

Porsche AG History

Company Perspectives:

The first sports car bearing the Porsche name rolled out of a small test workshop in Gmund, Austria in June 1948. Back then, none of its founding fathers could have imagined the success story that more than one million descendants of this 'Porsche Number One' have written in the five decades since then. It is from this tradition that we draw the energy to face the challenges of the future. As we understand ourselves (and as countless people throughout the world perceive us), today, Porsche is a mature and vigorous company. Over the past fifty years, it has become the absolute definition of sports-car driving. What is more: despite the zeal for mergers that the large carmakers have displayed recently, we remain thoroughly convinced that the world's smallest independent volume-production automobile manufacturer has the potency and skill to maintain its independence in the future as well. This conviction is not mere hubris; it is based on the certainty that our company is distinguished by a different and very special kind of logic. Porsche is a vital piece of counterevidence that disproves the commonly held theory that a small company can only survive if carried along on the shoulders of a giant. We do not consider size alone, or size at any price, to be a desirable goal; our philosophy is aimed at keeping the company efficient and flexible, both for today and for tomorrow, in all areas (Porsche AG History, n.d).

Key Dates (Porsche AG History, n.d):

1931: Dr. Ferdinand Porsche establishes his design firm; at the subsequent request of Hitler, Porsche designs the Volkswagen 'Beetle.'

1948: Manufacturing begins under Porsche nameplate.

1951: Death of Dr. Ferdinand Porsche; his son 'Ferry,' Jr., continues to run company.

1956: Porsche builds its 10,000th automobile.

1964: Introduction of the Model 911.

1973: Porsche goes public. 1992: Sales slowdown; company cuts costs under new CEO Wendelin Wiedeking.

1996: The lower-priced Boxster is introduced; demand outpaces production.

1998: Ferry Porsche dies; company celebrates 50th anniversary; joint SUV venture is announced.

Company History:

Porsche AG is legendary for its innovative and beautiful automobile designs. The Porsche 911, first manufactured in 1964, quickly became one of the world's most famous and most recognizable automobiles. The company has also been on the cutting edge of automotive engineering and technology, using the sports car racing circuit to develop and improve products renowned for their high performance and outstanding handling. It is not surprising that Porsche has recorded more victories than any other automobile manufacturer in such classics as the 24-hour LeMans and the 24-hour Daytona races. In 1997 the company successfully introduced the Boxster, a newly designed, lower priced sports car. Plans to design and manufacture a suburban utility vehicle in conjunction with Volkswagen were announced in 1998 (Porsche AG History, n.d).

Early Years

The founder of the company, Dr. Ferdinand Porsche, was born in Bohemia and studied mechanical engineering in Vienna. In 1923 he traveled to Stuttgart, Germany, and by 1930 the ambitious young man had established his own engineering and design firm there under the name Dr. Ing. h. c. F. Porsche KG. The new firm garnered a reputation for innovative car designs, and when Adolf Hitler came to power in Germany, he summoned Ferdinand Porsche to meet with him, requesting that he find a solution to some of the technical difficulties that were delaying production of the 'Volkswagen,' or people's car. The famous Volkswagen design had been created in Porsche's office, and as early as 1935 Porsche had designed a special sports version of the car. The Nazi regime initially rejected his application to produce the sporting version, but during the late 1930s Hitler himself approved a contract with Porsche to design a car for the 1939 Auto-Union Grand Prix, a famous motor race from Berlin to Rome (Porsche AG History, n.d).

Porsche's idea for a racing car was based on expanding the capacity of the utilitarian Volkswagen engine by using different valves and cylinder heads and by including a new system known as fuel injection. The car also included a significantly enlarged wheelbase and a unique aerodynamic body design. Although three prototypes of the car were built in early 1939, the beginning of World War II in September of that year led to cancellation of the race and halted further development of the Porsche car. During the war years, the well-known engineer remained in Germany while continuing to work on Hitler's Volkswagen project. On various occasions, he also gave Hitler advice on how to increase the production of military equipment used by the German armed services. At the end of the war, Dr. Porsche was imprisoned in France for a short time because of his association with Adolf Hitler and the Nazi regime (Porsche AG History, n.d).

1948: First Production-Line Porsches

After World War II, the Porsche design firm relocated to Gmund in Kärnten, Austria, and survived primarily by repairing and servicing different kinds of automobiles. By 1946, however, the Porsche design team was working on various sports and racing car designs. Ferdinand Porsche's son, Ferry Porsche, Jr., insisted on conducting market research in order to determine whether people were willing to buy an expensive, handmade, high performance sports car. Ferry approached a circle of well-to-do Swiss financiers who agreed to fund production. Working from the basic design model of a Volkswagen Beetle, the company created a lightweight sports car, and the Porsche design office became an automobile factory. The prototype of the Porsche sports car was on the road by March 1948, and small-scale production was initiated by the end of the year. The Gmund plant manufactured five handmade Porsche cars a month, each with a single aluminum body hand-beaten for hours over a wooden rig by a master craftsman of the art (Porsche AG History, n.d).

Also near the end of 1948, Porsche signed an important agreement with Volkswagenwerk which allowed Porsche to use the larger company's service organization throughout Germany and Austria. In addition, a short time later Porsche moved its growing car production facilities from Gmund to Stuttgart, and occupied the Zuffenhausen factory recently vacated by American occupation forces. This move provided the company with more space and the ability to manufacture more cars. In early 1950 the first Porsche 356 rolled off the Stuttgart production line. By March 1951 the company had manufactured its 500th car, and, a short six months later, the 1,000th Porsche sports car was delivered. Ferdinand Porsche died that year, having seen his vision come to fruition. More than 200 workmen were hammering out handmade Porsche sports cars, and the company's reputation was growing rapidly. Porsche customers included film and radio stars, as well as financiers and shipping magnates. In a tragic accident, the American film idol James Dean was killed while driving a Porsche Spyder (Porsche AG History, n.d).

By 1952 customers and distributors were frequently requesting a trademark or symbol to adorn the hoods of their automobiles. Dr. Ferry Porsche designed an emblem including both the coat of arms of Stuttgart and the coat of arms of Württemberg, along with the Porsche name. The emblem first appeared in 1953 on the steering wheel hub of a Porsche 356 and has remained unchanged to the present time (Porsche AG History, n.d).

1956: 10,000th Porsche Built

The Porsche company celebrated its Silver Anniversary in March 1956 by unveiling the 10,000th Porsche car to leave the production line. In the mid- and late 1950s, nearly 70 percent of all Porsche cars manufactured were exported to eager customers abroad, and between 1954 and 1956 Porsche cars won over 400 international motor races. As the car's popularity continued to increase, different Porsche 356 models were developed, including the 356A and 356B (Porsche AG History, n.d).

In 1960 the company expanded both its physical plant and the number of its employees: a new sales department, service shop, spare parts center, and car delivery department were added, and more than 1,250 factory and office workers helped increase production. Porsche was determined to guard its reputation for reliability and high performance, assigning nearly one of every five workers to quality control. In December 1960 the company produced 39,774 cars, and each of them had earned four

quality control certificates, including a certificate for the engine, transmission, general vehicle examination, and measurements. For the fiscal year 1960, Porsche reported revenues totaling DM 108 million (Porsche AG History, n.d).

Introduction of the Porsche 911

During the early 1960s, the 356 Porsche remained similar in design to the Volkswagen Beetle and continued to incorporate many of its predecessor's parts. Dr. Ferry Porsche and his management team decided that it was time for an entirely new Porsche design, one that did not rely heavily on the Volkswagen Beetle. They considered designing a four-seat sedan, but ultimately decided to remain with a two-seat sports car. A low waistline and expanded glass areas gave the new design a more elegant look, and the air-cooled flat engine remained situated in the rear of the car. With many other additions, the unique Type 911 Porsche was introduced in 1964 at a list price of DM 21,000. One year later, the last Porsche 356 model left the factory after almost 20 years of increasing sales. With a total production of 76,302, the Porsche 356 series had made the company famous throughout the world. New Porsche models such as the 912, 924, and 928 soon followed (Porsche AG History, n.d).

Until the 1970s, Porsche KG was under the joint ownership of the Porsche and Piech families, headed by Dr. Ferry Porsche and his sister, Louise Piech, who also owned Porsche Konstruktionen AG in Salzburg, Austria. Dr. Ferry Porsche was still head of the design office, while his two nephews, Ferdinand and Michael Piech, worked in administration. In 1971 revenues reached DM 900 million, and the family decided that the company was growing so rapidly that it needed a thorough reorganization. As a result, the family incorporated its holdings into a single organization with administration centralized in Stuttgart. Dr. Ferry Porsche and his sister presided over an expanded board of directors, and Dr. Ernst Fuhrmann was hired as president of the company. In 1973 the firm went public and became a joint stock company under the name Porsche AG (Porsche AG History, n.d).

During the mid- and late 1970s, Porsche AG committed itself to large-scale research and development in fields related to automotive design and production. Prompted by requests from the German government and numerous private companies, Porsche technicians began expanding their research in engine development to include metrology and vibrations, metal processing, plastics, and welding and bonding techniques. The company opened a Development Center in Weissach, outside of Stuttgart, at a cost of DM 80 million, to test cars and different types of cross-country vehicles. Nearly 4,000 employees worked directly on research and development projects, and data compiled by Porsche was used to fight air pollution and improve auto safety. Porsche's Development Center garnered such a stellar reputation for its auto engineering design that even Rolls Royce and competitor Mercedes-Benz contracted the company for design work (Porsche AG History, n.d).

The Growing Export Market: 1970s--80s

During the 1970s, Japan developed into one of Porsche's most important foreign markets. Although Porsche sold only 97 cars in Japan in 1970, the repeal of Japanese import restrictions led to a significant

sales increase, with sales of Porsche cars jumping from 122 in 1973 to nearly 500 in 1976. By 1978 Porsche was selling more than 900 cars in Japan, nearly the same number sold in the United Kingdom and Switzerland. These sales figures were even more impressive when the costs of transport and modifications required by Japanese import law were figured into the price of the cars. A Porsche 930 Turbo, for example, which sold for DM 78,800 in Germany in 1980, was priced at DM 148,000 in Japan (Porsche AG History, n.d).

The 1980s were boom years for Porsche AG. Despite a change in management upon Ernst Fuhrmann's retirement, the company increased production and revenues continued to soar: in fiscal 1981, revenues reached DM 1.5 billion. Of all the cars manufactured in Stuttgart, a total of 70 percent were exported, with the United States accounting for nearly 40 percent of the company's total sales. This successful trend continued throughout the decade: in 1986, for example, Porsche sold a total of 49,976 sports cars, including more than 60 percent to U.S. customers. Models such as the 924, 944, and 928 were introduced during the late 1980s and--along with the 911, perhaps the most popular sports car ever built--contributed to Porsche's seemingly endless string of production successes. By the end of the decade, the United States had developed into Porsche's most important market (Porsche AG History, n.d).

During the 1990s, however, the market collapsed. From its peak of 30,471 sports cars sold in the United States in 1986, Porsche's U.S. sales amounted to only 4,400 by 1991. Unfortunately, the slide continued. One year later, worldwide sales for the company dropped to 23,060 units, with only 4,133 cars sold in the United States. Some automotive industry analysts blamed a slowdown in the U.S. economy and its negative impact on car imports, while others pointed to the ever increasing prices for Porsche cars, from \$40,000 to \$100,000, and growing competition from other sports car manufacturers such as Mazda and Jaguar. A steady loss of top management in the early 1990s exacerbated a deteriorating situation (Porsche AG History, n.d).

The Mid-1990s: A New CEO and a Porsche Revival

In order to reduce costs and increase efficiency, in 1992 the Porsche and Piech families hired Wendelin Wiedeking, an engineering and manufacturing expert, as chief executive. Wiedeking immediately eliminated overtime for company employees and convinced a majority of them to reduce their daily working hours. He also brought in a team of Japanese consultants who greatly streamlined manufacturing operations and implemented 'just in time' parts procurement. Addressing weaknesses in the company's product lineup, Wiedeking initiated an updated version of the Porsche 911 and made plans to introduce a new two-seater sports car with a completely original design and shape. In order to make it more attractive to U.S. customers, he promised that Porsche would sell the car at a list price of less than \$40,000. The Boxster, as it was named, entered production in 1996. The new mid-engine car was an instant success, with the entire first year's production run sold out in advance. Porsche, after three years in the red, had broken even in 1995 and turned a profit in 1996. The company also discontinued production of its front-engine models 928, 944, and 968 during this recovery period (Porsche AG History, n.d).

In March 1998, at the age of 88, Ferry Porsche died, just two months before his company celebrated its golden anniversary. During this year Porsche also announced it would be forming a joint venture with Volkswagen to build suburban utility vehicles (SUVs), with an anticipated production date of 2002. Sales of the company's cars in the United States had climbed back to 18,200 for fiscal 1998, with total sales of vehicles worldwide topping 38,000. The company reported profits of DM 324.4 million on sales of DM 4.9 billion for the fiscal year. The popular Boxsters continued to be sold out in advance, and the company announced the introduction of a more powerful 3.2 liter, 252 horsepower version for the fall of 1999 (Porsche AG History, n.d).

As one of the few remaining small, independent automobile manufacturers, Porsche AG hoped to remain competitive in a volatile industry. The Porsche and the Piech families had the financial resources to weather periods of economic difficulty, as well as an unwavering commitment to the survival of Porsche AG as an independent sports car manufacturer (Porsche AG History, n.d).

Porsche is a company that is not afraid to tread its own path.

Porsche is a unique company with strong ideals. Our values and philosophies permeate through everything we do to ensure that we always remain true to our principles. We constantly meet our own high demands and have a definite idea about who we are and how we approach things. As a result, despite what others may be doing, we at Porsche actively seek to stretch boundaries and are committed to continual improvement (The Porsche principle, 2014).

It is thanks to our tireless dedication to quality that more than 70% of all Porsche cars ever built are still on the road today. Our vehicles are not only remarkable – they are also designed to last. This is because they meet our exacting standards in terms of quality and safety. The result: high performance meets outstanding everyday practicality. And breathtaking dynamics are coupled with exceptional occupant comfort and safety (The Porsche principle, 2014).

Based on the principle of achieving maximum output from minimum input, this race-inspired philosophy is integral to each and every one of our cars. We call it Porsche Intelligent Performance (The Porsche principle, 2014).

Individuality - The Porsche Principle

Intelligence - The Performance Principle

Passion - The Human Principle

Excellence - The Quality Principle

Excitement - The Experience Principle

Vision - The Perspectives Principle

Confidence - The Tradition Principle

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