Optimizing VWoA's IT Project Portfolio with Strategic Modifications

Agenda

Introduction

Recommendation

Implementation

Risks and mitigation

Conclusion

Current IT Prioritization Challenge at VWoA: Balancing Local and Global Needs

VWoA is using a Portfolio Management Process (PPM) to align IT projects with corporate goals, within a constrained $60 million budget, as part of its Next Round of Growth (NRG) initiative. The PPM is intended to prioritize IT projects that support key goals like building brand loyalty, enhancing vehicle value, and stabilizing infrastructure

Business units are dissatisfied because several high-priority projects have gone unfunded, and they feel the PPM is too theoretical and doesn't address their operational needs. Global projects, like the SAP implementation critical to VWoA's broader supply chain strategy, are underfunded due to misalignment with local priorities, creating tension between local and global objectives
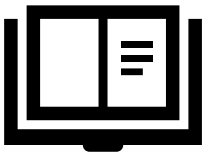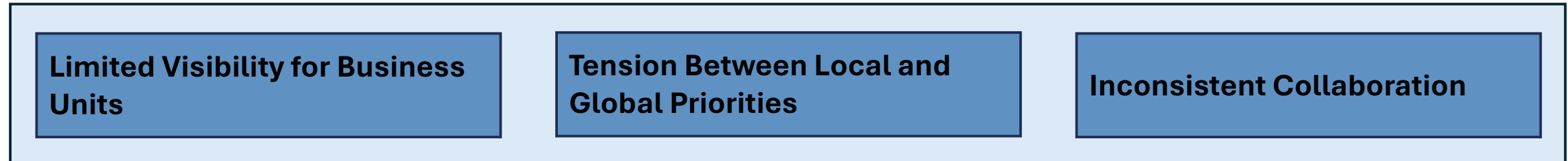
How can VWoA better balance local business unit priorities with global strategic objectives, while ensuring transparency and effective use of the limited IT budget?
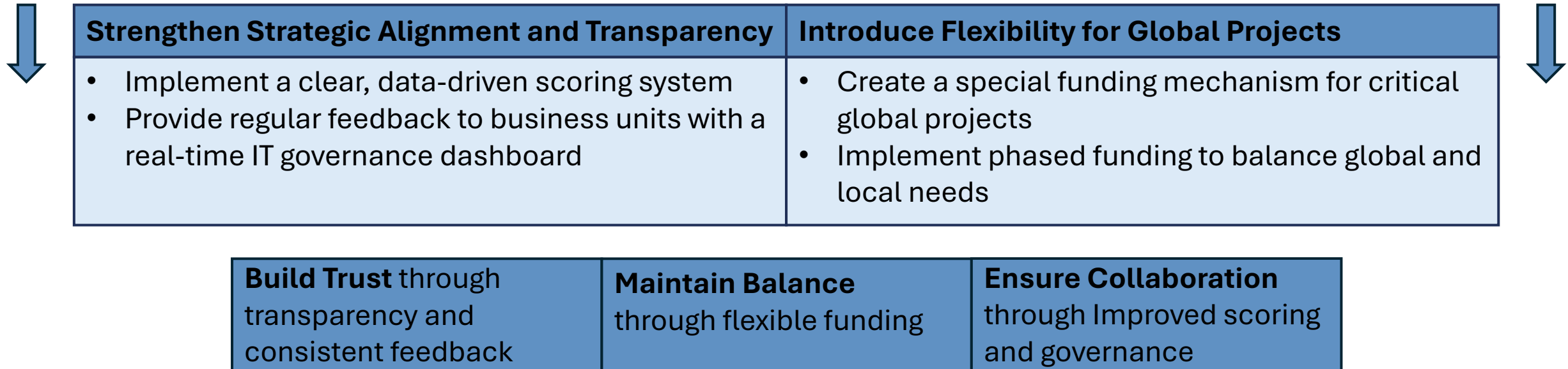
Keep and Optimize VWoA's PPM Process with Targeted Modifications

Current State

Limited Visibility for Business Units	Tension Between Local and Global Priorities	Inconsistent Collaboration

Future State

Strengthen Strategic Alignment and Transparency	Introduce Flexibility for Global Projects
• Implement a clear, data-driven scoring system • Provide regular feedback to business units with a real-time IT governance dashboard	• Create a special funding mechanism for critical global projects • Implement phased funding to balance global and local needs

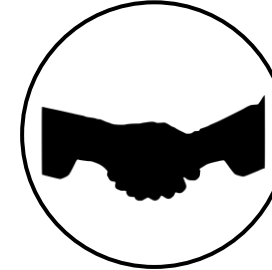| **Build Trust** through transparency and consistent feedback	**Maintain Balance** through flexible funding	**Ensure Collaboration** through Improved scoring and governance

Strengthen Strategic Alignment and Transparency in Project Prioritization

Strategic Scoring Framework	• Evaluate projects based on Business Impact, ROI, Strategic alignment, and Dependencies • Weighted scoring to ensure projects align with the most critical corporate priorities
Feedback Meetings	• Provide structured feedback on project evaluations to all business units • Share scorecards and insights for future project improvement
Governance Dashboards	• Create a dashboard where business units can monitor the status of their projects • Transparency into project score, prioritization, and real-time updates

Increase Trust

Maintain Balance

Enhance Collaboration

The scoring framework and transparency will ensure that the $16M is spent on projects with the highest alignment to business goals

Establish a Flexible Funding Mechanism for Critical Global and Cross-Unit Projects

Create a Special Global Project Fund

- Allocate 25% of the $16M set aside for IT budget specifically for global projects like SAP that contribute to Volkswagen's long-term goals
- Ensure these global initiatives are evaluated based on their long-term strategic value, not just local business unit impact

Phased Funding for Large Projects

- Implement phased funding for large global projects, breaking them into manageable stages
- Each phase receives funding as milestones are achieved, allowing for better resource management without overburdening the budget

Impact of Flexible Global Funding

Balanced support for both local and global priorities without sacrificing critical long-term initiatives
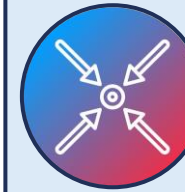
Greater alignment with Volkswagen's global strategy, supporting broader corporate goals

Reduced risk of delays and disruptions to global initiatives, ensuring timely execution of key projects

Effectively Implementing a Strategic Scoring Framework and Global Project Fund into VWoA

Steps	Months											
	1	2	3	4	5	6	7	8	9	10	11	12
Implement a clear scoring system	■	■	■									
Develop a governance dashboard				■	■	■	■					
Initiate regular project meetings								■	■	■	■	■
Create a global project fund	■	■	■									
Implement funding for large projects				■	■	■	■	■	■	■	■	■

Risk Management Strategies for a Successful PPM Implementation

Risk	Degree	Mitigation Strategy
Pushback from Business Units Over Reduced Flexibility		• Provide detailed, project-specific feedback to business units explaining the prioritization decisions and how their input was considered • Hold quarterly meetings with business units to discuss ongoing priorities
Budget Overruns on Global Projects		• Implement milestone-based funding to release resources incrementally, ensuring that spending is tied to tangible progress • Regularly review global projects to monitor financial health and address overruns early
Fragmentation of the IT Budget		• Allocate distinct budgets for global and local projects to prevent competition for resources • Develop a balanced scoring system that weighs both global and local priorities in the evaluation process

Introduction	Recommendations	Timeline	Risks and Mitigation	Conclusion

Empowering VWoA's Future with a Refined PPM Framework

Strengthened Strategic Alignment and Transparency

- Implementing a data-driven scoring system and governance dashboard will ensure IT projects align with VWoA's goals, enhancing transparency and decision-making
- Regular feedback will engage business units and build understanding of project evaluations

Flexible Funding Mechanism for Global Projects

- Creating a dedicated global project fund with phased funding ensures critical projects like SAP receive sustained support
- This approach balances local needs with long-term global objectives, enabling effective resource management

Improved transparency and strategic alignment will strengthen collaboration and trust between IT and business units, driving a unified approach to VWoA's goals

The flexible funding strategy will enable VWoA to allocate resources efficiently, ensuring a balanced focus on immediate needs and long-term growth initiatives

Appendices

Better Tomorrow Strategy

IT Spend Breakdown

Scoring Framework Example

Governance Dashboard Example

Extended Risk and Mitigations

VWoA should be looking for a "Better Tomorrow"

"Grand Plan" Approach

VWoA

"Better Tomorrow" Approach

Detailed Breakdown of the $16M IT-Controlled Spend

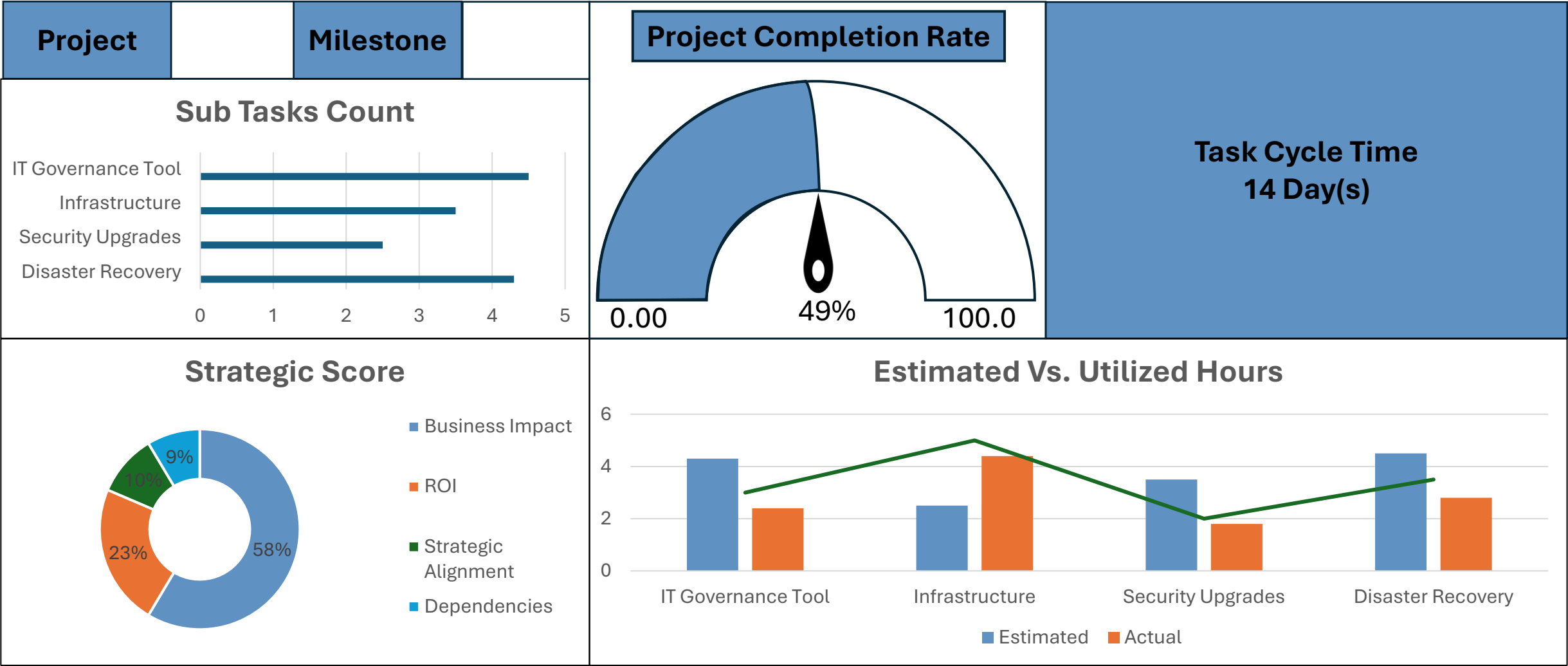| Category	Project	Allocated Budget ($M)	Purpose
Disaster Recovery	Backup and Recovery Systems	4.0	Ensure business continuity in case of critical failures
Security Upgrades	Cybersecurity Enhancements	3.5	Protect sensitive data and maintain compliance with regulations
SAP Project	Global Supply Chain Integration	5.0	Support SAP rollout for supply chain management improvements
Infrastructure	Server and Network Upgrades	2.5	Maintain and upgrade critical IT infrastructure
IT Governance Tools	Real-Time Dashboard Implementation	1.0	Deploy governance tools to enhance transparency and project tracking
Total		16.0	

Example Strategic Scoring Framework

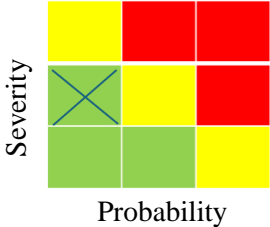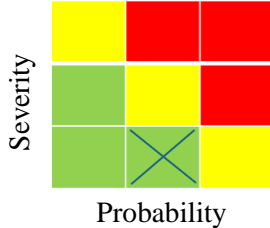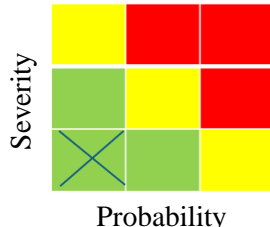| Criteria	Weight (%)	Description	Sample Score (Out of 10)
Business Impact	40%	Contribution to key business goals like brand loyalty	8
ROI	30%	Expected financial returns or cost savings	7
Strategic Alignment	20%	Alignment with VWoA's long-term strategy	9
Dependencies	10%	Impact on other projects or systems	6
Total Score	100%		7.8

The scoring framework evaluates projects based on their impact, financial return, alignment with strategic goals, and dependencies on other initiatives. A weighted system ensures that high-priority projects with significant business impact and alignment with strategy are prioritized for funding

Risks and Mitigations: Extended Preparation

Risk	Degree	Mitigation Strategy
Misalignment Between Local and Global Priorities		• Unified Strategic Objectives: Align local business unit goals with global corporate objectives through collaborative planning sessions • Scoring Transparency: Make the criteria for prioritization transparent so that all stakeholders understand the value
Resistance to Change in PPM Adoption		• Change Management Training: Provide change management support and training to business units • Pilot Programs: Run pilot programs with a select group of business units to demonstrate the benefits
Delays in Implementation of Global Initiatives		• Phased Implementation: Break down large projects into smaller phases with clear milestones • Cross-Unit Collaboration: Foster cross-functional collaboration among business units to prevent bottlenecks and accelerate project timelines