

# Strategic Imperatives and Market Dynamics for the Auto Leader in the European Business Landscape. Study Case: Volkswagen Group

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**Abstract:** This paper examines the Volkswagen Group's strategy actions in the European automotive sector amid regulatory changes, customer movements, and the aftermath of the "Dieselgate" incident. Using a combination of qualitative and quantitative approaches, it investigates Volkswagen's organizational structure, conducts a SWOT analysis, and develops a SMART goal targeted at restoring market trust and increasing environmental credibility. The suggested approach prioritizes electric car adoption, pollution reduction, and open communication. Stakeholder involvement is addressed using an Influence-Interest Matrix, which emphasizes cooperation. The report finishes with an implementation Gantt chart that underscores the necessity for agility and cooperation in Volkswagen's desire of European sustainable mobility leadership.

**Key words:** Strategic positioning, Analysis, Business, Market.

**JEL:** L62, M14, Q55, M11.

## 1. Introduction

The European automotive industry is undergoing profound transformation driven by shifting consumer preferences, environmental regulations, and technological disruption. As one of the leading global car manufacturers, the Volkswagen Group is navigating a complex landscape marked by the transition toward electric mobility, the legacy of the Dieselgate scandal, and increasing regulatory and stakeholder pressure. This study explores the strategic response of Volkswagen in this dynamic context, focusing on its efforts to regain public trust, reinforce environmental responsibility, and secure a competitive position in the evolving European market.

By examining key internal and external factors that shape the company's trajectory—including organizational restructuring, innovation strategies, and stakeholder engagement—this paper provides insight into how major automotive players adapt to both challenges and opportunities. The analysis integrates perspectives on technological advancements such as artificial intelligence and robotics, positioning them as enablers of transformation across production and customer engagement processes. Against this backdrop, the case of Volkswagen serves as a relevant example for understanding how strategy, technology, and reputation management converge in the pursuit of sustainable leadership.

## 2. Literature review

The Volkswagen Group belongs to the field of automotive industry sector. Consequently, this industry consists of the organizations that specialize in designing, finishing, assembling, marketing and selling cars. Volkswagen is a necessary global car production industry specializing in developing lots and litters of auto from passenger cars, light commercial vehicles, and trucks. Volkswagen, as one of the most successful car brands which generates over €250 billions of turnover per annum, reinforces its leading position in the world automobile manufacturing business (Cosmin Gaultier, 2021).

Volkswagen, in the auto market, keeps time steady, as it manages to occupy a significant place and always finish at the upper brackets of the list of the largest car companies, based on global sales. It has a wide product collection which includes from small cars to high-end vehicles purposely to offer different consumers with an option to choose their preferred vehicle. Volkswagen being the mainstay of European automotive industry, it nourishes a significant part of the economic growth as well as innovation process in the regions. On the other hand, the business always upgrades its work processes in line with the structure of European law and environmental initiatives, so it follows the trend of environmental agenda in the region and customers' preferences (Cosmin Gaultier, 2021; Witter, 2017).

Over the recent years the EU started putting into practice steadily tightening emission regulations which will make positive impact to the air quality and above all help to diminish the greenhouse gases emissions. Such laws are calls of the day where they set yearly emission limits for new vehicles and have ushered car companies like Volkswagen to modify to cleaner technologies - electric and hybrid systems. Being unfamiliar with the stipulated specifications comes with the penalties of heavy fines and bad corporate reputation (Rik Oldenkamp, 2016).

The so-called “Dieselgate” scandal where Volkswagen secretly cheated on emissions tests by installing diesel vehicles with illegal defeat devices to fake emissions results has severely affected consumers’ confidence of the brand and their trust towards regulators and stakeholders. The after-financial performances and the market-perception of the company are the hundreds of billion euros of the fines, legal settlements and recall costs which is as consequence of this scandal (Turna, 2022, Kopp, 2007).

As the European Environment Agency figures show, transport is one of the main sources of greenhouse gas emissions in the EU, contributing about 27% to the total set of emissions in 2019. The EU’s demanding emission reduction targets require a quick shift towards the production of zero-emission vehicles, consequently forcing carmakers to speed up their transition to low-emission technology (Greenhouse gas emissions from transport in Europe, 2023).

After the Dieselgate scandal, Volkswagen’s sales in Europe dropped as the company lost its market share in significant markets such as Germany and the UK. Volkswagen noticed that more and more customers became doubtful about its environmental claims, and this resulted in some of them to switch to competitors which were perceived as environmentally friendly.

### 3. Research methodology

The research methodolohy used on this paper is a combination of methods, aimed at comprehensively investigate the impact of Volkswagen Group’s strategic initiatives within the European business environment. This approach combines qualitative and quantitative methods to gather rich and diverse data, ensuring a thorough analysis of the research objectives. The methodology was specifically structured to explore this extremely complex field.

Qaulitative data is collected through an assessment of pertinent literature, including academic journals, such as Rik Oldenkamp, Rosalie van Zelm, Mark A.J. Huijbregts (2016), Gaultier, Marcello (2021), industry reports and official publications from regulatory authorities such as the European Union. This literature study provides context and theoretical foundation for the research, assisting in identifying major topics and trends in the European automobile sector.

In the qantitative part of the study, the research is based on an analysis of data provided (Frank Witter, Chief Financial Officer at Volkswagen, Oct. 2017). It subsequently will be processed to use statistical analysis to get the trend among the variables, relation and patterns in connection with the release of the market, profiles of the and competitive positioning of the group.

Also, a comparison is to show both Volkswagen Group and its competitors’ presence in the European automotive market in case of indication on the company’s competition. This component calls for a comprehensive assessment of the financial performance, market and strategic schemes on the competitive context in the attempt to create a contrasting picture of Volkswagen’s advantageous edge. Therefore, the purpose of this article is not limited to analyzing the specialized literature; it also presents certain key aspects from which valuable lessons can be learned (Veith & Dogaru, 2020).

Thus, the research paper completes the image of strategic management in a european space employing information of qualitative data and appropriate information. By doing this, strategy can be guided along with tactics that can be implemented further down the road.

#### 4. Results and discussions

The organizational structure of Volkswagen Group is at the center of the operational framework, presenting an hierarchical picture of the organization and connections of influences, responsibility, and communication within the company. The success or failure of an initiative aimed at organizational change is determined by the effectiveness of the implementation of planned processes (Voica, et al., 2021). As a transnational automotive business, the organizational structure of the Volkswagen as represented by its versatility and theology as it supports different countries and business segments. Considering the context created by the fourth industrial revolution, the challenges faced by organizations are significant, involving all branches of the economy (Veith & Costea, 2019).

The Executive board of the enterprise with the highest level executives is on top of organizational structure, and it is responsible for the organization's strategic direction, financial performance, and all decision-making processes. The CEO occupies the position of the Executive Board Chair, and this manager has unlimited power to set the corporation's direction and balance the interests of stakeholders.

Below the Executive Board, Volkswagen abandons flat hierarchy by pursuing the divisional organizational structure. However, such organizational structure is based on business units or divisions and not on the product lines, geographic regions, or brands, different from that of the subsidiaries under them. This structure allows each segment to have wide autonomy, with each having its own division management, headed by a divisional CEO or president, overall in charge of the day-to-day operations and performance of their division. (Volkswagen, 2022)

These divisions next comprise or departments to which are dedicated to performing functions like research and development, production, marketing, sales and finance. Functional departments' heads are functional managers or directors, who perform the task of strategic initiatives implementation, and reach the objectives of department.

Besides that, the executive team of the company also makes use of matrix structure that puts together teams of colleagues from different areas of expertise in order to ensure smooth interpersonal communication and cohesion. In effect, the involvement of the right partners guarantees synergy and sharing of knowledge, which in turn makes innovation a natural product and the attainment of organizational goals easier and more efficient.

Additionally, the company puts a lot of emphasis on its multi-national management style, which has regional offices and subsidiaries in various countries all over the world. This way, different decisions can be processed in a framework of regional markets along with the localized market dynamics, cultural peculiarities and peculiarities of regulation. (Volkswagen, 2022)

##### SWOT Analysis Positioning

##### Strengths (Internal, Positive)

- Brand Reputation: Brand strength of the Volkswagen Group at the international level is based on the fact of customer loyalty, and trust which affects competitive advantage into a positive way. (VRIO)
- Global Production Network: The global production network is a unique resource of the

company that allows for efficient production and distribution which, in turn, help save money and enable quick response to the changing circumstances. (VRIO)

- R&D Capabilities: The Volkswagen Group's investment in research and development encourages innovation and can lead to the development of technologies such as zero-emissions vehicles and autonomous driving giving the company a significant competitive edge. This fact was also considered as an important factor in VRIO assessments.

Weaknesses (Internal, Negative):

- Dependency on Traditional Fuel Vehicles: While Volkswagen is eager for electric vehicles technology investment, the traditional fuel vehicles are still the main ones. This factor can be viewed as a serious hazard in the context of the rise in regulation and a shift in consumer preferences.

- Dieselgate Scandal Fallout: The reverberation from the Dieselgate scandal has seriously spoilt the image of Volkswagen and brought upon a considerable amount of financial penalties. The main problem of the rebuilding the trust and image repairing the company still occurs.

- Complex Organizational Structure: A difficult organizational structure of Volkswagen formed by many departments and brands may be a reason for the decrease in productivity and decision-making impartiality and to screen the management's view.

Opportunities (External, Positive):

- Growing Demand for Electric Vehicles: The public consciousness about the environmental issue as well as the government programs create the demand for electric cars. VW is positioning itself at the forefront of the electric vehicles trend by allocating huge investments into the development of EV technologies.

- Emerging Markets Growth: The generations-to-come marketers are certainly those critical points of a rise in the economy, the result of which the demand for automobiles would also upswing. The company's strategic foothold and positioning in these markets demonstrate its pre-eminent place in the chain of events.

- Advancements in Autonomous Driving: VW is able to create a new market niche because of the introduction and implementation of autonomous driving technology that is not only make the manufacturing process safer but also makes it easier to tune the process in relation to the change of consumer needs.

Threats (External, Negative):

- Intense Competition: In the automotive industry which is a highly competitive segment, many global and local players participate in the game devising ways how to take the leadership. High prices among competitors and rivalry between them, in particular, are threats of proving the company's leadership on the market.

- Regulatory Uncertainty: Stricter regional emission requirements and regulatory adjustments will urge to a holdback in some areas with stricter environmental regulations. To meet and sustain conformity will likely incur substantial expenses and the upgrade may also impact the level of profitability.

- Technological Disruptions: Digitization embracing multi-modal transport alongside shared mobility has caused automotive business models to be prone to being competitive and

disrupted. It is, therefore, vital that nothing is done to minimize stagnation which thrives in the volatile market conditions. As a result, the priority for Volkswagen lies in adaptation and innovation to be able to beat the competition.

The matrix exposes the strategy use of the organization to correlate the strength with the growth opportunities while the weakness is counteracted and unfavorable threats are removed by the proactive and active approach. This study, however, shows the need for strategic foresight and the leader's mind when it comes to the multi-sided nature of the automotive landscape.

#### Set a SMART Objective for Your Company's Problem

After the Dieselgate scandal, Volkswagen's main priority is to gain market trust and enhance its environmental credibility within the European Union by implementing a comprehensive sustainability strategy focused on electric vehicle (EV) adoption, emissions reduction, and transparent communication, resulting in a measurable increase of 15% in customer perception scores within five months.

In order to fulfill its smart objective that is to restore the market trust and increase its environmental credibility, Volkswagen must deploy a multifaceted sustainability strategy that will have electric vehicles adoption, emissions reduction and transparent communication as its core. It implies the conduction of such an in-depth study that will include the review of existing sustainability strategies and an elaborate assessment of market EV adoption trends and their emission regulations in EU. The objectives must be straightforward and measurable such as increasing adopting the EVs and lowering the carbon emissions during the manufacturing process and improving the transparency in environmental report. Implementation requires huge investments both in improved EV technologies, decreasing emissions, and the use of open communication. It is crucial to have cooperative collaboration among key members of the society, such as the senior managers, a team of sustainability experts, and the marketing teams in the manner success of the process will be achieved. Through a systematic review of whether the KPIs established had the objective that would restore public confidence and environmental credibility within the European Union. Hence integrity of communications is the vital matter that ensures whether sustainability goals are made known, progress is reported, and achievements are made public to the stakeholders. Through an integration of multifaceted communication platforms and an involvement of the main actors, there is a better diffusion of information and huge participation among stakeholders. The use of KPIs in the routine assessment tool empowers the company to pinpoint the areas where it succeeds or needs some improvement in order to get in line with the general objective of improving a customer's perception of the brand during the provided timeframe. This cooperative effort can therefore be used to repair blow by blow the market reputation of the brand and its credibility with regard to the environment in the European Union. (Belzowski, 2017)

#### Identification of Competitive Advantage:

One of the key competitive advantages of Volkswagen includes a mixed set of strengths, mainly characterized by a highly recognizable brand and its innovative R&D base, which can be combined with a wide manufacturing network spanning the globe. These attributes combined make up the foundation of most sustainable enterprises within current business environment. The brand of Volkswagen appears to take a top-notch position among its competitors,

with customers regarding the product as trustworthy and reliable. In the same vein, the giant volumes of R&D budgets stand for the company's strong will to innovate and harness its technological potential, consequently leading to the discovery of breakthroughs in sustainable mobility. Furthermore, Volkswagen's manufacturing system integrated within the world regions has a strategic advantage resulting from involving efficient production processes and connection with supplier market.

These strategical advantages of the carmaker company determine its strong position in the automotive industry (particularly at the European Union (EU) context). The consumer demands for trusted brands and environmentally conscious carrying mode match the core abilities of VW, so VW can take advantage of its strength in the market which are changing and popular with the younger generation. Beyond that, R&D facilities greatly empowers VW to be ahead of the competition as it works its way to the top by continuously striving to create greener technologies. The value of alternative resources, recognized by their rarity and organizational plan that creates unique distinctiveness of products and technological brand support gains supplementary competitive advantage of the company. (Rugraff)

At the EU level, Volkswagen stands to gain from the negotiating environment where sustainability and green principles are top priorities, which are in concordance with its strategic orientation. For Volkswagen, the EU single market offers to remove trade barriers, thus helping it to accomplish production and distribution with no technical hitches and to maximize its global organization of production. Therefore, EU funding programs offer funding channels for research and innovation, enhanced with VW's R&D capabilities, which ultimately secures its lawful position within the EU market. As a whole, those EU-specific features along with others give Volkswagen an added competitive edge therefore becoming the future guiding light of the increasingly dynamic market of automobiles

#### Influence- Interest Matrix

**High Influence, High-Interest stakeholders:** Regulators and shareholders come under the heading of that group. The corporation has to closely communicate with regulators to be able to meet compliance and transparency requirements, and the shareholders are not left out of the process with a focus on Environmental sustainability and good governance issues.

**High Influence, Low Interest stakeholders:** The competitors also have a significant influence but at the same time might lose interest in the projects. Engaging Industries or partners in collaborations is one of the ways that will influence decision-making in the direction of sustainability initiatives.

**Low Influence, High Interest stakeholders:** Local communities as well as environmental organizations want the company to reduce their environmental impacts but these parties often have little leverage and can influence only very small fraction of results. Embracing them in the community through community outreach and sustainability initiatives can equally help to get the word out of community support.

**Low Influence, Low Interest stakeholders:** These are examples of stakeholders including some of the suppliers or the associations from the industry whose need is limited to being informed on the progress made but they do not necessarily have to be greatly engaged.

### Strategic Implications and Actions

In light of the Influence-Interest Matrix analysis, Volkswagen must adopt strategic actions to effectively manage stakeholder relationships in pursuit of the SMART objective. By developing strong collaborative relationships with stakeholders, particularly steering committees, who are the gatekeepers and are concerned about the problem, Volkswagen can ensure active involvement in problem-solving processes. Regular dialogues and soliciting feedback provide stakeholders with the opportunity to feel valued as partners in achieving the objective. Organizing cooperations with relevant entities, such as trade associations, environmental groups, and governmental institutions, boosts Volkswagen's reputation and capability to solve the issue. Mutual trust and cooperation involve partners networking, coordinating, and designing activities where both parties are involved.

Supervision of the process involves assessing stakeholders' perceptions and engagement through frequent measurement and evaluation. Stakeholder feedback review informs modifications in information dissemination strategies to maintain alignment of interests between stakeholders and appropriate company response. Utilizing digital outlets and analytic setups measures the effectiveness of communication efforts early on. Transparency in progress and outcomes ensures timely and substantive updates for participants and stakeholders, allowing them to participate actively.

Reflecting on the EU's Unique Business Environment, Volkswagen must navigate regulatory complexities to maximize EU-specific market advantages. The European Commission and European Parliament are influential authorities in creating policies and regulating procedures that target VW business and stakeholders. EU funding mechanisms, such as EU's Funds, Horizon Europe, and collaboration grants, serve as genial sources of financial injections for research, innovation, and sustainability projects. Strategic advocacy in the EU establishes Volkswagen as a credible corporate contact, fostering better changes in the European industry sector and enhancing its reputation. Through these efforts, Volkswagen can not only profit but also contribute to positive changes in the European business landscape.

### Strategy Formulation and Justification

Following thorough analysis and identification of Volkswagen's competitive advantage in its strong brand reputation, extensive R&D capabilities, and global production network, the most appropriate strategy for addressing the identified problem and achieving the SMART goal is product development and differentiation.

This approach builds on Volkswagen's strengths in innovation and brand awareness while tackling shortcomings such as the Dieselgate crisis and increased regulatory scrutiny. Volkswagen can capitalize on possibilities in the European Union's single market by focusing on developing innovative and sustainable mobility solutions, as customer preferences for environmentally friendly vehicles expand.

The chosen strategy of product development and differentiation aligns with Volkswagen's core strengths and market opportunities. Through VW's emphasis on its well-known brand and using a secure R&D infrastructure, this company should offer futuristic inventions adapted to the vibrant market and come up with creative solutions to the problems faced by society. In connection with specialized services on European market Volkswagen, it is possible to go beyond

the crisis of Dieselgate, as well as many regulatory barriers with the help of the issued report. The competition is the result of the help that this company gets which makes it more competent. Besides the case of maximally using strengths that the brand has now, the new approach will also generate the to adapt modern and sustainable vehicle technologies inside the main manufacturing center.

Moreover, the increase in product development and diversification of Volkswagen contributes to the creation of different choices of sustainable transportation for the European Union and the rapid growth of electric cars. The company will be able to develop innovation in the research for new technology which will be used in developing the products line. This will in turn able to meet the consumers' expectations and also the government's laws and regulations while the firm can still maintain a competitive edge over its competitors. Therefore, this strategic plan is not only right track for the organizations to achieve the SMART goal, but also sets Volkswagen as the market leader in the European automobile industry meaning to long term growth and sustainability.

#### Gantt Chart Creation

The Gantt chart is a project management tool that visually depicts the schedule of tasks and their durations within a project. Primarily, Gantt charts are applied for planning the project, scheduling, and monitoring of the activities' progress. They endeavour to set up a sequence of tasks, their durations and critical milestones as this pictorial presentation for the project managers and team members. If projects have dependencies or lag times, then the Gantt chart can be used to schedule project management and coordination, thus eliminating delays and reducing the need for resource reallocation.

The incorporation of a Gantt chart in the Volkswagen Group strategic activities repositions the theoretical bases of Project Management from a mere inactive theory to an active strategic development strategy. In the formulation of the Volkswagen Gantt chart is used to help the automaker group address matters such as post-Dieselgate issues while at the same time working to gain prominence as a leading environmentally friendly automobile provider in Europe. The chart is a practical development potential activity inception and follow-up towards realization of SMART objectives.

Figure 1: Gantt Chart of the Volkswagen Group



Source: Authors' own research.

**Research and Analysis:** This task entails undertaking extensive market research and analysis to better understand current customer opinions, regulatory needs, and industry trends. It is critical for informing the creation of a successful sustainability plan that is tailored to satisfy consumer expectations and regulatory requirements.

**Strategy Development:** During this phase, Volkswagen will develop a comprehensive sustainability strategy centered on electric car uptake, emissions reduction, and open communication. Volkswagen can successfully handle the issues brought by the Dieselgate affair while also enhancing its environmental reputation by developing a clear and focused approach.

**Implementation Planning:** Volkswagen will disclose its plans for performing the sustainability strategy, including resource allocation, timetables, and responsibilities. This phase ensures that the plan is transformed into actionable steps, allowing for more efficient implementation.

**Execution of Sustainability efforts:** This task entails carrying out the planned sustainability efforts, such as manufacturing electric cars, lowering emissions, and improving communications channels. Volkswagen could restore customer trust and demonstrate its commitment to environmental responsibility by properly implementing these efforts.

**Communication and feedback:** Volkswagen will communicate openly with stakeholders to offer updates on sustainability activities and solicit input. This enables ongoing development and assures alignment with customer expectations, resulting in a demonstrable gain in customer perception scores.

## 5. Conclusions

To sum up, the research paper has highlighted Volkswagen Group's strategic plans within the dynamic European business environment with the emphasis on problems of sustainable transport and the possibility of entering the European market. The Environmental Assessment is among the major strategies that Volkswagen uses to mitigate such market barriers that are currently blocking the company's former growth and influence. Thereby, VW management chose to deal with issues that arose after that company was caught in the act of the scandalous Dieselgate. The project which has its SMART objectives set based on two things such as credibility of electric vehicles market and environmental sensitivity as the main players in the electric vehicle adoption, Co2 emission reduction and the above all transparent communication.

The Volkswagen Company upholds its brand reputation and relies on research and development abilities as well as global production to ensure a strategic approach through the products improvement process. This strategy abducts the possibility of EV market in the EU, since it is oriented to respond to tastes and preferences of the EU's consumer's who wish to drive vehicles which are less harmful to environment, while also handling regulatory issues. Volkswagen plans to stick to the principle of proactive buffering which would be followed by the continuous monitoring and application of strategic partnership actions that will ensure the development of a correctly applied sustainability strategy. The project regards the challenge for agility, flexibility, and working together to deal with complex issues for the Volkswagen Group, as a key to staying on top amongst the competitors in the sustainable mobility market leadership within the European region.

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