

Volkswagen Analysis

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## **Volkswagen Analysis**

### **Introduction**

Volkswagen, a German-based automaker, has pursued continuous transformational business strategies in the ever-changing market economy. The company has maintained its consistency due to its focus on the mission and vision statements that seek to exploit proper expertise in manufacturing automotive designs that are environmentally sustainable (Volkswagen, 2019). Before 1993, VW used an organizational structure that was unresponsive to the necessities of a competitive business environment. The structure led to minimal brand integration resulting in the underutilization of human and physical resources. Since 1990, VW has undertaken physical differentiation strategies for increased market fragmentation. The organizational structure is an enabling factor for differentiation, for instance, in VW and Audi dealerships. Differentiation enhanced organizational efficiency in arranging and formalizing many components that ensure the effective implementation of a company's strategies. In order to offer recommendations for sustainable development, it is necessary to conduct a critical analysis of VW's transformational organization structure.

### **Organizational Structure**

It is clear that prior to 1993, VW's deteriorating performance was due to the Piech organizational structure that minimized brand integration. Even so, it is essential to observe that VW's structure is complex with ten subsidiaries that sell globally. Each subsidiary has its brand, and they work as independent companies. But all these brands and companies report back to Volkswagen's management.

The range of brands is focused on different segments of the market, from luxury cars to passenger automobiles. Many factors influence VW's organizational structure. One of them is

the focus on production technology. The company uses both process production and mass production technologies. Mass production refers to the manufacturing of significant amounts of a product, which is what VW has done with some brands such as Polo. Process production leads to highly differentiated products where VW relies on decentralization and high formalization. The VW group had to transform its production systems to minimize duplication of investment costs. The move saw shorter development times, reduced production outlays, and enhanced economies of scale. The approach enabled VW to optimally utilize all its subsidiaries worldwide (Koplin, 2007). In response to the changing consumer tastes, the company has been reorganizing its operations through a program dubbed Together-Strategy 2025.

Brand image is the company's key asset, and it is what has made Volkswagen what it is in the present times. The brand has managed to create emotional bonding with car enthusiasts and youth across the globe. The perceived image attracts loyal customers, leading to repeat sales from the same clients. The 2016 emission crisis showed how a brand image could bring a company down rapidly. As such, the relationship marketing framework is very crucial for VW.

### **Management**

VW is committed to sustainable, responsible, and transparent management. Piech's management style is concerned with the activities on the ground. It is a participative approach where the management involves the employees in decision-making processes and the sharing of information. For instance, Piech introduced glass offices for its board members and managerial staff in an attempt to encourage communication and information sharing. The practice of group-wide coordination and future-oriented risk management ensures the formulation of a clear framework for handling expected environmental issues in the future. The environmentally aware approach has greatly influenced VW's production, operations, and designs (Zhou, 2016). VW,

therefore, manufactures vehicles that genuinely benefit people and, at the same time, minimize environmental impact. This is evidenced by their efforts to minimize carbon dioxide emissions in all vehicles. The manufacture of efficient automotive does not have to be detrimental to the environment, and this is why VW is embracing new productions in the line of electric cars.

### **Value Proposition**

The production of light-duty diesel cars is also one of VW's strong points. Many customers prefer diesel because it offers great value retention. One of its brands, Passat, has been heavily purchased even by governments because of the low consumption of fuel per EPA. The annual fuel consumption for a Passat costs around \$3,000 at 15,000 miles. All Volkswagen models have been manufactured with uniformity of higher retained value. Fuel savings are even higher for other low-cost models, making strong residuals based on product design. Additionally, the percentage of new-vehicle retail leases is higher for VW compared to other manufacturers.

### **Recommendation**

While VW is recovering from the crisis brought by the 2016 emission scandal, the company has relooked at its structure and management for sustainable development in the future. One area that VW must emphasize is ensuring sustainable mobility that uses synthetic fuel. Through the Audi brand, the company is producing synthetic fuel that is similar to fossil fuels. This approach is a key enabler of enhanced carbon-neutral and sustainable vehicles for the future. However, success in the mass production of synthetic fuel will require cooperation with energy infrastructure companies.

Another aspect to focus on is passenger and pedestrian safety. Modern technologies can minimize common road crashes and enhance the stability of vehicles. Environmentally friendly,

low diesel use per mileage, and safety, are key attributes increasingly being demanded by car buyers.

Lastly, VW needs to invest more in hybrid electric automotive. The company can efficiently electrify more than 40 models within a short duration. The use of hybrid batteries should not be limited to high-end vehicles but it should support all brands and bring down the expenses attributed to a single-battery design.

### **Conclusion**

Over the years, VW has grown despite economic setbacks and the recent crisis brought by the emissions scandal. The focus on customer satisfaction and environmental impact is vital for gaining a competitive advantage and expanding globally. The recommendations provided in this analysis, in addition to the company's mission statement, will grow the company and offer an advantage in facing other giant competitors. The culture of transparency and accountability will ensure the company manufactures sustainable and environment-friendly vehicles that will attract loyal customers. While economic conditions will always influence organizational management, VW is expected to handle any future situations through its transformational leadership. The company's organizational structure will make it easy for VW to venture into new markets.

## References

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