

BA BUSINESS MANAGEMENT

STRATEGIC MANAGEMENT AND SUSTAINABILITY

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Introduction

Strategic management involves formulating, analysing, and implementing new strategies that balance the cycles of nature. It can help reduce costs and increase productivity in organisational business. This essay will evaluate the strategic approach of the Volkswagen Company, which drives towards sustainability. It will evaluate the competitive and development strategies of the specific organisation. This essay will examine the factors that a specific organisation must consider when analysing the performance of the Volkswagen Company. It will also evaluate the competitive environment of the Volkswagen Company, which generates sustainability for the company. This essay will evaluate the capabilities and resources of the company over the last five years through its business strategies. Sustainable practises can help Volkswagen to develop competitive advantages.

Background of Volkswagen

Volkswagen is recognised as one of the largest automobile and commercial vehicle manufacturing organisations across the globe. The founder of this German automobile company is Labour Front, and its headquarters are situated in Wolfsburg, Germany. **Martin Winterkorn** is recognised as chairman of the company. The key strategies of leaders help increase the growth of the company. In the last five years, the company has introduced multiple strategies to enhance and expand its service. **Volkswagen** works with top motor manufacturing groups to increase customer delivery and customer satisfaction. The company worked with their strategy by manufacturing quality products, creating unique designs, and expanding services. In order to compete with greater competition like **Toyota** and **General Motors**, the company increased quality arrangements, innovation, and productive service distribution in their management process. The flexible structure of Volkswagen helped identify the functions and business sections needed to create an impact in the market. In the last five years, the company has launched a transformation of the *Volkswagen* brand, which is a clear commitment towards electric vehicles. The company initiates its next phase of transformation through its transformation strategy and it accelerated towards CO2-neutral mobility. According to some reports, the company was planning major investments to become an electric car leader (bbc.com, 2016). The company has invested around 18 billion Euros in hybridization, e-mobility, and digitalisation (Volkswagen AG, 2020).

The fight against climate change helped increase the pace of innovation. Ford and **Volkswagen** collaborate on their e-mobility partnership on the **MEB electric platform**. The primary target of the company was transformation towards technology, which focused on customer requirements and software development. Quick integration of development and production was the main focus, which helped to accelerate the production time per vehicle. The company wanted to focus on customer-centric functions to accelerate manufacturing process production. The

strategic approach of the electric-centric software product helped it become a global leader in *green* transport (Ramli *et al.*, 2018). The development of electronics played an important role in the growing connectivity of the company's vehicles.

Business strategies

External analysis of the company can help to demonstrate the brand positioning, growth targets, business direction, and risk factors. This process can determine the validity of services and existing products for more growth opportunities. Political factors can impact brand performance within the market. The main markets for **Volkswagen** are the United Kingdom and the United States. This automobile sector has faced major problems due to the Brexit situation in the UK (Bailey *et al.*, 2019). The trade tariff and trade regulations have changed after Brexit. Hence, the automotive industry of the UK has been affected by this political situation. Economic factors helped anticipate future business development for the company. The operational process of the company depends on the economic situation of different countries. Customer spending has more beneficial aspects for the company. The increase in customer spending helps achieve beneficial results in the UK. Also, the stable economic situation in developed countries helped to maintain profit for the organisation. The analysis of socio-cultural factors generates crucial information about the operations. Mixed brand perception also impacts business perception in the automobile industry. Few models of **Volkswagen's** brands are less attractive to consumers, like Skoda and BMW. The company does not achieve the proper response from younger consumers.

The technological factors help to demonstrate the production techniques and marketing information about the company. The company is focusing on their self-driving vehicles during the development process. Apart from that, the company is trying to develop electric-centric

vehicles through the development of hydrogen fuel cells. Some legal factors are also affecting the brand image of **Volkswagen**. This specific scandal decreases the sales of products and the stock price. The environmental factors are concerned with the effects of the surrounding environment on the company. The automobile is considered a major source of pollution, but the **Volkswagen** Company concentrates on green technologies due to environmental concerns. This green technology helps to generate environmental benefits for society. The proper evaluation of the automobile industry can help to identify the **strengths, weaknesses, opportunities**, and **threats** of **Volkswagen**. The major strengths of **Volkswagen** are its brand portfolio and large manufacturing capacity. Apart from that, the company beats Toyota through its large investment in research and development.

On the other hand, the company has some weaknesses as well, which affect the brand image of the company. In this recent trend, the EV sector is growing globally, but due to poor leadership quality, the company is still focused on traditional vehicles. The company has failed to manage its sales due to a low market share in the US market. The poor publicity stunt and “**dieselgate**” scandal (The **Volkswagen** emission scandal) also affected the brand image of the company (Stieglitz *et al.*, 2018). In the present competitive market, **Volkswagen** has a huge opportunity to capture the market. The company can shift towards electric vehicle technology through large investments. This strategic approach can help attract new customers and create minimal impacts on the environment. On the other hand, the structure of the company includes a few major threats that can decrease the company's performance. The growth of a competitive market is considered the biggest threat, which can drop the valuation and market share of the company. A few European countries imposed restrictions and regulations for the high amount of carbon dioxide emissions, which can be a major threat to the company.

The installation of an emission-cheating device creates a negative impact on the structure of **Volkswagen** (Poier, 2020). Due to the “**Dieselgate**” scandal (The **Volkswagen** emission

scandal), the company faced legal action in several countries. The company has paid around £ 193 million and saved its reputation in the market (bbc.com, 2022). After the civil settlement and payback schemes, the **Volkswagen** cars were certified to EU pollution standards. The two-mode software installation process in the EA189 engine helped to gain the trust of their customers. Key strategies of **Volkswagen** helped to rebuild trust among customers. The company move beyond the regrettable events and boost the manufacturing unit of cars. Futuristic models and new technology helped to gain the attention of customers which helped to expand its business operations. The development of proper strategies helped to develop its business operations in a competitive environment.

The current trend in the automobile industry is zero-emission vehicles and carbon-neutral manufacturing, which increase sustainability in the automobile industry.

Resources and capabilities

The main purpose of this trend is to increase awareness among people about the environment and sustainability so that they purchase this new technology to improve society. Most of the automobile industry develops sustainable solutions as a result production and the value chain are both transformed. **Volkswagen** also works on sustainability by pursuing social, economic, and ecological objectives to become more competitive (Volkswagenag.com, 2023). The company develop their vehicle based on social, environmental, and government factors. A large number of scientists continuously develop new technology for **Volkswagen** that helps to develop cars with zero carbon emissions. As a result, society and the environment get a carbon-free atmosphere for them and their family, which is a great move by **Volkswagen**. The company develops the areas of sustainability and environment decarburisation, the circular economy,

people in transformation, diversity, integrity, and being responsible for the supply chain and business.

To introduce more sustainable and environmentally friendly products, **Volkswagen** is shifting towards e-mobility. So the interest in electric vehicles has increased significantly in these recent years. Also, **Volkswagen** Group's goals are to become the major in the e-mobility sector globally, so they are going to invest 33.66 billion pounds in this sector. In 2020, the e-offensive had already started, so **Volkswagen** delivered 231600 electric vehicles, which is three times more than in 2019. **Volkswagen** has continued to grow its electric models in September 2022, **Volkswagen** delivered 293100 BEVs worldwide. The demand for their plug-in hybrid-drive vehicles is high, which is a positive sign for the company. The aim of **Volkswagen** is to introduce around 70 fully electric models to the market by 2030, and the production of 20 models is already underway (Volkswagenag.com, 2023). **Volkswagen** is going to introduce around 60 hybrid cars by the end of this decade. **Volkswagen** is not only introducing an electric car but also climate-friendly electricity so that customers can charge their cars at home without any hazards.

Corporate social responsibility

The strong market competitors of **Volkswagen** are Audi, BMW, Ford, Toyota, and Mercedes-Benz, with market shares of 7.16, 7.08, 7.06, 6.13, and 5.95 percent, respectively (statista.com, 2023). **Volkswagen's** market share is 8.97 percent, so it has the maximum market share in the UK car market. So by introducing a sustainable and environmentally friendly car, it would be easy for **Volkswagen** to maintain its top position as an automobile manufacturer in the UK. The threat of new entrants in the UK car market is low because of the high barriers to entry. Because infrastructure, such as manufacturing plants, distribution centres, and supply chains,

requires a large investment, any new brand entering the market is low. **Volkswagen** is a financially strong and large company because they have a global supply chain and distribution system. So the bargaining power of **Volkswagen's** suppliers is low. The supplier of **Volkswagen** makes parts for only one or two automakers, and they could not break the contract, which indicates the low bargaining power of the supplier.

The bargaining power of customers has increased in recent years because of the various options. The customers of the 21st century are known about the technology and features of various cars, and there are too many options for them as customers to choose a car before they buy it. Apart from this, competitors spent lots of money on marketing and advertising, so customers knew about luxurious products in the low-end segment. So the bargaining power of customers is greater. The threat of substitute products from **Volkswagen** is high because of the high level of competition among the various automobile industries. Also, the other mode of transportation works as a substitute for **Volkswagen**. Apart from that, as **Volkswagen** introduces new designs with good build quality, there very low threat from substitutes. By applying various development strategies, **Volkswagen** develops its new cars while considering sustainability and the environment. Achieve sustainable and environmental goals, they continuously work on it so that **Volkswagen** stands alone in the crowd as a sustainable and environmentally friendly vehicle. For sustainable practices, **Volkswagen** can apply some possible strategies to their business that could develop a competitive advantage in the future.

Volkswagen can invest more money to develop vehicles that align with sustainability and the environment as they could develop more electric vehicle models with more benefits and features that attract more customers to use electric vehicles in place of others. **Volkswagen** can market its products to customers as a low-maintenance electric car, a car with zero carbon emissions, or environmentally friendly electric cars. By applying digital marketing technology, **Volkswagen** can target the right customer base and also track customer action towards the

ads, which helps them make the right marketing decisions for their business. To increase sustainability, **Volkswagen** could conduct events to train the driver about new technology so that drivers feel comfortable using the products of **Volkswagen** and always prefer **Volkswagen's** model first. **Volkswagen** could also conduct an even session related to feedback through this session they would take feedback from the driver about improved technology that is crucial for **Volkswagen's** sustainability.

Volkswagen could implement a circular economy through this process they would have to focus on battery recycling, which would be beneficial for the company and its customers. This circular economy model also reduces wastage, which helps to build a positive image among customers as an environmentally friendly car as a result, sustainability will increase (pwc.de, 2023). Nowadays, Aston Martin is a well-known brand for their luxury model design and innovation, including a new car model based on renewable energy (astonmartin.com, 2023). Like Aston Martin, **Volkswagen** can de **Volkswagen** develops some models as luxurious models to ensure sustainability and introduce their customers to their new innovations. Apart from that, they can develop new models based on renewable energy, like Aston Martin, so that customers like to use their new environmentally friendly model. To increase sustainability, **Volkswagen** can transform processes from the value chain to develop sustainability it can conduct research on sustainable manufacturing and research and development. So the recommended sustainable practice would be beneficial for **Volkswagen's** long-term run as an automobile company in the UK car market.

Conclusion

From the above discussion, it can be concluded that we should evaluate the competitive and development strategies of the **Volkswagen** Company. It has evaluated the capabilities and resources of the company over the last five years through its business strategies. Customer-centric functions like electronic vehicles helped accelerate the manufacturing process. Political and economic factors have affected the operations of the company. After analysing the current trends, **Volkswagen** also used some sustainability and environmental factors that are used by the company to become more competitive. The competitive strategies used by **Volkswagen** are related to new innovation, development, and implementation for their sustainability and environmental impact, such as electric vehicles, zero carbon emission vehicles, etc. In the conclusion, some recommendations also need to be pointed out that would be beneficial for the organisation's growth. It's related to new innovations, marketing techniques, manufacturing plants, and customers' feedback towards the company's product. Those recommendations would be beneficial for the **Volkswagen** Company to achieve its goal and be sustainable.

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