

Structure and culture of volkswagen commerce essay



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In a fast-changing world, large business organisations have to take decisions to enhance the strategic growth to be competitive. This report includes a critical evaluation of the organisation Volkswagen's structure and culture; it also covers the management role and a strategic decision. Volkswagen is a part of the Volkswagen Group of America, but only the brand Volkswagen will be emphasised and not the other brands such as Bentley, Bugatti, Audi and Porsche. Important factors of this organisation will be explored, and links will draw it together with the aim to reveal their relationship and influence in a large organisation such as the Volkswagen Group of America. Furthermore, these factors will influence the firm performance, thus it crucial to continuously observe and analyse the internal and external environment around the organisation in order to achieve long-term success (Kunc, 2010).

Structure and Culture

An organisation is a social unit of people that is structured and managed to meet a certain need and/or to pursue shared goals. All organisations have a management structure that decides relationships between the different activities and the members, and subdivides and assigns roles, responsibilities, and authority to carry out distinctive tasks. Organisations affect and are affected by its environment because it is an open system (Murcko, 2012). Volkswagen Aktiengesellschaft (VW AG) is an international company based in Wolfsburg, Germany and is the parent company of Volkswagen Group of America. The parent company guide and control the Volkswagen Group of America, but the group is managed by its own respective managers. The executive board of VW AG make sure that the framework of the VW AG is being enforced for each decision made the

Volkswagen Group of America (Volkswagen, 2007). The structure within Volkswagen Group of America is made up by different divisions, because the departments in form of different brands are grouped together and based on similar organisational output (Daft, 2011, p. 282).

A common issue in structuring a company is how to make the entire company work. Make it work means the structure of the company has to adapt to major factors such as environment changes, and the change in culture, strategy and technology (Rosen, 1995, p. 69). Volkswagen Group of America has a horizontal structure based on the work processes rather than departmental functions. This is beneficial as it allows the company to be more flexible in a changing environment, and especially for a rapidly change in technology, which is crucial for a car manufacture company. Business performance is heavily influenced by how well the structure of a company is connected and aligned with the strategic intend (Daft, 2011, p. 297). If the environment in which the company is operating or affected by is changing, it is sometimes necessary to change the structure of the company. Successful managers have to observe the environment carefully and create a structure and strategy which are congruent.

Culture is closely related to the main assumptions and beliefs of an organisation that provide a guideline for its members, including attitudes, perception, norms, ways of thinking and behaviour (Rosen, 1995, p. 71). Culture can also focus more on people, relations meanings, commitments, motivation and emotion. (Alvesson, 2008, p. 36). The internal environment of an organisation is vital as it has to fit in the external environment and strategy of the organisation. Volkswagen Group of America has applied this <https://assignbuster.com/structure-and-culture-of-volkswagen-commerce-essay/>

theory to achieve an industry orientated culture and environment, which relays on performance, innovation and responsibility. Volkswagen is known as a producer of people cares, and has performed actions to support this claim for several generations. Innovation and responsibility are the other two key factors where innovation is indispensable for technological change to reduce the level of CO2 and responsibility focus on people as workers or craft men and treat them as individual (Volkswagen, 2007). Individual culture within the Volkswagen Group of America is focused around social responsibility, national pride and the flagship of philanthropic in the education sector. The Group of America has a particular strong goal to recruit and select students for future workforce in the US with the right attitude and mind-set (Wiley, 2010). Culture can guide companies, enhance control and foster loyalty and identification with a group (Smircich, 1983). A danger to organisation culture is that it can become uncontrollable and unreasonable and may hurt the organisation (Anthony, 1994, p. 93).

Management role and decision taking

In today's fast changing global world it is essential to succeed as an organisation in times of turbulence and recession. The correct management style has to be chosen and developed in order to be successful (Rosen, 1995, p. 72). Over the decades many important strategic management operations and related decisions have been made by the Volkswagen Group of America. These strategic decisions play a part in the long-time well-being of the organisation (Fitzroy, 2005, p. 5). Culture as described in the previous section of this report should reinforce the decision making of managers (Rosen, 1995, p. 71). The new car " Volkswagen New Midsize Sedan (NMS)"

is an excellent example of strategic management. The car was designed just for the US market, but Volkswagen decided to start shipping the model to South Korea as well. Volkswagen NMS is produced in Chattanooga, Tennessee, US, and use mainly American suppliers. The aim is to increase the low numbers of sales from the past and to build a Volkswagen made by the US, by using American employers and suppliers (Jacoby, 2009). The car will cost around 20k USD and will compete with other everyday cars in this price range. The idea for this decision is to exploit the technology, innovation and experience of a German car manufacturer with the tradition of manufacturing made by the US. This long term strategic decision is determined by selling one million units in the United States by 2018 (Kurylko, 2009). Volkswagen has also made a Chinese version of this car for the Chinese market. This car will be produced in China by Shanghai Volkswagen Automotive, which is another group within Volkswagen (ChinaAutoWeb, 2010).

In the example above the strategic decision to launch the Volkswagen NMS model was made by the German CEO of Volkswagen Group of America Stefan Jacoby. He was transferred from Volkswagen AG to increase the profit of Group of America (Kurylko, 2009). This decision was based on the rational model which uses rational economic assumptions regarding shareholders, employees, suppliers and customers (Woiceshyn, 2011). Quantitative research collection is important, because this method relies on accurate information. The rational model also use market analysis, strategic direction, evaluation, market response and forecasting, agreed goals and alternatives within the group but also the intuition of the manager as means to make a

rational decision (Stewart, 2011). The rational model is made after analysing a cause and development of alternatives but this model also has room for intuition (Dane, 2007).

The overall and long-term direction of an organisation is decided by its strategic planning (Rosen, 1995, p. 76). Furthermore, long-term direction is also determined by structure and culture, and if these factors are not taken into account, the organisation will most likely not meet designated goals. In the US drivers tend to use their car more frequently, and they are doing more activities such as eating, drinking coffee, putting on make-up, etc. (Kiley, 2007). This is because the car is associated with the American dream and every individual with respect for themselves will own a car, which again makes the public transport system less used (Will, 2012). Volkswagen NMS's predecessor did not take the difference between the American and European culture into account, and could be a reason why the sales were not adequate. The CEO from Germany has to understand and implement the American culture if he wants to maximize Volkswagen's sales in the US market. For this reason, the Human Resource Management (HRM) has the significant role to attract and motivate talented employees with the necessary culture to cope with the environment (Daft, 2011, p. 84). By hiring American employees and using local suppliers Volkswagen makes sure that the culture will agree with the market. No strategy can be effectively implemented without the right people; hence all levels and functions of an organisation should have and exercise of influence.

Conclusion

The culture in an organisation can be weak or strong depending on the degree of individual behaviour. Organisation structure can have a flat or a steep hierarchy, where the role of the management in this context is to set the right goals and objectives related to the defined values (Bushardt, 2011). To achieve the designated goals and objectives, the strategic decisions should comprehend the main values of the organisation. A manager who does not follow the defined culture within an organisation can influence others and may change the culture in the organisation, even in large companies such as Volkswagen. If the goal setting is different to the defined values, the outcome will be unsatisfied, which means a change in the structure of the organisation has to be made. In large organisation the structure is normally deep anchored and therefore the people who make the decision have to be changed. This was done in 2007 when Volkswagen Group of America changed its former CEO. Dropping sales and no profitability since 2002 forced Volkswagen to make major changes to adapt to its environment (Prospero, 2007). Producing a precise and correct forecast of an important strategic process in a business is very difficult, as there are many uncertainties in today's global economy. The CEO and managers of an organisation can attempt to minimise the uncertainties of the business if they follow all values of the organisation including the consideration of change in the environment.