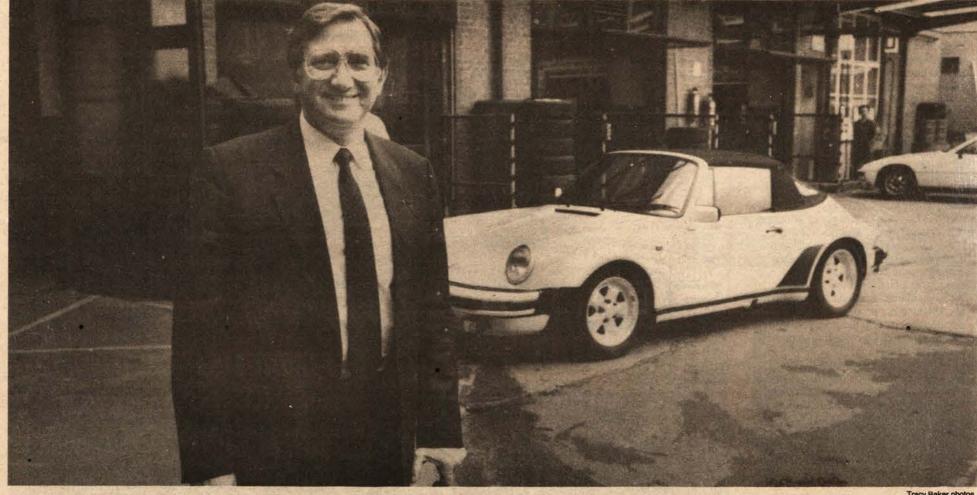
# "We don't know who discovered water, but we're pretty sure it wasn't a fish"



#### By Ken Gross

The automotive world was taken aback in 1981 when Professor Ferry Porsche replaced Porsche A.G.'s very traditional chairman of the board, Ernst Fuhrmann, with Peter Schutz, a virtually unknown American. An engineer by trade, Schutz had worked for Caterpillar Tractor and Cummins Diesel before accepting a position with a truck manufacturer in Germany. It was only after a corporate headhunter called that Schutz became aware of the Porsche post.

For Schutz, an assignment in Germany was a homecoming of sorts. He was born in Germany, in 1930, into a Jewish family in Berlin. He, his parents and brother fled the country in 1938 when the Nazis made life unbearable

'When my father, who was a doctor, sold our house in Germany before the war," Schutz recalls, "they laughed at him and the buyers refused to pay

The family left anyway and spent two years in Cuba waiting for visas before settling in Chicago. Once there, the elder Schutz worked menial jobs until he could learn the language sufficiently to rejoin the medical profession.

"I learned at a very early age that titles, wealth and possessions meant very little. If you had a strong family and a belief in yourself, that's what counted.

Schutz seems to have always had that belief in self. An automotive enthusiast

# Porsche's unorthodox Yankee chairman, Peter Schutz, and the view from Zuffenhausen

from an early age, he rebuilt his own cars working after school at a service station. His first wheels weren't too exotic-a '37 Dodge, '40 LaSalle and '53 DeSoto followed one after another. Finally Schutz "graduated" to a '52 MG-TD.

In his early 30s, his interest turned to the sky. Schutz secured a pilot's license in 1962, trading his aging MG toward a Cessna 170. After a succession of planes and a brief side effort as a partner in a flying school, Schutz settled deeply into an engineering career. He made rapid progress at Caterpillar and then, beginning at Cummins in 1966, he rode the corporate ladder to a vice presidency.

A call from executive recruiter

Maximillian Schubart offered the chance to return to Germany. "My parents sheltered my brother and me from the Third Reich," Schutz explains. "Our emphasis when we got to America was...on becoming Americans. In fact, going overseas, I had to learn to speak German all over again.'

A candid, personable, outgoing man, and still a keen car enthusiast, Schutz is delighted wih his role as Porsche's chairman. A problem solver, a forward thinker—very distinctly not a worrier—he personifies an up-front way of doing business that executives in many industries could do well to emulate.

And if Schutz seems an unlikely choice

for the top Porsche post, hear it from Prof. Porsche's position:

"Since we began building Porsches, I've had a very close contact with the United States," says Porsche, whose first trip to the U.S. was in 1937. On that trip, he met Henry Ford and visited General Motors, Ford and Chrysler. "I looked around and I was very impressed...I saw that, in the U.S., teamwork was in first place.

"In a growing company, no single man can do everything himself. He must build a good team...I looked my whole life, always, to find someone" capable of doing that, "and Mr. Schutz," he says, smiling,

"was the first who brought those results. Schutz picks up the theme: "What he means is the Earopeans, in his view—and I would say my experience confirms this in part—tend to run scared. They're always looking for the disaster right around the corner, whereas Americans have the entrepreneurial, pioneering spirit.

Has this "pioneering spirit" created problems in a conservative German company? "I'm sure they are there," says Schutz, "but they're nothing compared to the upsets that would have occurred if the company had continued on the path that it was on; trying to 'shrink itself healthy.

"Consolidating and contracting in order to regain a solid business base is a very, very tough way to go," Schutz reflects.
"It's very depressing, and it had given rise here to quitting racing, reducing

investments, etc."

When Schutz was approached for the top job at Porsche, the company was going through an identity crisis over engine location. Precisely because he was an outsider, he was able to see the 'problem' from an outsider's perspective—and found there was no problem.

'When I came in, I had an advantage (As I've often said, we don't know who discovered water, but we're pretty sure it wasn't a fish) in that I just couldn't see the reasons for the pessimism.

"Everywhere I went, I listened to people who asked, 'Why discontinue the 911? It's a great car. And, why aren't you in racing?' When I asked those questions at Porsche, people would tell me 'fuel prices, the environment, etc.' I said that doesn't seem to be relevant. And, sure enough, once we decided it wasn't relevant, it simply wasn't."

Schutz doesn't ascribe any magic to Porsche's present-day success. Nor does he lay claim to especially innovative management techniques. He says he hasn't "invented anything new" or formulated any new philosophy, but explains, "I think the main job of the leader (is) to articulate the mission, and to help as many people as possible understand their role in implementing the total plan.

This total plan stems from the way Dr. Porsche envisioned his company: As a place where people could develop to their fullest-and in doing so, create the best possible cars. The president's position, then, required someone who would unite the tremendous people resource at Porsche. A brilliant engineer from outside was not as necessary as someone who could motivate brilliant engineers already within the company.

The role fit Schutz perfectly in the respect that he doesn't see himself as a Colin Chapman or Enzo Ferrari. While he might make some design suggestionshe's particularly proud of his influence in creating the 911 cabriolets-he's really there to challenge his staff and manage the company.

"I often get the feeling," he says, "that the kind of things that I have tried to do here are exactly what Ronald Reagan has tried to do with the U.S. He's not inventing anything new. He is rearticulating, for today's time, the American tradition of pioneering spirit and the entrepreneurial drive. And he's saying, 'Folks, a lot of the landscape has changed, but the game has never changed. The ... old rules, the old morality, that all still works.

"It's important to have very strong, consistent direction, which is just what Mr. Reagan does. He never changes his story. He says he 'ain't gonna raise taxes'; by God he doesn't raise taxes."

At Weissach, Schutz conducted an impromptu tour of technical development areas. It's obvious Schutz is very comfortable in this environment...and the staff is equally comfortable with him. Here's the managing director, then, popping in and out of work spaces, smiling, patting people on the back, knowledgeably pointing out esoteric development work in progress, proudly showing off a titanium connecting rod from the TAG McLaren Formula One engine, listening to a complaint from the head of the body shop ("I was passing through so he wanted to tell me he doesn't have enough space to repair the endurance racers in his shop—that's chief engineer Bott's area," he confides, "but I'll listen, of course"), and "accidentally" mentioning a few top secret highlights ("there's the experimental four-valve 944 head; this 956 endurance racer has an experimental automatic transmission; don't look too closely at that mechanically closing convertible top...").

A few days later, in his office, the interview continues. Schutz sits behind a large round desk with Harry Truman's

famous slogan-"the buck stops here"on a small sign facing visitors. The rich wood, chromium and maroon leather bespeak luxury, and the automotive artifacts and model racers evidence this is no ordinary businessman's work space. An autographed poster of tennis star Martina Navratilova (a very satisfied Porsche customer, according to Schutz) is prominently displayed, along with—not surprisingly—a portrait of Dr. Porsche. Schutz is so personable, so

approachable, that it's disarming-and somewhat of a jolt when he tells you he doesn't consider himself a master of social skills. Quite the contrary, in fact:

"(Before coming here) my career had run along a line where I was only focused on things-technology, hardware, etc. But somewhere along the way I became aware of what was to me a totally strange world, and that was the world of interpersonal relations.

"I really changed as I began to study selling and what was involved in

marketing. There was a whole other world out there of which I'd been totally unaware. And frankly, I didn't like what I saw. When I looked at myself from this new vantage point, I was ashamed of the way I had behaved in many instances the total lack of sensitvity to other people."

Part of Schutz' not inconsiderable charm and obvious management skills is his ability to draw lessons and directions from other sources. He combines a kind of sophisticated cracker-barrel philosophy with keen insight. "You know," he points out (and describes himself in doing so), 'very frequently, the athletes with the least talent end up being the best athletes if they're real students of the game-and very often, they outperform other people who have a great deal of natural talent, but have never taken the time to really study the fundamentals.

'Although I still don't consider myself to be very skillful (in interpersonal relations), I do think I have studied the fundamentals of social skills.

He has studied them to the point that, today certainly, he is the kind of people-oriented manager of which Prof. Porsche would approve.

"In any organization, people are the components. When you build a car, you use many different materials-rubber, plastic, steel, aluminum, and, if you're Porsche, titanium. In my view, you have to build an organization the same way.

"It's a question of putting the right people in the right slots so that they can perform. You can take the best quarterback in the world and if you make him a defensive end, he's gonna fall on his

This people-oriented approach is evident in everything from the layout of the Porsche racing shops to the company's new advertising campaign. The ads talk about the people who develop Porsches and a new television commercial shows Prof. Porsche musing about his cars for the future. Porsche's old, technically

Continued on Page 14



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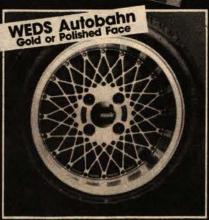
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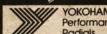


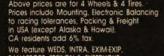
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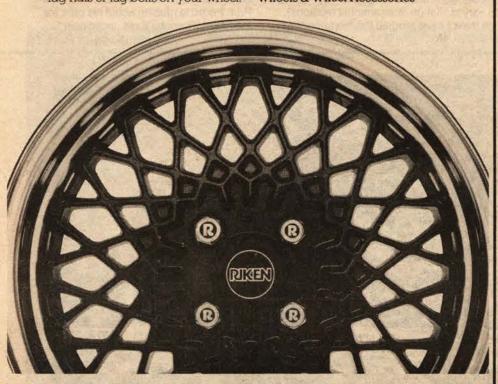
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### Schutz

Continued from Page 13 oriented ads went the way of Herr Fuhrmann.

On the morning of our interview, Schutz met with Prof. Porsche. They meet often—Porsche says he meets "much more frequently" with Schutz than his predecessor—but not always for the reasons one might expect. Says Schutz, "I'd say on days when we're both in the office I always go over and say, 'How are you, what's on your mind?' He wants to know what's happening.

"One thing that we've never talked about is very interesting. We never talk about sales, about profits and investments, etc. Those are simply things getting along. Who are the people who are really producing? Is there anybody who's in trouble, who feels frustrated? Those are the kind of things we talk about."

If you ask Prof. Porsche how he feels

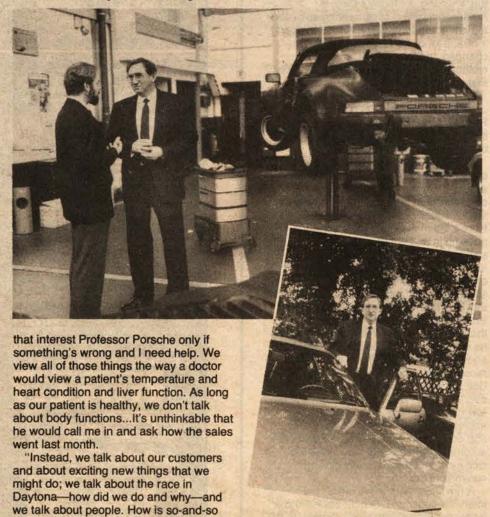
If you ask Prof. Porsche how he feels about the fact that Porsche now builds front-engined as well as rear-engined cars (a source of some controversy, because some think the firm should specialize in one type or the other), he'll say he doesn't care where the engine is as long as it is part of a good car. It is, if anything, an anti-reactionary view, a broad view, and one that Schutz endorses.

It is in equally broad terms that Schutz sees Porsche's competition. At a 944 Turbo preview in France, Schutz explained his competitive outlook by way of a humorous anecdote about two friends confronting a bear in the woods. One man says to the other: "Do you think you can outrun the bear?" Lacing up his sneakers, the other replies: "I don't have to outrun the bear, I only have to outrun you."

Like his anecdote, Schutz believes you must look beyond traditional opposition to understand who your competition really is. "Competition," he says, "for Porsche customers, comes in two totally different,



Porsche chairman Peter Schutz walks around the Porsche's Weissach facilities with his assistant, Tilman Brodbeck (above); below, Schutz lends an ear to Rolf Springer, head of Porsche's body shop; at bottom, Schutz the enthusiast: "Like a lot of our customers, I have to content myself with driving a Porsche."



delicious flavors. On the one hand, we don't compete with automobiles at all. We compete with sailboats, private airplanes, condominiums in Hawaii and a trip around the world—or a mink coat, things like that. In this competition, I think we're doing very well, because our customers tend to be achievers and they are frequently very busy. The commodity they have the least of, is time.

"The thing that usually plays our way is that (these people) suddenly come to the realization that...in the last year they've seen the boat once and every time they plan to spend a long weekend in Hawaii, something happens and they can't go.

"It's a question of what you have time to enjoy and here, the dual personality of the Porsche, both a good wife and an exciting mistress simultaneously, serves both as transportation and a joy in every spare moment."

Should one infer that Schutz doesn't closely follow the fortunes of Ferrari, Lotus and other rival auto makers? "No," he says. "That's just one delicious flavor I just mentioned. The other delicious flavor comes from other similar objects-and, here again, the competition is very different. The 944 has the most direct competition from similar offerings-it competes with everything from Corvettes to Datsuns and Fieros...a passel of very competent sports cars. The 911 is so unique, that if somebody likes what it offers, it has less competition than any of our cars. The 928S competes with Mercedes, top-of-the-line Jaguar coupes, etc." The real exotics—the Ferraris and

It's obvious Schutz is very comfortable in Weissach's technical environment...and the staff is equally comfortable with him. Here's the managing director, then, popping in and out of work spaces, smiling, patting people on the back...

Lamborghinis, Schutz says, aren't really competition because they don't have the "many-sided utilitarian benefits." He adds, "For an out-an-out exotic, about the closest we come is the 930 Turbo."

Any chance of a lower-priced, entry-level Porsche in the future? Schutz smiles. He's heard the question many times before. "We talk about that a lot," he says, "but really to build a Porsche below the price level of the 944 (about \$24-27,000) is at this point not something we have seen our way clear to do.

we have seen our way clear to do.

"There was a time, with the 914 and the early 924s where Porsche pioneered a concept of assembling a sports car out of mass-produced componentry." (In fact, Porsche began in this way, with VW engines and running gear, in 1948.) "In the meantime, Schutz continues, "a lot of other producers, Japanese and American, have gotten into that business and they have many advantages over us for putting together that kind of a sports car. In our future, there won't be that kind of a Porsche. We concentrate today, on achieving characteristics that cannot be

Continued on Page 21



"Everywhere I went," Schutz says, "I listened to people who asked, 'Why discontinue the 911?' When I asked...Porsche, people would tell me 'fuel prices, the environment, etc.' I said that doesn't seem to be relevant."



achieved with mass-produced components (although proponents of the Toyota MR2, among others, would argue). While we keep exploring concepts in that direction, as of now, there are no plans.

Schutz is largely responsible for the factory's renewed emphasis on racing, and he attributes a great deal of the company's success not necessarily to brilliance, but to getting back in racing before others and with the "juice turned on full." Porsche's success in Formula One, as builders of TAG racing engines for McLaren, has been sensational until just recently. It is the dominant force in distance racing, having won LeMans yet again just a few weeks ago. In the U.S., Al Holbert is on the verge of winning another IMSA championship in his Porsche 962.

To Schutz, racing is an extremely valuable marketing tool, and he's happy about the company's recent success. But what about the future? Certainly the company could reap even greater benefits by fielding a full factory team in Formula One and, in America, in the PPG World Series. Schutz, however, is reluctant to commit to the enormous expenditure such programs would require.

In Formula One in the immediate future, the '85-'86 season, we're committed to McLaren and TAG. Beyond that, who can tell?

"We're not thinking of building a chassis, at least not right now. The Formula One project carries with it the risk that any outside engineering project except this one was rather more visible. The project has paid off for us far beyond anything we had originally thought—partly because of the public relations value of the incredible success (in '84). It wasn't just the engine; McLaren had a terrific chassis, and, while there are some drivers who are in the same class, there aren't any better than Lauda

As for Indy, Schutz says only that "certainly an Indianapolis effort might be interesting for us, too"-then pauses before adding, almost teasingly, "Let's just say we're always thinking about expanding our racing interests and leave it

Although there have been reports that Porsche is considering withdrawing from endurance racing because of the lack of competition, Schutz says there is continuing interest in the category because it is so "relatable" to the product-again the necessary marketing rationale for motorsports involvement.

If today Porsche's success seems to make it a modern capitalist ideal—Schutz says, "At the moment, we enjoy an acceptance of our product that's really without precedent"—it is also a target. Many wish to imitate its success (the new Mazda RX-7 is a clear copy of the 944). Others hope to "dethrone" the German firm. Schutz doesn't underestimate future efforts from anyone, yet unlike many observers, he doesn't feel Japanese firms pose the greatest threat. "I think they're already competition," he says. "But to me the products that are under development and being marketed by the American manufacturers are contenders. For example, I think the Corvette is the technological equal of any Japanese sports car, (and) the Fiero is just as competent as anything I'm aware of that's coming out of Japan. I don't view the Japanese as the big threat; they are competent competitors. The Americans and some other Europeans are challengers, too. We hold to a philosophy that if we're doing the best we know how, there's no sense in worrying about this one or that one..

'If we have the best people and they are well-organized, highly motivated and Continued on Page 53

"I often get the feeling," says Schutz, "that the kind of things that I have tried to do here are exactly what Ronald Reagan has tried to do with the U.S. He's not inventing anything new. He is rearticulating, for today's time, the American tradition of pioneering spirit and the entrepreneurial drive. And he's saying, 'Folks, a lot of the landscape has changed, but the game has never changed. The...old rules, the old morality, that all still works.""



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Car-nal Knowledge

Q: A number of car makers sponsored early TV shows. Who sponsored the following: a) Olson and Johnson; b) Dinah Shore; c) Ed Sullivan; d) Groucho Marx.

A: a) Buick; b) Chevy; c) Lincoln-Mercury; d) DeSoto.

Q: It's 1940. You see a series of signs by the road: "Passing school zone/take it slow/Let our little/shavers grow." There follows one more sign. What's on it?

A: "Burma Shave."

Q: What was the "car of a thousand speeds"?

A: Owen-Magnetic (1914-1922) used the slogan because of its unique electromagnetic gearshift, which was controlled from the steering wheel.

Excerpted from 505 Automobile Questions Your Friends Can't Answer, by William Neely with John S.F. McCormick. ©1984 by William Neely.

## Schutz

able to produce the best cars they know how to build-then we've done all we know how to do. After that, the customer will decide.

Again, a "know you customer" theme is repeated, one very dear to Schutz's heart. The Porsche boss is fond of saying, "If you just listen to your customer, he or she will tell you your business.

"I try to speak with as many people as I can who come here to pick up their cars (a common practice in Germany). My secretary knows if a customer calls and wants to see me, then they have the highest priority. And they tell me what it's all about.

Schutz's most difficult situation in his three-year tenure was the ill-fated North American distribution proposal last year that prompted a storm of lawsuits from dealers who were certain Porsche was out to wrest profits and control away from them. "There were misunderstandings with Volkswagen-to whom I wish nothing but the best-but what we did, we did to improve our business. It was never our intent to hurt anybody else. Still," Schutz shakes his head ruefully, "our retail operation in North America had a catastrophic start."

With his penchant for listening, it seemed surprising Schutz hadn't discussed details of the scheme with key dealers prior to the announce-ment in Reno, which quickly saw the embattled dealers organizing like the colonists against King George. There was a reason, however,

why he didn't:
"My lawyers advised we might be liable for suit because of selected disclosures prior to the announcement, so we elected to tell everybody at once. I'm not sure that was the best advice and we were certainly unprepared for the resultant protests." Quickly, he adds that "...an error does not become a mistake unless you fail to correct it.

'Recognizing what had to be done," he says, "probably took less than 48 hours. Figuring out exactly how to do it took a little bit longer-but not a helluva lot longer, and then it was just a question of implementing it.

Schutz is certain his quick, pragmatic approach to solving problems like this one stems from his training as a pilot. "If you make up your mind you're going to fly from Chicago to St. Louis, and you run into a thunderstorm where you ice up the airplane, it doesn't take you long to figure out you won't make it the same day-or at least not on this flight path. When you have that training, it takes only a second to realize a 180-degree turn is the best maneuver you've learned-getting back to good weather and then taking it from there. That doesn't mean we're not going to get to St. Louis, but we don't have to go through that particular

"With an airplane, you always have an alternate course and you practice a 'what if...?' exercise. You also try to fly ahead of the airplane. As a result, there are relatively few surprises. In this particular instance, what surprised me is not what happened, and where

we ended up, but the violence with which it took place. The possibility that we couldn't make the concept work-and that we'd have to go about it in a more traditional way was always clear-I was very surprised by the reaction." He sees positive progress with dealers now.

The new view at Porsche has brought some fascinating new directons. One of them is taking to the skies. Schutz is proud of a 911-based airplane engine under development because it shows that Porsche is more than just a car company, but a broad-based engineering firm.

"My piloting background had contributed" to the creation of the project, Schutz admits, "but it really depends upon how you see the business. Some people see it as consisting of automobiles. I see the business as consisting of customers for whom we build exciting technical products. If you view the business that way, the airplane engine isn't new. It was more difficult to build a 928 for another market, because now you really did reach for some new customers, whereas that airplane engine falls right into the middle of the people who are fascinated with Porsche in the first place."

Schutz says there are many more products Porsche could build. "There's a whole range of technical things of all sorts that our customers would be prepared to buy. For example, we could build a Porsche sailboat, Porsche skis, etc.—but only if they represented a technical breakthrough. We can't build something that anybody else can build and just put the name Porsche on it. That's not being technically honest

Schutz is quick to acknowledge what he thinks is the greatest challenge facing his company today. "We've gone from 4,000 employees to 7,200 in three years—and integrating that number of people into the Porsche philosophy has really put a load on our older employees. We are straining these people to the breaking

Peter Schutz doesn't do much flying these days. His busy schedule won't permit it. "Like a lot of our customers," he smiles sardonically, "I have to content myself with driving a Porsche. In fact, I'm looking forward to the drive home.

Leaving the administration building, him in his prototype 944 Turbo, us in a 911 Carrera, he heads briskly toward the autobahn. Reaching the onramp, Schutz guns the pale mauve ("Professor Porsche feels it's too much of a woman's color") coupe. It's the end of a long business day and Schutz, the consummate car enthusiast, says the drive home always refreshes him. On the autobahn, despite icy conditions and 190-KPH Dunlop all-weather tires, Schutz accelerates to 200 clicks (125 MPH) and keeps the pressure on for miles, darting skillfully through the early evening traffic.

Reaching his exit, he spurts up and down winding roads, using all the Turbo can give to eke out an advantage as we struggle to keep up. When we reach his home in Maichingen, he steps out of the 944 and nods approvingly. "It's still hard to beat those old coupes," he says.