VOLKSWAGEN AMERICA

IT governance and change management as enablers to growth.

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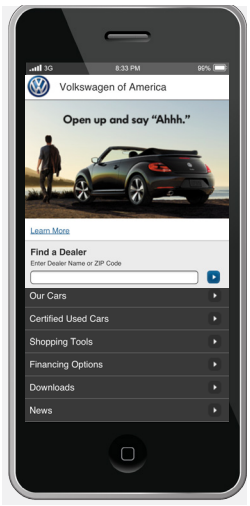
May 2, 2013

INTRODUCTION

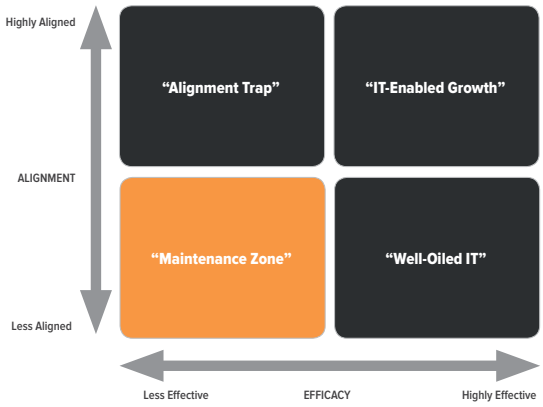
In the early 2000s, Volkswagen sought to transform their business model away from the lower priced small car segment of the automobile market, and to deliver a more robust family of models (Austin, 2007). To accomplish this, the company first realigned its brands into classic, which included Volkswagen, Bentley and Skoda, and sporty which represented Audi, SEAT and Lamborghini (Austin 2007).



Volkswagen of America (VWoA) CEO, Gerd Klauss, anticipated the impact this new home office strategy and increasing family of models would have on VWoA operations, and restructured operations around core processes to better serve the sales, marketing, distribution logistics and after-sales service areas of the business (Austin, 2007).

Consequently, IT funding was reduced in favor of building up the sales and marketing capabilities. This reaction is inline with what Carr (2003) describes as the commoditization of IT where the risk IT creates exceeds the value it can provide when it is allowed to fall out of alignment with business strategy. A subsequent 10-year outsourcing agreement with technology provider Perot Systems lead headcount reductions that whittled the internal IT team down to fewer than 10 employees (Austin, 2007). When the Perot contract expired in 2002, VWoA sought to reverse this decision, having felt the impact of lost control over project delivering along with a loss of knowledge capital as former staff levels were downsized.

The incoming CIO, Dr. Uwe Matulovic, was now faced with the challenges of a disconnected IT delivery framework where no one leader owned technology processes, and delivery quality was in the "maintenance zone" of poor alignment and poor effectiveness (Shpilberg, 2007). His approach was to focus on IT delivery issues not as a failure of technology, but rather a failure to institute unambiguous governance and development processes



(Austin, 2007). As Matulovic rolled out a new PMO and IT delivery framework in 2002, the organization began to see immediate results for phase one in the form of more on time delivery and better resource utilization (Austin, 2007). In this case study we will discuss aspects of the CIO change governance strategy.

THE GOVERNANCE APPROACH

Failure to deliver business alignment from technology is often a symptom of inadequate processes for planning what assets should be developed; implementing that plan against good best practices; evaluating effectiveness of planning and implementation efforts; and, institutionalizing the payoffs (Kholi et. al., 2004). Kholi et. al. (2004) recommend a framework that seeks to drive better alignment through implement governance activities across four phases: alignment, involvement, analysis and communication (AIAC).

To address this challenge of failed alignment, one of the key aspects of Dr. Matulovic's strategy was to understand how the organization could prioritize which projects to work on. With a budget of $60 million, there was a mandate to determine what projects out of 40 requested by the Executive Leadership Team, projects totalling some $210 million in estimated expenses, would eventually be funded (Austin, 2007).

A business architecture was developed to answer the questions why, how, who, what, where and when, and address key resource issues that would impact the final funding decisions (Austin, 2007). The architecture blueprint for VWoA included:

- A hierarchical and prioritized view of all major goals (56) across the enterprise;
- An enterprisewide function model that displayed all major activities in the corporation;
- An enterprisewide information inventory;
- An organization model mapped to the functions;
- A current-state systems inventory mapped to the major functions of the enterprise (Austin, 2007).

A process was implemented that walked

business leaders through a series of phases that align well to the Kholi et. al. AIAC model.

- **Alignment:** Implement a business architecture blueprint;
- **Involvement:** Announce a call for project proposals and workshop preparation sessions;
- **Analysis:** Formal presentation of proposals developed using a standard organizational template;
- **Communication:** Transformation of business unit project requests into enterprise goal portfolios (Austin, 2007).

This phased and deliberate approach was not received well by all business leaders. In fact, some felt it was too theoretical, and Dr. Matulovic was left to field calls from colleagues in the hopes that their project could receive special *off-the-record* consideration during the regular maintenance cycle (Austin, 2007).

However, IT project selection and prioritization processes that align to business revenue are instrumental in driving valuable conversations about the percent of project spend as it relates to revenue generation, and can further help to align IT metrics as a whole to business drivers, strategies and KPIs (Mitra et. al., 2011).

CONCLUSION

Speaking the language of business through well aligned IT metrics and less technical jargon can help to foster relations, and drive better collaboration, understanding and risk-reward decision making for business and technical leaders.

As VWoA progresses on its path to governance maturity, they will want to focus on the difficult decisions of consolidation. This applies to both applications consolidation and retirement, as well as the data center infrastrucutre needed to deliver IT, including virtualization and internal cloud computing.

Cloud applications like Salesforce and Basecamp are consideration over in-house proprietary systems. Cloud applications can deliver best-in-class collaboration with internal and external stakeholders. Licensing costs replace server plus licensing costs required for installed software, and reduce overall custom development efforts that risk keeping an organization in the less effective quadrants of the IT alignment framework outlined by Shpilberg et. al. (2007).

The rise in mobile commerce will be of special importance for VWoA as more shoppers turn to location based services and mobile Internet to research car purchases. A continued commitment to responsive design will ensure that VWoA avoids a scenario where mobile visitors become brand detractors because of a poor m-commerce experience.

Finally, VWoA can look to tool set adoption to accelerate delivery of browser-based applications and functionality. The Jive software suite, for example, enables social collaboration internally as well as with external stakeholders through CMS, regional segregation of content and social sharing features. Continuing with the business architecture efforts already implemented, this can be a way to align IT metrics in real-time to marketing and sales activities, and maintain ongoing collaborative communications between IT and the business. The portability from back office intranet to consumer and B2B facing makes social collaboration tools like Jive an attractive single investment for content deliver and productivity improvement across the organization.

Coupled with a design and development tool set like Adobe Digital Publishing Suite, IT can reduce its time to market by leveraging the design and code generation capabilities of Adobe Muse and Creative Cloud to delivery working web browser and mobile app code to production in less time. Working closely with marketing and other design professionals internally, and through third party agency engagment, the process from concept to design to production can be streamlined, thus fostering more positive relationships through goal attainment, and securing IT's position as a strategic partner to the business.

Decisions such as these are enabled when effective governance works to ensure that IT is moving towards a growth-enabled model through effective alignment, change management and open communication across the organization.

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