

Volvo Cars Corporation
Strategic Management Advisory
Report
by Avant-garde group

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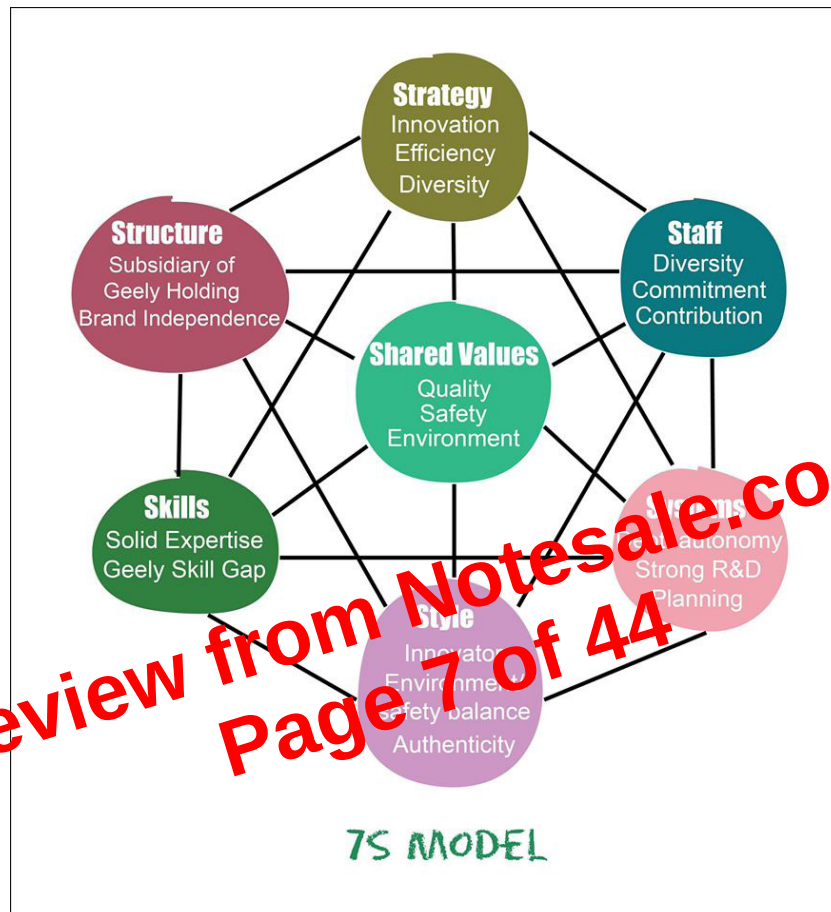
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LSC

Volvo already had issues of decentralized vision back in 2001, operating as part of Ford. Aiming for alteration of its operating procedures, company failed to come up with the unique set of priorities and values, leaving further development steps unclear. One of such confusions was Volvo's single representation of the true meaning of car (Styhre and Kohn, 2006). As stated by numerous organizational theories, including contingency theory (Lawrence and Lorsch, 1967) and evolutionary theory (Nelson and Winter, 1982), every enterprise is a mechanism under constant influence of external factors. At the same time, organizations are grounded on a number of day-to-day operations and practices. These two aspects function deliberately from each other, and yet are inter-dependent. Wenger (2000) claims that business success largely depends on company's ability to secure itself from outside threats by means of well-structured and commonly shared internal values and goals (See Figure 2 for details).



7S Model
[Figure 2]

Additionally, The Merger Training Institute (2014) has published a blog, covering Geely-Volvo cultural clashes on top management level, claiming it not the first M&A case of cultural integration failure. Public speeches of Volvo's CEO Hakan Samuelsson and Chinese Chairman demonstrated internal tensions on the true origin of Volvo as a brand. While Mr. Samuelsson highlighted the importance of Volvo's heritage, Chinese Chairman had a follow-up statement of Volvo being overwhelmingly Scandinavian.

Moreover, in order to maintain smooth its growth, Volvo Cars needs to come up with consolidated strategy for both marketing and production divisions. While production departments are concerned with low-cost and time-efficient assembly keeping up sustainable quality, marketing units strive for new market opportunities, representing Volvo vehicles as an experience, rather than just transportation. Dealing with two different sets of values and priorities, both company units struggle to deliver maximized value to the company, lacking interrelation. Abrahamson (2000) states that well-communicated and thorough understanding of organizational change process relieves from its dreadful aspects and consequences. In

Strategic Leadership

Strategic leadership is a work of art that enables organizations to meet long term sustainable goals as well as tackling short term issues. This process needs a leader who formulates the most appropriate strategy based on his/her observations to meet the company's goals and objectives and to run it on the track of the company's mission statement (Jooste & Fourie, 2009). This leader makes decisions based on current business environment and reacts to it barriers in favor of the organization by discovering new opportunities, creative solutions and sometimes introducing a new mission for the company (Schoemaker, Krupp & Howland, 2013) (Rainey, 2010). According to Freedman & Tregoe (2003) strategic leadership is the art of creativity and setting a new fashion to the leader's vision.

In the current business environment only 10% of all organizations use strategic leadership, the rest has the false belief of needing strategic leader in time of growth. Strategic thinking is also needed in rough times when a company suffering from lack of resources, down turn or high competition market. Strategic leader must ensure if company's assets are focused on the right area when it is needed (Beatty, 2010). It is also clear that in the complex and global world of 21st century, organizations must broaden their horizon and have wider perspective to keep up with ongoing and inevitable changes in business environment. International companies need more powerful and tactical management than national ones to be able to compete in global scale.

The purpose behind creating all organizations is to raise money to add to their shareholders value. This goal will be achieved by having a well-connected relationship with clients, shareholders, suppliers and, etc. (Rainey, 2010) and this connection cannot be gained without a strategic leader who masters various sets of skills such as intelligence gathering and Analysis, Formulation, Strategic Master Project Planning, Implementation, Monitoring, Reviewing and Updating (Freedman & Tregoe, 2003). There are numbers of advantages in using strategic leadership, such as:

-According to Rowe & Hossein Nejad (2009) companies with strategic leader are more successful in learning than other firms. Strategic leader has both visionary and managerial capabilities.

- As strategic leader sees human capital as the most important asset of an organization, it tend to have better relationship with employees and including them in day to day operational decisions. As a result, staffs feel more committed to their company. Employees will act in a formulated strategic framework that provides them the vision of future and the sense of purpose that enables them to focus their effort on organization's success (Rowe & Hossein Nejad, 2009).

-The other positive point is, this leadership allows the board of directors and staffs have constructive discussion and this enables employees to know about the company's direction.

-Measurement of process and success is another positive aspect of strategic leadership. It is an ongoing evaluation of competences and critical observation and questioning company's process towards achieving its objectives (Robinson, 2005).

- This type of leadership enables organization to build sustainable competitive advantage by functioning appropriate tactics and framework (Rainey, 2010).



Internal & External Business Environment

Decentralised vision as part of Ford (2001)

Absence of priorities and common value

Different view on the concepts of 'Car'

Cultural integration with chines Geely Holding (2010)

Cultural diversity for competitive advantage

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Strategic Choice Models open to Volvo car

Porter's Generic

Cost Leadership : low overhead cost

Differentiation : unique product/service

Focus : niche market

Bowman's strategic clock

North: differentiation

West: low price/low cost leaders

East :high price/ standard product

South: low value product/ standard price

South west: discount product

North east: focused differentiation

South east: monopoly

North west: hybrid

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Game Theory Strategy

Studies the interaction and decision taken by organisation in the business environment

Assumes the possibility action its competitors might take

Helps to set the 'right' price to increase market share

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Strategy in Action

Structural issue: different managerial view between Geely and Volvo

People issues:

Process issues: future plan to enter into niche market

Technology issues: adhere to its principles of safety, comfort, and economic

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