

# Why did Volkswagen fire CEO Herbert Diess?

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Worldwide, some 670,000 people work for automaker Volkswagen. Hundreds of thousands more are employed in the supplier industries. If you add in family members, the fate of several million people is directly dependent on the corporation. Yet it is governed by methods that make medieval despotism look like flawless democracy.

At the top is an all-powerful CEO who collects an annual salary running into the double-digit millions. His fate, in turn, is decided by a conspiratorial clique on the Supervisory Board.

The majority of votes on this board are controlled by two family clans, the Porsches and the Piëchs. They owe their power to the fact that they are descendants of Ferdinand Porsche and his son-in-law Anton Piëch, who, as favourites of Adolf Hitler, built up the Volkswagen factory for the Nazis. The foundation for the Porsches' and Piëchs' billion-dollar fortunes was laid by 20,000 forced laborers who produced armaments for Hitler's military, the Wehrmacht, under inhumane conditions at the VW plant during World War II.

The second centre of power on the Supervisory Board is the IG Metall trade union and the Works Council. The first chairman of IG Metall, Jörg Hofmann, is also vice chairman of the Supervisory Board and, together with the chairwoman of the General Works Council, Daniela Cavallo, sits on its Presidium (Executive Committee), where all important decisions are agreed.

In no other German company is collaboration between management and the union as polished as at Volkswagen. The IG Metall and Works Council, with an army of full-time functionaries, ensure that the decisions of the Board of Management and Supervisory Board are implemented smoothly and that there is no resistance to them.

At the Wolfsburg plant alone, there are 75 full-time Works Council members paid by the company, 66 of whom belong to IG Metall. They are assisted by 2,500 shop stewards who, in the words of *Business Insider*, have “eyes and ears in every corner of the factory town.” In addition, the Wolfsburg Works Council has its own 70-member administrative apparatus.

The state of Lower Saxony is also represented on the Supervisory Board and has a legally enshrined blocking minority. The Social Democratic Party-led state government works closely with IG Metall and the Works Council. And finally, the Emirate of Qatar, which holds a stake of around 17 percent in Volkswagen, has a say.

On July 22, Volkswagen's Supervisory Board voted unanimously to fire CEO Herbert Diess, who was brought to Wolfsburg from BMW in 2014 and had been at the helm of the company since 2018. Although there had been repeated disputes concerning Diess, his dismissal came as a surprise. Just a year ago, the Supervisory Board had extended his contract until October 2025.

As is customary at Volkswagen, Diess is falling on his feet. He will work as a “consultant” for the company until his contract expires, during which time he is expected to earn another €30 million.

Diess will be replaced on September 1 by Oliver Blume, head of VW

subsidiary Porsche. Blume is expected to continue to lead Porsche at the same time as the company is floated on the stock market, which is planned for the autumn. He will remain at the helm of the sports car maker thereafter.

The IPO is expected to bring up to €100 billion into the coffers of Volkswagen and the two family clans. The Porsches and the Piëchs also want to regain direct control of Porsche, which they lost in 2009 in a bizarre mutual takeover battle between Volkswagen and Porsche, by issuing voting common shares that only they can purchase.

The Supervisory Board is silent on the reasons for Diess' dismissal. The official press release simply states that it was “by mutual agreement,” which is obviously untrue.

Elsewhere, Diess is being effusively praised. He has “impressively demonstrated the speed and consistency with which he can implement far-reaching transformation processes.” He has “steered the company through extremely difficult waters,” “fundamentally realigned its strategy,” “set in motion the clear focus on electromobility” and “driven forward the company's capital market orientation.”

Blume, it is said, was now “the right person at the helm to further sharpen the customer focus and the positioning of the brands and products” and “continue to drive forward the transformation with the entire Board of Management—with a leadership culture that focuses on the team concept.”

## New wave of attacks

There is only one explanation for the abrupt change of leadership at the helm of Europe's largest auto company: Volkswagen is preparing a new wave of job cuts, wage reductions and productivity increases—and Diess is no longer seen as the right man to implement this in collaboration with IG Metall and the Works Council.

The entire international auto industry is undergoing a huge upheaval that is being ruthlessly carried out on the backs of workers. The switch to electric cars, whose production requires significantly less working time, is just one aspect of this. There is also the enormous pressure from financial markets to achieve double-digit profit margins, the disruption of supply chains due to the coronavirus pandemic, the rise of the energy crisis because of the Ukraine war, and the fierce battle for global markets.

Volkswagen had expanded early into China, where it sells about 40 percent of its vehicles and generates a large share of its profits. But sales are now falling, down 14 percent last year alone. Market share, which used to be between 14 and 15 percent, shrank to 11 percent. Chinese manufacturers such as SAIC, BVD, Geely and Xpeng are emerging as competitors and expanding into Europe.

Diess' rise to the top of the company was closely linked to the fallout

from the diesel emissions scandal that nearly ruined Volkswagen. Management had long relied on “clean” diesel engines to meet rising environmental regulations. When these failed technically, engineers installed software that artificially throttled emissions on test benches. The discovery of this fraud in the US cost Volkswagen billions in fines and compensation and brought the diesel project to an abrupt end.

Diess was brought to Volkswagen in Wolfsburg from BMW in Munich shortly before the scandal broke out because he was known as a merciless cost-cutter. As BMW’s purchasing chief, he had cut suppliers’ prices by €4 billion in four years. “Anyone who spoke to automotive suppliers at that time met desperate people; medium-sized companies whose prices were pushed down further and further by Diess,” the *Süddeutsche Zeitung* reported. “Diess became the dreaded penny-pincher. They called him the bone crusher, or the wringer.”

That impressed not only Volkswagen’s shareholders, but also IG Metall, even though its own members in the supplier factories were among the victims of Diess’ thuggish purchasing methods. Diess was put in charge of the Volkswagen brand, which, unlike the company’s luxury brands, generated only small profit margins. After the diesel scandal, he was then seen as the man to brutally turn the entire group around.

Diess then focused entirely on electric cars. Tesla and its ruthless boss Elon Musk, with whom he repeatedly met in person, served as his role model. In Wolfsburg, he set in motion the construction of a completely new Gigafactory costing €2 billion, where the Trinity electric model is to roll off the production line from 2026. In Salzgitter, a few days before his dismissal, the foundation stone was laid for a battery cell factory that will make Volkswagen independent of Chinese suppliers. German Chancellor Olaf Scholz was there in person.

What ultimately cost Diess his job was—as business newspapers put it—his “confrontational management style” and his “lack of diplomatic skills.” He not only snubbed highly paid VW people, whom he attacked and embarrassed in larger gatherings, according to *Business Insider*, but also the Works Council and IG Metall, for whom he made it increasingly difficult to keep the impending attacks secret and the workforce calm.

At a Supervisory Board meeting last autumn, for example, he announced that 30,000 jobs would be cut at VW’s core brand. One in four jobs would be superfluous, he said, which was immediately leaked to the media. There had already been tensions between Diess and the Works Council, but this did not prevent the latter from voting last summer to extend Diess’ contract until 2025.

Diess’ fate was finally sealed when the owner families dropped him. According to consistent newspaper reports, they tipped the scales in favour of terminating his contract. In addition to his confrontational style, they also blamed Diess for delays and massive cost increases in the Cariad software division, for which he was personally responsible. Cariad develops the software for all brands of the Volkswagen company. Both Porsche and Audi had to postpone new models because of the delays.

## Oliver Blume

In Oliver Blume, the owner families are placing a close confidant at the helm of Volkswagen. The 54-year-old has spent his entire professional career within the group—at Audi, Seat, VW and Porsche. He is to continue the “transformation” started by Diess, with its devastating consequences for jobs and wages, not “with a crowbar” but with “teamwork”—i.e., in close consultation with the owner families, the IG Metall and Works Council.

“The hope: The conciliatory Blume can continue Herbert Diess’ mission to trim the old, crusty VW tanker to [profitable] software and

electromobility. But without constantly upsetting people in the process,” comments the *Süddeutsche Zeitung*.

Blume also has a direct line to the German government. As the satirical show *DieAnstalt* revealed, the Porsche boss boasted at a factory meeting that Liberal Democratic Party (FDP) leader Christian Lindner, now finance minister, had kept him “up to date almost hourly” during the coalition negotiations.

Above all, Blume and his “transformation” program can count on the unqualified support of IG Metall and the Works Council. “The decisions taken today allow us to keep up the pace and exploit the lead we have carved out,” said IG Metall leader Hofmann, commenting on the change at the top of the company. Cavallo, head of the Works Council, wrote that all colleagues must be “carried along” in the transformation of products and business models. Today’s decisions were a downpayment on this, she said.

Just three days after the change in leadership at Volkswagen, Audi’s board member for production, Gerd Walker, explained with brutal candour what was in store for the workforce. “We want to cut factory costs in half, double the speed,” he said during a tour of the plant by journalists. He said that while job security for Audi’s German plants remains in place until 2029, the plan is to halve manufacturing costs by doubling the number of vehicles produced.

The workforce of the Volkswagen group and its subsidiaries is facing enormous attacks. Cutting 30,000 jobs at VW, halving manufacturing costs at Audi, shutting down the Spanish Seat brand—all these proposals are on the table and are being pursued by Blume in close cooperation with the Works Council and unions.

The fight against this requires a break with IG Metall and its works council representatives and the establishment of independent rank-and-file action committees to organize resistance and make contact with workers in other plants and countries. The Sozialistische Gleichheitspartei (Socialist Equality Party) and its international sister parties have created the International Workers Alliance of Rank-and-File Committees to launch and develop such an offensive.

This is inseparable from the struggle for a socialist program. That a clique of billionaires, who owe their fortunes to Nazi crimes, and highly paid union bureaucrats should decide the fate of hundreds of thousands of workers underscores the absurdity of a social system that subordinates all social needs to the enrichment and profit interests of a tiny minority.



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