

Volkswagen of america: managing it

[Business](#), [Company](#)



Case 7 – Volkswagen of America: Managing IT 1. What is your assessment of the new process for managing priorities at Volkswagen of America? Are the criticisms justified? Is it an improvement over the old process? The new system of prioritizing IT projects to determine funding is a very efficient way of ensuring those projects that are critical to business strategy meet their financial requirements. However, the method of dropping entire goal portfolios simply because they ranked lowest in the list could be deemed a flaw in the system, and one that could be detrimental to business unit integration slowly over time.

This understandably frustrates those whose proposals are receiving no funding, and if this prioritization system has any hope of future success, the business units being consistently funded will need to work better at recognizing other priorities, or the system will need to be restructured to allow for smaller projects to be phased in at the very least to maintain integration. 2. Who controls the budgets from which IT projects are funded at Volkswagen of America? The parent company of VWoA - VWAG - caps the IT budget at \$60 million.

However, the control of this budget includes the involvement of several cross-functional teams (AKA - “several organizational entities”, p. 5) that review project proposals before final approval - for instance, during Phase I the DBC (Digital Business Council) reduced the initial \$210 million project proposals to \$170 million (p. 6). Ultimately the PMO (Project Management Office) subsection of the BPTO (Business Process, Technology and Organization), which Matulovic established as a new internal IT department

upon his arrival, approves projects prioritized by the IT steering committee (ITSC).

Who should control these budgets? Should the IT department have its own budget? 3. How should Matulovic respond to his fellow executives who are calling to ask him for special treatment outside the new priority management system? Matulovic should tell the fellow executives the new priority management system was developed and implemented by ELT members and senior management group. The process is now complete and not reversible. It would be unfair for any ELT member to get a special treatment. . What should Matulovic do about the unfunded Supply Flow project? The unfunded project was critically important to the company. Lack funding would delay globalization initiatives. Since the project needed full funding to continue on track and the cost was a significant part of the IT budget, funding should come from alternative sources. Matulovic should argue that the project will have a large impact on the global integration and save costs for the company as whole, rather than just VWoA. 5.

On page 8 we see that \$16 million of the \$60 budget is for SIB projects, under the spending direction of Matulovic; on page 1 we see that some people consider this unfair - is it? Should budget be " set aside" for IT projects? Why? The budget allocated for SIB projects, under the direction of Matulovic, is fair. Many individuals across the organization were involved in project proposals and creating the process for managing the priorities and selection. The head of each business unit was a member of Executive Leadership Team that helped develop and rank the proposals for the projects.

Senior business and IT members in the IT steering committee guided and approved project selection and prioritization process. After the process is implemented and executed, it is too late to voice an objection. 6. In general, what characteristics should a process for deciding about funding of IT projects have? The process of how to fund IT projects has to include the means to categorizing the projects and relating them to company's strategy. There has to be adequate guidance for developing proposals.

Since buy-in and trust by unit leaders is critical, they have to be involved in developing the process. The process has to be fair and transparent. It has to be based on what is best for the company as a whole. Summary The Volkswagen of America: Managing IT Priorities case study describes the efforts of the US subsidiary of Volkswagen AG (VWAG) – Volkswagen of America (VWoA) – to arrive at a new process for setting IT funding priorities and deciding on what projects to fund. Dr. Uwe Matulovic, the new Chief

Information Officer (CIO) of VWoA, has a dilemma in that peers from the Executive Leadership Team (ELT) have been openly hostile and critical of the new prioritization process, particularly in regards to the lack of funding for high priorities for their areas of the company, and have pressurized him “to insert an unfunded project (or two) into the IT department's work plans” (p. 1). Dr. Matulovic's position is particularly challenging as more than 40 projects have been proposed for IT, with funding requirements totaling \$240m, when a budget of only \$60m has been approved by VWAG.

The new prioritization process that was implemented is complex. It includes the involvement of several cross-functional teams or “several organizational entities” (p. 5) that review project proposals during three separate Phases

before final approval. For instance, during Phase I the DBC (Digital Business Council) reduced the initial \$210 million project proposals to \$170 million (p. 6) by way of identifying dependencies among projects. That is, removing those projects from the budget that required other projects to be completed before they could start.

Ultimately the PMO (Project Management Office) subsection of the BPTO (Business Process, Technology and Organization), which Matulovic established as a new internal IT department upon his arrival, approves projects prioritized by the IT Steering Committee (ITSC). In conclusion, it became apparent to Dr. Matulovic that the Supply Flow Project, which is viewed as critical to the company's global supply chain management objectives, was poorly served by the new prioritization process in that it was left only partially funded.

The process overlooked this project primarily because much of its value was felt at the global level, and not at the VWoA importer level. Dr. Matulovic found himself in a quandary and struggled with related decision-making as he understood that the loss of funding for this project would constitute a major setback for globalization initiatives based in Germany. 1. Who controls the budgets from which IT projects are funded at Volkswagen of America? The budgets for IT projects were controlled through a process that involves several organizational entities that establish priorities.

There were four specific teams that were involved in this process: the ELT (Executive Leadership Team), the ITSC (IT Steering Committee), the PMO (Project Management Office), and the DBC (Digital Business Council.) The ELT was responsible for executing the NRG (Next Round of Growth) strategy

in which the IT governance is a part. The ITSC consisted of business and IT managers and was responsible for guiding and approving the process of IT project selection and prioritization. The PMO administered the project proposal and approval process.

The DBC was responsible for the project filtering process which decided which projects were most in line with the companies business strategy. 2. What is your assessment of the new process for managing priorities at Volkswagen of America? Are the criticisms justified? Is it an improvement over the old process? The new IT priority management process was driven by the new IT budget constraint given to VWoA by the parent company VWAG. If the new budgetary constraint was not initiated, it is likely that elements of the former less organized and less centralized method would be maintained.

In the end, this may benefit the individual business units, but be detrimental to the business as a whole. In creating the new process, Matulovic enabled the business unit managers to work together to make the decisions that would effect their departments using the overall company strategy as the driving element. In doing this, he succeeded in involving all of the managers that would be affected by the prioritization system while maintaining the executive leadership team's strategic goals. This new system was a substantial improvement over the former system. . On page 8 we see that \$16 million of the \$60 budget is for SIB projects, under the spending direction of Matulovic; on page 1 we see that some people consider this unfair - is it? Should budget be " set aside" for IT projects? Why? The budget allocated for the SIB (Stay in Business) projects (business continuity and legal) should receive the highest priority. As denoted by the name, if any of

these projects are incomplete or fail, the risk to the business is substantial compared to business unit priorities.

However, the amount budgeted may be a point that could be questioned. Instead of predetermining the amount required, he should have submitted the SIB to the same process as all of the other projects which would have reduced or eliminated the business unit manager's perception that Matulovic was trying to control company strategy. 4. How should Matulovic respond to his fellow executives who are calling to ask him for special treatment outside the new priority management system?

What should Matulovic do about the unfunded Supply Flow project? Matulovic created a well organized system that focused on company goals. His fellow executives were involved in the IT priority decision making and the company expectation is that business unit managers also support company goals. If they think that these goals in relation to their requests does not make sense, then they had the opportunity in this process to voice their concerns to the one of the process teams (the ELT, ITSC, PMO, and/or the DBC), not to Matulovic himself.

Because the Supply Flow project is tied into global strategy, Matulovic should propose that the funding for this project come from VWAG. 5. In general, what characteristics should a process for deciding about funding of IT projects have? General characteristics that an IT funding process should have: - Involve all of those who will be affected by the funding decisions in the process. - Align IT funding priorities with company strategy. - Enable communication between business units depending on the funding and between those units and executive management.