



## Information is the future of our business, says Audi's new IT chief



Frank Loydl has been CIO at Audi since February 2018. He says the effects and impacts of digitalisation can be overdone. It makes little sense, he says, for all of a company's processes to be fully agile. Nor is it feasible to achieve such a goal. Ralf Bretting spoke to him about how he is putting his IT philosophy to work at Ingolstadt.

You have been the CIO of Audi for a few months, what have you learned so far?  
During the first months, I deliberately took the time to immerse myself in the organization. I now know many of my new colleagues and have learned a lot about the projects that they work on each day. We actually have effective processes and legacy systems that are stable, and we



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produced nearly 1.9 million vehicles under these circumstances last year. Audi IT has incorporated a wide array of technical expertise but in some areas, there are entrenched routines that we need to examine.

What does transformation mean to you at Audi?

People are always talking about the size and range of the transformation engulfing the auto industry. IT is no different. New platforms are emerging. We are increasingly using the cloud, working with software as a service (SaaS), and gradually transferring more intelligence into the infrastructure. These developments pose challenges to Audi IT, and we are working on smart solutions to them.

Previous to Audi you led Volkswagen Group IT's software development department.

What is the biggest difference between Wolfsburg and Ingolstadt?

I do see a couple of differences in how people work. First of all, sheer size makes a difference. The distances here in Ingolstadt are so much shorter than at VW, many of my important co-workers are just around the corner.

How far is your new desk from the company's standup meetings, barcamps and pair programming?

From a physical standpoint, I would say barely a metre. I set up the first scrum board on the wall right behind my work area, with a multitude of colourful Post-it notes, the kind you see at IT City in Wolfsburg. Many Audi IT teams are already working agilely, using scrum frameworks applications such as SAFe. There are trained guides for individual projects. Now we can take the appropriate flow into the organization step-by-step and promote an exchange of views and information using competence networks.

How does that work exactly?

We make sure that employees are given greater latitude and network with one another. It starts with empowerment and self-organization. This part is important: Agility is a powerful tool, but not a panacea. It doesn't make sense for every company process to be completely agile. It isn't feasible either. So we are adapting our different work models so they fit the particular assignment. The buzzword is "hybrid agile." I see the sensible, flexible combination of different management and work models falling under this concept.

Interesting. Is this message working at Audi?

Absolutely. I sense a transformation in the entire company. All the areas have noted that they



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cannot meet the demands for greater flexibility in networking with static processes and sequential flows of information. There is a need for new models for cooperation that fit the available structures. They enrich. They do not destroy. The goal must be to inherently speed up the systems and improve performance.

Does Audi have the staffing and technical competencies on board that it needs to do this? We always rank in the forefront among Germany's top employers and we are seeing an incredible number of applicants for vacancies. Again and again, we see particular concepts helping to attract applicants to us. And Audi IT can offer an unbelievable range of them – starting with the transformation of the legacy world, to support for the development of autonomous driving, all the way to flying taxis.

What areas in particular will you focus on in 2019?

Our main field of action will be cybersecurity. We are already emphasizing this, but we will strengthen and focus the issue with staffing again. Overall, we are establishing a governance group, consisting of architecture, methods and standards, and delivery management and our planned Agile Centre of Excellence, among other activities, will work with the governance group. This is all part of our vision for IT at Audi which we call Next:IT.

Aren't you worried that you will be creating silos more quickly with this approach than you would like?

On the contrary. We are creating the foundation for the open networking of specialized expertise. By prescribing the architecture, technologies, methods and tools, even external partners and service providers in a project can benefit from the security and the same degree of freedom. I expect this new alignment to take effect at the start of 2019.

Given your vision for Next:IT, how do you answer the charge that Audi IT has often spent too much time on the analysis of problems in the past, instead of working on solutions?

I don't see it that way. Our stated goal is to cooperate closely, flexibly and rapidly with the operating divisions. In the future, if a product manager comes to us with a request, he or she should have a proposed solution on the table within just a few workdays.

Is that realistic?

We are naturally dependent on the number of processes that we are handling. I would say Audi IT's employees substantially have the capacity to do this in any case.



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Audi wants to be a premium digital car company. What is your team's contribution?

One important example is the digitalization of core entrepreneurial processes. Our role is the delivery of technical services. We build platforms that put development, manufacturing and sales in position to get data-driven services, new digital services and new business models off the ground.

Digitalization is one of the three main lines of attack in Audi's Strategy 2025. What assignments are landing on your desk?

First and foremost, as we've discussed, we have to provide the technology. Not just the bare, basic hardware but all the necessary infrastructure components as well. As I see it, this extends all the way to complete development and deployment environments in the cloud. We will make joint decisions in the particular divisions on whether this involves simple, cloud-based apps or tried-and-tested, cloud-capable corporate applications. Audi IT has always worked across all the company's business lines.

IT project teams always have a hard time when divisions describe the requirements unclearly or frequently change them – which does occur. How are you dealing with the increasingly dynamic character of the business?

Our Software Development Center has a good answer to that question. They work with the divisions to make sure that there is a backlog of realistic ideas and desires on the scrum board at the end of the day and that we can develop software to meet the requirements. At Audi, there are many examples where this is already working superbly. Other operations still need time to adapt.

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Audi Chief Digital Officer Roland Villinger announced a digital model line to drive the digitalisation of all Audi models. Do IT representatives have a seat at the table during the meetings?

All the participants have a seat at the table, including IT. Naturally, the focus is often on the product. We have a role whenever the issue is interfaces, technology strategies or securing architectures. Data represents an especially important topic since information is the foundation of our future business models.

How is your cooperation with the digital area going?



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Very well. For one thing, there is a formal exchange of views and information on institutionalized panels, such as the management board's committee on digitalization. For another, the two areas work together on the operating level expeditiously and effectively.

One of your innovation teams has grappled with machine learning. What practical insights have you gained?

Right now, at our press plant in Ingolstadt, our component inspection project is moving ahead toward its goal, series-production applications. In general, the key is to avoid undisciplined research. We work on concrete tasks and deliver results. It is a 100-percent in-house effort. That is important so we can understand the technology stack and continue to develop it on a targeted basis. We want to share what we learn with other activities within the group, such as the Volkswagen Data Lab in Munich. An intense exchange of views and information provides us with the basis to respond even more quickly within the real-life environment.

Does this approach have an impact on the vertical integration of Audi IT? What role will development partners and service providers play in the future?

We are making sure that we maintain our sovereignty over the architectures, technologies and data within the company. At any time, I want to know what program codes we're using, how the software is working, what it is generating, and what data it is processing. The era when we limited ourselves to specifications and outsourced many projects is over. We are giving these issues a new priority.

Which of your missions will have an impact on your CIO agenda in the near term?

Aside from stable IT activities, the focus will clearly be on our transformational project Next:IT and its rapid implementation. Our employees are highly motivated. I am convinced that we will be working with the new model starting in 2019. There's a lot to do, for example, in the organizational connection of IT locations outside of Germany. We want to turn Audi IT into a strong platform for exchanging views and information on all the technologies of the future.

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