

# At Volkswagen, a Familiar Figure Returns

Former Chairman Piëch regains influence after being sidelined earlier this year



An employee works inside a Volkswagen Phaeton automobile on the assembly line at the Volkswagen AG factory in Dresden, Germany. *PHOTO: KRISZTIAN BOCSI/BLOOMBERG NEWS*

By **WILLIAM BOSTON**

Updated Oct. 6, 2015

The Wall Street Journal

WOLFSBURG, Germany—One day after Volkswagen AG's board forced Chief Executive Martin Winterkorn to resign over a massive scandal engulfing Germany's largest company, former Chairman Ferdinand Piëch drove triumphantly through the main gates of Volkswagen's massive plant here in his bright red Bentley, chauffeured by his wife, Ursula.

The dramatic return of Mr. Piëch, 78-years-old and one of Volkswagen's largest shareholders, was a turnaround from his sudden resignation as chairman of the supervisory board in April. He was forced to step down when representatives of the Prime Minister of the state of Lower Saxony, which holds 20% of Volkswagen's voting stock, and powerful labor representatives on the board blocked Mr. Piëch's attempt to oust Mr. Winterkorn.

Some company insiders saw Mr. Piëch's stylish entrance through Tor Sandkamp, the main entrance to the sprawling headquarters campus and Volkswagen's mile-long factory, as a clear sign that the company patriarch had returned from his Austrian exile and was exerting new influence over company affairs behind the scenes.

**The History of Volkswagen, 'The People's Car'**

Over the past two weeks, as Volkswagen sank deeper into a morass of criminal investigations, regulatory probes and lawsuits, a shift of power that gives more influence to Mr. Piëch's family has taken place in the upper echelons of one of the world's biggest corporations.

That could create tension with Lower Saxony, where Volkswagen is the state's largest private sector employer, and with the IG Metall trade union, which fears a weakening of the state's position on the board could make it harder to prevent Volkswagen from cutting jobs in the state.

The wheel is set to turn full circle on Wednesday, when a district court in Braunschweig, just down the road from Volkswagen's headquarters, is expected to appoint Hans Dieter Pötsch chairman of the supervisory board to succeed Mr. Piëch at the request of the company.

The court confirmation follows the appointment on Sept. 25 of another confidant of Mr. Piëch, Porsche Chief Matthias Müller, as Volkswagen's CEO. Messrs. Pötsch and Müller are company veterans with close ties to Mr. Piëch and his cousin Wolfgang Porsche, whose family holding company controls a majority of Volkswagen's voting stock.

The high-level changes strengthen the position of the scions of Beetle designer Ferdinand Porsche and fulfills Mr. Piëch's dream of putting Volkswagen, which last year posted €202.5 billion in revenue and €12.7 billion in operating profit, firmly under family control.

"The Porsche-Piëch family will exert more influence over the company in the future," a person close to the Volkswagen supervisory board said.

The Porsche-Piëch clan can still be outvoted. That is why the family often allies itself with labor boss, Bernd Osterloh. Labor representatives hold 10 of the 20 seats on the supervisory board, making Mr. Osterloh a decisive figure.

"No one on the labor side will vote against Osterloh," said the person close to the supervisory board.

Stephan Weil, Prime Minister of Lower Saxony and a member of the supervisory board, could be an ally, but could also become a key antagonist to the family if he feels the state's interests are threatened, analysts said. A Socialist, he made a name for himself by winning a majority in the state for a coalition with the leftist Greens after a decade in the opposition.

As if to emphasize that point, the family holding company, Porsche Automobil Holding SE, increased its stake in Volkswagen on Sept 26, the day Mr. Piëch rode triumphantly through the gates in Wolfsburg to attend a meeting of the holding's supervisory board.

Porsche SE purchased 4.4 million shares of VW's voting stock, of 1.5% of VW's ordinary shares, from Suzuki Motor Corp., which sold the shares after a failed alliance with the German auto maker. The acquisition raised the family's holding to 52.2% of the voting capital, or ordinary shares, and 32.4% of the company's subscribed capital. The family said it considered the acquisition "a strong commitment to its core investment and emphasizes its role as an anchor shareholder in the Wolfsburg-based car maker."

In addition to his role as finance chief of Volkswagen, Mr. Pötsch also serves as the finance chief of Porsche SE. The holding is listed and its shares tend to track those of Volkswagen. A native Austrian, like Mr. Piëch, people who know the family say that he has a close relationship with Mr. Piëch and Mr. Porsche.



Ursula and Ferdinand Piëch, influential former Volkswagen supervisory board members, returned to the company's headquarters amid an emissions-testing scandal that has empowered Mr. Piëch. *PHOTO:GASPAULLSTEIN BILD VIA GETTY IMAGES*

Porsche SE came to control a majority stake in Volkswagen through an attempt by Mr. Porsche and Mr. Piëch to use car maker Porsche AG to take over the much larger Volkswagen group. In the end, the family holding acquired a majority in Volkswagen, which took control of the Porsche sports car maker.

The deal saddled the family with debt leaving them close to insolvency. Mr. Pötsch arranged a € billion (\$5.59 billion) capital increase that wiped out the family's debt and made a cash injection into Porsche SE, which the family is now using as an automotive-related venture capital fund.

As CFO, Mr. Pötsch has been instrumental in recent restructurings and in setting profit targets. As chairman, he can be expected to back Mr. Müller's pledge to shake up Volkswagen's insular culture and improve compliance as a response to the emissions crisis, analysts said.

Though not yet officially appointed as chairman, Mr. Pötsch joined Mr. Müller on Sept. 28 to address a crowded gathering of nearly 1,000 top Volkswagen managers in the auditorium of the company's management training center, the "Auto University."

*'The Porsche-Piëch family will exert more influence over the company in the future.'*  
—A Volkswagen insider

According to a person present at that meeting, Mr. Pötsch said the emissions cheating scandal had plunged the company into a "crisis that threatens the existence of the company," adding that he was confident Volkswagen would survive the worst crisis in its 78 year history.

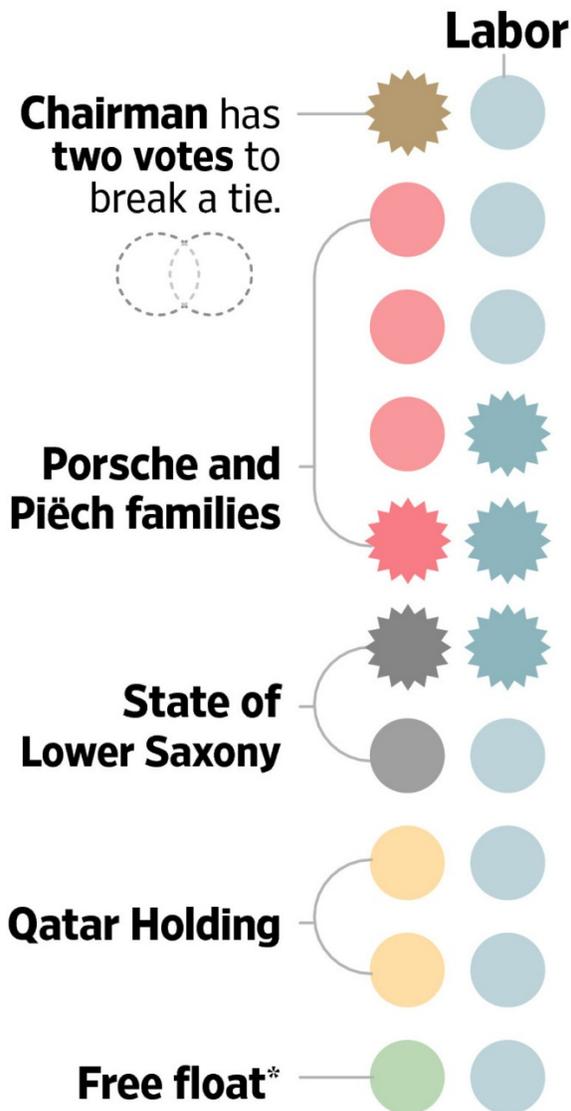
"This is also about our culture," said Mr. Müller at the gathering. "For me, the new corporate structure is the first step and a basis for modernizing Volkswagen."

# Balanced Board

Volkswagen's supervisory board consists of 20 members, half representing the shareholders and half the workforce.

## Executive committee (☀)

The most powerful board members form a consensus on major issues before taking them to the full board for a vote.



\*German/international institutional/private investors

Source: the company

THE WALL STREET JOURNAL.