

BA Business Management
Strategic Management and Sustainability
LCBB6004

1.Introduction

Volkswagen is a well-known German multinational automotive manufacturer that specializes in the passenger car segment of the automotive industry. Its main competitors include other major players such as Toyota, General Motors, Ford, and Hyundai-Kia. The company has a global presence, operating in over 150 countries and maintaining production plants in several countries including Germany, China, Mexico, and the United States. Volkswagen employs a significant workforce of approximately 670,000 people worldwide, making it a leading player in the automotive industry. Throughout its history, Volkswagen has faced a range of challenges including the infamous "dieseldgate" scandal in 2015. This scandal caused significant damage to Volkswagen's reputation and financial performance as the company was caught installing "defeat devices" in its diesel cars to cheat emissions tests. As a result, Volkswagen has paid billions of dollars in fines and compensation to affected customers. However, despite these challenges, Volkswagen remains committed to innovation and sustainability. The company has invested heavily in electric vehicle technology and aims to become a carbon-neutral company by 2050.

2.Business strategies

Volkswagen has taken several steps to become more competitive while also prioritizing sustainability and the environment.

Firstly, the company has been investing heavily in electric vehicles (EVs) to reduce emissions and improve sustainability. As of 2021, Volkswagen has introduced several electric models, including the ID.3, ID.4, and ID.6, and plans to launch more than 70 electric models by 2029. In fact, the company has set an ambitious goal of becoming the world leader in EV production by 2025, and is investing €73 billion (\$86 billion) into electric vehicles, digitalization, and mobility services over the next five years (Volkswagen Group website).

Secondly, Volkswagen has implemented more sustainable production methods. For example, the company has set a goal of reducing its carbon footprint by 30% by 2025 and achieving carbon neutrality by 2050. To achieve this, the company has implemented a range of measures, such as using renewable energy, reducing waste, and using more sustainable materials in production. In addition, Volkswagen has also committed to increasing the proportion of electric vehicles in its production process, which will further reduce emissions.

Thirdly, the company has made efforts to improve transparency and accountability in its sustainability initiatives. Volkswagen has been releasing a Group Sustainability Report annually since 2011, which outlines the company's sustainability goals, initiatives, and progress. The report follows international CSR reporting guidelines, such as the Global Reporting Initiative (GRI) Standards and the United Nations Sustainable Development Goals (SDGs).

Volkswagen's current business strategy is centered around innovation, sustainability, and digitalization. The company has made a significant investment in electric vehicle technology and aims to become a leader in e-mobility. In addition to this, VW is focusing on increasing the efficiency of its internal combustion engines to reduce emissions and improve fuel efficiency. The company is also exploring new business models, such as car-sharing and mobility services, to adapt to changing consumer preferences. Another important aspect of VW's strategy is digitalization. The company is working to integrate digital technologies into its vehicles to provide a better customer experience and to increase efficiency in its production processes. VW is also investing in the development of autonomous driving technology, which is expected to play a significant role in the future of the automotive industry. Finally, VW has set ambitious sustainability goals, including becoming carbon-neutral by 2050, and is working to reduce its environmental impact throughout its value chain. Overall, VW's business strategy is focused on staying competitive in a rapidly changing industry by embracing innovation, sustainability, and digitalization.

The group has a strategy to invest heavily in electric mobility and improving the efficiency of the internal combustion powertrain. This means that the company is committed to developing electric vehicles and improving the technology behind traditional combustion engines. They plan to invest a significant amount of money in these areas, with the goal of becoming a leading electric vehicle manufacturer by 2025. Additionally, they aim to increase the efficiency of their internal combustion engines, which will reduce emissions and improve overall performance. By focusing on both electric and traditional powertrains, the company is positioning itself to meet the needs of a range of customers, while also working towards a more sustainable future. (Sustainability Report 2021)

As technology continues to progress, the automotive industry is quickly moving forward with its shift towards e-mobility and digitalization. This means that companies in the industry are increasingly focused on developing electric and hybrid vehicles, as well as integrating digital technologies into their products and services. The push towards e-mobility is being driven by a growing awareness of the environmental impact of traditional combustion engines, and a desire to reduce emissions and improve sustainability. At the same time, digitalization is seen as a way to improve the customer experience, increase efficiency and reduce costs. As a result, the automotive industry is undergoing a significant transformation, with companies investing heavily in new technologies and business models in order to stay competitive in a rapidly changing market. (Annual report 2022)

The importance of sustainability for long-term business success cannot be overstated. Companies have learned the hard way about the costs of mistakes, as exemplified by Volkswagen's recent diesel scandal. Changes in regulations, shifting customer preferences, and increased investor awareness of sustainability risks and opportunities all point to sustainability becoming a critical value driver for businesses. (Sustainability Report 2021)

The rapid advancement of technology is leading the automotive industry towards a transformation that prioritizes e-mobility and digitalization. As a result, the market for electric vehicles is expected to continue to grow in the coming years. To succeed in this market, it will be essential for companies to focus on cost-efficient and sustainable production of battery systems, as well as the expansion of charging infrastructure.

Volkswagen (VW) has a range of brands that cater to diverse customer segments, enabling the company to increase its market share. The company has a strategy of concentrating on building luxury brands such as Porsche and Audi, alongside budget-friendly brands like Seat and Skoda.

Volkswagen's business strategy centers around innovation, sustainability, and global expansion. The company is prioritizing significant investments in technology and developing new products, while simultaneously striving to minimize its environmental footprint and increase its reach in developing markets. VW's dedication to sustainability and digital transformation will undoubtedly play a critical role in the company's future achievements.

3.Resources and capabilities

Volkswagen (VW) has a range of resources and capabilities that contribute to its success in the automotive industry.

Volkswagen (VW) has an extensive production and distribution network that spans across over 150 countries, consisting of manufacturing facilities, sales and service centers, as well as dealerships. This vast global network enables the company to reach a vast customer base and explore new markets, contributing significantly to its success in the automotive industry.

Volkswagen (VW) is dedicated to innovation and has made significant investments in research and development (R&D) to create cutting-edge technologies and products. The company's emphasis on developing electric vehicles and autonomous driving technology highlights its strong commitment to innovation and progress within the automotive industry.

As Volkswagen (VW) evolves into a global technology company, it is poised to undergo its most significant workforce transformation to date. To stay competitive in the future, the company must attract top talent and support its existing employees by providing extensive training where necessary. This strategy will enable the Group to retain and attract skilled workers, ensuring its continued success in the increasingly competitive technology industry. (Annual report 2022)

Volkswagen (VW) is in a robust financial position, characterized by strong cash reserves and a healthy balance sheet. This financial stability enables the company to invest in research and development, expand its production network, and navigate economic downturns with confidence. The company's strong financial position is a key factor in its long-term success in the automotive industry.

On July 1, 2021, a TRATON GROUP company acquired all the outstanding shares in Navistar International Corporation (Navistar), a US-based manufacturer of commercial vehicles in Lisle, Illinois. However, due to the size of the transaction, the in-house reviews of the information underlying the purchase price allocation were not completed until the current fiscal year. The update to the purchase price allocation did not have a significant impact on the Volkswagen Group's results of operations, financial position, and net assets. (Annual report 2022)

Volkswagen (VW) has a diversified brand portfolio that comprises various prominent and reputable brands, including Skoda, Porsche, and Audi. This diversified portfolio enables the company to target different customer segments and expand its market share by catering to a broader range of customers with varying needs and preferences. This strategy has proven successful for VW, allowing it to establish a strong presence in the global automotive market.

A robust brand portfolio that provides customized mobility solutions with safe, connected, and resource-efficient vehicles is essential for the long-term success of the company. Outstanding quality should form the foundation of this brand portfolio, with a strong focus on producing largely emission-free vehicles that cater to the diverse needs of customers. This strategy will enable the company to provide exceptional mobility solutions and solidify its position in the automotive industry for years to come. (Pearson, 2020)

Volkswagen's resources and capabilities have played a critical role in its ability to maintain a strong competitive position in the automotive industry. The company's focus on innovation, quality, and sustainability has given it a competitive edge and allowed it to stay ahead of its rivals, solidifying its position as an industry leader. VW's commitment to advancing technologies, developing high-quality products, and minimizing its environmental impact have all contributed to its ongoing success and reputation as a formidable player in the global automotive market.

4. Corporate social responsibilities

Volkswagen (VW) has a strong commitment to corporate social responsibility (CSR) and sustainability. VW recognizes the importance of conducting business in an environmentally sustainable way and is committed to meeting the EU's criteria for corporate environmental sustainability. The company has made investments in development activities and property, plant, and equipment that align with EU taxonomy standards to help shape its future in an environmentally sustainable way. By doing so, VW aims to reduce its environmental impact and contribute to a more sustainable future. (Sustainability Report 2021)

VW recognizes its role as a corporate citizen and is committed to contributing to structural development and equal opportunities in its business processes. While the company does not have a Corporate Citizenship strategy that applies throughout the Group, it believes that it is important to recognize its social responsibilities towards its stakeholders. To address this, VW is currently working on a strategic foundation for its Corporate Citizenship action area to increase transparency and accountability. The company's philanthropic activities focus on supporting future, environmental, educational, and community projects at many of its sites around the world. By doing so, VW aims to contribute to the betterment of society and improve the quality of life for its stakeholders.

Volkswagen has acknowledged its mistakes regarding the emissions issue and has released several Group Sustainability Reports in the past, following international CSR reporting guidelines. The company has recognized the importance of corporate social responsibility and has partnered with Microsoft Germany to work together on sustainability initiatives. This joint venture could benefit the Volkswagen group as Microsoft is known for its highly regarded Corporate Social Responsibility. Volkswagen (VW) has made a commitment to promote social responsibility by implementing various initiatives that support education, diversity, and inclusion. For instance, the company has established a program to provide educational support for underprivileged children in developing countries. Additionally, VW has committed to increasing the diversity of its workforce. The company has implemented several measures to ensure that it has a diverse and inclusive workplace, including providing equal opportunities for all employees and promoting a culture of respect and acceptance.

Furthermore, VW has also made efforts to reduce its environmental impact by investing in sustainable technologies and reducing its carbon emissions. The company has released sustainability reports, and it follows international CSR reporting guidelines. VW has also collaborated with Microsoft Germany on sustainability initiatives, which could help the company in its sustainability efforts.(The Management Weekly)

5.Recomandation

Volkswagen can develop competitive advantages in the future by incorporating sustainability practices into their operations. This includes investing in electric and hybrid vehicles, using sustainable materials, implementing renewable energy sources, developing closed-loop manufacturing processes, enhancing supply chain sustainability, and communicating sustainability efforts to consumers. By doing so, VW can reduce their environmental impact, meet regulatory requirements, appeal to environmentally conscious consumers, and develop a positive brand image. Overall, by implementing these recommendations and continuing to prioritize sustainability and environmental practices, VW can develop competitive advantages in the future while meeting their social and environmental responsibilities

6.Conclusion

In conclusion, Volkswagen has implemented various business strategies to remain competitive in the automotive industry while taking into consideration sustainability and environmental practices. These strategies include investing in electric and hybrid vehicles, using sustainable materials, implementing renewable energy sources, developing closed-loop manufacturing processes, enhancing supply chain sustainability, and communicating sustainability efforts to consumers.

By prioritizing sustainability and environmental practices, VW can meet their social and environmental responsibilities while also developing competitive advantages in the future. This can include tapping into growing markets for electric and hybrid vehicles, appealing to environmentally conscious consumers, and reducing costs through the implementation of renewable energy sources and closed-loop manufacturing processes.

In conclusion, Volkswagen has shown a strong dedication to sustainability and environmental practices in recent years. By prioritizing these initiatives, VW can establish themselves as a leader in the automotive industry and differentiate themselves from their competitors. This can help them to develop a positive brand image and appeal to environmentally conscious consumers, which is becoming increasingly important in today's market. As such, it is recommended that VW continue to invest in electric and hybrid vehicles, use sustainable materials, implement renewable energy sources, develop closed-loop manufacturing processes, enhance supply chain sustainability, and communicate their sustainability efforts to consumers in order to further their competitive advantages and meet their social and environmental responsibilities.

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