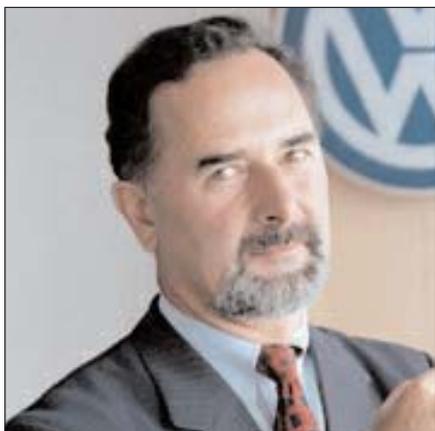




Big Challenges Bring Big Opportunities

An Interview with Dr. Bernd Pischetsrieder,
Chairman, Management Board, Volkswagen AG, Wolfsburg, Germany



Dr. Bernd Pischetsrieder

EDITORS' NOTE All things considered, "I think the most important aspect of an automobile brand should be that it can be recognized from a distance," reflects Dr. Bernd Pischetsrieder, a three-decade veteran of the German automotive industry, who also has made his "hobby" his "profession." This vital characteristic "is often not the case on today's roads," the chairman of Volkswagen's management board has observed – but it is most definitely the case with the broad spectrum of vehicles rolling off his worldwide assembly lines. "We have a design team for every brand," he explains – people who are "very talented and very creative" – not least because the buyers of VW's, Bentleys, Seats, Audis, etc. "are all very different." What is more, "as the body shapes are changing more and more" at all automakers, he forecasts that "the next development will be even more differentiation in terms of design." But Volkswagen is ably prepared: "We employ arguably two of the three best designers in Europe," Pischetsrieder notes, "plus we have a design studio in California, which provides us with an international flavor." As such, "the area of design" may very well be "where we will encounter the biggest challenges," he concludes – "but also the biggest opportunities in the future."

A mechanical engineering graduate of Munich Technical University, Pischets-

rieder joined BMW in 1973 as a production-planning engineer, rose through the ranks, and became chairman of its management board 20 years later. He joined Volkswagen in 2000, becoming chairman of its management board in April 2002. A former president of the European Automobile Association (ACEA), he is presently a member of the supervisory boards of Munich Re, Metro, and Tetra Laval, as well as chairman of the supervisory boards of Audi and Seat.

COMPANY BRIEF With its base in Wolfsburg, Germany, Volkswagen AG is Europe's largest automaker, manufacturing the VW line (which includes the Golf, Jetta, New Beetle, Passat, Phaeton, and Touareg), as well as Audi, Bentley, Lamborghini, Seat, and Skoda, at plants in Europe, Africa, the Americas, and Asia Pacific. It further owns 34 percent of Scania (a Swedish truck maker), has a successful financial services subsidiary, and owns Europcar International (car rentals). In 2002 the corporation reported total sales of \$91.1 billion and net income of \$2.7 billion.

With all the terrorism and political disagreements around the world, how can international business flourish these days?

Fortunately enough, it still has at least some small blossoms growing. And particularly when it comes to inter-European and European-American relations, the business community has built such strong ties over the years that we can, to some extent, ignore what happens in the political arena.

It does seem as though the relationships between Germany and the United States are getting better and better.

Yes, and I think that the discussions between businessmen in Germany and our government are at least partially responsible for this kind of development, to put it mildly.

Do you think that there should be any amendments made to the laws and regulations to further support

business between countries – not only between Germany and the United States, but between other nations as well? Of course, there will be variations from country to country, but are there any general changes needed?

Generally speaking, I think the biggest problem is that – to use the World Trade Organization agreements as an example – the rules are spelled out and applied differently in every language. The regulations are all written in English, virtually everyone in business today speaks English, and yet the interpretations are not always the same, and this is not a question of language! Therefore, the slight deviations one finds in many countries make life difficult. This is true with trade, but the same applies, for example, to technical requirements in motorcars, which are supposed to meet worldwide standards.

How can this be resolved? Indeed, can it be resolved?

I fear there is no international power that can satisfactorily resolve these matters. I don't see an ongoing solution to the problem.

This isn't an area the World Trade Organization or the United Nations could address more fully?

I don't think the United Nations would get a majority vote on these matters because the vast majority of its members are precisely those countries that exploit these regulations. In principle, only the World Trade Organization could exert the required influence.

So the World Trade Organization needs to take the issues more seriously.

I think so, yes. And I'm not talking about concessions that may be made for countries to join the World Trade Organization. That's something else. I'm talking about the principal World Trade Organization agreements, which should apply and yet still do not apply. It would be wise for the WTO to concentrate and apply its powers a little more.

With employment in the United States way down, how do you view the worldwide employment situation?

Do you see unemployment spreading to other parts of the world?

I think that will depend to a large degree on the overall economic situation; but from the European point of view right now, we already have extremely high unemployment – all kinds of unemployment. For instance, people in the former Eastern Bloc countries, who have high levels of education – university degrees and so forth – are working on the shop floor. They are formally employed, but in terms of macroeconomics, they are unemployed because they are not using their skills and talents. So, we can certainly expect a migration, whether this is physical – that is, of people – or of work. And as a result, the unemployment – both hidden and obvious – in the former Eastern Bloc countries will drop, but if we don't have economic recovery in the extended market, we will have higher unemployment in the western part of the European Union. This is definitely a risk and a reason for the many discussions about extending the EU.

These days, business leaders have to be like statesmen. What is it like to be running a multinational company and also deal with international affairs and relations between countries?

First and foremost, for a globally operating company, I think it is very important that, wherever you happen to manufacture or otherwise conduct business, you apply the principles of being a good corporate citizen. This means, obviously, that you have to respect the local culture, local attitudes, and so on. And therefore, I think it is wise to employ local management as much as possible. So, the problem lies on our side: How do you integrate active worldwide global management into your corporate culture? But this is, in fact, much easier than trying the opposite: exporting your country's culture to other countries. That is not going to work.

The relationships between countries are obviously different. For instance, Spanish people have a natural talent for working in Latin America. We as Germans find it a little more difficult to work with the Spanish and Latin Americans because there is a greater cultural difference. On the other hand, we Germans find it rather easy to work with Anglo-Saxons but a little more difficult to work with the French. And the French, the Spanish, and the Italians all work together easily. So something that I have really learned is this: History still counts when it comes to intercorporate and intra-corporate relations, but many people are unaware of history.

Is it really worthwhile being the chairman of a management board these days? Besides the monetary compensation, are there other rewards?

Well, I don't think the monetary rewards would be enough. At least in my case, in the automobile industry, I think that most of the top managers have made

their hobby their profession. This certainly applies to me, and this is a much more exciting reward than money could ever be.

Have you always loved cars?

Absolutely.

And you personally test-drive many of Volkswagen's cars at three o'clock in the morning on the Autobahn, don't you?

Yes, that's true. It might not be at three in the morning, but no model will be released without my colleagues and I having tested it.

What's in the future for Volkswagen? You have more models and more brands under your corporate umbrella than ever before.

I think the most important trend for the next 10 to 12 years will be design. Initially, we had very few models in the car industry as a whole, and we all had roughly the same package. The vast majority of automobiles were saloon cars. Now, as the body shapes are changing more and more, the next development will be even more differentiation in terms of design. And I think the most important challenge for us will be to distinguish our brands from all other brands in terms of design. This is why, at Volkswagen, we employ arguably two of the three best designers in Europe, and the teams under them are also very talented and very creative. Plus we have a design studio in California, which provides us with an international flavor. So, the area of design is where we will encounter the biggest challenges but also the biggest opportunities in the future.

What will some of the new designs look like? Will there be more bubble cars, boxier cars, a combination? Might there even be convertibles without tops, just processed air between the driver and the weather?

I think the most important aspect of an automobile brand should be that it can be recognized from a distance. There are a few design cues that make a car and a brand recognizable, but this is often not the case on today's roads.

With respect to the wide variety of automobiles now manufactured under the Volkswagen banner, including Bentley and other more expensive cars, does each have its own individual designs?

Absolutely. We have a design team for every brand, especially because, the broader your range and the more expensive your cars become, the more unusual designs have to be. Take a Lamborghini and a Bentley coupe, for instance. They are in about the same price league, but the designs, the packages, and the customers are all very different, which is highly important.

There are very good organizations that promote business between the United States and Germany, and

there must be groups that do the same between Germany and other nations. What are those organizations like, and how do they relate to Volkswagen?

For a company like Volkswagen, with operations in so many countries around the world, we normally do not need those kinds of organizations because we have direct access to either local business partners or governments. In those cases where we ask a supplier to join us in a foreign country, that company can receive support from an institution called the Deutsche Handelskammer, which is a trade-relations institute that the German government maintains in almost every country. It supplies legal advice and whatever else smaller companies may need to meet local requirements.

If you were to deliver one message to young people to inspire them – to today's business students who would like to replicate your success – what would it be?

The principal observation I have made of young people is that they often talk too much and do not listen enough. Of course, young people have their own opinions, but one doesn't learn by talking. One learns only by listening.

Listening is not just the physical action of hearing spoken words. One must also listen to the words of history because much can be learned from history – from societal history, business history, philosophical history, and so on. The way people relate to each other rarely changes. The specific arguments and weapons might be different, but people are fundamentally the same as they were 1,000 years ago.

At the end of the day, education is more important than skills. People receive a lot of training and learn a lot of skills, but they lack the essential education to truly succeed as members of this society. And education counts for more than skills in being a part of our society.

Also, one always learns more from one's failures than from one's successes. Therefore, the earlier one makes a mistake and learns the lesson from that mistake, the more one will benefit from that experience. I can't remember one specific instance when I made a mistake because there have been just too many. However, I do know that the principal conflicts I have experienced have always had one simple cause: miscommunication. Either I did not understand what other people wanted, or they did not understand what I wanted. These conflicts were caused by a lack of communication – not merely misunderstanding someone's words, but also misunderstanding that person's intentions and the background against which that person formed an opinion.

So to reiterate, my one piece of advice to young people is this: Don't talk so much. Listen more. ●