Volkswagen of America: Managing IT Priorities

An Evaluation of the Project Prioritization Process

AGENDA

- Context
- Recommendation
- Timeline
- Risks and Mitigation
- Conclusion

VWoA faces challenges in IT project prioritization due to budget limits and project exclusions, despite its role in VW's global strategy

Volkswagen of America (VWoA), the U.S. subsidiary of Volkswagen AG, plays a key role in Volkswagen's global strategy. Known for iconic vehicles like the **Beetle, Volkswagen** has grown into a diverse brand portfolio, including **Audi, Porsche, and Lamborghini**, focusing on innovation, quality, and customer satisfaction in the North American market

VWoA faces challenges in IT project prioritization, with **$210 million in requests but only a $60 million budget**. The new PPM process, aimed at aligning projects with strategic goals, is criticized for excluding certain projects and being too theoretical, potentially overlooking business unit needs. Additionally, the potential underfunding of a key SAP project has caused friction with global initiatives

Should VWoA **retain** the PPM process as is, **modify** it to better serve enterprise goals, or **revert** to the previous unstructured method?

We recommend maintaining the new PPM process for strategic alignment and operational efficiency, based on the outlined Matulovic's plan into six distinct segments

	Strategic Alignment	IT Spend	3 Phase Process	Governance & Control	SAP Situation	Risk Mitigation
DESCRIPTION	Matulovic's PPM process aligns IT projects with VWoA's key business goals, ensuring focus on **customer loyalty and growth**	IT Spend should be **driven by IT** to ensure technical expertise guides **resource allocation**, optimizing operational efficiency	The PPM process follows 3 phases: **Identifying, evaluating, and selecting projects** based on value	Stricter governance with monthly budget reviews keeps **projects on time and within budget**	The SAP project, initiated pre-Matulovic, needs to go through the **current prioritization process** to reassess its value and alignment	Establish checkpoints and collaboration to **prevent delays, misalignment, and budget issues**
VALUE	**Prioritization**: Focuses on high-impact projects **Transparency**: Clarifies project selection	**Business-Driven**: Aligns resources with key needs **Ownership**: Business leaders prioritize investments	**Structure**: Ensures clear project prioritization **Clarity:** Aligns projects with business goals	**Accountability:** Reduces delays and cost overruns **Efficiency**: Keeps resources focused	**Reevaluation**: Ensures strategic value **Alignment**: Matches current priorities	**Mitigation**: Identifies risks early **Collaboration**: Keeps business and IT aligned

Note: Visual sequencing does not represent a hierarchy, however, each guiding principle filled with orange would be a main priority.

The three phases ensure alignment with VWoA's strategic goals, enabling effective resource allocation and enterprise-wide impact through the PPM process

Phase 1 - Calling for Projects

Facilitates collaboration among business units to identify overlapping initiatives and project dependencies, grouping them into enterprise-wide projects for strategic alignment

- **Reduces redundancy:** Encourages collaboration among business units to group similar projects, avoiding duplication of efforts
- **Identifies key dependencies:** Ensures projects are sequenced properly, preventing delays caused by unaddressed interdependencies
- **Aligns projects with enterprise goals early:** Shifts the focus from individual business units to enterprise-wide strategic objectives, ensuring projects have broad value

Phase 2 - Formal Project Requests

Requires business units to justify projects by linking them to enterprise goals and categorizing them into investment types, ensuring projects are evaluated based on strategic impact

- **Ensures strategic alignment:** Business units must justify their projects based on their contribution to long-term enterprise goals
- **Supports balanced investments:** Projects are categorized into SIB, ROI, and OCI, ensuring a balance between operational maintenance, short-term returns, and future innovation
- **Promotes accountability:** The formal proposal process adds rigor, ensuring that each project is evaluated on its true value to the enterprise

Phase 3 - Transforming Requests into Enterprise Goal Portfolios

Consolidates business unit projects into enterprise goal portfolios, prioritizing projects that align with critical enterprise objectives for optimized resource allocation

- **Maximizes resource efficiency:** Projects are grouped into goal portfolios, ensuring resources are allocated to the most strategic, high-value projects
- **Prioritizes critical initiatives:** By linking projects to enterprise goals, only the most important projects receive funding, while lower-priority projects are delayed
- **Enhances decision-making transparency:** The process ensures clarity in how projects are prioritized, reducing confusion and increasing buy-in from business units

It is more cost-effective to have the $16M IT-controlled spend to serve enterprise objectives, than it would be for business units to control the IT spend

Stay in Business

The business continuity and legislative compliance of VWoA is important to achieve its enterprise objectives. By having a $16M IT-controlled spend, the IT department can ensure the enterprise has technology that would support operations during disruptions

Alignment with Enterprise Goals

All business initiatives depend on the stability of the IT infrastructure. An IT controlled budget allows for the IT department to work alongside business units, while still prioritizing the infrastructure Business units need to inform IT what their goals are, and IT can ensure they have the technology to support them. IT will have a more holistic view than business units

Strategic Flexibility

IT's control of the budget allows for greater flexibility and faster speed in addressing unexpected issues or needs. IT does not have to be slowed down by trying to get buy-in from business units, therefore potential disruptions can be addressed immediately to ensure the stability of infrastructure or operations

More Cost-Effective than Allocating Spend to Business Units

- **Efficient Use of Resources:** Business units have a $14M budget for their high priority projects. By allowing the business units control of the IT budget too, there would be a risk of the units funding projects that were not marked as high priority. Therefore, VWoA would not have a focus on ensuring the business continuity due the lack of technology updates
- **Focus on the Enterprise:** One of Volkswagen's goals is to have an integrated global enterprise. VWoA needs to have the technology infrastructure to support the enterprise objective of scalability Business units will not be able to have the same understanding of scalability as IT. By have the IT-controlled spend, there is a greater focus on the enterprise-wide objectives, not just the narrow business needs
- **Avoidance of Redundancy:** Allocating the $16M to IT will help prevent business units from creating projects that are redundant. When the budget is centrally controlled by IT, similar initiatives are grouped into enterprise projects. Thus, IT-controlled spend allows VWoA to save money from inefficiencies

The current SAP situation drives the need for a project portfolio management process to ensure projects are aligned with objectives

Assessment and Alignment

Facilitates collaboration among business units to identify overlapping initiatives and project dependencies, grouping them into enterprise-wide projects for strategic alignment

How?

- Review the current SAP projects to understand their scope, status, and strategic relevance
- Evaluate each project's alignment with organizational goals, such as efficiency, scalability, and global integration
- Identify gaps or misalignments and adjust project scopes or objectives as needed to better match enterprise priorities

Prioritization and Resource Allocation

Requires business units to justify projects by linking them to enterprise goals and categorizing them into investment types, ensuring projects are evaluated based on strategic impact

How?

- Prioritize SAP projects based on their strategic impact, urgency, and potential to enhance business processes
- Allocate resources (budget, personnel, and time) to high-priority projects that support critical business needs
- Set up clear criteria for resource distribution to ensure that each project’s funding aligns with its strategic value

Monitoring and Strategic Review

Consolidates business unit projects into enterprise goal portfolios, prioritizing projects that align with critical enterprise objectives for optimized resource allocation

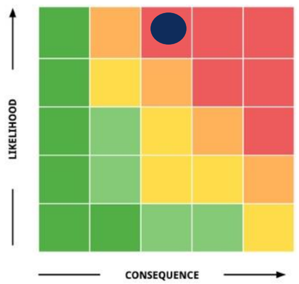
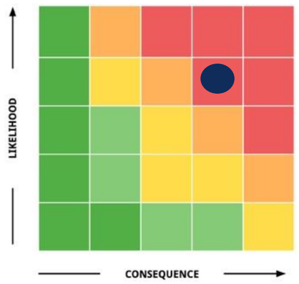
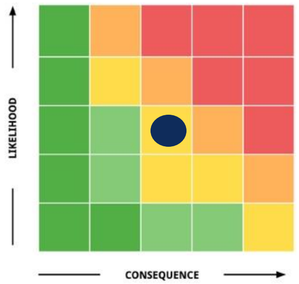
How?

- Establish regular checkpoints to review project progress and ensure ongoing alignment with strategic goals
- Use performance metrics and key milestones to track project outcomes and adjust plans as necessary
- Maintain communication with stakeholders to adapt to any shifts in business priorities or changes in the global SAP strategy

This is the timeline for implementing the PPM solution, outlining the phased approach across the year

Task	M1	M2	M3	M4	M5	M6	M7	M8	M9	M10	M11	M12
Phase 1: Preparation and Project Review												
Identify Dependencies and Group Similar Projects												
Phase 2: Budget Allocation and Project Kickoff												
Allocate the $16M IT-Controlled Budget												
Phase 3: Project Monitoring and Governance												
Track Project Progress through Reports												
Phase 4: Evaluate PPM Effectiveness												
Gather Stakeholder Feedback and Recommend Improvements												

There are potential risks associated with keeping the PPM process as is, but they can be mitigated with strategic planning

Potential Risk	Risk Matrix	Mitigation Plan
Business Unit Pushback on Funding Decisions: Some business units may disagree that IT should have control of the funding. If their projects are not being funded, their may be tension between departments		Business units must be involved through out the process to get “buy in” early on. Pushback can also be mitigated by being transparent of the process
Delay in Global Initiate Funding (e.g., SAP): Global projects like SAP might be delayed due to prioritization of local initiatives. This could create misalignment with VW Corporate’s global strategy and potentially impact critical global rollouts		Schedule regular prioritization meetings involving both local and global stakeholders to address potential conflicts in project timing, ensuring global projects like SAP remain on track.
Resistance to Change in the Business Process: The PPM process might lead to significant changes in how departments operate, causing resistance among business units that prefer the previous ad hoc decision-making model		Provide clear communication and training on the benefits of the PPM process. Involve key stakeholders in the planning phase to ensure buy-in and reduce resistance. Highlight success stories where the PPM process has improved outcomes for departments

VWoA would ensure strategic alignment and efficient by maintaining the PPM process

Keeping the new PPM process ensures VWoA maintains a transparent decision-making, aligns IT with strategic goals, and efficiently allocates resources, supporting long-term success

BEFORE

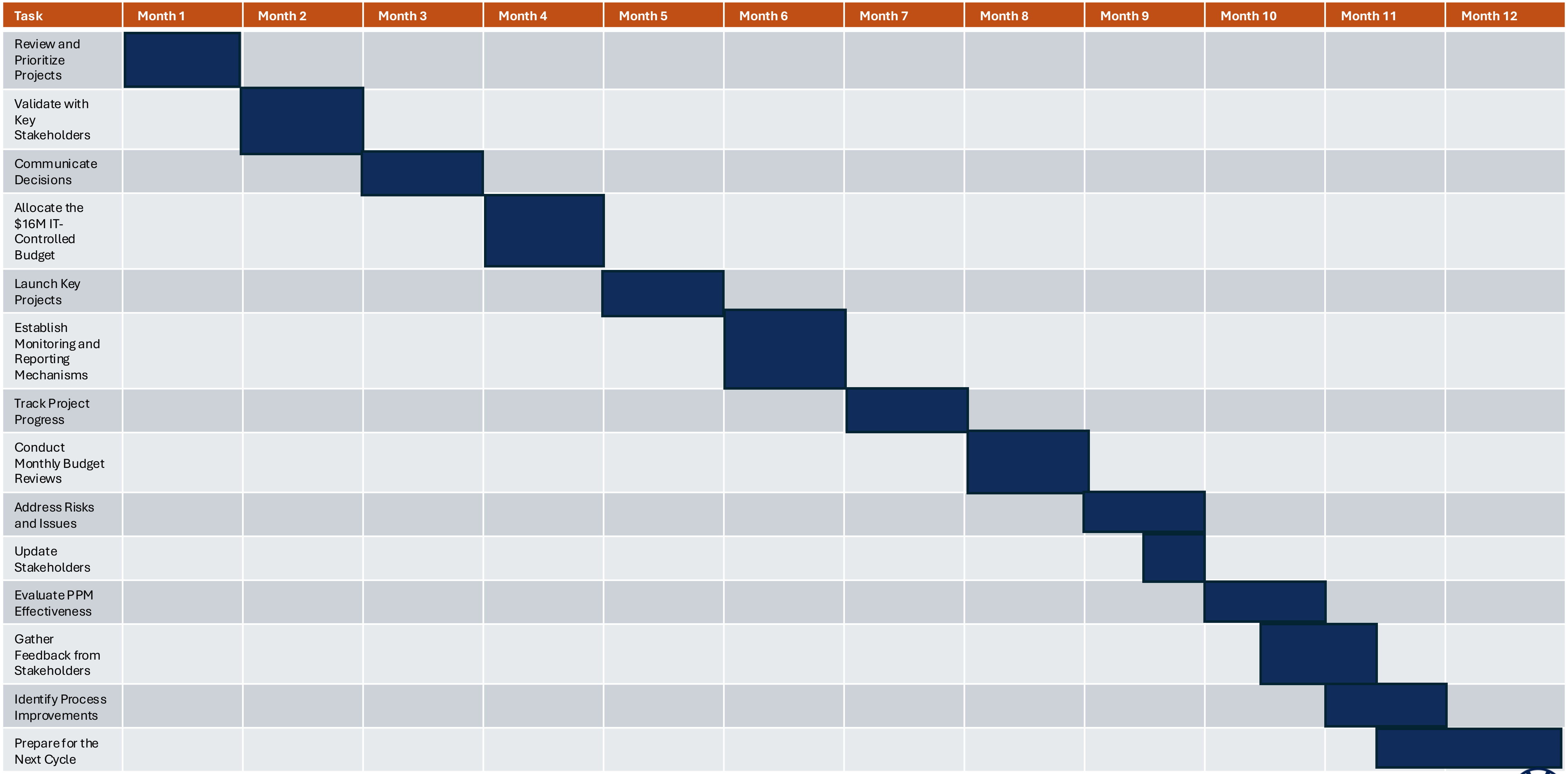
- **Unstructured Decision Making:** The IT project funding decisions were made through informal processes, leading to more subjective outcomes
- **Business Unit Focus:** Projects were prioritized based on individual business units needs without a clear alignment to enterprise-wide goals
- **Inefficient Budget Utilization:** Projects were funded based on immediate business unit demands, with little focus on long-term strategic initiatives

AFTER (KEEP THE NEW PROCESS)

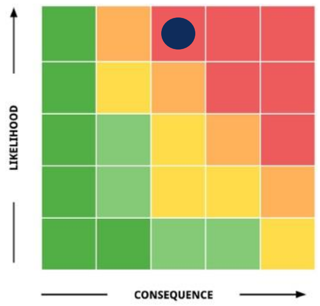
- **Strategic Alignment:** The PPM process ensures VWoA's IT investments remain closely aligned with enterprise-wide objectives, enhancing both short-term and long-term business success
- **Transparency:** The structured decision-making process will promote transparency across business units, increasing buy-in and improving overall collaboration
- **Optimized Resource Allocation:** Business unit collaboration and resource allocation will remain optimized, ensuring ongoing success

APPENDIX

APPENDIX: Detailed Timeline



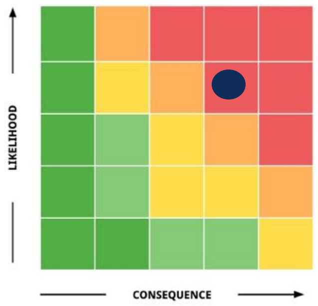
APPENDIX: Expanded Risks and Mitigations



Business Unit Pushback: Some business units may oppose IT controlling funding, leading to disagreements if their projects aren't prioritized.

Mitigation Plan:

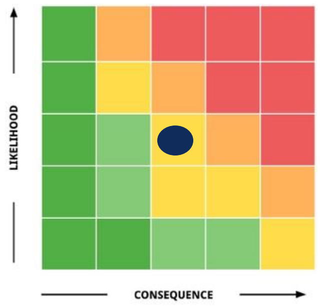
- Involve business units early for buy-in and maintain transparency in the process.



Delay in Global Initiatives (e.g., SAP): Global projects like SAP could be delayed due to the focus on local priorities.

Mitigation Plan:

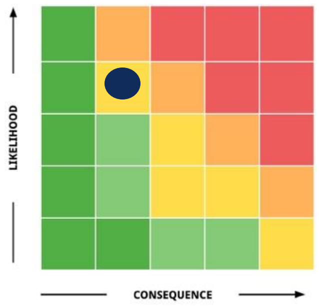
- Hold regular prioritization meetings with local and global teams to address timing conflicts.



Resistance to Change: Some departments may resist the structured PPM process, preferring the old ad-hoc decision-making.

Mitigation Plan:

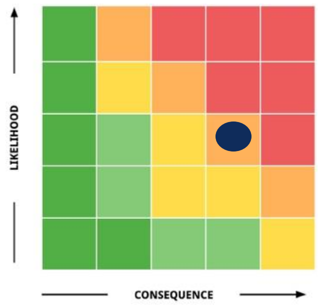
- Provide training, communicate benefits, and showcase successful PPM outcomes to ease the transition.



Overlooked Innovation Projects: Long-term innovation projects may be deprioritized in favor of short-term returns.

Mitigation Plan:

- Ensure a balanced portfolio by reviewing innovation projects regularly.

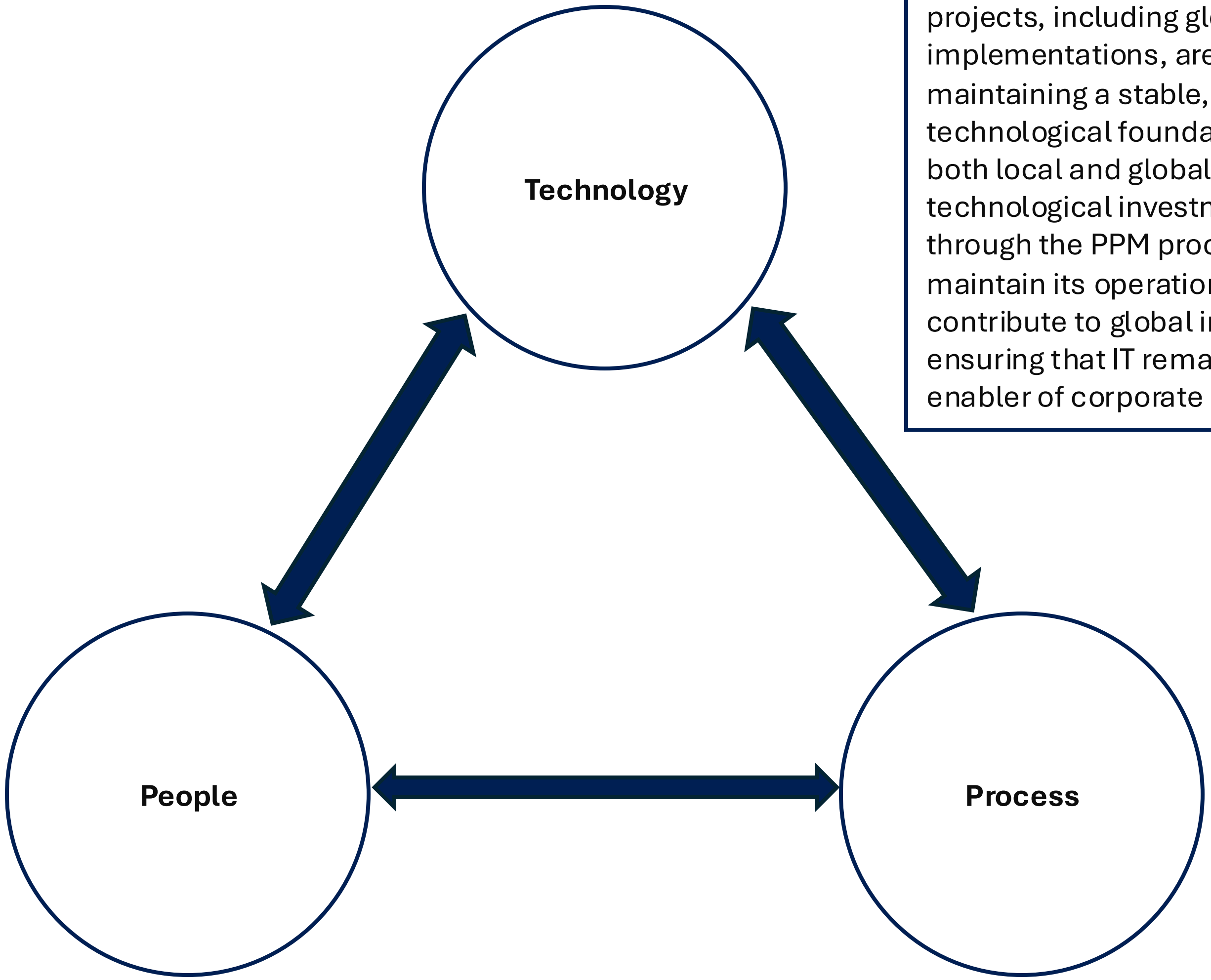


Resource Bottlenecks: High-priority projects might strain resources, causing delays and bottlenecks.

Mitigation Plan:

- Use resource management tools and hold frequent reviews to reallocate resources as needed.

APPENDIX: People, Process, Technology (PPT) Framework



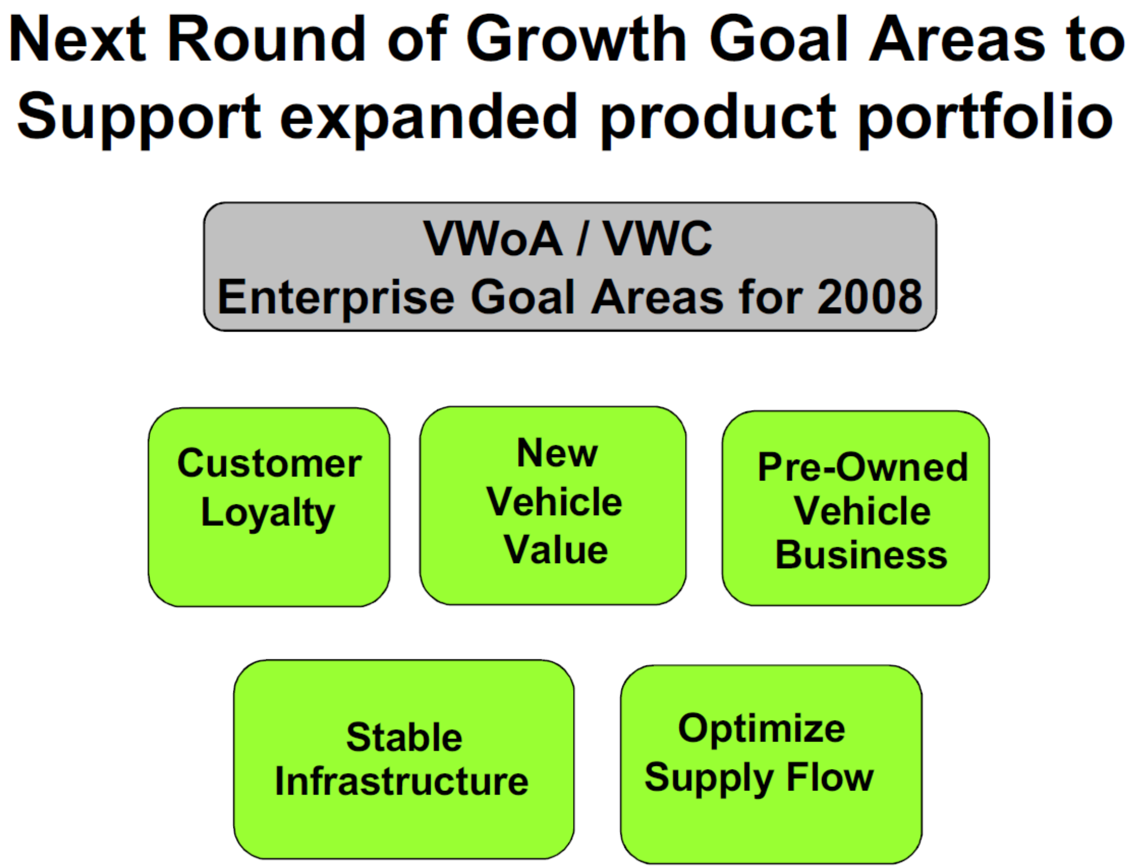
Ensures that critical IT infrastructure projects, including global SAP implementations, are funded, maintaining a stable, long-term technological foundation aligned with both local and global needs. The technological investments made through the PPM process help VWoA maintain its operational stability and contribute to global initiatives, ensuring that IT remains a core enabler of corporate strategy.

Business units remain engaged but must align their requests with broader enterprise goals with clear delineation of responsibilities between IT, business units, and governance teams. The current process ensures that all stakeholders understand the strategic alignment necessary for IT projects to be funded, but it may lead to dissatisfaction among business units whose projects do not get approved.

Ensures projects are aligned with the company's strategic objectives. Prioritization is based on enterprise value, reducing subjectivity in decision-making. It helps ensure efficient use of limited IT resources The process enforces a strategic focus, ensures that resources are allocated efficiently, and minimizes the risk of resource wastage on less impactful projects.

APPENDIX: Volkswagen's Enterprise Goal Areas

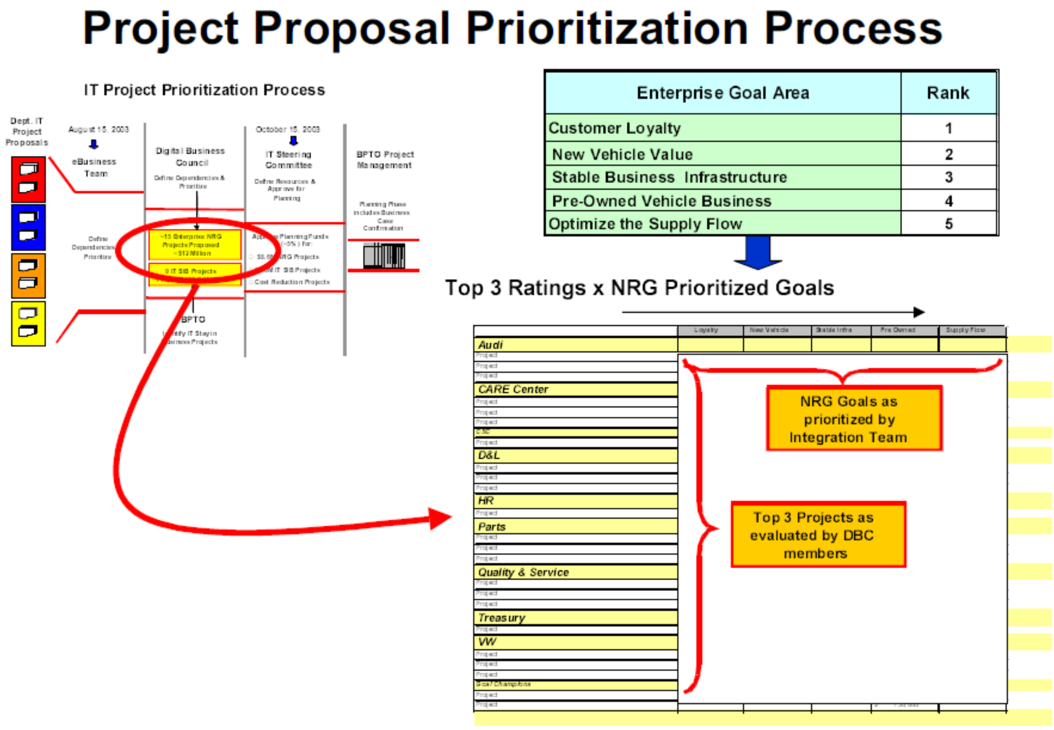
Exhibit 3 Next Round of Growth Enterprise Goal Areas



Source: Company documents.

APPENDIX: Project Proposal Prioritization Process

Exhibit 8 Transforming Project Lists into Goal Portfolios



Enterprise Goal Area	Rank
Customer Loyalty	1
New Vehicle Value	2
Stable Business Infrastructure	3
Pre-Owned Vehicle Business	4
Optimize the Supply Flow	5