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STRATEGIC MANAMENT AND SUSTAINABILITY OF CASE STUDY FOR VOLKSWAGEN

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STRATEGIC MANAGEMENT AND SUSTAINABILITY OF CASE STUDY FOR VOLKSWAGEN

Introduction

Strategic management refers to the goal-setting, procedures, and goals that an organisation implements in order to increase its competitiveness (Fuertes, G. and et. al., 2020). The procedure takes into account the efficient use of personnel and resources to accomplish objectives. The concept of sustainability is more general and refers to achieving human goals while also taking into account the needs of future generations and doing so while preserving the delicate balance between various aspects including economic development, environmental protection, and social well-being (Hunger, J.D., 2020). The research that follows will focus on Volkswagen, sometimes known as VW, a German automaker that was established in Germany in 1937. As a result, the company is one of the largest automakers. The following report attempts to discuss some of the company's over the years-adopted strategies. The company's resources, capabilities, and alignment with business strategy will also be covered in the report. The report will also discuss how the organisation has become more competitive as a result of recognising sustainability and the environment. The study will also include some recommendations regarding the company's sustainability practises in gaining a competitive advantage.

Examine VW's main business tactics from the last five years with evidence.
Use relevant frameworks to explain why this course of action was taken or altered

Strategies are the measures that a company does to keep its competitive edge in the marketplace (Bogers, M. and et. al., 2019). Volkswagen made a number of strategic decisions, such as developing new, higher-level products, advancing technology, enhancing the research and development division, enhancing partnerships and acquisitions, and enhancing marketing effectiveness and potential and global market expansion. To overcome the difficulties represented by the Porter five forces, strategies were attempted.

- A strategy was chosen in the form of sponsorships and introducing new brands to the market in order to deal with the rivalry between competing corporations (Lynch, 2021). Even though the industry entering the market or the competition among the firms were not of concern, this nonetheless caused the company to become more client centric and efforts were focused in that direction.
- With the use of green technology in the manufacturing of cars, Volkswagen has achieved progress in the European markets. Hybrid car sales using the "green issues" strategy have been generally effective due to the exploitation of the buyers' emotional response to the environment.
- Volkswagen's competitive edge came from being the first to enter the market. Additionally, the manufacturing facilities were being expanded to ensure an increase in sales, with the first manufacturing site being located in China (Dantas, T.E.T. and et. al., 2021). Following this, activities were expanded to Asia within three years. Production increased from 200000 to 500000 vehicles. The growth at the time included Africa. Volkswagen is struggling with the perception of a significant growth. The corporation is attempting with this idea to avoid being perceived as the "European Invader" in the European market.
- Another important area that the Volkswagen group has grown is the development of mini cars.
- Another technique was spending money and time educating the sales representatives.

- Volkswagen's strong negotiating position has never been an issue, and this is because the firm is making every concession possible. Great incentives were given to purchasers in an effort to make them feel like they were getting a good bargain for their money.
- They were given the competitive edge they needed to establish themselves as the industry leader thanks to a strategy of partnership with Chinese and American businesses.
- The plan was chosen in terms of a modified remuneration structure for the salespeople with the intention of building a strong sales force. Additionally, in this setting, numerous creative engineers were hired and compensated well.

In order to suit the demands of people everywhere operations are made, diversification is one strategy that has been taken in line with the current situation. The expansion of the product line in the operating nation is another. Another strategy Volkswagen took to stay competitive was to lower the cost of outsourcing tasks (Silvestre, B.S. and Țîrcă, D.M., 2019). More mergers and acquisitions with nations like Brazil, South Africa, China, India, and South Africa are being done with the intention of reaping long-term rewards.

Analyze the case study company's resources and capabilities during the last five years using evidence, and evaluate the extent to which the company has matched those resources and capabilities with its present business strategies

Resources describe specific items that a company owns, whereas capabilities describe the things an organisation is capable of.

Volkswagen Group's capabilities and resources:

- *Larger Production Infrastructure:*

According to the data, Volkswagen produced over 10.9 million automobiles. There are about 120 production sites worldwide. In this context, the largest production facilities are found in Europe. As a result, the firm is continually working to enhance its production ideas and streamline them using new technologies. The primary strength is related to competitive design in relation to the global production network.

- *The Brand's Reputation And Worldwide Reach:*

Without a question, Volkswagen continues to hold its outstanding position in the automotive sector. Due to the diesel crisis, the company's reputation was at risk for a while, but because the brand has gained popularity, the brand's reputation has been strengthened (Thacker, S. and et. al., 2019). The Volkswagen brand is currently well-known to everyone, and its main markets are in Europe and the Asia-Pacific region. In this region, sales were likewise very high.

- *Capabilities for Research And Development:*

Volkswagen is able to manage excellent research and development capabilities by making substantial investments. These investments were necessary in order to sustainably increase the value of the organisation. The cost of research and development was estimated to be 13.13 billion Euros in 2017 based on figures.

- *Increased Supply Chain:*

This is Volkswagen's additional key capability. The goal of the organisation was to make its supply network future-proof with the addition of FAST network suppliers. Involving suppliers early on in innovation and globalisation is another goal of the same.

- *An Expanded Product Portfolio:*

Volkswagen has been able to expand this to 12 brands, with a controlling ownership in most of them. Volkswagen, Volkswagen commercial vehicles, Audi, Seat, Skoda, Bentley, Bugatti, Porsche, and Ducati are all involved in this. Additionally, with the aid of this bigger portfolio, the business is able to satisfy the requirements of a diverse customer base that includes both high-end and middle-class customers.

- *Management Of Human Resources And Organisational Culture:*

Volkswagen has placed a lot of focus on HR management. As a result, the corporation is attempting to adapt its organisational culture to the demands of the 21st century and empower its people resources. The middle staff and management teams are thought to be qualified, intelligent, and competent on both a national and international level, which contributes to the company's success (Cabigiosu, A., 2022). Over time, there have been a lot more working people than before. This citation also mentions an authoritarian management style where members are expected to submit regular reports.

- *Ability To Pay:*

The corporation must employ the financial resources that are generated for expansion in order to obtain these resources. The results revealed that, in comparison to other German automakers, the sales number is growing more quickly.

Using the VRIO analysis further,

Resources	Valuable	Rare	Imitable	Organisation	Impact
Large Production Facilities	Yes	Yes	Yes	Yes	Give a competitive advantage
Global Presence And Brand Perception	Yes	Yes	No	Yes	The competitive advantage is not long-term.
Capacity For Research And Development	Yes	Yes	No	Yes	The competitive advantage is not long-term
Large And Vast Supplier Chain	Yes	Yes	No	Yes	The competitive advantage is not long-term
Extensive Product Line	Yes	Yes	Yes	Yes	Gained competitive advantage lasts for a longer period of time and into the future.
Management Of Human Resources And Organisational Culture	Yes	Yes	No	Yes	Gained competitive advantage lasts for a longer period of time and into the future
Monetary Capacity	Yes	Yes	No	Yes	Gained competitive advantage lasts for a longer period of time and into the future.

How has Volkswagen embraced the idea of sustainability and the environment to become more compatible?

Volkswagen used "defeat devices" that generated nitrogen dioxide, which is linked to respiratory ailments and early mortality, at a rate of about 40 times the permissible limit, causing severe injury. Volkswagen further acknowledged that around 11 million vehicles, including about 1.2 million in the UK, were impacted.

In the middle of this, Volkswagen misled consumers about the sustainability of their cars, which frequently had an impact on the value of those cars. For all organisations working in the larger business environment, sustainability is regarded as a crucial factor. Therefore, having a stronger environmental, social, and governance plan is crucial for the public, employees, and investors (Isac, N., 2019). According to studies, Volkswagen still has a lower market cap than its competitors despite having launched the most comprehensive decarbonization and digitalization effort. This has increased the demand for greater ESG strategy articulation. In order to do this, Volkswagen wants to reinforce its overall strategy by introducing specific projects, acknowledging obligations, and establishing KPIs that will strengthen the relationship between the corporate plan and the sustainability concept. This will give the sustainability plan the clarity it needs to make the company a leader in mobility that is emission-free and digitally linked, as well as raise stakeholder awareness.

Combining the 18 sustainability topics into 4 with more comprehensible goals and KPIs for each segment is a significant step towards assessing progress more effectively. Benchmarks have been established in fields like workforce transformation, circular economy, human rights in business, and decarbonisation (Gamble, J., Thompson Jr, A. and Peteraf, M., 2019). Its overall corporate strategy, which incorporates the NEW AUTO plan to pivot VW into a global software-driven mobility provider that powers the future of EV and fully networked transportation, has made a clear connection between the VW S-Ray score and its operational and functional processes in order to serve the purpose of ESG.

With the help of the ESG analysis, it became evident that the overall performance of the ESG is improving, and as a result, Volkswagen is able to advance its sustainability strategy.

According to the most recent picture, the company is seeking for different and distinctive aims that will be oriented to strategy related to battery recycling and workforce up skilling due to the company's strong performance on employment quality. By the end of 2030, decarbonization will have saved 17 tonnes of CO2 each vehicle, which is a huge investment of almost 14 billion Euros.

It is necessary for Volkswagen to grasp that, in order to keep a dominant position in the market, the performance of its existing operations heavily influences that of its future operations. Investors frequently use a company's sustainability performance as the foundation for their financial decisions, and this has an effect on capital costs and prices (Drobyazko, S. and et. al., 2019). Volkswagen suffered a sizable loss in 2015, but it now wants to lessen the financial risk by going digital and reducing its carbon footprint.

Give some advice on how sustainable practises might help an organisation create a competitive advantage for the future

Volkswagen can get a competitive advantage by implementing sustainable practises because sustainability is an element that is becoming more and more crucial in company strategy. Following are some particular examples of how Volkswagen might use sustainability to gain a competitive edge:

- **Reputation of the brand:** Volkswagen may set itself apart from its rivals by developing a solid reputation for sustainability. Consumers are becoming more worried about how the items they purchase affect the environment, therefore a company that is viewed as environmentally conscious may have an advantage over rivals. Volkswagen can create a positive brand that appeals to environmentally concerned customers by highlighting its dedication to sustainability in its marketing and public relations initiatives.
- **Cost savings:** Long-term financial savings for Volkswagen are possible thanks to sustainable practises. For instance, employing renewable energy sources can offer a steady, long-term source of energy that is not subject to price swings, while investing in energy-efficient equipment can lower energy expenses. Cost savings might also result from waste reduction and production process efficiency improvements.

Volkswagen may increase consumer pricing competitiveness and increase market share by doing so.

- **Innovation**: By fostering innovation, sustainable business practises may keep Volkswagen one step ahead of the competition. Volkswagen will be able to create new goods and services that satisfy the demands of customers who care about the environment by investing in the research and development of new sustainable technologies. Volkswagen, as an illustration, should concentrate on creating electric cars and environmentally friendly transportation options. Volkswagen can attract top personnel and maintain an innovative advantage by setting an example for sustainability.
- **Risk reduction**: Lastly, Volkswagen can reduce risks related to environmental rules and climate change by adopting sustainable practises. Governments all across the world are enacting harsher environmental restrictions, and businesses that don't follow them risk financial and legal repercussions. Volkswagen can assure compliance with laws and lessen the possibility of fines and other penalties by implementing sustainable practises. Sustainable business practises can also assist Volkswagen in lowering its exposure to hazards related to climate change, such as infrastructure damage and supply chain disruptions.

Sustainability may play a significant role in giving Volkswagen a competitive edge in the future. Volkswagen can stand out from its rivals, cut expenses, foster innovation, and decrease risks by implementing sustainable practises. Volkswagen can draw in environmentally aware customers and establish itself as an industry leader by developing a positive reputation around sustainability.

CONCLUSION:

To conclude the above report, it can be said that sustainability is essential for successful strategic management. The study mentioned above talked about the methods the organisation chose throughout a five-year period. The report also discusses how these additional resources and competencies are employed in the business and how closely they correspond with the company's strategy. These factors are crucial components of an organisation. The environment in which a company operates must be taken into consideration while conducting operations, and this is covered in the research that shows how to make a firm more competitive in this area. The report concludes with suggestions made to the company for employing sustainable practises to create a competitive edge.

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