

## Porsche

“You sweep the steps from the top down”

---

**I**T SEEMS INCREDIBLE TODAY, BUT LITTLE OVER A DECADE AGO Porsche was in serious danger of collapse. In 1993, it sold just 14,000 cars, down from 53,000 in 1986, and in 1991 lost around \$150 million.

Enter Wendelin Wiedeking. An engineer by trade, he came to Porsche in 1992 as head of its production and materials department. He had traveled to Japan and seen how car companies there ran their production lines; Porsche, in comparison, was back in the Middle Ages. Virtually everything was made by hand in-house, which brought the benefits of fine craftsmanship, but the downside of terrible inefficiency and occasional sloppy workmanship.

Brashly promising to deliver a 30 percent reduction in production costs, Wiedeking brought in a team of Japanese time and motion experts from Toyota to ruthlessly pull apart the existing system. He benchmarked the entire production process. Then, he cut the number of managers by 35 percent and fired 95 percent of the sales and marketing managers, in his version of an old German proverb, “You sweep the steps from the top down”—meaning effective change permeates the entire organization, starting with the bosses. Next, he went to the suppliers and pointed out their inefficiencies too, resulting in lower prices for Porsche. He may not have made many friends, but his methods were so effective and the results so obvious that the Porsche and Piech families, who still run the company, asked him to take over as CEO in 1993, at age thirty-nine. It was a job, as they say, for somebody looking for a challenge.

Wiedeking inherited a creaky, old-school factory and an ancient model range burdened with other people's mistakes. The company's heritage was closely tied to one model, the 911, a car thirty years old. Attempts to broaden the range in the hope of increased sales had failed—Porsche customers had refused to recognize any model but the 911 as a true Porsche. Wiedeking's genius was to recognize that the company did not have to abandon its heritage to move forward. Porsche had, after all, been in the sports car business for half a century, since Ferdinand Porsche built the first model, the 356, in 1948.

He cancelled plans to phase out the 911, instead dumping the models planned to succeed it, including a four-seater sedan. While hanging on to the 911's heritage, he also introduced a new entry-level model, the Boxster, a two-seater drop-top that was instantly recognizable as "Porsche." Lauded by the motoring press for its sharp handling, it was so popular with buyers that it still has a waiting list. If anything, there was a danger that the newer, cheaper Boxster would poach sales from the more expensive 911, but behind the scenes Wiedeking had it all worked out. The Boxster would, in fact, ensure the future success of its stablemate, while also paving the way for a new, more controversial model, the four-wheel-drive Cayenne.

It was all about efficiency. When he first planned the Boxster, Wiedeking knew Porsche could not afford to tool up a new factory of its own. So he took the previously unheard-of step of having the Boxster built by somebody else—in this case, a Finnish auto maker—leaving him more resources at the Porsche factory.

Then Wiedeking lent parts of the Boxster's design to the new 911, simplifying the production process. Again, Wiedeking read the market correctly: a handful of traditionalists complained that "their" 911 shared parts with its cheaper sibling, but to everybody else it looked like family resemblance. It now takes Porsche less than half the time it did in 1992 to assemble its flagship 911 Turbo, yet the car's build quality has improved.

When Porsche engineers are not working on their own product, they hire their skills to other companies including Harley-Davidson, Mercedes-Benz, Airbus, and even a forklift company—part of Wiedeking’s philosophy to keep everyone busy. Today, around a third of Porsche’s 2,300 staff are doing contract work at any one time, bringing in around \$500 million extra revenue. On the factory floor, workers are paid above-union rates to work flexible hours: more when demand increases, less when it slackens off.

By the mid-1990s, Porsche was on the rebound, but as a niche provider of luxury goods it was still vulnerable to downturns in the economy—nobody “needs” a Porsche. Wiedeking decided to develop a third model as insurance. He plumped for the sports utility Cayenne to cash in on the enormous growth in sports utility vehicles and, on a more mundane level, to provide transportation for Porsche fans who also happened to have a child or two (advertisements were later to use the slogan: “cancel the vasectomy”).

After his success outsourcing the Boxster, Wiedeking went one step further in 1997, entering a partnership with Volkswagen to develop the Cayenne simultaneously with the VW Touareg, with the two vehicles looking outwardly different but sharing much of the running gear underneath.

But would it be accepted as a true Porsche? Once again, the traditionalists railed against it. But Wiedeking was adamant that while it was no sports car, the Cayenne was “100 percent Porsche.” It was, after all, powered by a Porsche V8 engine that made it the fastest SUV in the world. It now accounts for half of Porsche’s sales.

Thanks to Wiedeking, Porsche is still the world’s smallest mass manufacturer (every other mainstream sports-car maker including Ferrari and Aston Martin is now owned by a major group). It now sells around 70,000 vehicles a year, with customers queuing up for more. Demand is strongest with a one-year waiting list for the company’s most expensive model, the 911 Turbo, which also happens to be its most profitable. Across the range, each car makes around

ten times more profit than those made by General Motors—the highest of all manufacturers. Overall profits have increased for nine years in a row. And for the traditionalists still bristling at the Cayenne (one model of which now even comes with an engine sourced from VW), Wiedeking has a new model on the forecourt called the Carrera GT, a V10-powered, 600-horsepower monster capable of giving a taxiing jet fighter a run for its money. Porsche no longer a sports car company? Hardly.

## REFERENCES

*Automotive Intelligence News, Autoweek, BBC, BusinessWeek, Cigar Aficionado, Fortune, IndustryWeek, USA Today, Ward's Autoworld*

# Prada

## Luxury with an edge

---

**N**OT EVERY SUCCESSFUL BUSINESSPERSON IS A NATURAL entrepreneur. Miuccia Prada, the quirky, beyond-cool fashion designer with the most futuristic store in the United States, isn't even sure she's in the right business. "I had many problems for many years doing this work," she said in 1998, "because I wanted to do something more serious."

Born into a well-to-do family in Milan, Italy, Prada studied political science, flirted with the Communist Party, and belonged to a theatrical troupe as a mime artist for six years before relatives encouraged her to direct her efforts into the family business, which her paternal grandfather, Mario, had founded in 1913, making such luxuries as walrus-skin bags with ivory fittings for the Italian royal family.