

# Developing a successful corporate strategy: examining volkswagen



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A business strategy is an organizational plan with long and short term purposes of achieving set business goals and objectives. It's a management plan aimed at strengthening the performance of a company through provision of quality products and services and maintaining market share and successfully containing competition (Aaker, 2001). A business strategy can be developed and implemented at three levels of an organization structure; the corporate level, the business level and the departmental level.

Developing business strategies at corporate level involves maintaining the business positive performance while ensuring long term success of all business units through improving compatibility among the units. Companies develop corporate strategies to manage their operations, departments, products, services and staff to make the company competitive and ensure that every component contributes to the success and achieving organizational goals.

The development and implementation of a business strategy or model involves the use of organizational design which is the process of deciding how a company must form, utilize and combine organizational structure as well as control systems and organizational culture to pursue a business goal (Hill and Gareth 2008). This essay will focus on developing and implementing business strategies at corporate level based on the Volkswagen Group which is a motor manufacturing company.

#### Factors to Consider when Developing a Successful Corporate Strategy

Well developed business strategies must address the strategy choice, organization structure, primary people concerns and organizational culture

dimensions. Volkswagen Group has identified differentiation as its major market strategy. This strategy involves positioning the group on top of motor manufacturing by the year 2018 with increased service delivery and customer satisfaction. Developing this strategy has been practiced through provision of quality products, new designs and always improving and expanded services that go beyond the normal automobile manufacturing standards. Volkswagen Group therefore focuses on a quality strategy which is a subset of a whole differentiation strategy so that it can stand out among the many competitors in the industry. However, the current increase of many players in the motor industry has gone into Volkswagen group strategy plan and implementation because of the greater efforts needed to maintain revenue, market share, reduce costs and most importantly keep customers who seem attracted to other cheap car models from other manufacturers.

Volkswagen Group management assigns employees to particular value creation tasks and roles that are linked together to create a framework that will increase quality provision, effective service delivery, innovation and responsiveness to customers to increase competitive advantage. This motor manufacturing group has succeeded in integrating the efforts of all employees across all company structure, functions and business sections so that specific sets of strategies are achieved. The Volkswagen organizational structure is very flexible with all duties clearly spelled out together with the staff who should undertake them. The structure of the Volkswagen Group organizational structure has been one of the contributing factors to effective implementation of previous strategies because every employee knows his/her job description and expectations.

The development of any corporate business strategy must take into account the primary concerns of all the people involved by ensuring production of good quality products and quality services to guarantee customer satisfaction. To achieve this, Volkswagen Group has installed programs to train all its human resources prior and after a strategy is devised and implemented. This assures the company that the staff is capable of turning the business strategies into business values. The choice of its staff is very complete because only staff with great quality combinations for a motor manufacturing industry is considered.

Organizational culture is a collection of values, norms, beliefs and attitudes that are common among people and groups in an organization. Volkswagen group has organizational standards that control how the employees interact with each other, with the customers and stakeholders outside the company. Just like many other international companies, the top management of Volkswagen group has the upper hand in ensuring that employees work towards achieving the company strategies and goals because they can influence the kind of beliefs to be exercised in the company.

Developing a corporate strategy is therefore a very complex process that is primarily concerned with selection of business area where the organization should operate and compete as well as developing and coordinating business profile through stipulation of objectives, aims and goals (Checco 2005). In developing business strategies organizations must address key strategy components that usually determine the long term performance of such strategies. These components include; strategy reach, competitive contact, managing resources and business relationship and management practices.

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The corporate strategy reach involves defining corporate mission, vision, objectives and goals. The strengths and opportunities as well as weaknesses and threats are considered in this component. The definition of these management components enables execution of the strategy while ensuring business units are integrated into each other for easy management.

The competitive contact is more concerned with speculating the future competition environment and developing products and services that will be able to compete favorable with those of the competitors. Opportunities and threats are more addressed at this point. Coordinating the use of company resources, both material and intellectual across the business units forms the other component of managing corporate activities and relationships.

Developing a business strategy dictates that all business units in harmony and compatible with each other such that communication and business instructions can flow from unit to unit (Porter 1998). The effective use and management of corporate resources should be stressed in the strategy since the success of a corporate strategy is dependent on how the resources are utilized. The choice between centralization and decentralization of a corporation needs more considerations such as the external factors that may face business activities, the level of competition as well the available resources and the benefits expected to be accrued from such resources.

However, every organization should look carefully at its intended corporate strategy as compared to that of its competitors to see if it can better leverage its internal strengths and potential for operational efficiencies because development and implementation of a poor strategy may be the ultimate downfall as many competitors are finding ways to incentivize

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customer value through lower prices, additional options or more product for the same price to maintain customer base. This could be a battle that Volkswagen group could fail at if it does not keep pace or find a way to show consumers its value. Conclusively, strategic choice, organizational design, culture and principal people concerns shape employee beliefs, behaviors, values and norms and this determines how they will implement the business models and strategies.