



Application of Strategic Management tools on Volkswagen AG



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Subject

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Abstract

Volkswagen has depicted a good strategic approach in the automobile industry starting from the introduction about the firm, founded in 1937, has sustained its competitive position through immense sales in a single year. In the market analysis, the current strategic approach of the company, which is the market-driven strategic approach, has been elaborated. The focus is different strategic management tools such as SWOT analysis, Porter Five forces and VRIO analysis along with some key insights and comprehensive results.

The result has shown that the company is still capable of facing the threats in the market a due to the adaptations of pertinent strategic approach. Keeping the strategic flaws in the is, derived from the results of the strategic analysis, the company management can consider the strategic approach such as Ad Hoc, unilateral, collaborative, administration, and social performance management. The right choice of the company is social performance management approach, which can help the company to think with different perspectives.

The justification, selection process has been described. The best thing that the company management can do after these adaptations is to keep the customer at the center of the strategy. Social performance management is an effective roadmap for the company to keep its competitive positions, and despite having the challenges and risks, sustain the business in different countries.

Derivation of several approaches to make the strategies is necessary for this company because of the changing trends of the business. The success is quite triggered by the appropriate strategic approach, and the management of Volkswagen is looking forward adapt it.

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Abbreviations

BRICS: Brazil, Russia, India, China, and South Africa

MD: Market Driven

SP: Strategic Planning

SPM: Social Performance Management

SWOT: Strengths, Weakness, Opportunities, Threats

UK: United Kingdom

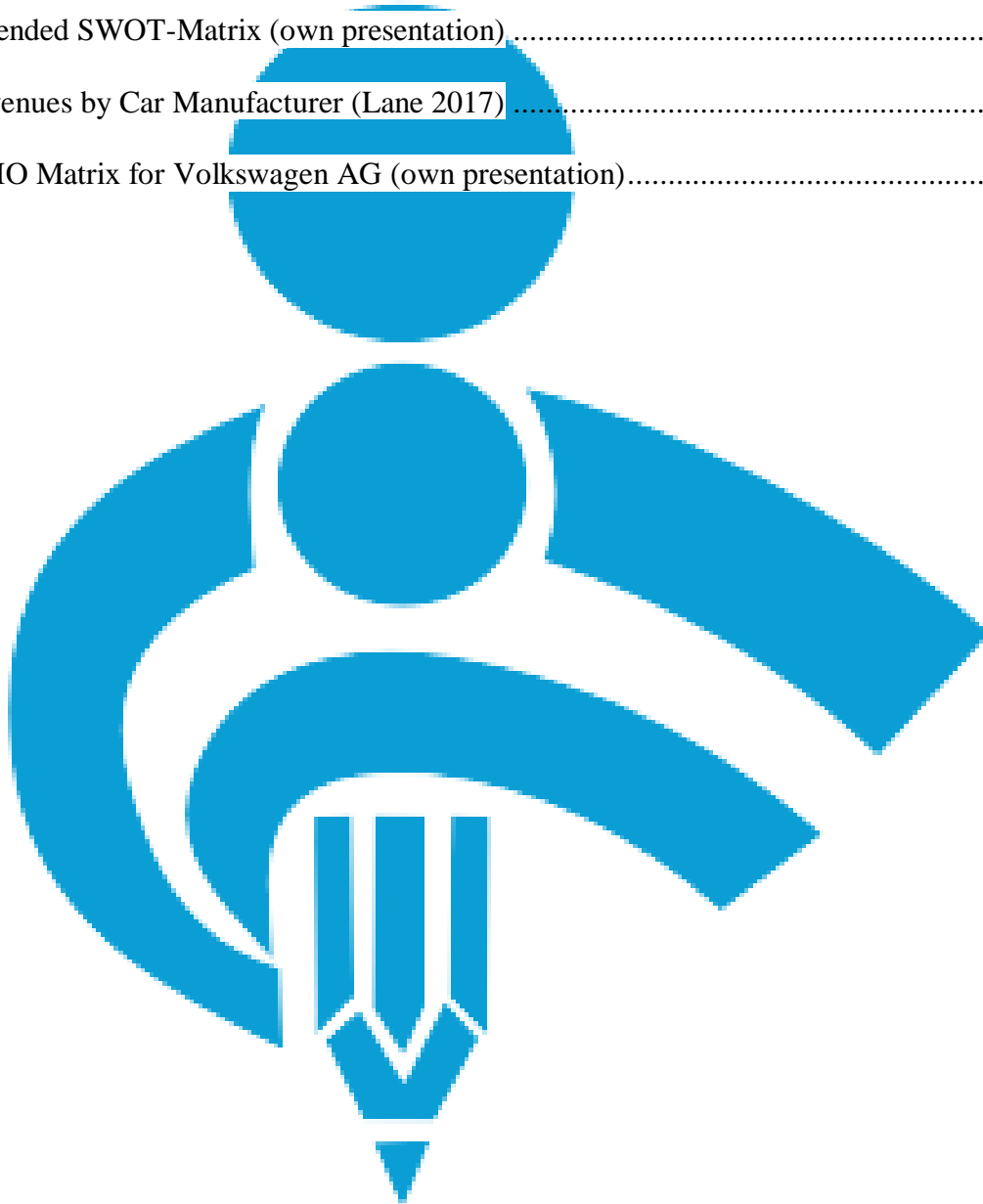
VRIO: Value, Rarity, Imitate and Organization

VW: Volkswagen



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1. Introduction

Every organization needs strategic management tools to derive market insights and make decisions accordingly. In the competitive and modern business era, it seems essential for the companies to apply these management tools to come up with things, which have never been done before or at least to do things better than competitors. In the competitive market, the management always seems assertive to obtain those insights. Obviously, to solve different issues, the application of these strategic management tools looks pertinent. This study revolves around the application of strategic management tools on Volkswagen. The main aspects of this study are the environmental analysis, including market analysis and current strategic approaches VW is driving. Also, a strategic analysis depicts the illustrations of a SWOT analysis, Porter Five forces, and a VRIO analysis along with a critical evaluation. Based on the results of this comprehensive strategic analysis, the study obtains some strategic flaws of the company. Of course this is only the pre-work for the crucial step where the management of the company has to derive some potential strategic approaches. Furthermore, the management has to choose the best strategic approach to gain and sustain the success. Those two things will also be covered within the paper by deriving reasonable approaches out of the strategic analysis results.

1.1 Thesis Statement

“Pertinent strategic approach is important, as it engages and directs the company to make better decisions. However, the selection of strategic approach is a big challenge, as the management has to navigate all insights in the business environment and choose the most appropriate approach. There is a need for a good strategic approach, which can lead towards the growth and success of the competitive business environment.”

1.2 Purpose of Study

The purpose of the study is to elaborate the current market and business conditions through the application of different strategic analysis tools, and among of different strategic approaches, choose the most appropriate one to derive both, business and market insights.

1.3 Objectives

The objectives of the study are

- To evaluate the current strategic position and approaches of the company and obtain the facts, which are useful for decision-making process
- To apply different strategic management tools on the company to evaluate the business position in the competitive market
- To draw some potential strategic approaches for the future that the company can adapt to make improvements and gain the success
- To choose the best strategic approach at the end of the company to enable success and growth of the company

2. Environmental Analysis

Environmental analysis contains the background of the company along with its market position and the illustration of the current strategic approach. Examining the business environment is necessary, as it helps to understand the potential and credibility of the company. This section elaborates the company background, comprehensive market analysis, and current strategic approach. Interestingly, it helps to evaluate the current position often company an in the presence of immense competitors in the competitive market.

2.1 Company Background

Volkswagen was founded in 1937. It is a prominent automobile manufacturer from Germany. Volkswagen is dealing in different vehicles for the customers along with the production capacity of 6.073 million units in a year (Greimel 2014). According to 2016 reports, Volkswagen is the largest producer of vehicles around the globe. The main products of the company are caddy, caddy maxi, the transporter, the new crafter, special vehicle bodies, cylinder heads, and steering gear box. The revenue of the company is \$ 127.10 billion according to 2016 financial reports of the company. The profit of the company is \$ 2.25 billion (Boston 2017). With the immense range of employees, which is 626,715 in different departments, the company still contains the high-quality production and outputs for the customers (Jancarikova 2017).

2.2 Market analysis

The market conditions for different automobile companies are competitive in the different region. However, as far as the Volkswagen is concerned, it is in a good position. It is a fact that the standing of the company is good in different countries such as China, Brazil, Russia, and India. However, in 2016, the company has faced difficulties in getting the surge in sales. In the United States market, the sales volume has been declining by 2%, and the similar threats are in the limelight in different countries (Houston-Waesch 2016).

The international automobile market is quite competitive where competitors are Toyota, Honda, Nissan, Ford and General Motors. However, with the passage of the time, the company, due to its effective strategic approach, is looking forward to becoming the global sales leader. For Instance, on the other hand, the company has sold 10.3 million vehicles globally by beating Toyota Company (VolksWagenag 2017).

Despite having the immense sales of cars under brands such as Audi, Porsche, Bentley, and Lamborghini, the company is struggling regarding the profitability in each quarter (Szymkowski 2017). It has been revealed that the companies in the market are looking to enhance the visibility of research and development process to come up with differentiated products for the customers in the different regions.

The investment in research and development to deal with carbon emissions and social responsibility is in the fame in the competitive automobile market. The purpose of the companies in the market is to increase the profitability. Interestingly, Volkswagen, in the competitive market invests in research and development process to regain its profitability in each quarter (LeBeau 2015).

The market condition in Europe is not according to the expectations. Due to the diesel deception scandal, the company had to recall 8.5 million diesel engine vehicles to rectify the error. Due to this, an immense range of the customers have been converted, which created the negative impact on the market share. In other countries, the recalling expenses are quite high, which enables the unfavorable market conditions (Burke 2016)

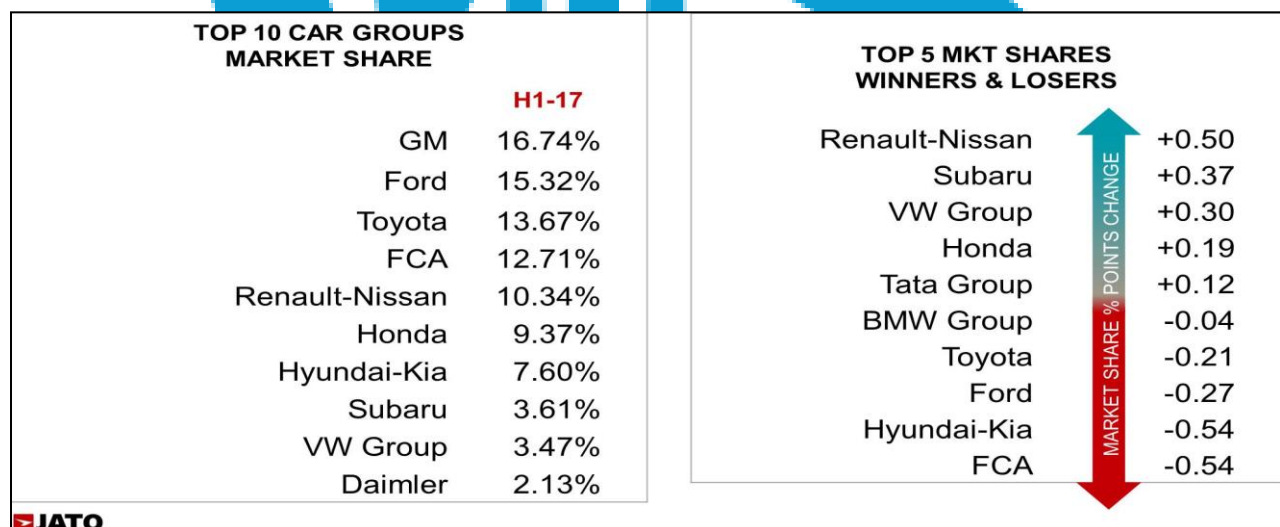





Figure 1: US Market-Share (Jato.com 2017)

Overall, concerning the growth and sales of the company in the international market, it has been revealed that the company looks a global market leader. For Instance, comparing the company with Toyota, which contained 10,175,000 sales in 2016, 10.3 billion sales by Volkswagen, is a surprising development (News Room Toyota 2017). In both, production and sales, the company has beaten the competitors, which is a remarkable market achievement.

| World's Largest Automakers | | | |
|---|-------------------|-------------------|--------------|
| 12 Months 2016 | | | |
| | Jan-Dec 2016 | Jan-Dec 2015 | YoY |
|  Volkswagen | 10,312,400 | 9,930,500 | 3.8% |
|  TOYOTA | 10,213,486 | 10,083,783 | 1.3% |
|  General Motors | 9,574,771 | 9,800,000 | -3.1% |

Source: Company data. GM, VW: Deliveries. Toyota: Production. Blue: Estimate

Figure 2: World's Largest Automakers (Schmitt 2017)

2.3 Current Strategy Approach

In this section, the study examines different strategies, which have been implemented, along with the impact on business and key stakeholders.

The current strategic approach of the company is market driven. The management of the company always intends to come up with the different market insights to derive and implement different strategies. The management has set the clear intentions regarding the values of the customers. They investigate the market conditions and trends and make based on that pertinent decisions for the future. Being a global auto seller, the management of the company considers what factors can lead the company towards the sustained success and growth in the competitive market (Translate Media 2015).

For Instance, in BRICS countries, the intense market research is needed for the company to make the successful entry. The company did it actually, as it depicted the remarkable expansion process an in these countries.

Interestingly, for Volkswagen, the customers and the market are the starting point in this strategy formulation process. Instead of focusing on the internal factors and stakeholders, the consideration of different external stakeholders is the best choice for the company to make the difference. Visibly, the company has gained many advantages through this particular approach. The biggest advantage that this company has gained by the passage of the time through this approach is a remarkable market orientation. Not only in Germany, but also in different countries around the globe, the company has come up with the vehicles, which integrated with the modern market trends and the needs of the customers (Schultz 2015).

It is a fact that the company, through this strategic approach has demonstrated a remarkable customer focus and competitive intelligence. Based on the needs and expectations of the customers, it seems good for the company to come up with different brands, mentioned above. For Instance, the Toyota Company believes in mass production to meet the demand of customers. Accordingly, Volkswagen has also derived this insight and because of this achieved some good results for the business. Regarding pricing, quality, differentiation, sales, and units produced, the competitive intelligence is in the limelight, which leads this company towards a competitive advantage (Muller 2013).

One of the most prominent characteristics of the market-driven strategic approach is the integrity, like Volkswagen, company has gathered all business operations such as supply chain, production, distributions, and sales to create the pertinent customer values in different markets. Now, apart from with this, there are other benefits that this company has portrayed.

Volkswagen adopts the market-driven approach to strategy making process to develop the distinctive capabilities such as pertinent skills and knowledge. For example, according to market insights, the company developed some new products for the customers. Collaborations of organizational process, skills, activities, and assets, the development of the product portfolio has helped the company to increase the market share. The perfect example, which has been derived, is the collaborations of Volkswagen, Porsche, and Audi to produce electric vehicles and digital services for the customers in all over the world (Taylor 2017).

Another aspect of VWs strategic approach to the management of the company is the prominent customer's values, Customers, in different regions, contain the perception about the company regarding the quality and differentiation. For Instance, the market data tells the company management what the customers want in the market, as accordingly, along with the mutual concerns of the stakeholders, the company makes decisions. It enables Volkswagen to drive the organizational capabilities and integrate with the customer values. The organizational values such as culture, quality, focus match with the capabilities such as brand image, financial strengths and business expansions, which made the success prominent in Asian and western countries (Zhang 2017).

Today, Volkswagen has become a top seller of cars in the world. Obviously, the role of the market-driven strategy is crucial in this whole process. The company has also faced some issues with this strategy. For Instance, it has been revealed that the company needs a rapid change with the passage of the time according to new customers and market trends. The strategy is not to be consistent in the market, and it seems tough for the company to sustain its profitability. The change process needs heavy investments, which hits the business sustainability and profitability. Moreover, regarding the future, the company is struggling to present a clear plan. The

market-driven approach is not predictable for the management to set the strategic goals and objectives (Berlin 2012).

3. Strategic Analysis of VW

3.1 SWOT analysis

3.1.1 Strengths

The biggest strength of the company in the competitive automobile market is the well-structured brand image. The company is containing the high brand image along with the prominent product portfolio. Also, the biggest strength of the company is the business expansion, as the company has successfully expanded the business in different countries. In different countries, this company has sustained a better position over other competitors. Almost 70 production plants and existence in 150 countries have made VW quite successful. The brand recognition has also contained the surge (Volks Wagenag 2018). The company is quite capable of meeting demands of the customers. It is capable of producing 26,600 vehicles in a day. The financial condition of the company is exceptional, which also suits the product development and business expansion. The research and development process has become a strong part of the business. The high-quality car along with the superior technology is to the strength of the company, which helps the company to increase the market share in the automobile market.

3.1.2. Weaknesses

The emission scandal has hit the business sustainability, profitability and the overall brand reputation in the market. Almost 5 million cars have been recalled due to wrong software installation (Independent.co.uk 2017). It is 57th highest brand, dropped from 18th rank due to the emissions scandal. The example is a 9.8 % decline in the UK (Kollewe 2015). It depicts some operational flaws, which is a prominent weakness. Moreover, it has been observed that VW is

losing its profit margins and revenues due to the high competition. For example, in India, they have reduced the prices for customers, which is a depiction of competitive pricing. Thus, the company enables the customer acceptance in this market and decreases the margins. Thus, the competition is hitting the margin, as due to differentiation and availability substitutes, the customers can be converted. The Company is lacking advertising and promotions on different media channels as compared to the different competitors (Daveakshay.wordpress.com 2015). Comparatively, the company is not positioning its cars in different regions, which strengthens the other brands. Furthermore, the strong position of parent companies in countries is also a prominent weakness. Visible, the company, sometime, has been sidelined by the customers due to the inclusion of the parent companies (Jourdan 2017).

3.1.3. Opportunities

Due to expansion in different countries, it is possible for VW to hit the buying power of the customers. The buying power of the customers is increasing, which is a great opportunity for the company to increase sales. Due to increasing demand and strong financial position, it is a great opportunity for the company to expand the business in regions, which are undone by the competitors. The entry in the emerging countries along with the effective cultural integration is an opportunity, which can help the company to increase the global market share. Due to research and development process, it turned out that a focus on the design of fuel efficient vehicles is also promising, as it can facilitate the sales of the company. Creativity and innovation seem essential as it can keep the brand alive for customers in the presence of immense substitutes. Auto drive and electric cars are future of the industry, and some appropriate initiatives can be taken to be the market leader again (Marcus 2015).

3.1.4. Threats

The emission and fuel deception scandals have put the credibility of the company in a huge threat. The customers are losing confidence; many of them have been converted due to recall the decision of the company. In other words, the brand reputation is a huge threat. The competition is also a huge threat Volkswagen. For Instance, in many countries, local automakers are emerging along with the differentiation process to make the minds of the customers. It is a huge threat for the VW, as customers are depicting their preferences. Government rules and regulations in the countries are a major threat, as tough regulations regarding the production create immense barriers. A sluggish economic condition in any country is always a huge threat to the company, and it can hit the buying process, sales, demands, and business expansions (Jourdan 2017).

3.1.5. SWOT-Matrix

After identifying the main Strengths, Weaknesses, Opportunities and Threats, Volkswagen is currently facing, they should all be brought together in a SWOT-Matrix. For a more detailed reflection of the SWOT, a so called extended SWOT Matrix will be carried out below. It concludes the results of the analysis and depicts how the combination of the Strengths, weaknesses, opportunities and threats could be used to generate a sustainable advantage.

| | | |
|--|---|--|
| | <p>Strengths</p> <ol style="list-style-type: none"> 1. Well-structured brand image 2. Prominent product portfolio 3. Business expansion 4. Brand recognition 5. Financial condition | <p>Weakness</p> <ol style="list-style-type: none"> 1. Emission scandal 2. 5 million cars have been recalled 3. Losing its profit margins and revenues 4. Lacking advertising and promotions 5. Strong position of parent companies |
| <p>Opportunities</p> <ol style="list-style-type: none"> 1. Buying power of the customers 2. Increase the sales 3. Expand the business 4. Effective cultural integration 5. Research and development 6. Creativity and innovation 7. Auto drive and electric cars | <p>Opportunity-Strengths</p> <p>Good financial conditions of the company can enhance the visibility of research and development process. It also boosts the future considerations such as electric and auto drive cars. The brand recognition can also help in the cultural integration process. When the company increases the product portfolio, it seems expansion in the business.</p> | <p>Opportunity-Weakness</p> <p>The research development process can help the company regain the image, impaired due to the emission scandal, as the company can improve the operational process. Effective cultural integrations can be depicted in the advertisements and promotions, which can effectively attract the customers. The creativity and innovation can help the company to differentiate the outputs from parent companies.</p> |
| <p>Threats</p> <ol style="list-style-type: none"> 1. Emission and fuel deception scandals 2. Customers are losing confidence 3. Brand reputation is a huge threat 4. Competition 5. Government rules and regulations 6. Sluggish economic condition | <p>Threats-Strengths</p> <p>Despite having the emission scandals, it is a great chance for the company to engage with the customers. Due to the well-structured brand image, the customers can demonstrate the solidarity with the company. The product portfolio is a major strength, which can target the customers even in the sluggish economic conditions.</p> | <p>Threats-Weakness</p> <p>The emission scandals can be minimized through operational efficiency to reduce the threats of Emission and fuel deception scandals. Considerations of modern media channels such as social media platforms to eliminate the threat of impaired brand reputation. Recalling expenses should be minimized through low-cost operation, which can help the company survive, even in the sluggish economic conditions.</p> |

Figure 3: Extended SWOT-Matrix (own presentation)

3.2 Porters Five Forces

3.2.1 Bargaining Power of Buyers

The bargaining power of buyers is high in the automobile industry. Interestingly, the buying power of the customer makes the management of the company assertive in making different strategies for them. It is a fact that customers have reasonable information about vehicles. In today's world, the customers use to contain the technical information about vehicles instead of focusing on design and pricing. Usually, they want to pay the price if the vehicle meets the requirements. High bargaining power can be shaped by other competitors in the industry due to the sufficient knowledge for customers. The bargaining power is high due to the concentration of the customers on the specifications and compared with another firm. The customer knows the difference between Volkswagen and other car brands, and if he finds any difference in price, he may make the pertinent decision. The Switching cost for the customers is low, which increases the bargaining power. If the customers find the car with the same specifications, this can depict his preferences. Due to the availability of different substitutes in the market, the customer can have high bargaining power. When bargaining with the company management, the customers know that he has other options to navigate (Rosenholtz 2017).

3.2.2 Bargaining power of suppliers

The bargaining power of supplier is low in the industry due to the supplier concentration of automakers. With the perspective of suppliers in this industry, it has been revealed that suppliers depend heavily on automakers. They cannot take the risk to leave their companies, as every firm has a concentrated supplier strategy. A supplier knows that he has a less space in the industry if he leaves the organization. Similarly, Volkswagen is looking for concentrated suppliers,

which can help the management of the company to enhance the visibility of better engagement and the relationship.

3.2.3. Threats of Substitute

The threat of substitutes is high in the market, and it can disrupt the strategies and operations of Volkswagen. As mentioned, there are many competitors in the German Automobile industry, which are contained the capability of producing imitation. For Instance, the top brand like Honda, Toyota, General Motors, and many others are conducting the differentiation process to make the product or cars different from the competitors. However, in emerging companies, local gains, due to low-cost considerations in the operational process, have different substitutes, which are attracting the customers. Thus, the threat of substitutes is always high, not only for Volkswagen but also for many automakers in the industry. Interestingly, substitutes in the automobile industry are not just about the cars. It refers the different means of transportation for people in the country. Main substitutes are metro trains, buses, taxies, and bicycles. It depends on the traveling needs of the customers, which makes any of these substitutes visible (Marcus 2015).

3.2.4. Threats of New Entrants

The threat of new entrants in this industry is low, as there is a need for heavy capital to establish a plant. In different countries, companies intend to identify some space in the industry and make decisions regarding the entry. However, the biggest barrier is the existence of local automobile giants, which are already subsidized by international automakers. The company may find it tough to achieve the economies of scale. With the perspective of the customers in the market, they seem loyal to their brands, and it is difficult to convert them. New firms in the industry cannot hit the company due to its sustained brand image, customer assertiveness, and sales

volume. The business expansion in several countries also makes the threat of new entry low; a new firm will need much time to get evolved with the passage of the time (Jancarikova 2017).

3.2.5. Competitive Rivalry

Almost in every country, it has been seen that there is an intense competitive rivalry. Major automakers in the United States, Germany, and Japan are given a tough time to Volkswagen. Even in the emerging countries, the local automakers, merged with the international firm, are given a tough time. The intense competitive rivalry is a big barrier to increase the market share revenues and profitability. However, despite having the competition in the industry, the firm still manages to keep the revenues up (Blogsadmin 2017). The Volkswagen has different resources and capabilities, which can lead towards the competitive advantage. Apparently, the company has made these resources and capabilities its strengths and sustains the competitive advantage.

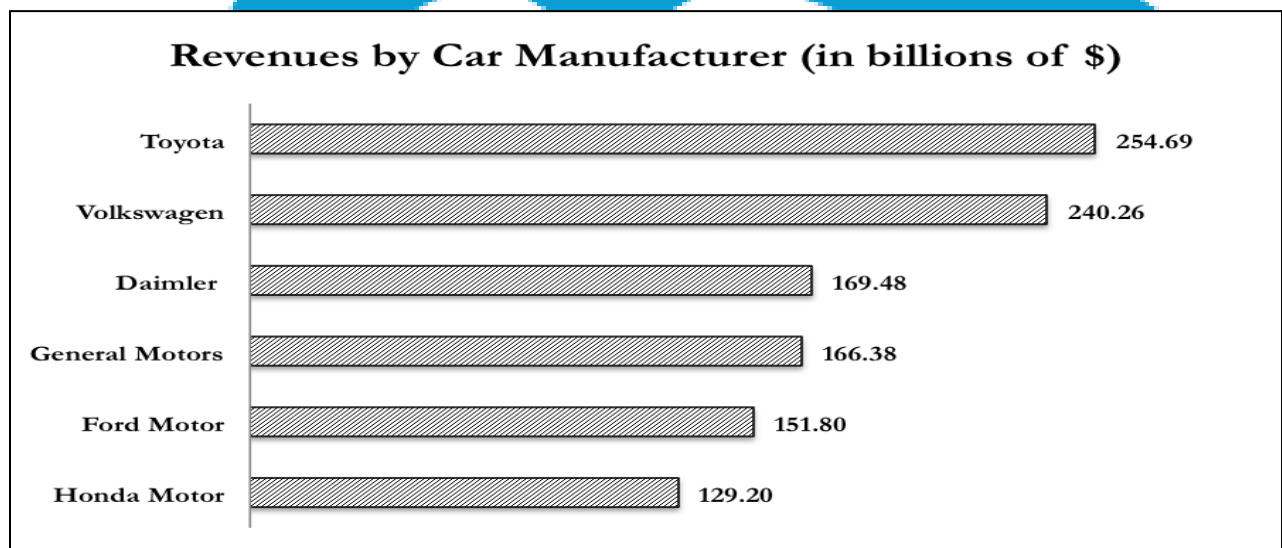


Figure 4: Revenues by Car Manufacturer (Lane 2017)

3.3 VRIO Analysis

A VRIO analysis is a very common framework to analyze part of a firm's strategic scheme. Below the corresponding matrix has been filled accordingly to VWs current appearance.

| Resource & capability | Valuable | Rare | Inimitable | Organized to exploit | Impact on Competitive Advantage |
|----------------------------------|-----------------|-------------|-------------------|-----------------------------|--|
| Financial Position | Yes | No | No | Yes | Parity |
| Technology | Yes | No | Yes | Yes | Sustainable |
| Product Development | Yes | Yes | Yes | Yes | Sustainable |
| Research & Development | Yes | No | Yes | Yes | Sustainable |
| Plant & Equipment | Yes | Yes | Yes | Yes | Sustainable |
| Marketing and sales | Yes | No | No | Yes | Temporary |
| Business expansion | Yes | No | No | Yes | Sustainable |

Figure 5: VRIO Matrix for Volkswagen AG (own presentation)

The sustainable advantage in the market is the indication of success. Only financial resources are not triggered by the sustainable competitive advantage, because competitors in the market are also containing big financial resources to make decisions. Technology, development, plant equipment, and expansion are the sources of sustainable competitive advantage. There should be change in advertisement campaigns and promotional strategies to make the advantage sustainable.

4. Result of Analysis

Concerning the results of all these strategic analyses, there are different results, which have been derived. In the automobile company with the market-driven strategic approach, the firm has looked the operations of the business with the perspective of the competitors. When looking at the SWOT analysis, identifying the strengths, weaknesses, opportunities, and threats of VW, the company can use the market-driven approach to eliminate the threats and weakness

and enhance the utilization of strengths and opportunities. The main strength of the company is the image, which can be considered when making strategies for both markets and customers.

Deriving the results from porters five forces analysis, the company has the major threats looking at its competitors, which are differentiating the process and outputs. Like competitors, it seems good for the management of the company to provide the adequate information to the customer regarding the product. When a customer has high bargaining power, he can be retained or sustained through the necessary information and positioning. Again, the strategic approach comes into the life, as the firm investigates the market and provides the information, according to the needs of the customers. The supplier's concentrations are quite good, as it makes the quality of cars promising for the customers. The future considerations of the company are to make the switching cost for the customers high, will enable the customer retentions even having the fluctuation in the pricing (Independent.co.uk 2017).

Obtaining results from VRIO analysis, the Volkswagen Company has gained the sustainable competitive advantage. Accordingly, the company develops its resources and capabilities to create the positive impact on the competitive advantage.

5. Strategic Flaws

The strategic flaws are barriers or loopholes that the management usually faces in the strategic planning process. Obviously, there are several markets and operational issues due to these flaws.

There are many things, which went wrong due to the strategic flaws in the Volkswagen AG. Utilization of market-driven approach is good the firm has not improvised. For Instance, the management makes the plan for only plan's sake. Without improvisation and thinking beyond the

plan with the passage of the time, the firm has faced a major problem such as impaired reputations due to the emission scandal.

Interestingly, the management, in the SP process does not consider the business environment. The company is so certain of its technology and other resources, which creates issues in the competitive industry. The changes in the business environment have not been focused. Like Toyota, there is not a continuous improvement. This competitor has depicted a remarkable strategic approach, as in the strategic planning, the main factor the improvement in every aspect of the business. On the other hand, when Volkswagen makes a plan about market or operations, it does not concentrate on the improvement factors and just relies on sales as a performance measure (Blogsadmin 2017). This is a huge strategic flaw for the company. Sometimes, when making the strategic plans, the management does not involve the right people at the right time; there is a lack of participative decision making or planning, which is also a big strategic flaw. Instead of being so certain of the existing or current strategy, the management must have to depict the willingness towards the change (Boston 2017).

Now, keeping the results of strategic analysis and strategic flaws in mind, the study comes up with some potential strategic approaches. The competitive auto industry needs creative, strategic approaches. Developing and implementing those can generate a huge advantage for Volkswagen.

6. Derivation of Potential Strategy Approaches

6.1 Ad Hoc

Ad Hoc seems traditional, but it can be reshaped to be creative and lucrative in the market. The Volkswagen management usually does not have any system or procedures to make the strategies. Based on the situations and time, the management gathers the stakeholders to make

decisions. It is less costly and a rapid approach for making different strategies. The Volkswagen management can use the flexible business culture to adopt this approach. The leaders can adjust the length of deliberations to produce results for the company (Rezania and Ouedraogo 2014, 36). Interestingly, in this strategic approach, the management provides freedom to the stakeholders to participate or leave the process. To save time and make early decisions, most of the firms, especially in the auto industry, make strategies without people who disagree with them. Instead of considering the disagreement, the management must have to show the commitments or determinations. In the automobile industry in Germany and other countries, it can be used as a better strategic approach (Wang and Wang 2017, 731).

6.2 Administration

The administration's strategic approach expresses the high processes and low input. Without any elicitation, the company can develop the system and routines to make strategic plans. The main intention of the management must be towards the low processes or imputes, which can help to make decisions on time. The firm can have massive data to make decisions, and in small firms, the management can leverage the information (Fabbri 2016, 504). However, for Volkswagen, without concentrating on internal and external stakeholders, there can be the fast decision. The biggest threat of wrong or bad decisions has been always here, as the management can ignore the participation and depend only on the well-defined routines (Alkhatib 2017, 318).

6.3 Unilateral

A unilateral strategic approach can be suitable for the firm to make the strategic decision in future. It is a reasonable strategic approach, as the Volkswagen management can play a role of leadership and make decisions without mutual converts of all key stakeholders. Instead of mak-

ing the strategy with the participative approach, the firm can make the strategy quickly. The competitors have demonstrated the change rapidly, and accordingly, the strategic decisions can be made without any debate and complexity (Kuang, et al. 2015, 243). Through broad thinking, it seems easy for the management to make strategies in the best interest of the company. A Top-down leadership approach is suitable for this strategic approach. Nevertheless, there is a perception that the unilateral approach can make wrong strategies quickly. However, the proactive management of the Volkswagen could still eliminate this threat (Buchholz and Sandler 2017, 603).

6.4 Collaborative

The collaborative approach is another effective strategic approach. Volkswagen can have this approach, as it engages all employees and necessary stakeholders in the process. It resembles the ad hoc system, but it is slightly different due to the high process and high outputs. In departments, the Volkswagen management can select key people or representatives to make future decisions about operations, sales, marketing supply chain, and production. The mutual concepts of employees can help the company to derive the essential factors. Due to their inflexibility, the firm can face difficulties regarding the time. Inflexible work or culture in the company can take much time of the management. It can also be called a participative approach due to different opinions, observations, thoughts, skills, and experiences. Relative to the drawback of this approach, there is always a threat of involvement of irrelevant parties. Nevertheless, it is a good approval, and it has been adopted by many organizations to come up with the better outputs for customers in the market (Favoreu, Carassus and Maurel 2016, 439).

6.5 Collaboration paradox

The general perception regarding the collaborative approach is good. However, the collaborations paradox shows slow executions, which is not in the best interest of the company. Different stakeholders of the company may contribute in the planning process, but due to immense contradictions and debate, the management may miss the right time of execution. It is the only factor or a constraint that may restrain the company from this strategic approach. However, it is still adaptable as the contribution of employees in the firm is always valuable.

6.6 Social Performance Management

The main stakeholder of society or community is the customer of Volkswagen. SPM is a modern strategic approach, which puts the customers of the company at the center of the strategic planning process. It is slightly different from the current approach of the company, which concentrates on markets and customers. It is a new approach, which is triggered by the social needs and customer values. Under this approach, there is a big chance for the management to declare the pertinent social mission and create the values according to their expectation of the customers (Lee 2015, 48). Defining the social goals is the best strategy in the modern industry, and Volkswagen should upgrade to it to accelerate the customer engagement. Balancing the financial and social responsibility is good for the company through this consideration, which can also create the positive impact on the suitable competitive advantage. The social responsibility and engagement in the planning process can be used by the company, especially when entering new countries or markets (Kim and Moon 2017, 18).

7. Recommendation: Social Performance Management

This section revolves around some ethical considerations and social integrations in the strategic planning process to create the value and sustain the business for a long run.

Social performance management is the best and suitable strategy for Volkswagen AG. For Instance, when the company selects this strategic approach, it engages with the employees to let them understand the directions of the company. The direction of the company is linked to the customer focus. Mass production has been conducted to meet the customer need. Thus, to create the value, the company can have the dedicated retailer network. Thinking about the customers and engaging remaining stakeholders are quiet resultant and lucrative.

To understand the social performance, the company has to know how crucial it is for the future. For relatively new car brands, the management may aim to present new campaigns. Thus, the focus can be depicted, as it is to be decided that how they can put the customers at the center of the campaign to position better in their minds. Adding more to the market-driven strategic approach, the social values can be created through emotional and sentimental attachments in the campaign.

The mainstream functions of social performance management are to set social goals and objectives. The proposed future strategy of Volkswagen is to come up with the low priced eco-friendly cars for the customers. Furthermore, to integrate with the customers or society as the whole effectively, the company intends to develop the fuel-efficient cars to save the cost of fuel and reduce pollutions. It is the social benefit that they can do many things by using the social performance management approach.

The company has faced immense barriers in regaining the growth and reputations of the unethical business practices in the form of the emissions. Social performance management involves stakeholders to define the goals. In the selection of this strategy, the management has to think with the perspective of the customers and society instead of focusing on the business sustainability and profitability. For Instance, the company can decide that how it might save the

lives of thousands of people due to the polluted environment instead of making fast cars for the customers. The social performance management sets the preferences for Volkswagen, which can to engage with society stakeholders.

Importantly, it seems beneficial for the company to integrate with the culture when making the strategy. In operations, workplace, marketing, sales, and other aspects of the business, the company plans to link with the local values and traditions to exist strongly in the presence of other competitors. Being at the center point of the strategy, the customer is the main beneficiary of this approach.

8. Justification of the Approach

The big advantage of adopting this approach is the ability to assess the current practices of the business. The adaptation of this strategic approach can be justified through the honesty when assessing the business practices. For Instance, relative to the research and development process of the company, the management must be honest in the assessment process and share the pertinent and adequate information to both, internal and external stakeholders, which are triggered by the society. An integrated communication process can be utilized to share the information about social performance management. Employees, working in several departments, can be informed to let the company position itself better for the success.

Volkswagen works as an institution, and the social performance management seems to be the best future concentration due to its institutional priority. The justification of this approach is visible due to the enlargement of the customer range, response, aggression, and assertiveness despite having the impaired reputations due to emissions and unethical business practices. After getting the top position in sales of vehicles, it is a responsibility to integrate with the social values in the strategic planning to create the goodwill in the society.

9. Conclusion

Finally, it is to conclude that the strategic approaches of the company in the industry can play a crucial role, especially when it comes the future. From identification of business needs and actual executions, the approach looks critical for both, the management and stakeholders. Based on the business needs, the management has to derive the approaches for the future and focus on the single approach to get benefits. In this study, the main theme was to cover the Volkswagen business, strategic approach along with some strategic analysis tools. SWOT, Porter, and VRIO analysis, along with the comprehensive results have been elaborated. Volkswagen, being a top vehicle seller in the world has to emphasize on creative, strategic approaches such as Ad hoc, collaborative, unilateral, administrations, and social performance management. The social performance management has been selected for the Volkswagen with appropriate justification.

The success of the company is promising through effective implementations of the new strategic approach with some necessary improvisations. The change in the approach can be observed due to the business uncertainties and many other factors. In coming decades, social performance management is the key to keep the strong market position in the spirited era.

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