

**Problem Statement:** VW AG is trying to become the iconic car of the electric age, however they are encountering strategic roadblocks, undefined and inconsistent strategy which hinders Transform 2025+

### Priority Decision Matrix

Strategic Issue	Organizational Impact	Urgency	Ethical Effect	Financial Benefit	Total
1. E-mobility	5	5	5	5	20
2. Strategy	5	5	5	3	16
3. MEB	5	3	3	5	16
4. Driverless Technology	5	3	1	5	14

Legend – 1 = Low, 3 = Med, 5 = High

### Key Takeaway:

Therefore, Navistar is a non-issue as VW AG **must** pursue a focused strategy to achieve Transform 2025+ goals.

# E-MOBILITY STRATEGY

**Analysis:** VW AG is exposed to potential recall by using carcinogenic metals in its EVs, which has the potential to damage their “Late but defect free – no recalls” brand image

## PHASE 1

- Wait for the investigation results from the **KBA** (German Federal Motor Transport Authority)
- **If guilty**
  - Establish method of recalling cars
  - Press release
  - Audit suppliers
- If not guilty
  - Audit suppliers **to ensure compliance** of TQM

## PHASE 2

- If guilty
  - Funded by cash on hand
  - Group must conduct **Voluntary Universal Recall**
  - 1.5 Billion Euros (in repairs)
- If not guilty,
  - Work with supplier to meet VW AG operating benchmarks

## PHASE 3

- Monitor and control using strategy scorecard
- 4 pillars
  - Quality of batteries
  - Customer satisfaction
  - Internal business process
  - Financial impact

# E-MOBILITY STRATEGY

## In-Control

- VW AG's battery capacity
- Long charging time
- Car dealer networks

## Not in Control

- High electricity costs
- Shortage of charging stations/network globally

### Key Takeaway:

- VW AG faces long-term risks which threatens the global EV movement
- Battery capacity and long charging time – send **TQM team to China** (S4 supplier) to collaborate on common solutions
- **Dealer Networks** – establish training program through a VW associate conducting a seminar to educate the dealership salesmen
- **Therefore, it must focus on issues within its control and monitor issues not in its control to adapt accordingly.**

# STRATEGY, STRUCTURE, COST OPTIMIZATION

**Analysis & Recommendation:** Lack of managing stakeholder expectations is causing discontent among employees; must strengthen the organization internally before external outlook

## PHASE 1

- Hold a **meeting** with the newly appointed Service Executive
  - Communicate VW AG wants to build his skills
  - Redesign his job description to add value to the firm
- CEO's **expectations must be aligned** with group goals
  - Collaborate with him to drive Transform 2025+strategy

## PHASE 2

- Effective communication of changes with employees
  - independent contractors
- Find opportunities to **transition independent contractors** as full-time employees across VW AG globally

## PHASE 3

- **Change Champions**
  - Select individuals who are on-board with organization's objectives
  - Create a change accepting environment
  - Positive reinforcement
- **Develop the VW AG Executive Program**
  - 8-month program
  - Application based on nomination from execs
  - Skills: communication, stakeholdering, leadership, teamwork, etc.

# MEB PLATFORM

**Recommendation:** Go forward with the Joint Venture with BYD to become the number 1 EV producer in China

## PHASE 1

- Set up a meeting with **negotiation team** from BYD and VW AG
- Sign the agreed upon terms to solidify the venture

## PHASE 2

- Investing in the construction of the factory
  - Cost of 3,750 Million Euros
- **Build the factory in Shenzhen** and populate with skilled technicians

## PHASE 3

- Commence production of the “new” compact car specific to China’s target market demographics
- Assist BYD in marketing vehicles throughout the country
  - Leverage the “German built” perception to emphasize quality

**Therefore, this provides a positive net inflow to VW AG in going forward with this deal.  
(Year 8 inflow from BYD = 5,148.78 M Euros)**

# DRIVERLESS TECHNOLOGY

**Recommendation:** Commit to the memorandum, sign the contract, and unlock a potential value of approximately USD 70 Billion

## PHASE 1

- Commit to the memo of understanding (MoU)
- Prepare the USD 2.6 Billion to pay for the deal
  - Leverage cash on hand (28,938 Million Euros)
  - Total value of Argo AI = USD 70,691 million
  - 30% of firm value belongs to VW AG (USD 21,207.30 million)

## PHASE 2

- Signing the contract
- Investing the capital in Argo AI
- Create a strategy for Argo AI to achieve their KPIs

## PHASE 3

- Consistently monitor the situation
- Testing/integrating AI technology into VW vehicles
  - Contingent on government approval

# Conclusion

RISKS	MITIGATION
1. Missing out on the EV Truck trend	Leverage the current capabilities of Man & Scania and new JV IP to compete
2. After 8 years, BYD does not renew the JV with VW AG	Focus on the non-compact car market with the knowledge gained from the JV
3. Herbert Diess does not approve of transitioning the Service Executive	BoD must demonstrate reasons for transition and the future value added through the program he will be attending

## SYNTHESIS

- By leveraging a focused strategy through
  - JB with BYD
  - JV with Ford (Argo AI)
  - Mitigating potential exposure from E-Mobility
- VW AG will become the market leader in E-Mobility
- Developing a sustainable future

# Innovo Consulting

Thank you for listening!  
Any questions?