Case 3:
Volkswagen of America: Managing IT Priorities

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Challenges/Opportunities

HISTORY TIMELINE
- 1930: 1st Volkswagen automobiles for designed by Ferdinand Porsche in Germany
- 1940: Creation of the Beetle
- 1950-1960: The Beetle sales were at its peak (1969)
- 1970: Began the VWoA "Himalayas Chart"
- 1999: GedasUSA (VW's consolidator of IT operations) and "eBusiness teams" were created
- 2001: Bernd Pischetsrieder's diversification strategy

CHALLENGES
- Creating a portfolio that matched global vehicle demands
- Incorporating the "Next Round of Growth" (NRG) program
- Identifying and categorizing WVoA's core processes
- Implementing a central IT environment within VM
- Choosing the beneficial projects

OPPORTUNITIES
- Increase global sales
- Increase digital footprint in the competitive automotive market
- Innovation and improving current IT infrastructure
- Creating IT governance with all VMoA branches

Main Stakeholders

Internal:

- CIO Dr. Uwe Matulovic
- CEO Gerd Klauss
- Employees
- ELT(Executive Leadership Team)
- IT Steering Committee

External:

- Customers
- Suppliers
- Shareholders
- Distribution Dealers
- Perot Systems (an IT Service Provider)
- gedasUSA

Theory & Concepts

VALUE	STRATEGY	CAPABILITIES
• Optimize supply flow • Increase revenues • Prioritize projects effectively • Secure IT Infrastructure	• Next Round Of Growth • Business Process, Technology & Organization • Strategy & Performance • Governance and Investment • Governance and Investment • Enterprise Goal Ranking for Project Prioritization	• Outsourcing contracts • Strong decision making process • Finance project that are top-ranked

Symptoms & Problems(Shivani)

1) Projects of global importance were not funded

1) How to encourage employees to think about the greater good of the company instead of their own business units

1) Management exaggerates ROI

1) Difficult to validate projects strategic relevance

Alternatives & Evaluation Criteria

Alternatives	Pros	Cons
No Action(Do Nothing)	No changes to current process	Continue to experience the existing problem within VM
Changing project selection criteria: Prioritize by ROI	Increase revenue and GM contribution which can be reinvested into other projects	There may be other projects that are more important from a business process perspective
Implement the NRG program	Increase in transparency, standardize decision criteria, align projects with corporate goals	Reducing budget for business unit projects, lowest ranked project receive no funding, global impact of project hard to predict
Implement brand new strategy (Strategy VX)	Brand new strategy that's altered based on IT need as well as other operating area	Increasing budget, time consuming

Solution/Implementation Plan

- Implementation of the "Next Round of Growth" (NRG) Program
  - Creating a blueprint of projects that promote strategy, business architecture and performance change
  - Consist of three phases:
    - Phase I: Calling for Projects, Communicating Process, and Identifying Dependencies
      - Collaborates PMO proposals with different departments in VWoA (corporate strategy team, gedas team, and DBC)
      - Business and technology initiatives are mapped based on effects on business functions and advancement of major corporate goals.
    - Phase II: Formal Project Requests from Business Units
      - Provides each business unit a formal way to highlight their proposals in a detail fashion
      - Categorizes projects based on type of investment and type of technological application involved.
    - Phase III: Transforming Business Unit Requests into Enterprise Goal Portfolios
      - Uses the identified projects in both Phase I and II in order to create a schedule for projects to be done.
      - Allocates and divides the funding expenses

Evaluation/Review

- Company Budgeting and Financial decisions has a huge impact on its employees with the lack of company wide acceptance from employees perspective.
- Creating a portfolio that matched global vehicle demands was one of the major challenge for the company.
- Company had many opportunities like increasing global sale and creating IT governance.
- Company implemented different programs like "Next Round of Growth"(NRG) Program to boost the performance of the organization.
- NRG was implemented in three phases:
  Phase 1 - Calling for Projects, Communicating Process and Identifying Dependencies.
  Phase 2 - Formal Project Requests from Business units.
  Phase 3 - Transforming Business Unit Requests into Enterprise Goal portfolios.
- Overall effective project that is acting on the basis of decrease in sales, and is evaluating their weaknesses to strengthen the future of VWOA.

Status Update

Sales revenue have been increased by 5.4% to EUR 20 billion.

Over the last five years the production volumes sales have been hovering around 340k to 360k marks.

Implemented cloud first approach and shifted towards OpenStack to manage IT complexity.

Tiguan crossover & Jetta sedan are some of its bestsellers in the U.S today.

Legend:
- Net Profit
- Sales (rhs)