Strategy Case: Volkswagen's Autobahn to Success

Volkswagen is an enormous car manufacturer who has had to make some big changes in order to rise up over their competitors. In the American auto market, traditionally dominated by Ford, GM, and Toyota, VW management created a stretch goal to ignite a fire and get the company motivated: selling 800,000 cars per year in the United States by 2018. This meant close to a 300% increase than it currently sold, which was compounded by the environment of a heavy recession in the auto market. To accomplish this aggressive new goal, they instituted a new strategy which would gain them a competitive advantage over their rivals. The new strategy consisted of providing more value for American consumers, expanding and improvingon their core competence, and building synergy in the organization among the many brands that VW produces.

Stefan Jacoby, the CEO of the American division of VW, employed a strategy formulation which includes two processes: examining the corporate culture and the external environment (D&M). He recognized that the company's culture was one of arrogance which resulted in ignoring the desires of its American consumers and merely pumping out what was readily accepted in its more familiar European markets (McGirt). He made it his mission to study American culture and to transform what he learned into changes in the vehicles which would provide greater value to U.S. consumers. Through an examination of VW's external environment, management observed that great opportunities laid in "going green." VW had a lot of previous experience with diesel technology and decided to take advantage of and expand this core competency. VW not only continues to be a leader in clean-diesel technology (which provides value to many consumers through fuel efficiency and lower emissions) but also extends the green concept in the racing series it supports and more importantly into its corporate image. The final leg of VW's strategy is in the form of building synergy. This is something that the manufacturer seems to excel at. Over the last few decades, VW has acquired many of its smaller rivals and now controls a plethora of auto makers. Management decided to reduce the many varying models being offered by all of these makers and developed a revolutionary system of "platform sharing" which essentially used identical components throughout the chassis and drive train of similar sized vehicles and allowed merely the visual aspects to be tailored to local consumers' tastes (Taylor III 4). This process has drastically reduced the costs of production and allowed their engineers to focus on a single set of goals, improving quality and productivity.

I believe that VW has an excellent and legitimate strategy in place which will allow them to achieve their stretch goals. In a fiercely competitive industry, VW is successfully identifying their target market and distinguishing their vehicles from their rivals. Their strategy hits all the highlights perfectly: delivering value to their customers, focusing and improving on their core competencies, and successfully achieving a level of synergy unseen in the industry.