**Case study: Volkswagen’s Ferdinand Piëch**

While many of today’s organizations are shifting towards more democratic, participative types of management, one is not: Volkswagen. In fact, Volkswagen’s chief executive, Ferdinand Piëch, rules his realm with an iron hand. After a long executive career at such prestigious car makers as Audi and Porsche (Piëch’s maternal grandfather was Ferdinand Porsche). Piëch took over as Volkswagen’s CEO in 1993. He immediately centralized power in the organization, firing managers who questioned his ideas or who didn’t follow his lead. He dived into engineering projects himself, promising new projects, tinkering with designs. He presided over meetings with the demeanor of an autocrat, with the occasional result that ‘critical questions are not asked, because people know things can rapidly get uncomfortable’, notes one former executive.

Piëch had- and still has- a reason for ruling supreme over his company. He is not satisfied that VW is Europe’s leading mass-market car manufacturer; he wants to turn it into the most powerful most respected carmaker in the world. He won’t settle for less. ‘We’re trying to redefine the status game’, explains Jens Neumann, a member of Volkswagen’s management board and supporter of Piëch. After creating success at both Porsche and Audi, such as the Quattro all-wheel drive, Piëch is intent on doing even more at VW. “He is the most brilliant and forward-looking CEO in the business today’, claims an analyst for a major VW investor. Indeed, in the first five years at the wheel, Piëch turned around several languishing car models, increased the company’s lead in Europe and created a comeback in the US market. Perhaps his most famous project is his reintroduction of the beloved VW Beetle. Despite warnings by market experts, Piëch pushed the bug ahead-redesigned so it’s a little larger than its predecessor and with all the necessary technological bells and whistles- to a warm welcome from customers.

Perhaps one reason Piëch is so successful in his method of management is his extensive knowledge of and passion for the car themselves. From his days as an automotive engineering student at Zurich’s Swiss Federal Institute of Technology, through his stint at Porsche, where he helped create world –class racing cars, to his development of Audi’s Quattro and now the launch of the VW Beetle, Piëch has been found under the hood, tinkering. He knows his product and his customers, and how to fit them together, better than anyone else in the industry.

Critics charge that Piëch has too tight a hold over his company. “At VW, nothing happens without Piëch’, notes a former colleague. One-person rule can result in massive mistakes. For instance, several years ago, Piëch pushed for the purchased of Rolls-Royce Motors from its parent, Vickers plc. But in a botched deal, he lost the rights to the Rolls-Royce 4

brand name, which actually belongs to Rolls-Royce plc, the aerospace manufacturer. Critics also point out that Piëch’s fanatical grip on VW has more to do with his personal insecurity than a philosophy of management. ‘He wants to prove that he has been underestimated for years’, muses one former VW executive. But with Piëch in the lead, VW now is reporting over US$2 billion a year in earnings, over 100 per cent more than before he took the driver’s seat.

Source: Woodruff & Naughton, 1998 cited in Management 3rd ed. by D. Samson & R. L. Daft (2009), Cengage Learning Australia Pty Limited, pp. 546-547.

**Questions:**

What personality traits do you think Ferdinand Piëch exhibits? Explain. Do they contribute to a good person–job fit? Why? Imagine that you are a manager at Volkswagen, and you are experiencing some cognitive dissonance about being asked to work long hours on one of Piëch’s pet projects – a new car model whose success you have doubts about. How might you resolve your dissonance?