



Ideas for today and tomorrow

OSCAR Analysis for
Volkswagen Group

BUS 450 | Global Business Strategy | Dr. Donald Rogers

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Ideas for today and tomorrow

Agenda & Preview

1. Introduction

- 1.1 Company Background
- 1.2 Company Strategy
- 1.3 Company Financials

2. OSCAR Analysis

- 2.1 Defining Objectives
- 2.2 Applying Strategies
- 2.3 Meeting Challenges
- 2.4 Implementing Action Plans
- 2.5 Evaluating Results

3. Conclusions

- 3.1 Options
- 3.2 Recommendations
- 3.3 Executive Summary

1.1 Company Background (1/6)

Volkswagen Group: A German Multinational Automotive Conglomerate

VOLKSWAGEN GROUP



1.1 Company Background (2/6)

From Beetle to a Global Player



1.1 Company Background (3/6)

Volkswagen Group is a Global Player in the Automotive Industry



153
countries



10,834,012
vehicles sold



655,722
employees



€17.1bn
operating profit



€235.8bn
revenue

Data from 2018

1.1 Company Background (4/6)

Volkswagen business structure consists of two main divisions with multiple brands

Automotive Division

Passenger Cars
Business Area



Commercial Vehicles
Business Area



Power Engineering
Business Area



Financial Services Division

**VOLKSWAGEN
FINANCIAL SERVICES**

SCANIA FINANCIAL SERVICES

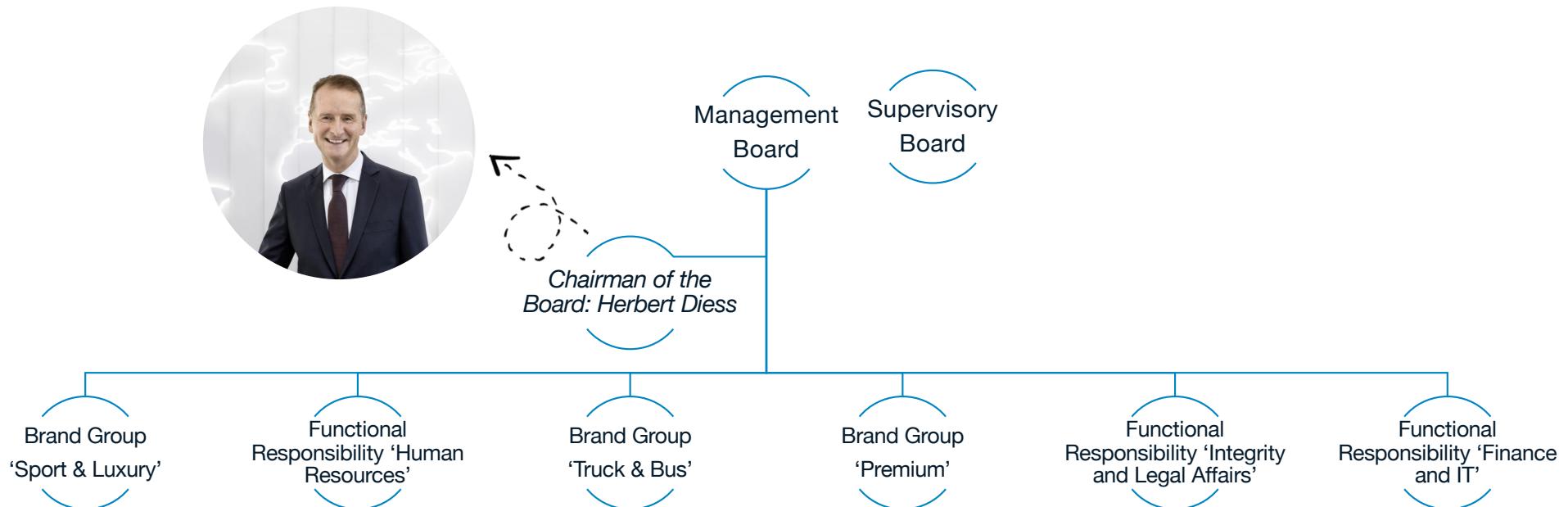
MAN | Financial Services

Porsche Financial Services

PORSCHE
HOLDING

1.1 Company Background (5/6)

Volkswagen's Management Board and Supervisory Board



1.1 Company Background (6/6)

The Diesel Affair: 'defeat device'

The Diesel Affair

September 2015

“
The US Environmental Protection Agency discovered that 482,000 VW diesel cars on American roads were emitting up to 40 times more toxic fumes than permitted – and VW has since admitted the cheat affects 11M cars worldwide
”
– The Guardian

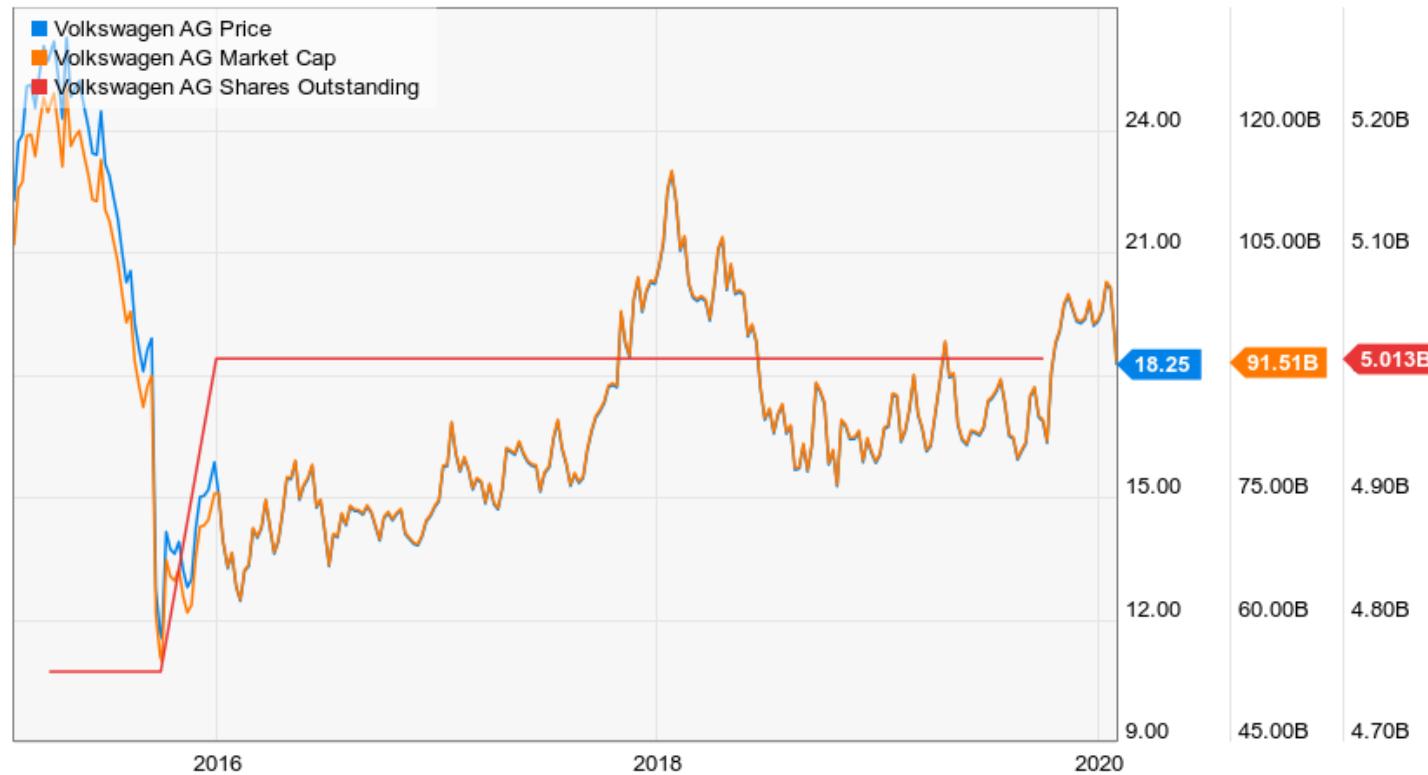
CEO
Martin Winterkorn resigned,

Matthias Müller named new CEO

\$30 bn in legal affairs

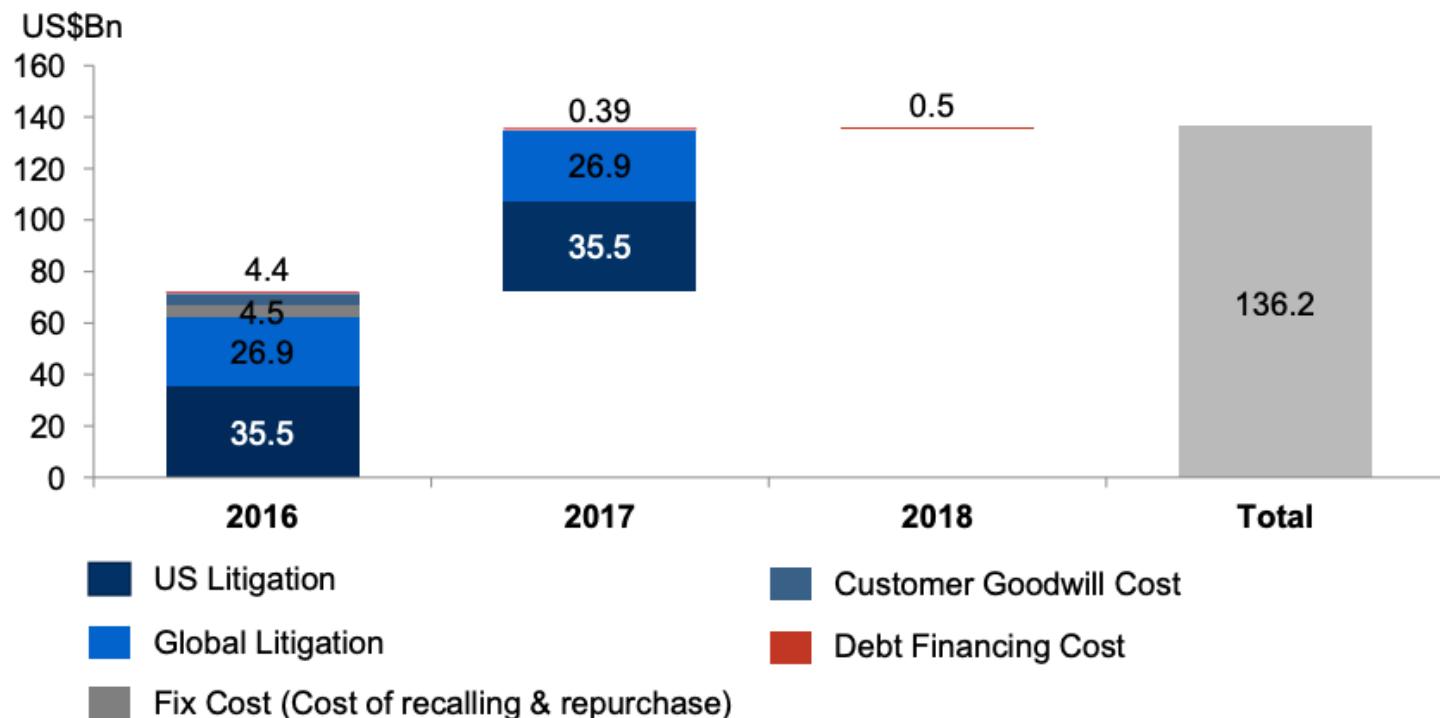
1.2 Company Financials (1/2)

Volkswagen's stock price and market capitalization



1.2 Company Financials (2/2)

Financial and non-financial impact of the emissions scandal



Source: Argon Associates Strategy 2025

1.3 Company Strategy (1/4)

In 2016 Volkswagen introduced a new Strategy to meet the challenges



1.3 Company Strategy (2/4)

Group-wide promises to stakeholders summarized in seven key principles



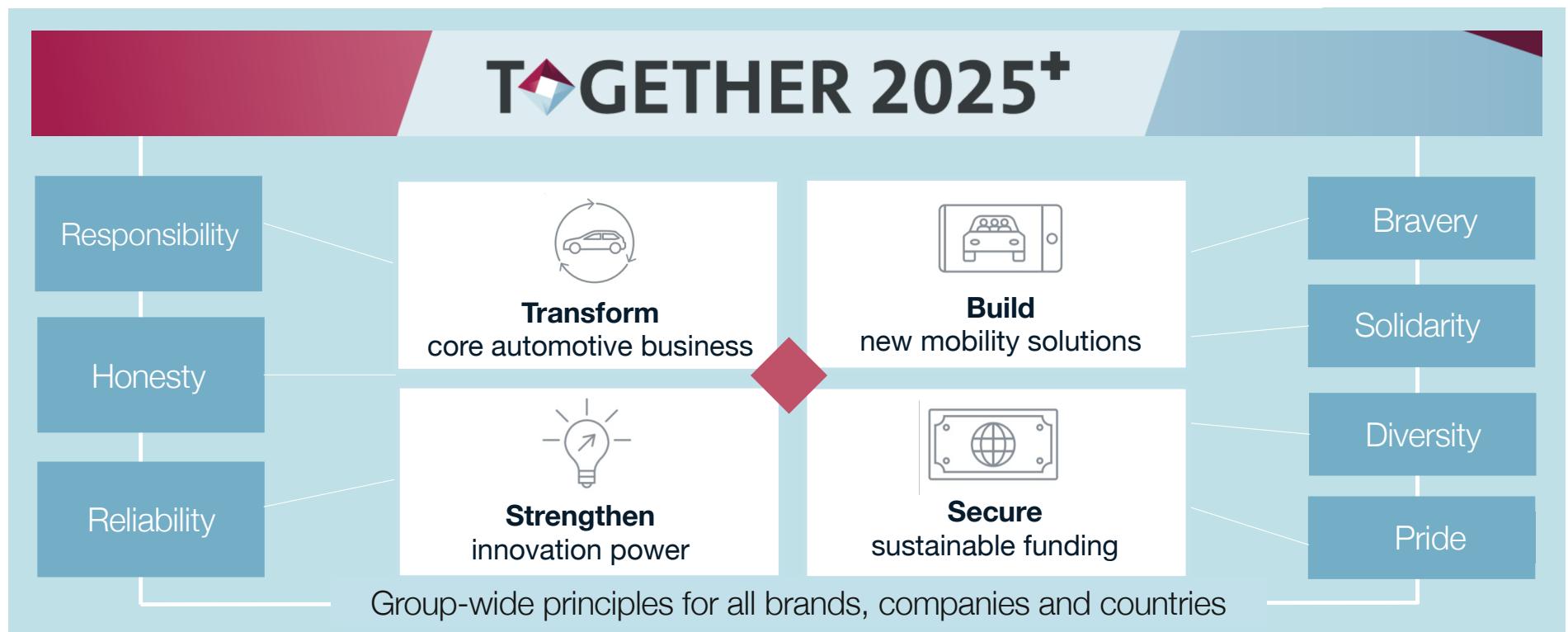
1.3 Company Strategy (3/4)

Volkswagen's Together 2025: A strategy built on values and integrity



1.3 Company Strategy (4/4)

Four key building blocks for Volkswagen's Strategy 2025



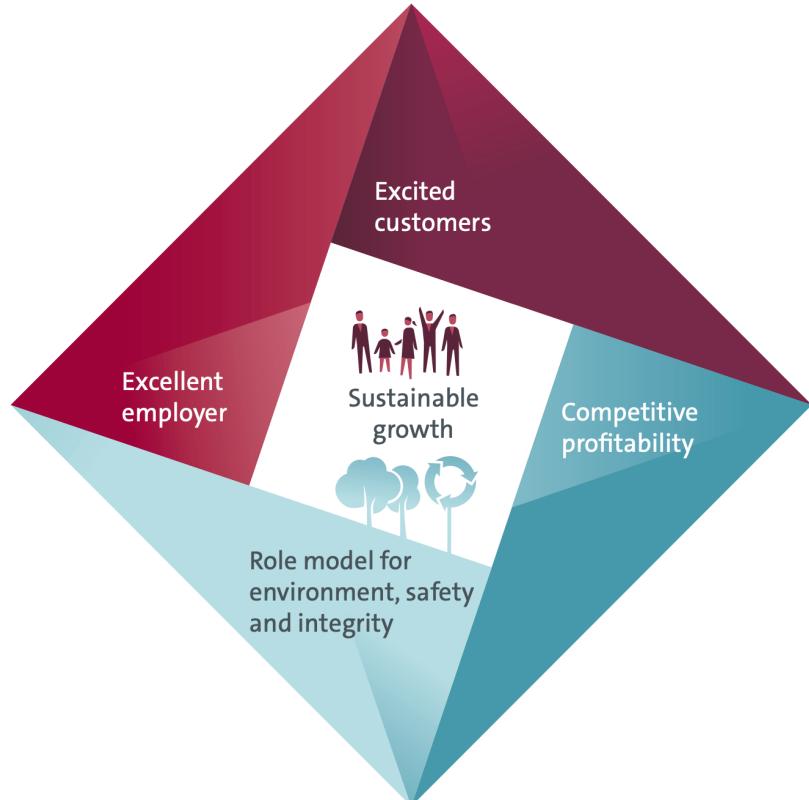
2. OSCAR Analysis

Narrative evaluation of the strategy using OSCAR Analysis



2.1 Defining *Objectives* (1/7)

Volkswagen's target dimensions: Goals and key performance Indicators of the group's strategy



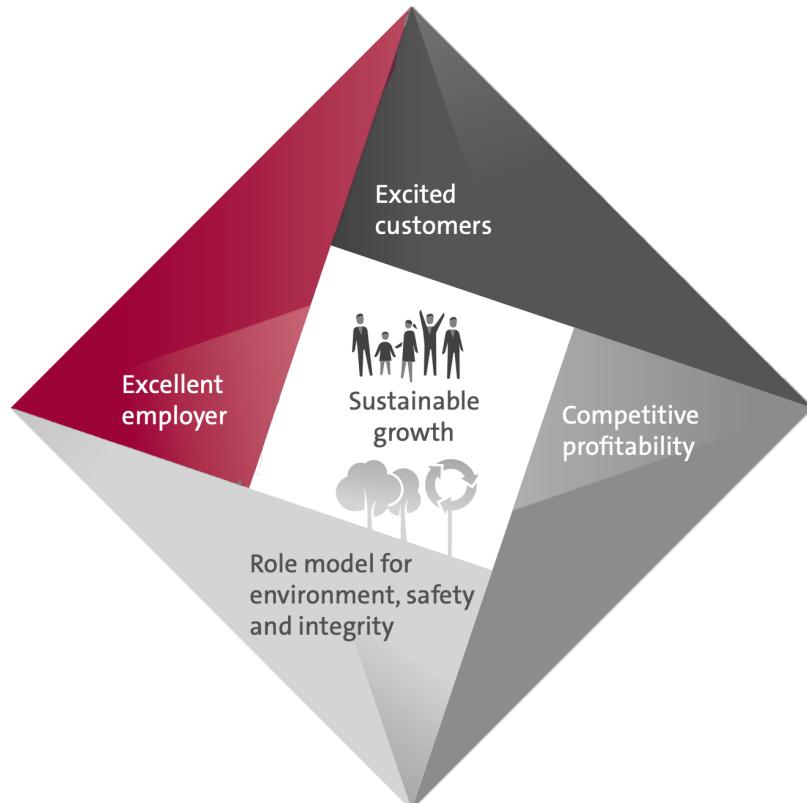
Four group-wide
Dimensions targeting
Volkswagen's
stakeholders

Vision & Goal:
Shaping mobility for
generations to come –
Be one of the world's
leading providers of
sustainable mobility

Source: Volkswagen Group Annual Report 2018, p. 53

2.1 Defining *Objectives* (2/7)

Skilled and dedicated employees as a key to sustainable success



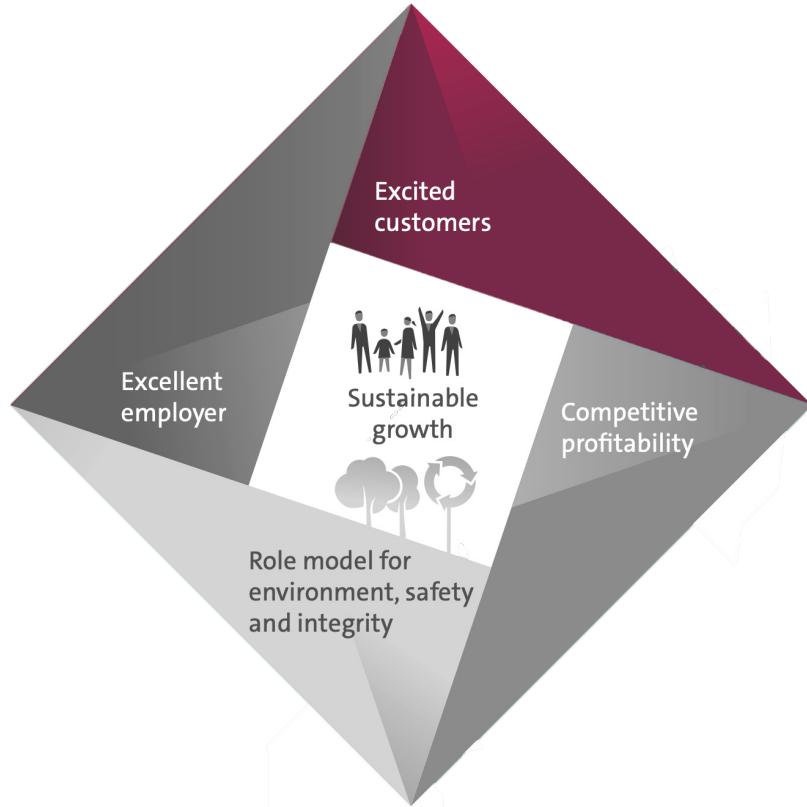
Target Dimension 1: **Excellent Employer**

- **Stakeholder:** Employees
- **Goals of Strategic Initiative:**
 - Promote employee satisfaction and motivation
 - Retain core workforce and attract new talent
- **Strategic KPI to measure objective:**
 - Internal employer attractiveness
 - External employer ranking
 - Rotation and the diversity index

Source: Volkswagen Group Annual Report 2018, p. 53

2.1 Defining *Objectives* (3/7)

Exceed customers' expectations, generating maximum customer benefit and long-term loyalty



Target Dimension 2: **Excited Customers**

- **Stakeholder:** Customers
- **Goal:**
 - Exceed customers' expectations
 - Generating maximum customer benefit with customized mobility solutions
 - Retain customer loyalty in the long term
- **Strategic KPI to measure Objective:**
 - Conquest rate
 - Loyalty KPIs
 - Customer Satisfaction KPI

Source: Volkswagen Group Annual Report 2018, p. 53

2.1 Defining *Objectives* (4/7)

Volkswagen aims to keep firm footing and ensure it remains an attractive investment option



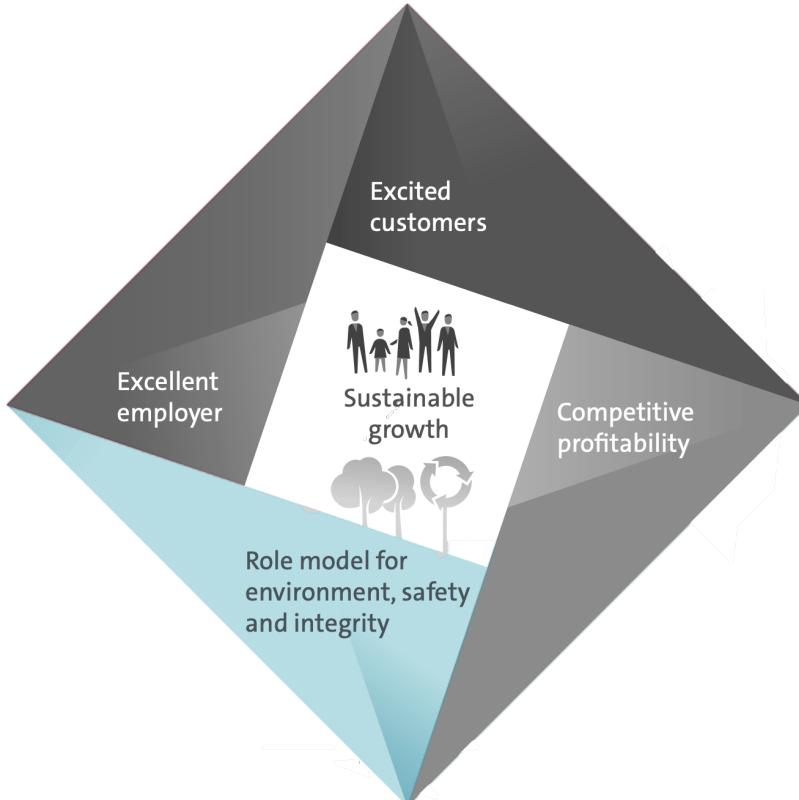
Target Dimension 3: **Competitive Profitability**

- **Stakeholder:** Investors
- **Goal:**
 - Remain an attractive investment option
 - Operational excellence and benchmark for the entire industry
- **Strategic KPI to measure Objective:**
 - Earnings per share
 - Operating return
 - Return on investment

Source: Volkswagen Group Annual Report 2018, p. 53

2.1 Defining *Objectives* (5/7)

Volkswagen aims to become a role model for a modern, transparent and successful enterprise



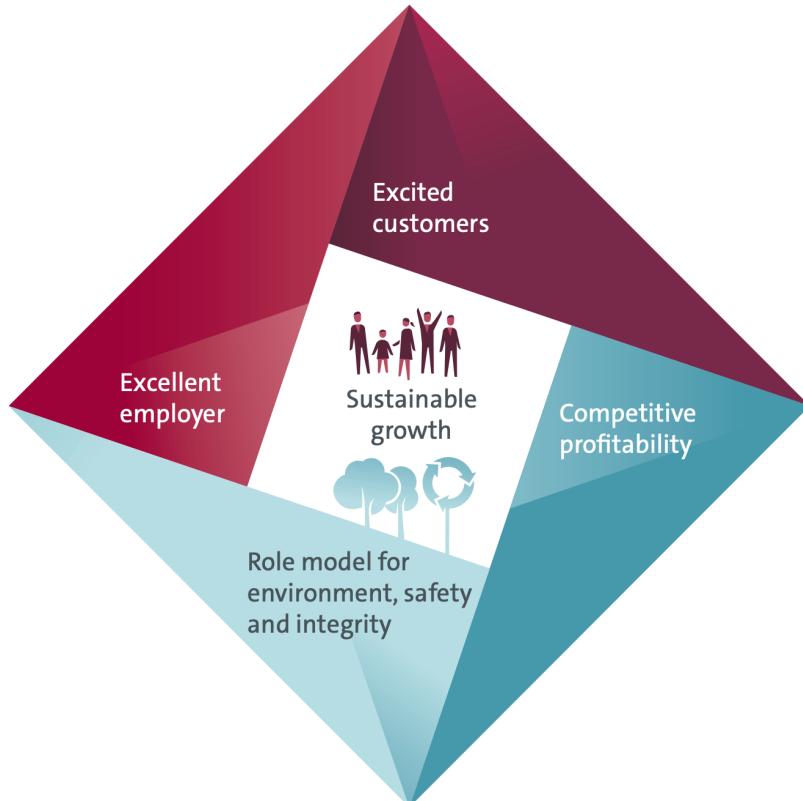
Target Dimension 4:

Role Model for Environment, Safety & Integrity

- **Stakeholder:** Society and Environment
- **Goal:**
 - Prioritize environmental protection by lowering carbon footprint/emissions
 - Maximum product and process safety
 - Compliance with laws and regulations
- **Strategic KPI to measure Objective:**
 - Decarbonization index and emissions figures
 - Compliance KPIs

2.1 Defining *Objectives* (6/7)

Volkswagen's Target Dimensions: Goals and key performance indicators of the Group's strategy



Evaluation of strategic objectives:

- Integrity & honesty combined with customer benefit maximization
- Employees as key success factor
- Prioritizing sustainability
- Addresses relevant stakeholder

Source: Volkswagen Group Annual Report 2018, p. 53

2.1 Defining *Objectives* (7/7)

Evaluation of Objectives: Identifying key groups and their relationships to VW

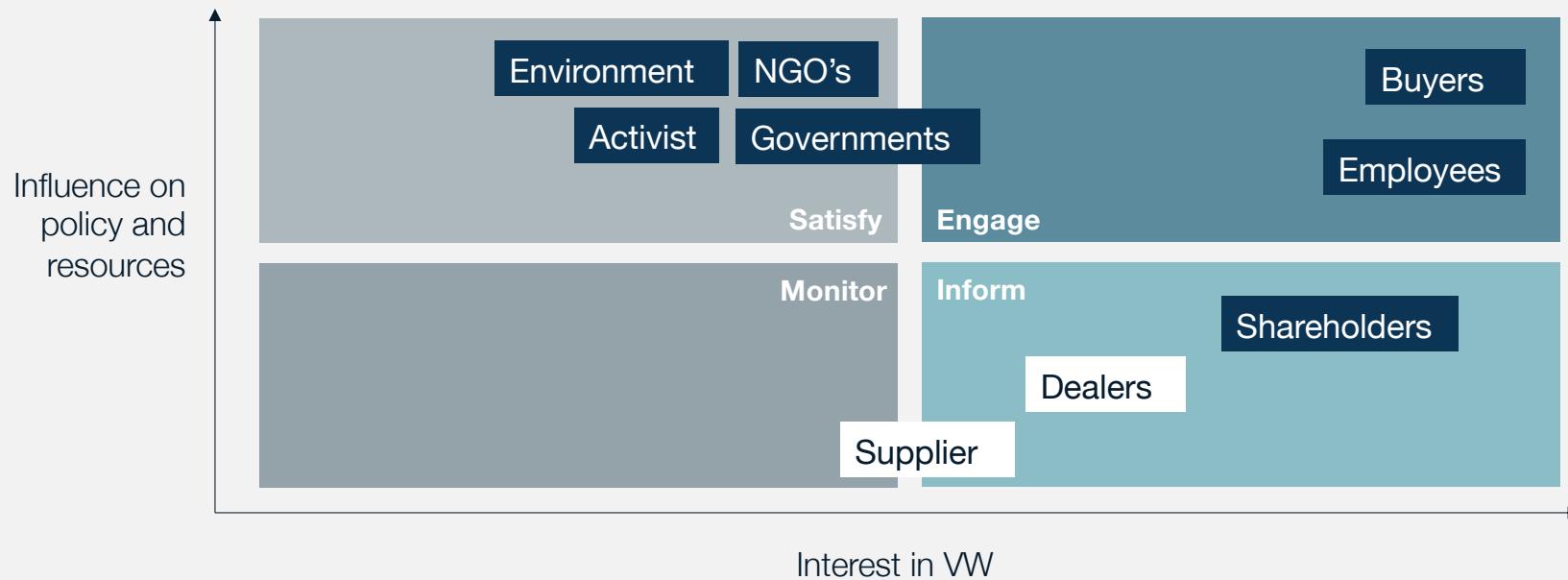
Stakeholder Analysis with Mendelow's Matrix:
Strategic prioritization of key stakeholders for VW



2.1 Defining *Objectives* (7/7)

Evaluation of Objectives: Identifying key groups and their relationships to VW

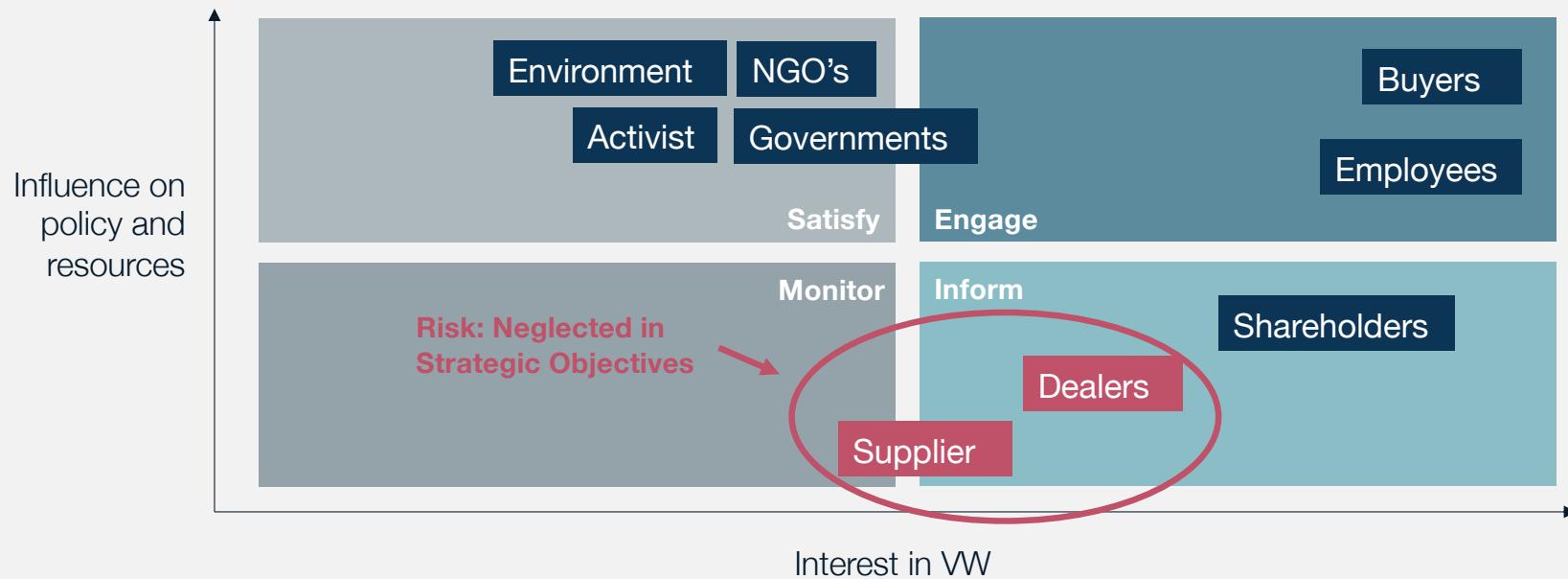
Stakeholder Analysis with Mendelow's Matrix:
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2.1 Defining *Objectives* (7/7)

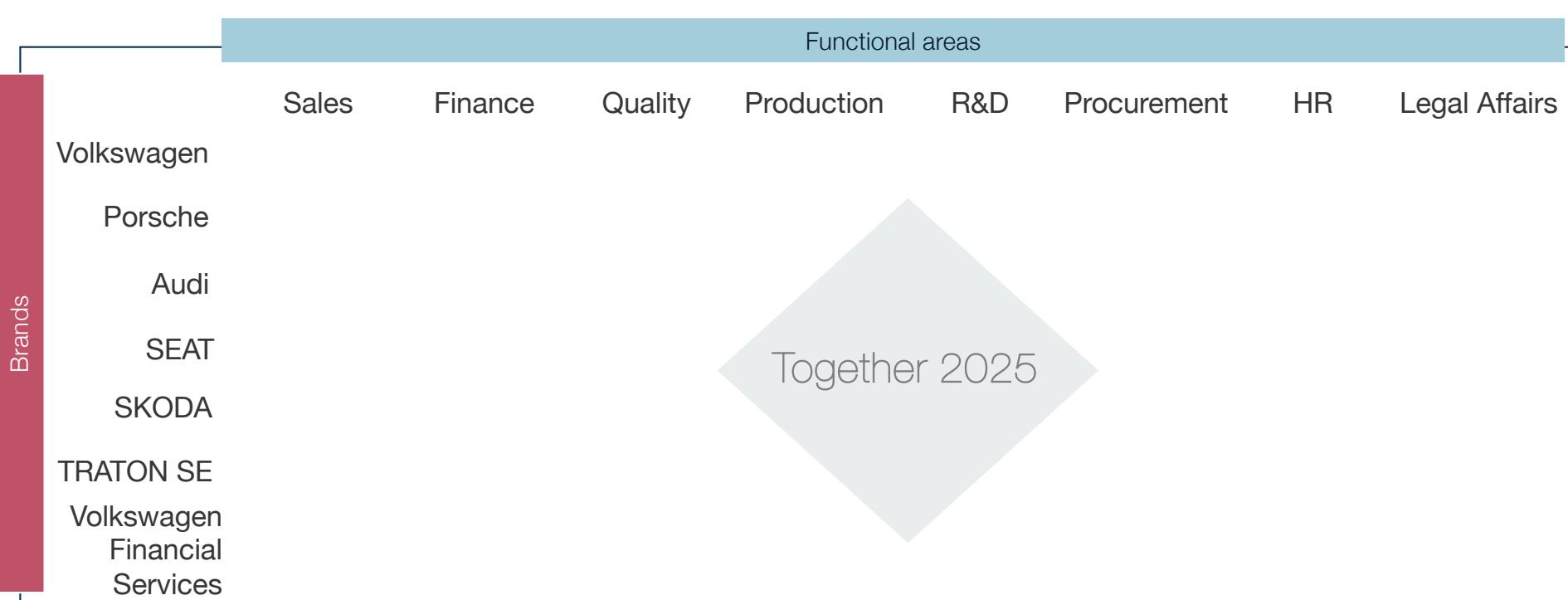
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Stakeholder Analysis with Mendelow's Matrix:
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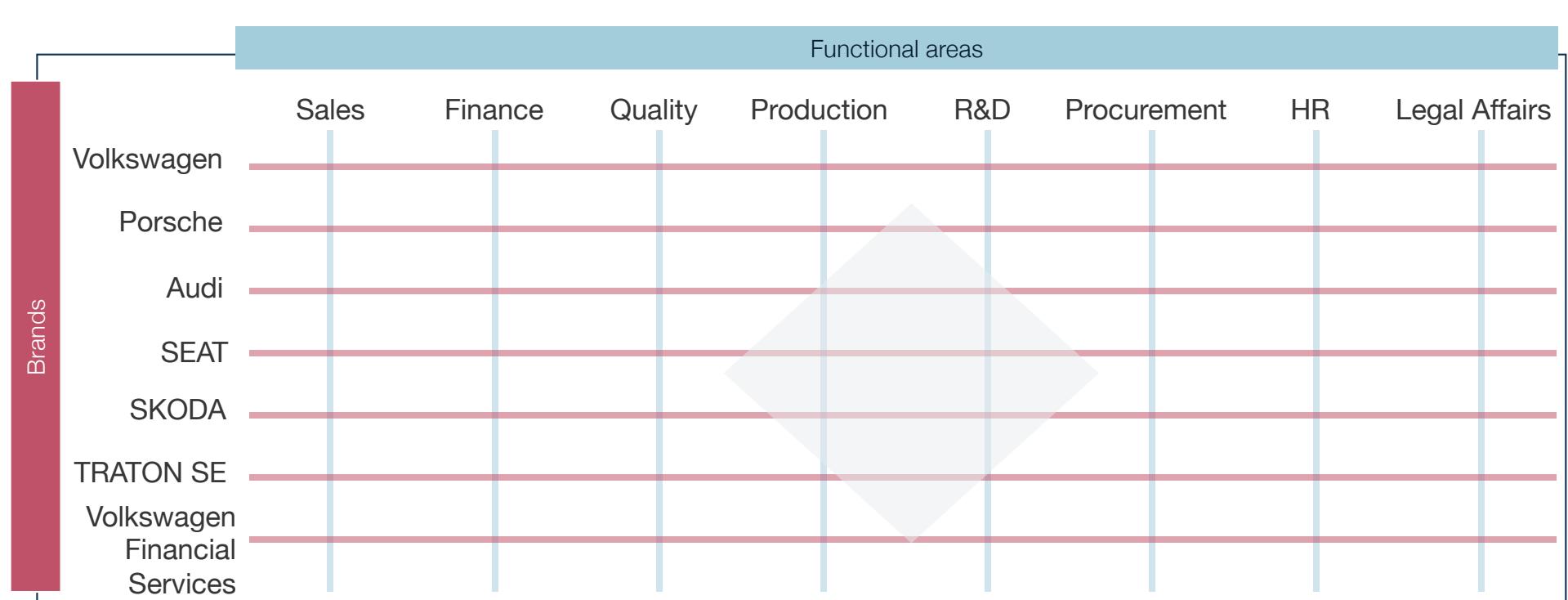
2.2 Application of *Strategies* (1/3)

Volkswagen attempts to optimally align the strategies of the brands, regions and functional areas under the umbrella of TOGETHER 2025+



2.2 Application of Strategies (1/3)

Volkswagen attempts to optimally align the strategies of the brands, regions and functional areas under the umbrella of TOGETHER 2025+



2.2 Application of Strategies (2/3)

Volkswagen placed the “largest electro-offensive in the global automotive industry” at the heart of their strategy

Roadmap E



Investment:

> 30bn

in electric mobility

- 50 BEVs
- 30 PHEVS
- 20-25% of Group Sales intend to be purely battery powered

2025

2018

- 4 BEV's
- 8 PHEVs

2030

- At least one electrified version for each of the Group's approx. 300 models

Source: Volkswagen Group Annual Report 2017

2.2 Application of Strategies (3/3)

The driving force behind the "electro – offensive"

CEO Herbert Diess
Prospector

(Miles & Snow's Strategic Styles)

- Seizes opportunity created by challenge
- Plans to **step up the pace** the electrification and digitalization of Volkswagen

+ 3 bn
additional investment in electric mobility
(November 2019)

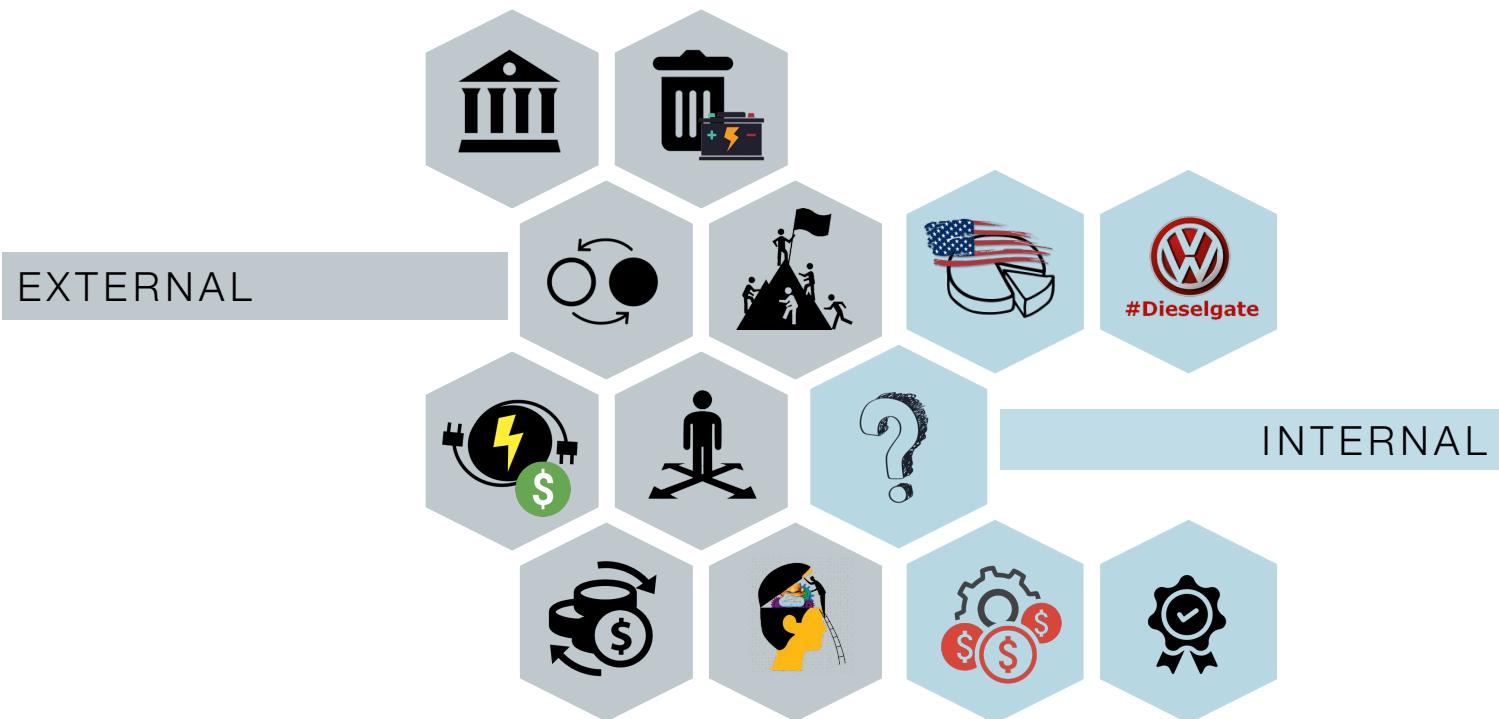


Chairman: Dr. Herbert Diess

<https://www.volkswagenag.com/en/group/executive-bodies.html>

2.3 Meeting *Challenges*

External and internal challenges for Volkswagen



2.4 Implementing Action Plan (1/6)

Volkswagen's updated action plan



2.4 Implementing Action Plan (2/6)

Streamlined governance selection for focused and trustworthy management



Best Governance

Decentralize decision-making
Make progress transparent
Intensify stakeholder relations

2.4 Implementing Action Plan (3/6)

Efficient, profitable and sustainable performance made transparent by KPIs



Best Performance

Development on global financial performance
Foster sustainable value increase
Balance between sustainability and viability

2.4 Implementing Action Plan (4/6)

Decision on brand portfolio based on trends and environment



Best Brand Equity

Define, realign and sharpen the ideal brand portfolio

Increase individual brand value

Base future on customer wishes and lifestyle

2.4 Implementing Action Plan (5/6)

More than a car manufacturer – a software producer



Software-Enabled Car Company

Software as new core competence
Pool existing strengths and bolstering position
Car.Software for software platform development

2.4 Implementing Action Plan (6/6)

'Right talents in the right positions at the right time'



Excellent Leadership

Management development and qualifications restructure
Systematize succession planning
Clear and measurable goal-setting

2.5 Evaluating Results

Results of Volkswagen's efforts to advance strategy

“Excellent employer” objective results

Strategic KPI:

Internal employer attractiveness 84.2/89.1
External employer attractiveness survey scores
External employer ranking benchmarking

Cross-departmental collaboration
Diversity & inclusion
8/20.2

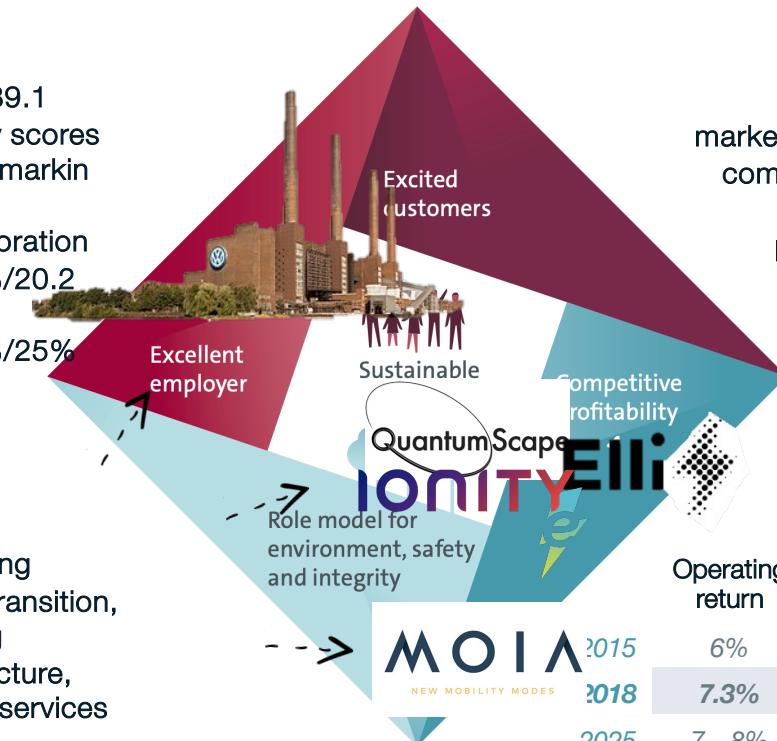
19.2%/25%



“Environment, safety and integrity” objective results

Strategic KPI:

KPIs on emissions supporting figures, compliance, a culture of dealing openly with mistakes, infrastructure, and integrity mobility services



“Excited customers” objective results

Strategic KPI:

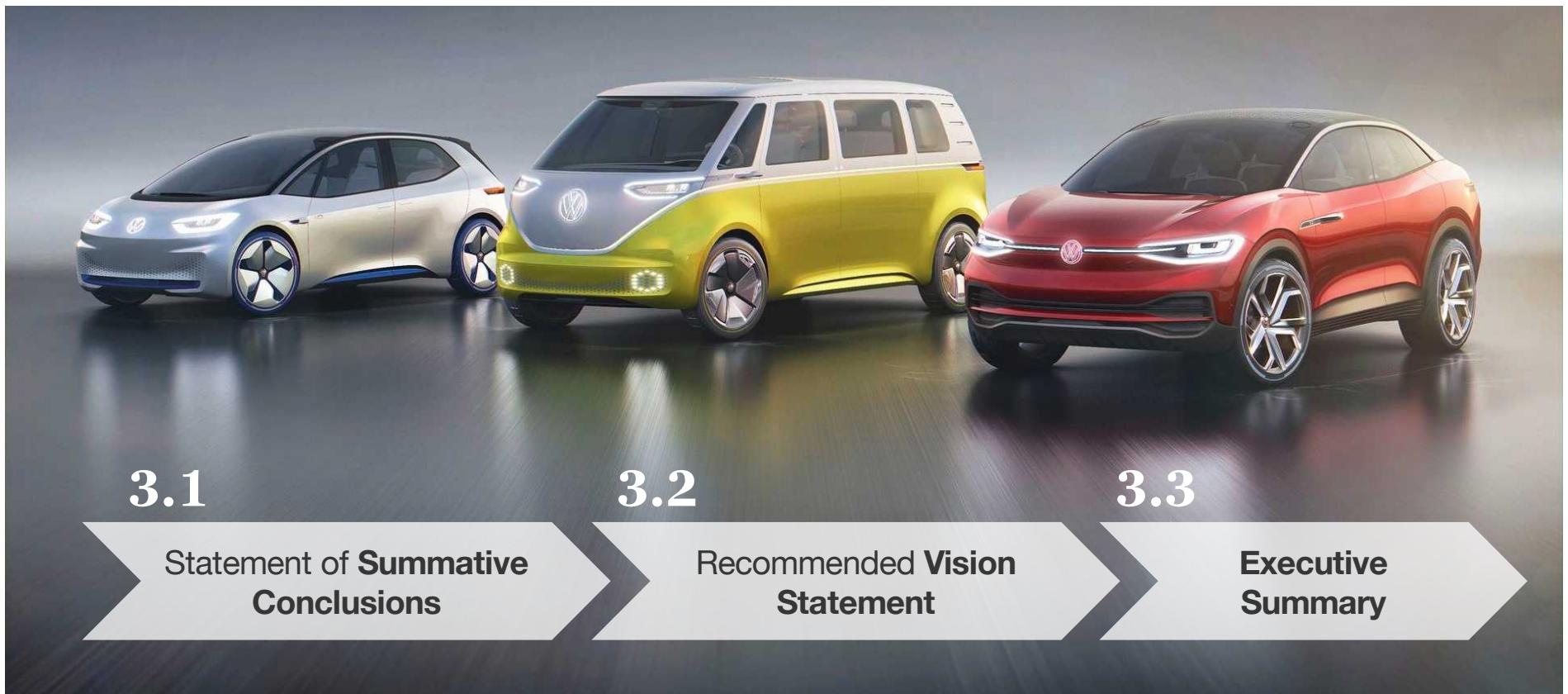
market player Conquest rate
competitive Loyalty rate
margin Customer satisfaction positive

“Competitive profitability” objective results

Strategic KPI:

	R&D ratio	Capex/sales revenue	Net liquidity	ROI
2015	7.4%	6.9%	11.5%	-0.2%
2018	6.8%	6.6%	8.2%	11%
2025	~6%	~6%	~10%	>15%

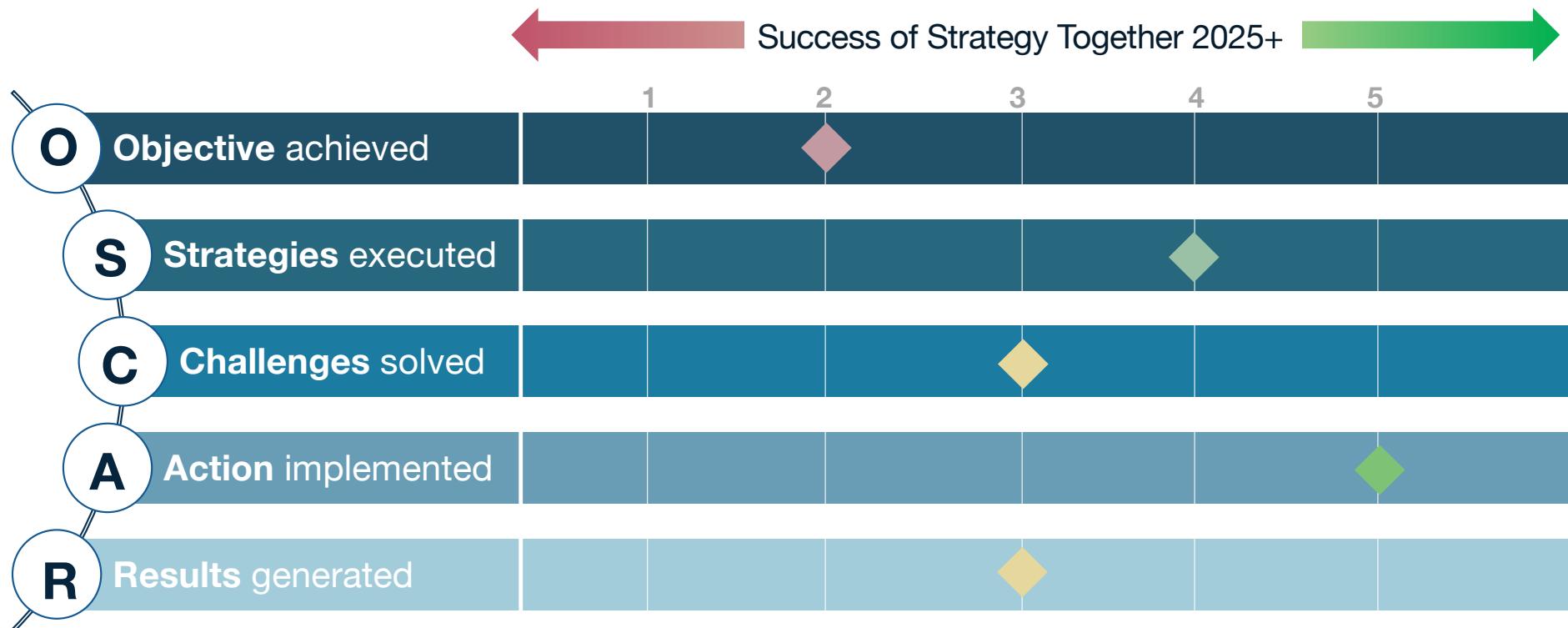
3. Conclusion



3.1 Statement of Summative Conclusions



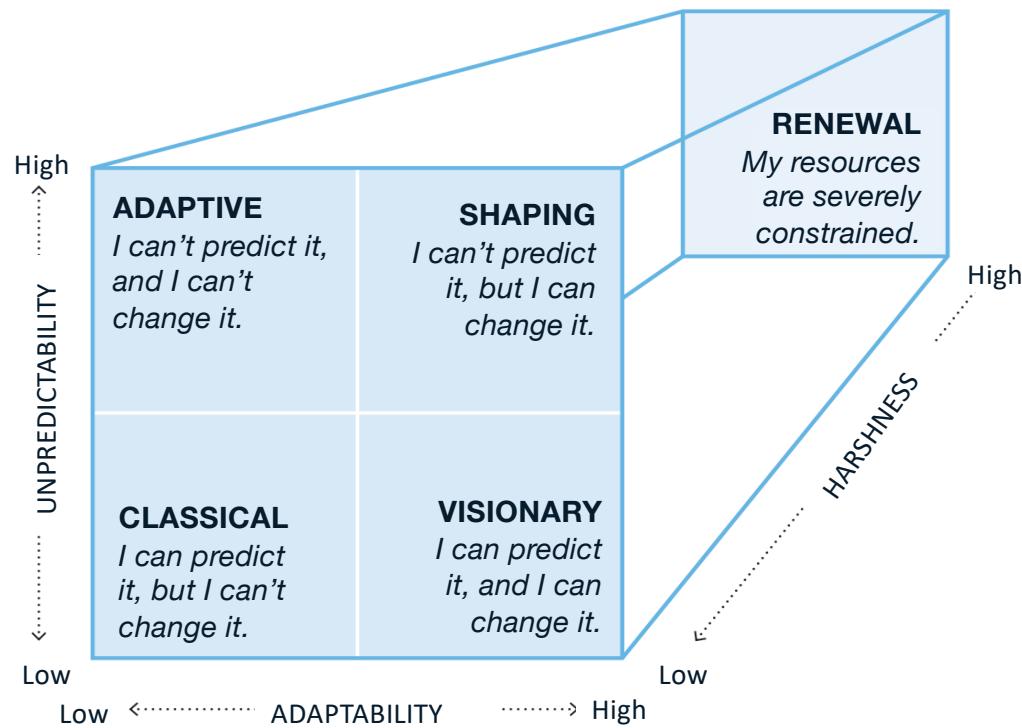
Evaluation of OSCAR Analysis using the Toulmin Framework for Arguments/Descriptions



3.2 Available Options



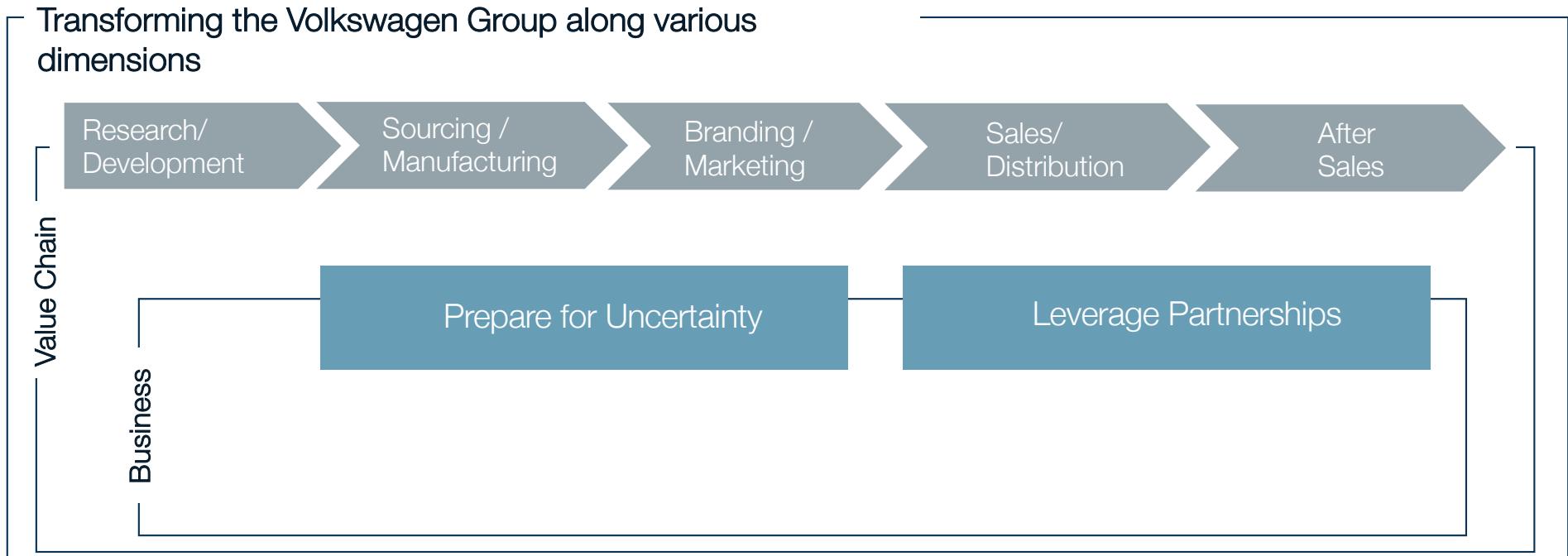
Reeves, Haanaes, & Sinha's (BCG) Contingent Strategies based on Market Features



3.2 Recommended Vision Statement (1/6)



Strategic recommendations to shape the evolving automotive industry



3.2 Recommended Vision Statement (2/6)



Strategic recommendations across the value chain to succeed in a revolutionized automotive industry



Focus R&D efforts on technological disruptions in the car industry and beyond:

- 1) E-Mobility (battery & alternative fuel)
- 2) Autonomous driving
- 3) Connectivity
- 4) Artificial Intelligence

3.2 Recommended Vision Statement (3/6)



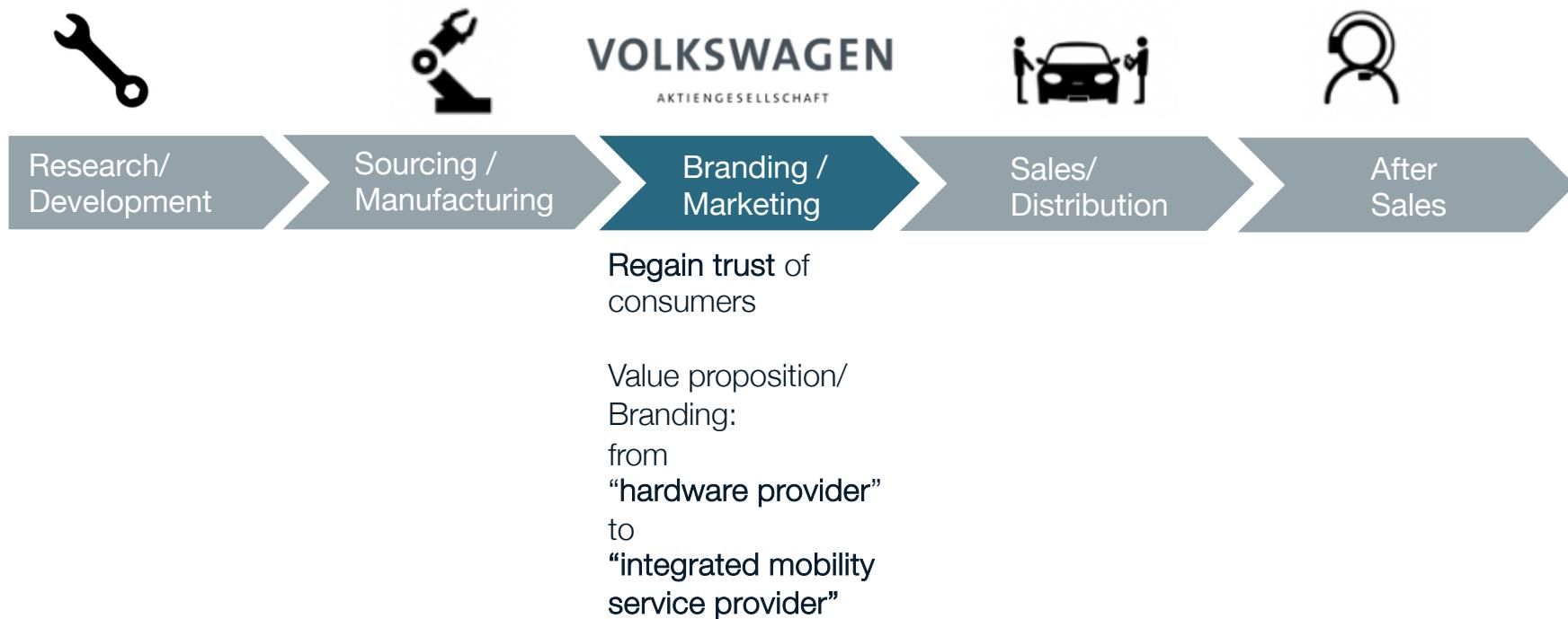
Strategic recommendations across the value chain to succeed in a revolutionized automotive industry



3.2 Recommended Vision Statement (4/6)



Strategic recommendations across the value chain to succeed in a revolutionized automotive industry



3.2 Recommended Vision Statement (5/6)



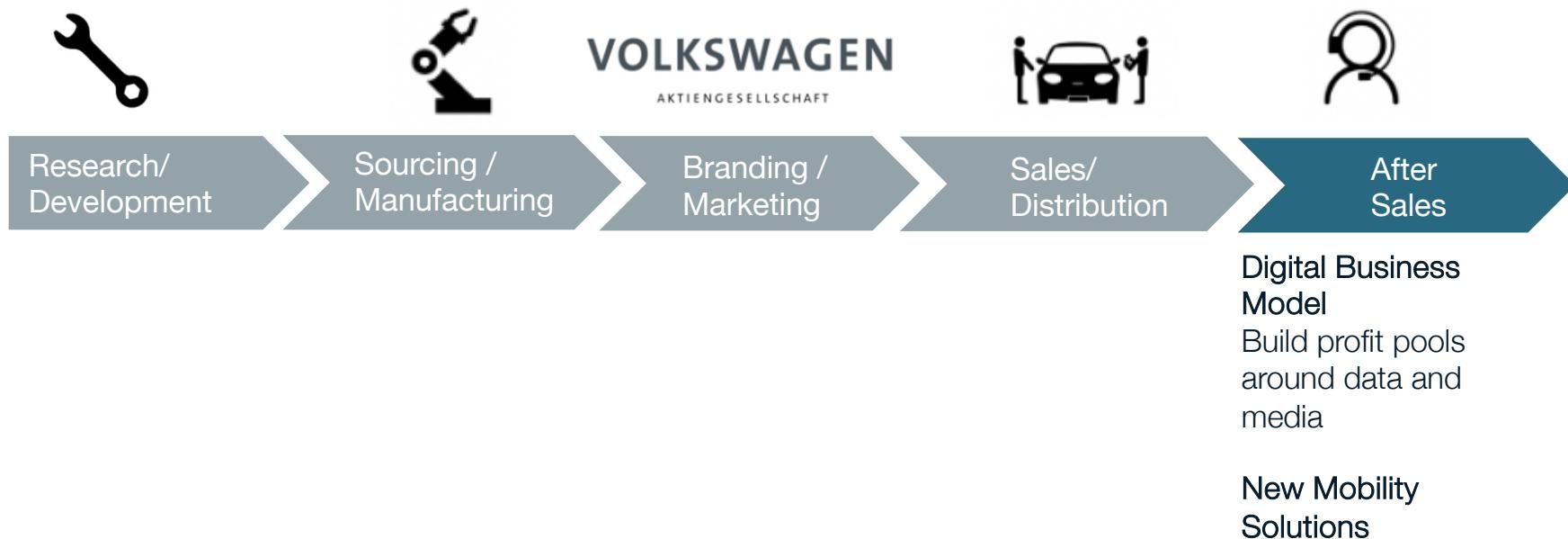
Strategic recommendations across the value chain to succeed in a revolutionized automotive industry



3.2 Recommended Vision Statement (6/6)



Strategic recommendations across the value chain to succeed in a revolutionized automotive industry



3.3 Executive Summary



Preview and Main Conclusion



Questions

Thank you for your attention!



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