

Volkswagen do brasil: driving strategy with the balanced scorecard essay sample

[Business](#), [Management](#)



Case questions

1. What challenges does Thomas Schmall face upon becoming CEO of Volkswagen do Brasil (VWB)? 2. Describe VWB's new strategy and comment on it in terms of quality of strategic thinking. 3. Does the strategy map (Exhibit 4) and the Balanced Scorecard (Exhibit 5) help Schmall and Senn implement the new strategy? What are the strengths and weaknesses of the scorecard and its implementation? 4. What are behavioral aspects of the implementation of this strategy, how are these addressed, or not, by the proposed implementation plan? 5. How can Schmall and his team use the scorecard to deal with the challenges faced by the company in January 2009? 6. Any other observations you think are pertinent to this case in terms of strategy execution?

1. What challenges does Thomas Schmall face upon becoming CEO of Volkswagen do Brasil (VWB)?

Thomas Schmall was appointed as CEO by VWAG in 2007, but he already knew the business, because he had subsequently held different managerial positions in the company in different countries (South Africa, China and Mexico). He did not want to continue VWB's strategy of cost reduction, capacity downsizing and employee layoffs. With the model of the German technology in mind to produce small, reliable vehicles, he had the vision to format a high performance team and let VWB become the automotive industry leader in sales, profitability, quality and innovation in a sustainable way.

From 1999 until 2007, VWB faced a declining market share and financial losses, so Schmall and his new VWB management team started to introduce the balance scorecard. One of the main challenges of this introduction was to create a high performance spirit and to introduce the different aspects of the balanced scorecard internally. VWB also struggled continuing their export-led strategy and keeping their production minimum due to the Brazilian currency, relative to the euro and the dollar along with rising labor and material costs. Due to stiff competition in the auto industry world-wide, VWB faced the problem that they could not increase prices on shipped products. This resulted in excessing capacity costs and these would not be covered by the insufficient export margins. Although this was a challenge for Thomas Schmall and his team, the biggest stumbling stone would be the transformation of the culture and, thus, getting the mindset of the employees in the right direction.

2. Describe VWB's new strategy and comment on it in terms of quality of strategic thinking.

The new strategy of VWB basically was an adaption to the diminished market share, rather than a solution to VWB actual problems. So it could be considered as a long term strategy. This new strategy has to deal with changing the company's culture, which is very bureaucratic and conservative, due to the difficult past years. Therefore the company required new relationships with key stakeholders: employees, suppliers and dealers. To accomplish the change of in the organization of such a large magnitude, you need a very comprehensive communication plan and this process must

be performed very specifically. Otherwise, the reorganization will sound like a plan for headcount reductions and this should be prevented at any cost. Communication will be the key for success in this transformation program and to achieve the objectives of VWB becoming the industry's leader in quality, innovation, sales, and profitability and to produce high-performance, innovatively-designed cars and light vehicles.

Another part of the new strategy was making use of the related concepts like the revised Balanced Scorecard and the strategy map. These tools were intended to guide the employees in the right direction, and to remind the managing executives of the objectives they were try to achieve.

3. Does the strategy map (Exhibit 4) and the Balanced Scorecard (Exhibit 5) help Schmall and Senn implement the new strategy? What are the strengths and weaknesses of the scorecard and its implementation?

The two tools initiated by Schmall and Senn, the strategy map and the Balanced Scorecard, help VWB to implement the new strategy in several ways. The main goal was to translate the strategy into objectives, comprehensible for anyone who is involved with the new strategy, and to monitor the progress by showing the results. The strategy map has been divided in four dimensions: financial challenges, customer challenges, internal processes challenges and potential and growth challenges.

These sections have underlying metrics which show what will be necessary for achieving the strategic goals. The Balanced Scorecard is the right tool to monitor and measure the outcome of the process. Without the Balanced

Scorecard and the strategy map the VWB executive commission would not be able to complete their mission and to communicate the intentions well. So the Balance Scorecard certainly is a powerful management tool to reorganize the corporate culture and the strategy very directly, but it has also got its weaknesses. The implementation process of the Balance Scorecard at a company is a very time consuming process; it takes a while before everyone understands its meaning.

4. What are behavioral aspects of the implementation of this strategy, how are these addressed, or not, by the proposed implementation plan?

Enthusiastic and highly-motivated employees are indispensable in this process. It is very hard to change a whole organization, but you have to start by changing people and their culture. And this certainly was a very slow, tough process the executive committee had to deal with. Usually, when thinking about a new strategy, members act within the context and the structure within the organization and so will handle with its known methods for strategy execution. To deliver the message to the employees of VWB the managers have to adapt new procedures of interacting with the employees. Therefore different communication programs have been launched, including discussions en several training sessions. The BSC Management Group even posted the strategy map on the wall of different locations as a constant impulse of the company's direction. This really emphasizes the importance of the extensive communications program. As Davies commented: " To create a new high performance culture, we wanted to capture the employees' hearts and minds'.

5. How can Schmall and his team use the scorecard to deal with the challenges faced by the company in January 2009? As a result of the policy of the last two years, you can say the implementation of the Balanced Scorecard really had its effects. From an external view, the market position of VWB has surged forward. And looking internally at the company, you see the employee engagement has doubled (index from a Gallup survey), suggestions of employees were up 50%, accidents and absenteeism at plants had decreased and dealer and supplier quality scores had increased. The Balance Scorecard could now be valuable as a reminder of the company's

6. Any other observations you think are pertinent to this case in terms of strategy execution?

In thinking about a new strategy of the firm, its members usually do so from within the context of its organization, its structure, its known methods for strategy execution, to the effect that the existing organization may define or will restrict or bias strategic thinking, limiting identifying possible options. But, commitment to a new, innovative strategy may also lead to creativity in execution, especially through systemic change.

Awareness of the endogenic relation between strategic thinking and execution capabilities is therefore needed, increasing the cognitive structure with respect to options for execution in the process of strategic thinking may be necessary to improve the quality of strategic thinking.