement opportunities (Johnson et al., 2020). The folowing image shows the process:

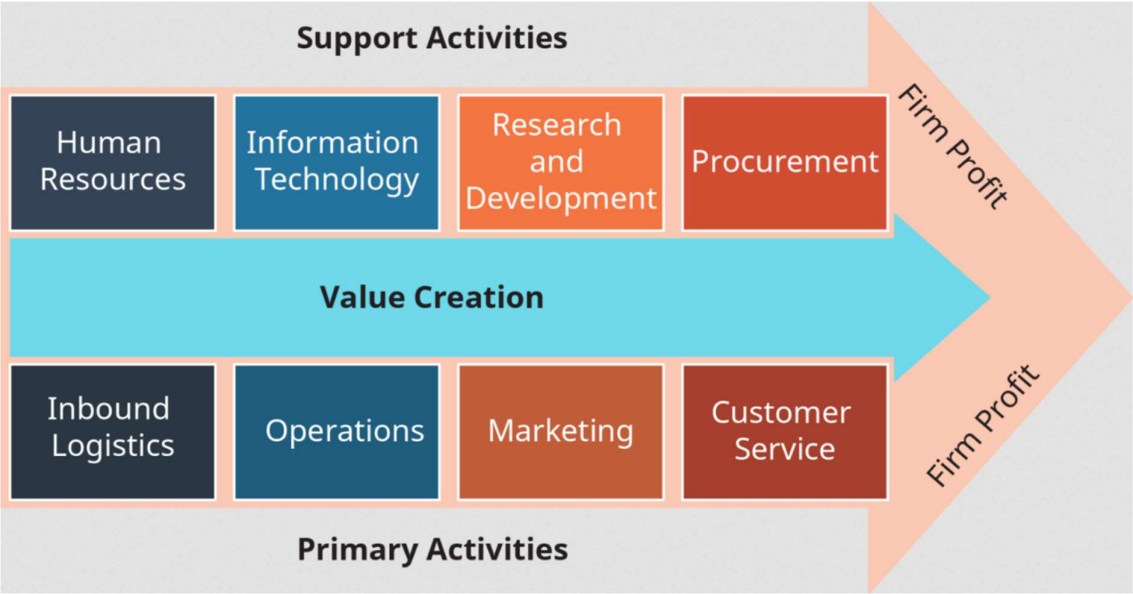

Figure 4: Internal Analysis

(Source: BusinessOER.com, n.d.)

Primary Activities

The primary activities of an organisation consist of inbound logistics, operations, outbound logistics, marketing sales and service. The core mission of Volvo cars is associated with the development of an efficient and sustainable supply chain with the implementation of the electric vehicles (Automotivelogistics, 2023).

- Inbound Logistics: Volvo Car AB's value chain relies heavily on inbound logistics. The company meticulously manages the flow of materials, components, and parts into its manufacturing plants in important regions such as Sweden, Belgium, and China (MarketLine, 2023). Suppliers and associates are essential to Volvo's operations, and the company maintains close ties with them to ensure the timely and efficient delivery of high-quality materials.
- Operations: The sophisticated manufacturing operations are at the centre of Volvo Car AB's primary activities. These operations include complex procedures such as body assembly, painting, and final vehicle assembly. Volvo vehicles are assembled with precision and attention to detail by trained professionals using cutting-edge production technology. The company's manufacturing facilities are strategically located in Sweden, Belgium, and China, allowing it to meet regional demand efficiently (MarketLine, 2023).

- Outbound Logistics: To satisfy customer demand and deliver vehicles to global markets, Volvo Car must have efficient outbound logistics. After the assembly and quality tests have been completed, the operational manager of Volvo Cars determined to handling of the essential raw materials, warehousing, scheduling and also order processing are the core functions of the outbound logistics.
- Marketing and Sales: In the marketing and sales phase, Volvo Car engages with consumers and shapes its brand image. Marketing comprises a vast array of activities, such as market research, advertising campaigns, sales channel management, and the formulation of marketing strategies. The marketing strategy focuses on core brand values such as safety, innovation, and sustainability. The fiscal year of 2023, Volvo cars reported to increase global average sales by approximately 66,379 cars, which is a 33% increase compared to previous years (Volvocars, 2023c).
- Service: Customer support and after-sales service are essential components of Volvo's core operations. It should be free from all kinds of external intervention. Maintaining high customer satisfaction and loyalty is of paramount importance. Volvo maintains a global network of authorised service centres and facilities to achieve this objective (MarketLine, 2023). These service centres provide a variety of services, including routine maintenance, restorations, and access to authentic Volvo spare parts.

Secondary Activities

Secondary Activities in Volvo's Value Chain:

- Procurement: Effective procurement is fundamental to Volvo Car AB's support activities. The company relies on a vast and global network of suppliers to guarantee a continuous and reliable supply of high-quality vehicle production components and materials. To ensure the timely availability of parts that satisfy Volvo's stringent quality and sustainability standards, it is essential to maintain strong relationships with these suppliers.
- Technology Development: Research and development activities are at the forefront of Volvo's support operations. Significant investments are made in R&D to promote innovation in vehicle design and engineering. These initiatives include

safety enhancements, electrification, autonomous vehicle technologies, and digital applications, among others.

- Human Resources Management: Human resource management is crucial to assuring Volvo's continued success. A competent and knowledgeable workforce is essential to the company's ability to effectively design, manufacture, and market its automobiles. Volvo invests in extensive training and development programmes for the purpose of enhancing the capabilities of its employees.
- R&D Infrastructure: Volvo Car includes the development and maintenance of manufacturing facilities, research centres, and distribution networks. The organisational manager of this company is working on maintaining the commitment for the sustainable strategic focus to reduce the entire carbon footprint (Volvocars, 2023d). Company had to invest in technological innovation, production equipment, and logistics infrastructure. These investments are intended to improve operational efficiency, lessen environmental impact, and maintain the highest quality standards.

VRIO Analysis of Distinctive Resources and Capabilities

The VRIO analysis is a strategic instrument used to evaluate the internal resources and capabilities of a company based on their Value, Rarity, Imitability, and Organisational support (Johnson et al., 2020). By evaluating these factors, the VRIO framework identifies the company's competitive advantages and areas in which it can maintain superior performance over time (Knott, 2015). The following flow chart shows the framework

Resources and capabilities	Valuable (V)	Rare (R)	Imitable (I)	Organised (O)	Competitive advantage
Skilled workforce	Yes	Yes	Yes	Yes	High competitive advantage
Financial strength	Yes	Yes	No	Yes	Competitive advantage is moderate
Investment in technology and product	Yes	Yes	Yes	Yes	High competitive advantage
Integration of the supply chain and quality control	Yes	No	Yes	No	Moderate competitive advantage
Consumer satisfaction level	No	No	Yes	Yes	Low to moderate competitive advantage
Efficient human resource manager	Yes	Yes	Yes	Yes	Competitive advantage is high

Table 3: VRIO Framework for Volvo Car

(Source: Created by Author)

Analysis of the competencies of the distinctive resources and capabilities of Volvo Car

The distinctive resources and capabilities of Volvo Cars are associated with the skilled workforce, contemporary financial strength and investment in technological advancement and product development. The management authority of Volvo Cars has gained the moderate competitive advantage in the financial condition through the design of the products and services with the critical and innovative thought process. Concurrently, the management authority of this company is actively working on to maintain the heritage of the safety innovation to provide the seamless experience to

the customers (Volvocars, 2023e). Additionally, the administrative manager of Volvo Cars also gained a moderate competitive advantage in the integration of the supply chain along with the quality control procedure of the products. On the other hand, the higher efficiency of the human resources activities significantly helped Volvo Cars to gain a higher competitive advantage through employee satisfaction.

SWOT Analysis

This tool assists in determining a company's internal strengths and weaknesses and provides an analysis of the opportunities and risks that exist outside the company's walls.

Strengths

- **Manufacturing Capabilities:** Volvo Car AB possesses substantial manufacturing capabilities that are strategically located around the world. With production facilities in Gothenburg (Sweden), Torslanda (Sweden), Ghent (Belgium), Chengdu (China), and Daqing (China), as well as engine and component manufacturing facilities, Volvo is able to efficiently meet customer demands and respond to demand fluctuations (MarketLine, 2023). This extensive production network increases Volvo's adaptability and responsiveness to market dynamics.
- **Diverse Product Portfolio:** Volvo's product portfolio encompasses a broad variety of vehicle types, including electric vehicles, hybrids, and mild hybrids. This variety accommodates various consumer preferences and market segments. Volvo offers electric vehicles such as the EX90, XC40 Recharge, and C40 Recharge. The company offers plug-in hybrids such as the XC90 Recharge, XC60 Recharge, and V90 Recharge (MarketLine, 2023). This assortment of vehicles enhances Volvo's market presence and adaptability.The implementation of electric cars consistently increases the overall sales of Volvo Cars (Volvocars, 2023f).
- **Improved Safety:** Volvo is renowned for its unwavering commitment to safety, which has now been enhanced. The company is a consistent innovator of cutting-edge safety technologies, establishing industry standards. Volvo offers cutting-edge safety solutions by equipping its vehicles with Lidar technology and supercomputers powered by artificial intelligence (MarketLine, 2023). In addition, the company's autonomous driving technology ensures safe and unsupervised autonomous driving, demonstrating its commitment to customer safety.

- **Global Presence:** Volvo Car AB operates in more than 100 countries, allowing it to access diverse global markets (MarketLine, 2023). Its expansive global presence contributes to the brand's visibility and capacity to accommodate to a variety of consumer preferences. This global presence enables Volvo to capitalise on growth opportunities in emerging markets and to increase its market share.The overall revenue of Volvo Cars is estimated to increase at a CAGR of approximately 1.96% within the fiscal year of 2027 (Statista, 2023h).

Weaknesses

- **Product Recall:** Product recalls could have a negative impact on Volvo's reputation and consumer confidence. In January 2023, the company recalled 106,691 vehicles worldwide as a result of a software issue with the brake control module software (MarketLine, 2023). If consumer concerns are not adequately addressed, such recalls can tarnish the company's brand image and result in a decline in sales.
- **Increase in Debt:** Volvo reported a significant increase in its debt during FY2022. A considerable portion of a company's earnings may be diverted to servicing debt obligations, which may have a negative impact on the company's operational performance (MarketLine, 2023).
- Volvo Cars have not reported to the “environmental impact metrics” to maintain consistency in the corporate performance (Lecture-Volvo-car-AB-Green-Financing-Second-Opinion, Page-2).

Opportunities

- **Growth Initiatives:** Volvo has begun a number of development initiatives to strengthen its market position. Partnerships, such as the one with Wrisk for innovative mobility solutions, allow the business to provide superior services, such as seamless insurance services. Similarly, agreements with Tesla to access the Supercharger network improve the user experience for Volvo customers (MarketLine, 2023). These growth initiatives create opportunities for the company to expand its service offerings and attract a larger customer base.
- **New Car Launches:** Volvo's introduction of new automobile models aligns the company with evolving market trends and consumer preferences. The introduction

of the Volvo EX30 in North America in July 2023, as well as the electric EX90 SUV, provides customers with more options and adapts to changing market conditions (MarketLine, 2023). The introduction of new vehicles allows Volvo to remain competitive and gain market share.

- **Prospects for Automotive Battery Technology:** The global automotive battery market is projected to reach 119.9 million units by 2026, a significant increase from its current level. The demand for sophisticated automotive batteries, such as lithium-ion batteries, is driven by factors such as the environmental push for electrification, rising petrol prices, and government incentives. As Volvo expands its lineup of electric vehicles, it stands to benefit from the expanding battery technology market.
- **Growth Initiatives:** Numerous growth initiatives have been implemented by Volvo Car AB. Enhancing its service offerings, the company partnered with Wrisk in July 2023 to provide innovative inventive mobility solutions (MarketLine, 2023). Moreover, agreements such as the one with Tesla that permits its electric vehicles to use the Supercharger network contribute to an enhanced user experience for Volvo customers. These development initiatives provide Volvo with opportunities to expand its services and attract more customers.

Threats

- **Competition:** Volvo confronts stiff competition in various global markets, competing with both domestic and international automakers. Innovative features and technological advancement of BMW, Toyota and Audi is threatening for Volvo Cars. Product innovation, quality, pricing, dependability, safety, fuel efficiency, environmental impact, and customer service are factors that drive competition (MarketLine, 2023). Competition and pricing pressures could have a negative impact on Volvo's operating results and profitability.
- **Controlling Automotive Emissions:** Europe's stringent emission regulations, regulated by organisations such as the European Commission and the United Nations Economic Commission for Europe (UN ECE), present obstacles. These regulations have spurred the development of healthier technologies, especially for diesel vehicles (MarketLine, 2023). Compliance with these evolving standards may

necessitate expensive technological upgrades, which may have an impact on manufacturing expenses and profitability.

- **Foreign Currency Fluctuations:** Volvo Car operates in more than one hundred countries, which exposes it to the risks associated with foreign currency fluctuations. While the company reported gains related to foreign exchange rates in fiscal year 2022, it remains vulnerable to currency rate fluctuations that can impact revenue generation in particular regions or markets (MarketLine, 2023). Changes in unfavourable currency exchange rates may result in increased expenses and have an effect on financial performance.
- **Public Transport:** Increasing rate of the utilisation of the government transport as well as rising of the fuel costs can demotivated the development of Volvo Cars.

Strategies to Sustain Competitive Advantage

The main goal of the strategic management process is to give a company the tools it needs to select and implement a strategy that gives it a competitive edge. When a company can generate more economic value than its rivals, it has a competitive advantage (Barney and Hesterly, 2018). The Generic Strategies paradigm by Michael Porter provides a framework for achieving this objective. The model suggests that businesses can obtain a sustainable competitive advantage by employing one of three generic strategies: cost leadership, differentiation, or concentration (Porter, 1980).

Safety innovation leadership: Volvo can continue to innovate in safety technologies, building on its historical commitment to safety, and establish standards for vehicle safety. Volvo can boost its image for vehicle safety and draw in customers who are concerned about safety by including competitive driver- assistance systems, autonomous driving capabilities and crash avoidance technologies.

Electric and sustainable mobility: Volvo may make investments in the creation of electric and hybrid models while enhancing the infrastructure for charging them, embracing the global shift towards these types of vehicles. This tactic is in line with growing customer demand for environmentally friendly products and worries about the environment.

Luxury and comfort: Volvo can maintain its position as a luxury brand that prioritises comfort, high end interiors and competitive infotainment systems. Volvo may draw

clients to configure their vehicles to their tastes. Volvo's customer centric approach focuses on providing great customer experiences.

Digital integration: Volvo can include cutting edge digital elements like seamless connectivity, augmented reality displays and intuitive user interfaces into its automobiles (Chen, 2022). These enhancements elevate the driving experience and set Volvo apart from rivals.

Global Market Penetration: Volvo may diversify its clientele and lessen its reliance on particular geographies. Products can be tailored to meet local demands and preferences in order to expand their market.

Partnerships and collaborations: Working with startups, technology businesses and suppliers can speed up innovation and provide you access to fresh knowledge (Mishra *et al.* 2022). Volvo's competitive position can be boosted via partnerships in fields like autonomous driving, connectivity and sustainability.

Utilisation of data: Analysing data gathered from connected vehicles can reveal information about consumer behaviour, consumption trends and efficiency (Venkat and Khan, 2022). This data driven strategy can direct future innovations, improve consumer experiences, and shape product enhancements.

Service and Maintenance: By providing thorough after-sales services, such as effective maintenance, repairs, and warranty programmes, businesses may increase customer satisfaction and loyalty while gaining a competitive edge thanks to a reliable service network.

Employee Development: Investing in employee education, growth, and job satisfaction can result in a motivated staff that improves the quality of products, spurs innovation, and delights customers.

Growth Strategies

In pursuit of sustained success and expansion, businesses require effective growth strategies to navigate the ever-changing business environment. Ansoff matrix is the strategic planning, and business growth management tool that aids managers, and executives in analysing the market for adopting the most appropriate business

decisions. Ansoff Matrix provides a comprehensive framework for identifying development opportunities by analysing two crucial dimensions: products and markets (Meldrum and McDonald, 1995). The matrix outlines four growth strategies as shown below, each of which is tailored to particular business objectives, risks, and potential rewards:

Figure 5: Ansoff Matrix

(Source: Peterdy, 2022)

Market Penetration: With a well-established customer base, Volvo has a firm presence in the global automotive market. To penetrate existing markets more deeply, Volvo focuses on expanding its product line. The company's dedication to safety and sustainability has enabled it to maintain and increase its market share. Volvo aims to appeal to a broader range of customers by offering an extensive selection of vehicles, including pure electric, plug-in hybrid, and mild hybrid options, while emphasising its fundamental values of safety and quality. Continuous advancements in safety technologies and the introduction of advanced driver assistance systems (ADAS) aid market penetration efforts by attracting safety-conscious consumers (MarketLine, 2023).

Product Development: Volvo's commitment to research and development (R&D) enables the company to perpetually innovate its product offerings. In the context of electrification and autonomous transportation, the company's product development strategy aligns with market trends and consumer preferences. Volvo introduces new models that cater to the increasing demand for electric vehicles (EVs) by focusing on product development. This includes SUVs such as the XC40 Recharge and EX30 in addition to sedans such as the S60 Recharge and S90 Recharge (MarketLine, 2023). These electric vehicles are equipped with cutting-edge technology that addresses both environmental concerns and the demand for advanced driving experiences. In addition, Volvo's partnership with Wrisk and agreement with Tesla to use the Supercharger network demonstrate its commitment to enhancing the customer experience via innovative mobility solutions and an expanded charging infrastructure.

Market Development: As Volvo seeks to expand its geographic footprint, market development is crucial. There are still untapped markets and regions with expansion potential in which the company operates. In order to capitalise on this opportunity, Volvo must adjust its vehicles to regional preferences and regulations without sacrificing its commitment to safety and sustainability. The growth of the global automotive battery market, fueled by the transition to electric vehicles, presents market expansion opportunities for Volvo. Volvo can access new markets that are increasingly employing electric mobility solutions by aligning its product portfolio with trends in battery technology.

Diversification: While Volvo focuses predominantly on its core competency in automotive manufacturing, it diversifies its operations to mitigate risks and capitalise on emerging trends. The company's emphasis on sustainability, for instance, extends beyond vehicle production to include green manufacturing practises and partnerships for sustainable battery production. In addition, Volvo collaborates with technology companies, battery manufacturers, and research institutions, diversifying its strategic partnerships to remain on the cutting edge of technology (MarketLine, 2023). This diversification into sustainable manufacturing and technology partnerships complements its core automotive business and increases its competitiveness in a swiftly evolving industry.

Green Strategy and CSR

Green Strategy adopted by Volvo Car

The green strategy of a business generally indicates the sustainable plan of the company's supply chain, sustainability while meeting ethics-related legislations and regulatory requirements precisely. Volvo Car company has also included different sustainable strategies in business operations as a part of its green strategy. For example, the company is committed to becoming a fully electric company by 2030, and it is also targeted to sell 50% of sales-only electrified cars by 2025 (Volvocars, 2018). The electric car models are about to solve the problem of GCG (GreenHouse Gas) emissions in nature that would eventually help in adverse climate conditions. Electric cars are fully sustainable as the electricity of these cars is not generated from fossil fuel and other sources of renewable energy are considered for charging the cars. A sustainable business strategy is essential for improving brand image as well as providing companies with a high-level competitive advantage (Morden, 2016). Furthermore, Volvo Cars "2023 Green Financing Framework" also confirms the company's ambition related to sustainable strategy and standard market practices.

Corporate Social Responsibilities (CSR) of Volvo Car

CSR is the management approach that indicates the company integrates enviro nmental and social concerns in its business activities. The company has been responsible towards society through propagating ethical leadership and approving diversity among workers. Volvo Car company has embraced employees of different experiences, cultures, backgrounds, and personalities in the workforce which has helped the company to derive different business ideas. A 50/50 gender balance is another indicator of a company's tendency to develop inclusive leadership and working cultures. As per the view of Valentin (2014), a diverse workforce is potential enough for strategic business decision-making, and fast problem-solving. Other than the social responsibilities, the company has carried out economic sustainability through the concept of "Circular Economy". While maximising the company's resource efficiency, materials, and components, business operations are also focused on recycled materials, eliminating waste, and reusing parts. This approach of a circular economy is going to reduce the company's manufacturing cost at a certain level resulting in high financial growth, and profitability.

Conclusion

In conclusion, maintaining a competitive advantage requires ongoing strategic planning, flexibility and innovation. Volvo's commitment to sustainability and climate action positions the company as an industry leader. Volvo can accomplish its ambitious climate goals by concentrating on quality, electrification, and strategic partnerships.

Furthermore, sustaining a competitive edge depends on Volvo's capacity to foresee changes in consumer preferences, regulatory environments and market dynamics as the automotive industry develops. The ability of Volvo to adapt its strategy to shifting global trends while upholding its basic values will determine the effectiveness of its sustainable competitive advantage. Volvo can continue to be a leader in the automotive industry for many years to come by continually providing its customers with exceptional products, services, and experiences as well as by proactively responding to new challenges and opportunities.

Recommendation

Application of "Artificial Intelligence", and "Machine Learning" in supply chain management

Volvo Cars Company is assessed to face certain problems due to a disruptive supply chain from the international marketplace that is eventually hampering the company's business. The company is recommended to deploy "Artificial Intelligence (AI)" and "Machine Learning (ML) in the supply chain activities. Helo and Hao (2022) have mentioned that AI is highly effective in forecasting supplies, and demands from predictive data analysis. AI is essential in forecasting product demands, price increases, and supply shortages in materials that would save company from unprecedented challenges regarding the supply chain. Moreover, advanced technologies reduce the cost of repairing, maintenance, and overall operations of the supply chain equipment (Lynch, 2006). Different emerging automobile companies have recently started technologies in supply chain management. For instance, Ford has been helpful by AI in resource management and inventory control to a great extent (Forbes, 2019). Therefore, it also can be a potential idea for Volvo to mitigate its supply chain complications.

Setting Sustainability KPIs (Key performance indicators), and performance metrics

Volvo Car is criticised for not reporting its sustainable metrics questioning the company's transparency regarding sustainability initiatives. In this problematic situation, the company is recommended to measure business performance in terms of "CO2 emissions reduction in kt", "Water usage in metric tons", and "Energy consumption in kWH" (Lenherr *et al.* 2021). These key metrics are essential for tracking the company's actual performance level, and improvement towards sustainability. The result and measurement of these metrics are essential for achieving the company's sustainable goals in terms of sourcing green energy, manufacturing, and conducting suppliers' assessments.

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