



VOLKSWAGEN

An Enterprise Priority Process & IT Analysis



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Introduction

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Conclusion

Volkswagen holds a valuable position in the automobile industry



Previously,

Volkswagen, known for innovation, is proactively diversifying its products to align with emerging trends like mid-sized SUVs and special-purpose vehicles. The NRG Program aims to drive unprecedented growth for VWoA. One key focus is establishing prioritized high-level business goals.



However,

To tackle rising IT costs and inefficiencies, VWoA set up the BPTO department with Matulovic leading alongside a PMO. Their efforts successfully realigned projects within budget and timelines. This led to a structured project prioritization process involving ELT, PMO, IT Steering Committee, and DBC. However, limited funding later raised doubts about its effectiveness.



Begging the question,

To what extent is the new project selection process deemed effective and indispensable? What strategic rationale underlies the allocation of \$16 million in IT-controlled expenditure at Volkswagen?



Our recommendation will improve the prioritization process and rationalize the \$16M IT-controlled spend

Include Multi-Phased Projects As An Additional Factor to Consider During Prioritization

- Divide large, high budget projects are divided into multiple phases
- Prioritize completion and overall success of fragmented projects during the prioritization process

GOAL: Prevent issues like the SAP project left partially funded from happening again in the future

Allocate IT Budget into Distinct Categories to Emphasize for Investment Purposes

- Improve underfunded IT department to ensure uninterrupted business operations
- Direct investments towards scalable technology solutions to meet growing business demands

GOAL: Ensure that Volkswagen's large IT investment provides solutions for long-term business growth



The prioritization process enables transparency in decision-making, and fosters a unified focus on achieving shared corporate goals

ENSURES TRANSPARENCY

Enables stakeholders to understand why certain projects were funded while others were not.

This transparency builds trust and helps prevent misunderstandings or perceptions of favoritism.

DRIVES BUSINESS ALIGNMENT

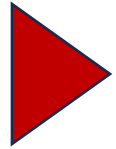
Prioritizing projects based on enterprise goals ensures that funding is directed towards initiatives that align with the company's overarching strategic objectives.

ENCOURAGES OWNERSHIP

The shared responsibility of all stakeholders to take ownership of the outcomes ensures that decisions are made collectively, reducing the likelihood of individual units feeling marginalized or overlooked.

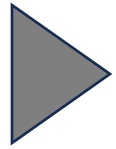


Aligning IT investments with business goal prioritization positions IT as a facilitator that directly contributes to overall success, rather than an obstacle.



Agility:

The selection process allows IT to adapt quickly to changing business priorities. If new strategic objectives emerge, IT can adjust project portfolios to ensure alignment with evolving goals.



Customer-Centricity:

As the top-ranking enterprise goal is customer loyalty, the evolving project selection process will focus on enhancing the customer experience. IT will prioritize projects that improve customer-facing systems and services to meet changing expectations.



Mitigation of IT Obstacles:

Addressing historical perceptions that IT is an obstacle to business objectives allows IT to rebuild trust and credibility within the organization. It positions IT as a valuable partner in achieving strategic goals

A significant portion of the IT spend should be allocated towards three focus areas



Sourcing – Vendor Management

- 1 Leads to **cost savings** through negotiation, volume discounts, and efficient procurement procedures.
- 2 Produces vendor reports for **quality assurance**
- 3 Provides **scalability** for vendor relationships and management processes



Operating Mode - IT-Business Relationship

- 1 Improves **communication and collaboration** between IT professionals and employees in other departments
- 2 Ensures **alignment with business objectives** to drive overall business success
- 3 Allows for **quick IT response times** to other business units



People - Talent Management

- 1 Improves VW's ability to **retain talent** by giving employees opportunities for growth and constant learning
- 2 Establish VW as a top employer, enhancing their ability to **attract top talent**
- 3 Strengthen VW's employees to **develop skills** by investing in workshops and training programs



Modified Prioritization Process

Review Projects List from Business Units



Identify Projects With Dependencies And Incomplete Projects



Ensure That Unfinished Phases of Projects Get More Priority Than Other Projects



Re-adjust The Priorities Associated

Utilize IT Spend with a Cyclical Plan

Assess and Identify Requirements



Determine Alignment to Enterprise Vision



Invest in Necessary Tools



Determine Success via Metrics

Allocating the IT spend towards three categories will yield the best results



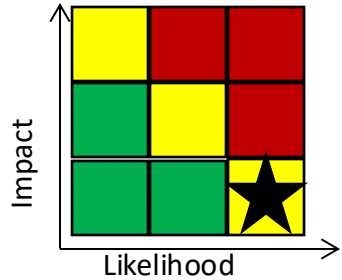
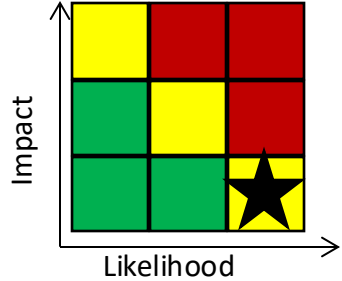
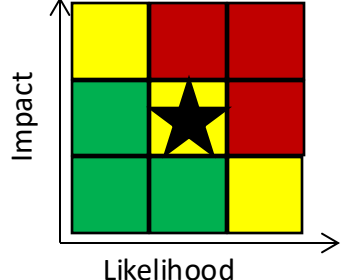
Category	Spending
Sourcing – Vendor Management	\$3.5 Million
Operating Mode – IT-Business Relationship Management & Service Delivery	\$7.0 Million
People – Talent Management	\$3.5 Million

Leaves Two Million Allocated Towards Maturity Challenges, Organizational Change Management, and Post-Portfolio-Selection Implementation Activities

Category	Cost Breakdown					
Sourcing	Vendor Management Software	\$1.5M	Training & Education for Supplier Relationship Management	\$1.5M	Supplier Performance Incentives	\$1M
Operating Mode	Regulatory Compliance	\$2M	Data Security & Recovery	\$2M	Business Continuity	\$3M
People	Recruitment and Acquisition Tools	\$1M	Development and Training Programs	\$1.5M	Employee Benefits and Wellness	\$1M



Investments this large always come with risk

Risk	Severity	Mitigation
Misconception of the process <ul style="list-style-type: none">Business units do not fully grasp the benefits of the innovative process		<ul style="list-style-type: none">Provide education behind the process to ensure all stakeholders understand the purpose, methodology and expected outcomes
Resistance from business units <ul style="list-style-type: none">Highly likely as BU's historically resist changeResistance due to possible learning curve		<ul style="list-style-type: none">Transparent and effective communicationDemonstrate the value behind funding projects that align with high-ranked enterprise goals
Exceed IT budget <ul style="list-style-type: none">Involves one or more projects' costs exceeding the budgetTypically happens when there is low governance or adherence to policy		<ul style="list-style-type: none">Have clear restrictions regarding budgets devoted to each projectImplement a no-tolerance policy for exceeding budget



In conclusion, VW will enhance its future with this new prioritization process and proper IT spend



Innovative Prioritization Process:

Separating large expensive projects into multiple phases while prioritizing the fragmented projects will prevent partially funded events and ensure VW's future transparency and success.



IT-Spend:

Allocating sufficient IT spend towards sourcing, operating mode, and people will drive VW into the future of business transformation.

Following all steps of our recommendation will lead to Volkswagen's commercial success as an automotive leader and opportunities for growth for many years to come. Together, we can position Volkswagen for long-term success and expand its opportunities in the market.



Appendix

- Existing Priority Process
- Existing Approval Process
- Budget Allocation Additional Areas
- Benefits Delivery Network
- VW SWOT Analysis
- Additional Risks
- Prioritization Process
- Budget Allocation



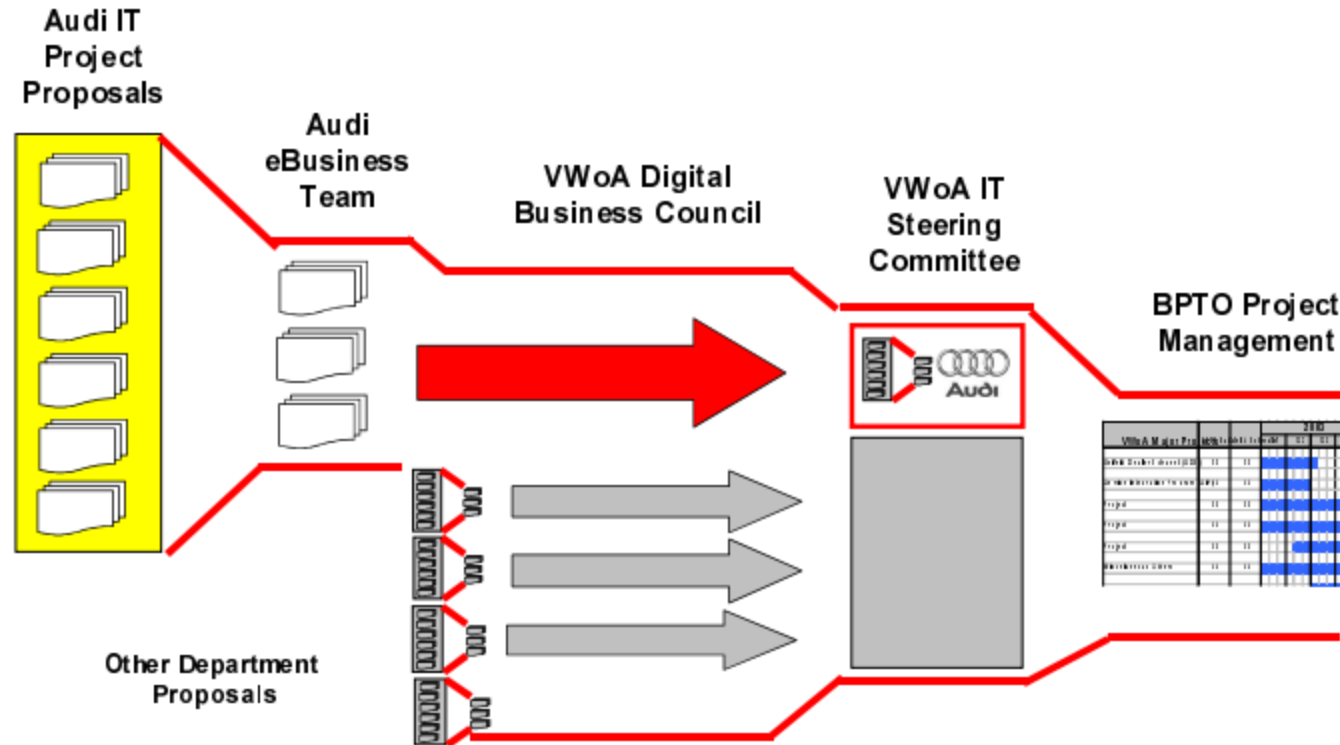
Enterprise Goal Ranking for Project Prioritization

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

Source: Company documents.



VWoA IT Project Approval Process



Source: Company documents.



Minor Areas of IT Budget Allocation



Architecture – Maturity and Readiness Challenge

- 1 Produces an overall **superior implementation** with better planning, infrastructure, and value chain
- 2 Enhance VW's **ability to assess** their processes, products, and organization in addition to understanding their maturity level



Governance- Post-Portfolio-Selection Implementation Activities

- 1 Develop VW's ability to collaborate and produce a **primary vision** for implementation
- 2 Leads to a **clear process** of planning and executing the necessary steps for digital transformation

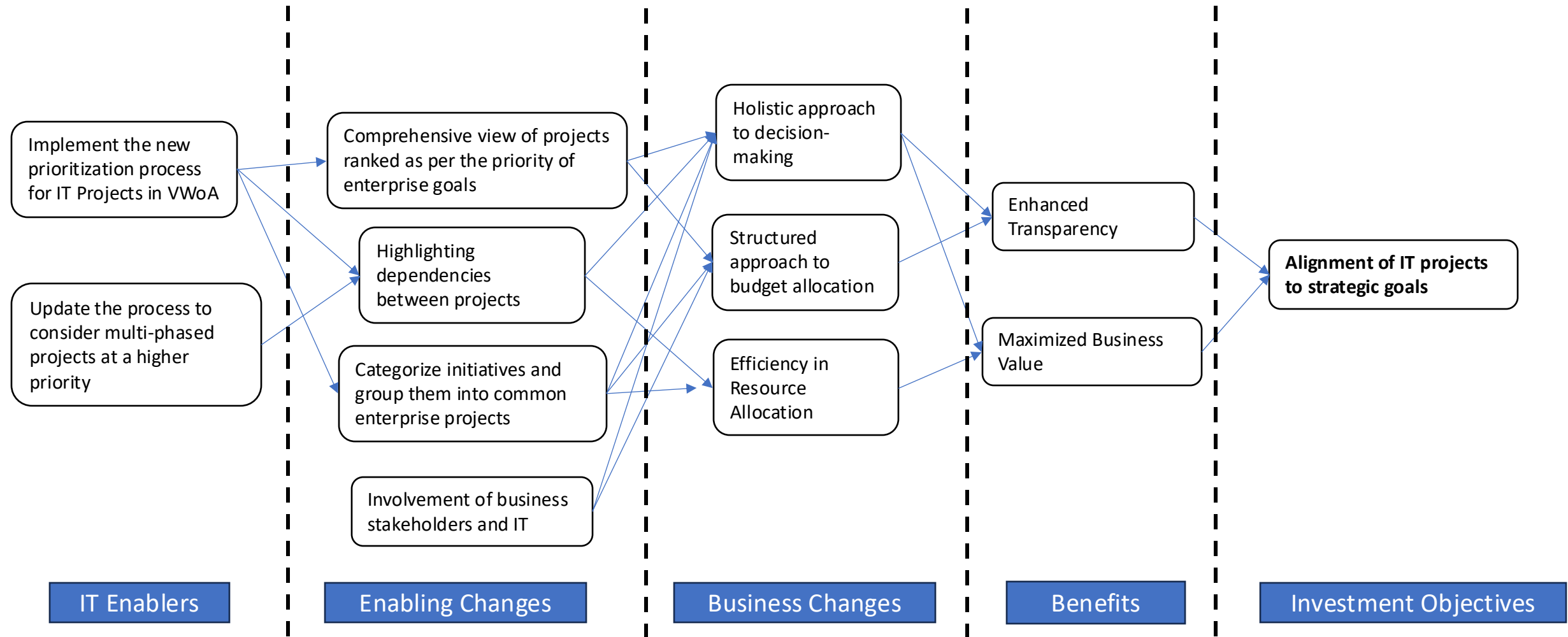


Culture- Organizational Change Management

- 1 Improves VW's ability to **manage the effect** of new technology and changes in organizational structure
- 2 Establish VW as an innovative employer by **transforming** their organization



Benefits Delivery Network Diagram for the Prioritization Process (with modifications)





STRENGTHS

- Diversify and strengthen supplier relations
- Reduce dependency on limited suppliers
- Increase efficiency by using automation

WEAKNESSES

- High initial cost of investment
- Some ongoing maintenance costs are required
- Uncertainty of ROI

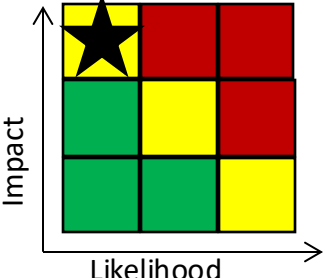
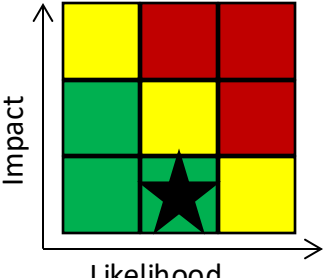
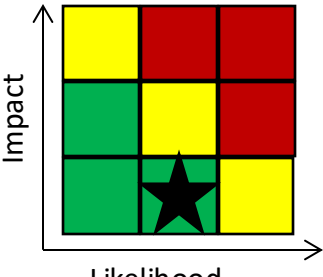
THREATS

- Higher dependency on IT data management can lead to security attacks
- High training needs are required for a department to be fully qualified

OPPORTUNITIES

- Allows for much easier scalability with a stronger IT base
- Allows for better global reach
- Increases ability for solid and informed decision making



Risk	Severity	Mitigation
Technology doesn't scale effectively	 <p>A 3x3 risk matrix with Impact on the y-axis and Likelihood on the x-axis. The top-left cell (High Impact, Low Likelihood) is yellow and contains a black star. The top-middle and top-right cells are red. The middle-left and middle-middle cells are green. The middle-right and bottom-middle cells are yellow. The bottom-left and bottom-right cells are green.</p>	<ul style="list-style-type: none"> • Keep scalability in mind when determining equipment early • Roll out technological upgrades in waves to avoid massive overhauls
Integration Challenges	 <p>A 3x3 risk matrix with Impact on the y-axis and Likelihood on the x-axis. The top-left cell is yellow. The top-middle and top-right cells are red. The middle-left and middle-middle cells are green. The middle-right and bottom-middle cells are yellow. The bottom-left and bottom-right cells are green. A black star is in the bottom-middle cell (Low Impact, Medium Likelihood).</p>	<ul style="list-style-type: none"> • Approach integration from a top-down approach realizing the specific interactions from BU to BU • Develop an integration model early on
Scope Creep	 <p>A 3x3 risk matrix with Impact on the y-axis and Likelihood on the x-axis. The top-left cell is yellow. The top-middle and top-right cells are red. The middle-left and middle-middle cells are green. The middle-right and bottom-middle cells are yellow. The bottom-left and bottom-right cells are green. A black star is in the bottom-middle cell (Low Impact, Medium Likelihood).</p>	<ul style="list-style-type: none"> • Have a clear timeline regarding certain activity scope and duration • Determine the feasibility of certain tasks and projects during the planning phase

The Prioritization Process enables transparency in decision-making, and fosters a unified focus on achieving shared corporate goals



Alignment with Corporate Strategy:

The current project selection process aligned the business unit's projects with the enterprise's level strategic goals and objectives. The selection process ensures that the selected projects help achieve the enterprise's business goal in the best way, and investments directly contribute to achieving these goals.

Greater Transparency:

Explain that the process promotes transparency in decision-making. It involves various stakeholders, including ELT members, business units, and the Digital Business Council (DBC), in the project selection process. This transparency fosters trust and collaboration.

Ensure Ownership:

The process encourages all stakeholders, such as the Executive Leadership Team and business units, to take ownership of the outcomes. This shared responsibility ensures that decisions are made collectively, reducing the likelihood of individual units feeling marginalized or overlooked.



Sourcing

- **License and Subscription Renewals**

Allocate budget for renewals of operating system licenses, productivity software, and cloud service subscriptions.

Outcome:

Ensuring that daily operations are not disrupted due to IT failures is critical.

- Allocate resources for vendor management personnel and tools.
- Outcome: Ensure cost control and service quality

Operating Mode

- **Business Continuity:**

Allocate budget to routine maintenance tasks, such as server updates, software patching, hardware diagnostics, and equipment cleaning.

Outcome: Ensuring that daily operations are not disrupted due to IT failures is critical. can prevent costly downtime and emergency repairs.

- **Data Security:**

Allocating the budget into Investing in firewalls, intrusion detection systems, antivirus software, employee training, and regular security audits

Outcome: safeguarding sensitive data from breaches and cyberattacks to protect the organization and its customers.

- **Regulatory Compliance:**

Allocate funds for compliance assessments, data protection tools, and legal consultations.

Outcome: Investing in "run" activities ensures compliance with these regulations, avoiding legal consequences.

- **Data Backup and Recovery**

Allocate budget for backup software, storage infrastructure, cloud storage subscriptions, and disaster recovery planning.

Outcome: protecting against data loss due to system failures, cyberattacks, or human errors

People

Training and Skills Development:

Allocate resources for training programs, certifications, and workshops.

Outcome:

Continuous training and skills development for IT staff ensure they stay updated with the latest technologies and best practices.