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**Critical Analysis of Volkswagen Group**

Launched by the Volkswagen Group (VW Group) in 2016, Together–Strategy 2025 is a transformation initiative that marks the initiation of a significant transformation from a conventional car maker. For VW, which is recovering from a significant ethical crisis and grappling with increasing industry pressures, this transformation is even more important. The case emphasizes VW's intentional push toward innovation, particularly via artificial intelligence, and the organizational shifts needed to be competitive.

The main business problem facing Volkswagen Group is how to efficiently move into the digital age—especially by using artificial intelligence—to guarantee long-term profitability, consumer relevance, and sustainable leadership in the mobility sector. VW's desire to recover from the emissions issue that significantly harmed its reputation and caused multi-billion-euro financial losses adds to this difficulty. While adjusting to major technology changes, the corporation has to rebuild stakeholder confidence. Strategy 2025 aims to react by reorganizing the fundamental company.

**Industry and Competitive Analysis**

Operating in the very competitive and capital-intensive car sector, Volkswagen’s goal, under Strategy 2025, is to be world-leading source of sustainable mobility. This ambitious goal indicates a shift from hardware-centric car manufacture toward service-oriented, data-driven transportation methods.

Using Porter's Five Forces model on the sector uncovers various possibilities and obstacles. Though tech companies entering the autonomous car sector might create disturbance, the high capital costs and regulatory barriers mitigate the threat of new entrants. High consumer expectations for personalization, performance, and environmental awareness are driving buyer power. While supplier power differs, some suppliers become strategically important as battery technology and electric vehicles grow. Shared mobility services and public transit provide alternatives to car ownership, hence increasing the threat of substitutes. With traditional automakers, startups, and technology businesses competing for market dominance in artificial intelligence, electric vehicles, and autonomous systems, competitive competition is strong.

Volkswagen's generic approach may be described as a mix of differentiation and wide cost leadership. VW aims a large market spectrum by means of multi-brand offerings—from affordable Škoda cars to luxury Bentleys. Strong engineering, broad worldwide operations, and a growing focus on sustainability and technology help the organization to stand out.

Structurally, the VW Group is split into two main departments: automotive and financial services. The automotive division splits even more into power engineering, commercial vehicles, and passenger cars. Its financial services including leasing, direct banking, and mobility offers. This framework allows VW to spread innovation across brands and market sectors, hence supporting modular technical rollouts like electric drivetrains and AI-based analytics.

**Volkswagen Stakeholders**

The stakeholder network of Volkswagen is wide and varied. Important stakeholder groups are shareholders, consumers, workers, government agencies, suppliers, and partners. Shareholders want strategic expansion and profitability. Customers want forward-looking goods, quality, and trust. Workers want chances for upskilling and stable employment. Regulators set environmental and compliance criteria. Suppliers rely on VW's stability and technological alignment. Partners, particularly in joint ventures, want strategic consistency and market leadership.

**Solutions**

VW must assess strategic options considering stakeholder concerns and company objectives if it is to negotiate the change. Three feasible substitutes can be identified:

1. Manufacturing Optimization Driven by Artificial Intelligence

This project would apply artificial intelligence to simplify production procedures, save waste, improve quality control, and lower running costs. Predictive maintenance powered by artificial intelligence and supply chain automation might greatly increase margins and efficiency.

2. Artificial Intelligence-Based Customer Experience and Personalization Platform

Volkswagen might put money into an artificial intelligence-enabled customer engagement tool that automates support contacts, forecasts maintenance requirements, and customizes services. Particularly in light of the emissions issue, this might increase brand loyalty and consumer happiness.

3. Complete Integration of Autonomous Driving Systems

VW might hasten creation of in-house autonomous driving systems to directly challenge conventional competitors, Waymo, and Tesla. Aiming toward Level 4 or 5 autonomy in certain industries, this covers real-time environmental monitoring, data modeling, and AI-powered decision-making systems.

The first option—AI-powered manufacturing—mostly helps internal stakeholders, such factory employees and operations managers. It can guarantee more consistency in output, lower costs, and enhance safety. On the other hand, it could cause questions about job obsolescence brought on by automation.

The second option—AI-enhanced customer experience—improves post-sale service and trust recovery, hence directly benefiting consumers. It also increases data insights for teams in product development and marketing. Furthermore, it raises privacy issues that need to be properly controlled to please authorities and keep customer confidence.

Though it raises significant technical, ethical, and regulatory questions, the third option—autonomous driving systems—places VW at the forefront of mobility. Although it might pressure R&D spending, call for large testing facilities, and put the business at risk should failures happen, it offers long-term strategic benefits. Suppliers and partners will have to realign with VW's fast-changing technical path.

**Recommended Alternative**

Of the three options, the AI-powered consumer experience and personalization platform most strategically fits Volkswagen's transformation objectives and stakeholder concerns. By means of digital transformation at the consumer interface, this project advances the third pillar of Strategy 2025—"Strengthen Innovation Power." By providing targeted and proactive service, restoring confidence, and proving openness, it helps fix brand image.

Implied in the case, Volkswagen's criteria for evaluating AI projects include feasibility, scalability, stakeholder influence, strategic goal alignment, and possibility to provide enduring value. VW's CIO, Martin Hofmann, underlined that every AI use case is assessed for how much value it may provide to teams spread across factories and offices. While gathering useful data for ongoing development, the customer experience platform provides a measurable increase in service quality, thus fulfilling these requirements.

In contrast, albeit helpful, AI-powered production is more of a gradual change and less apparent to end consumers. Focusing only on back-end efficiency in a time when brand impression is important overlooks a chance to reclaim customers. A near-term objective, complete integration of autonomous systems is too capital-intensive and dangerous in the meantime. It also competes with many agile and established technology companies; therefore, the competitive edge is unknown without a defined innovation.

Volkswagen's digital transformation follows traditional phases: digitizing operations, changing fundamental business models, creating new digital enterprises, and institutionalizing innovation. Strategy 2025 reflects these stages; VW's artificial intelligence plan complements this path by allowing smarter decisions, predictive power, and innovation acceleration.

Artificial intelligence is being used in many ways in the automobile sector: computer vision for self-driving cars, predictive maintenance, natural language interfaces, and smart logistics. Early mover among legacy automakers, VW's Data:Lab in Munich shows its dedication to AI testing and development. The application of artificial intelligence in consumer customization fits with more general industry trends, like those at BMW and General Motors, which are investigating comparable AI-driven digital cockpit experiences.

**Conclusion and Next Steps**

The situation of the VW Group emphasizes the size and immediacy of change confronting world car manufacturers. Artificial intelligence becomes not a luxury but a need as the firm adjusts to new technology and rebuilds trust post-scandal. Volkswagen may mix invention with relationship repair by giving AI-driven customer experience top priority, so orienting itself as a very sustainable mobility supplier.

This strategy also fits with fundamental ideas of digital transformation theory—providing user-centric innovation, using data as a strategic asset, and fostering adaptable skills. In VW's evolution, therefore, artificial intelligence is a strategic enabler rather than only a tool. The customer platform guarantees that Volkswagen's change is not only operationally efficient but also emotionally relevant in the perspective of its stakeholders by providing future adaptability as well as instant value.