

# Business Day

The New York Times

## S.E.C. Deals a Blow to First Bank's Bid for F

By SAUL HANSELL

The \$10 billion bid by the First Bank System of Minneapolis to buy the First Interstate Bancorporation of Los Angeles was dealt a possibly fatal blow yesterday by the Securities and Exchange Commission, which ruled that First Bank could not buy back its own stock for two years.

First Bank had been counting on buying back 73 million shares — worth \$3.5 billion at today's prices — over the next three years to make the acquisition attractive to its shareholders. Since a stock buyback eliminates shares, it increases the earnings per share outstanding.

The S.E.C. ruling further aids a rival, Wells Fargo & Company of San Francisco, which has made a hostile attempt to win First Interstate for itself. If completed by either side, the merger would rival the Chase Manhattan-Chemical Banking merger as the biggest in history.

The Wells Fargo bid has been gaining momentum in recent weeks because its stock has outpaced that of First Bank, and the gap increased sharply yesterday after the accounting ruling was disclosed.

Wells Fargo stock jumped \$6.25, to \$217.25, while First Bank's stock closed unchanged at \$48.50 in trading on the New York Stock Exchange.

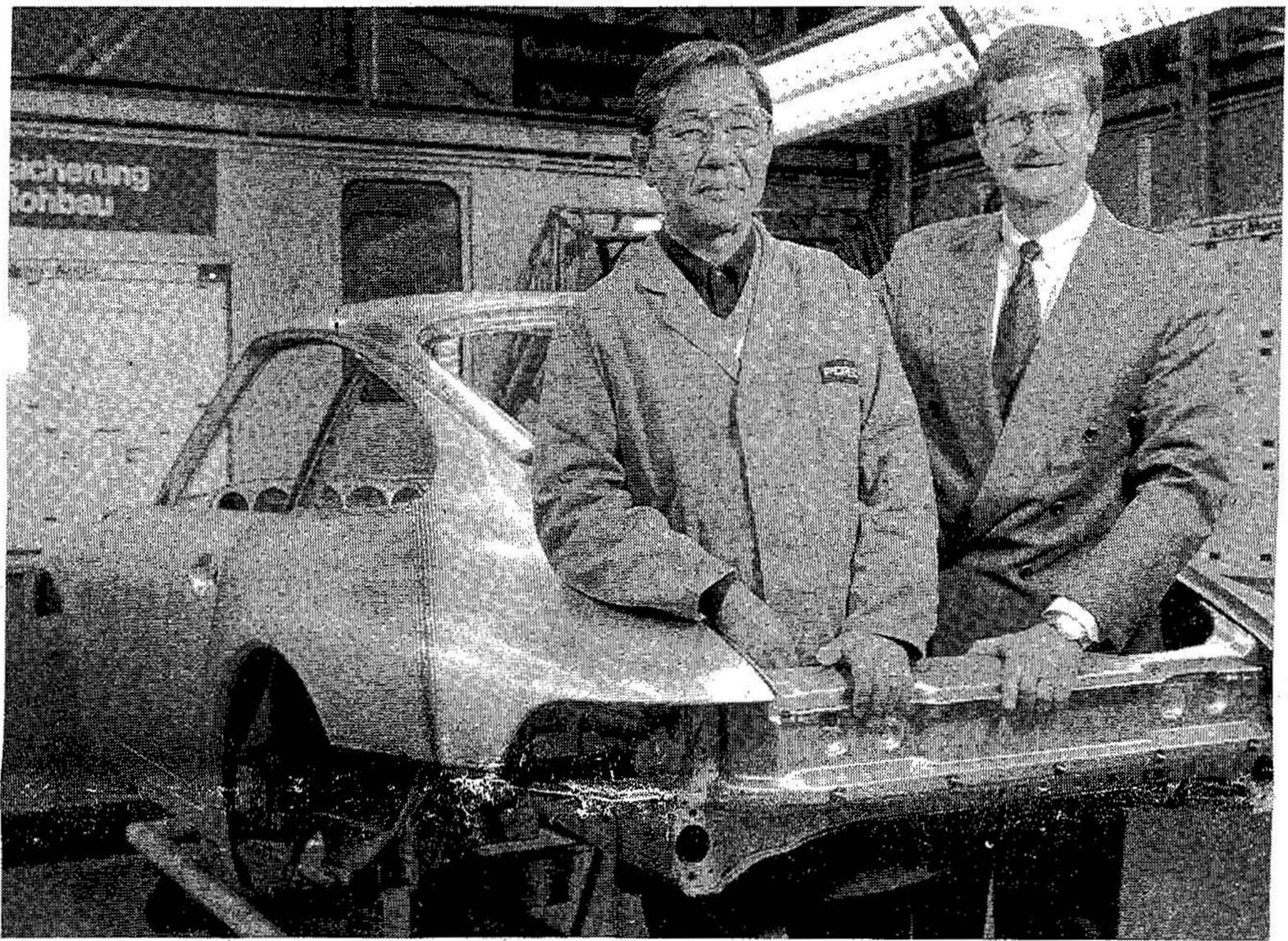
Both companies are offering to buy

**A ruling on a stock buyback gives an edge to rival Wells Fargo.**

First Interstate through an exchange of stock. At yesterday's prices, Wells Fargo was offering \$144.69 of its stock for every First Interstate share. First Bank's bid is worth \$126.10 a share. Stock traders appear to believe that the Wells Fargo bid will win, because First Interstate shares

## Putting Porsche in the Pink

German Craftsmanship Gets Japanese Fine-Tuning



Jo Röttger/Visum

Yoshiki Iwata, a Japanese adviser, and Wendelin Wiedeking, Porsche's 43-year-old chief executive, at the factory in Zuffenhausen, Germany. The Japanese have been teaching the Germans the ins and outs of efficiency since 1992.

By NATHANIEL C. NASH



ZUFFENHAUSEN, Germany — Not too long ago, the production floor of Porsche's factory was not a pretty sight. Workers would storm off in a huff. Managers would fume. Voices would rise above the hum and bang of the line.

And Japanese engineers — mostly Toyota alumni — would wave their fingers, demand explanations, scold, lecture and browbeat, essentially telling some of Germany's finest automobile craftsmen how poorly they were doing their jobs.

Had the pride of German auto makers bowed under the dominance of the efficient Japanese? Sort of. What was in process was the salvation of Porsche A.G., Germany's ultimate symbol of racing car performance and autobahn freedom.

From the dizzying heights of the mid-1980's when Ameri-

can yuppies, not to mention staid German executives, had to have one, Porsche went to the brink of bankruptcy in 1992. Recession had crippled sales, and costs were out of control. Turning to the Japanese, with their "lean" manufacturing techniques, was considered the ever-rumored takeover by BMW, Mercedes-Benz or Volkswagen.

"It was the biggest shock for the company to accept that Japanese were walking around, not able to speak either the Swabian dialect or German, and telling people what to do," said Wendelin Wiedeking, Porsche's 43-year-old chief executive. "They were tough guys. They were absolutely aggressive to the people. And we wanted it that way."

The remaking of Porsche using Japanese manufacturing techniques has a significance beyond the company. For years, German auto makers, feeling the pinch of more efficient Japanese producers, have tried to adopt elements of just-in-time lean manufacturing and to get high-paid Ger-

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# Putting Porsche in the Pink. Banzai!

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man workers to be more flexible. But changes have been modest at best, leading many auto executives to vow they will never open a new car plant in Germany again.

"Germany looked at Japan and said, 'Yes, but we can't do it here; we won't do it here,'" said Daniel T. Jones, a professor at the Cardiff Business School in Wales. "Porsche had no choice. And having done it, the argument that other auto makers ought to be following their lead becomes irresistible."

Feelings may have been hurt, but Porsche survived — not only as a cachet name in German automobiles, but as the last remaining independent European manufacturer of sports cars. The company recently reported its first profit in four years, after \$300 million in losses.

"That profit guaranteed our independence," said Michael Macht, head of Porsche Consulting, which the car maker formed to spread the Japanese manufacturing concepts it learned. "This is not a turnaround. It is a new company."

Today peace prevails on the Porsche line. The production changes imposed by the Shin-Gijutsu group, the cadre of former Toyota engineers to whom Porsche turned for advice three years ago, mean that more cars are produced faster by fewer people without losing technical sophistication and road performance.

And having put the losses behind it, the company can concentrate on developing new models and new markets. Porsche already has orders for 10,000 units of its new roadster, the Boxster, which it plans to introduce later this year as its least-expensive model. In 1997 it will roll out a new version of the famed 911. And the company is in discussions with other auto makers about possibly producing a high-performance off-road vehicle, a minivan and a small low-priced sports car.

The team of Japanese consultants now returns only about four times a year — "to scold us," Mr. Macht said. But the innovations the Japanese initiated are being continued by the German engineers. Workers on the line submit 2,500 suggestions a month.

The factory is clean and quiet, its huge six-cylinder motors built with remarkable efficiency. Nobody stands around. No half-built engines sit to the side of the assembly line. And there are no bins of spare parts through which workers have to dig. The parts needed for assembly hang on carts that are pulled down the line with the engines, so that workers do not have to leave their work space.

Porsche management says the efficiency improvements are measured in more than just the company's return to profitability. It has reduced the assembly time for one of its speedsters from 120 hours to 72. The number of errors per car has fallen 50 percent, to an average of three. The work force has shrunk 19 percent, to about 6,800 employees from more than 8,400 in 1992. The line itself has been shortened and inventories have been cut back so much that factory space has been reduced by 30 percent. All this means Porsche is making more cars

at lower cost.

Much of the credit for the remaking of Porsche is given to Mr. Wiedeking, a self-confident, direct hands-on manager who started as an engineer at Porsche in the 1980's and then left to run an automobile parts maker.

The company's family owners spent much of the 1980's warring with their appointed chief executives, eventually dismissing several. The family was often in the news and in gossip columns over their personal lives.

But no matter. The boom times early in the decade fueled sales, which soared to more than 50,000 a year.

Then the recession of the early 1990's hit. Porsche sales plummeted to 14,000 units in 1993, including a paltry 3,000 in the United States, its largest market. The family paused in its feuding to call in Mr. Wiedeking for help.

From the beginning, he says, his idea was to bring in the Japanese. First, he eliminated one-third of his

## From 50,000 units in the 1980's to 14,000 in 1993.

managers and gave those remaining new assignments, so they would be struggling to learn new jobs — "rather than waiting for me to make a mistake."

Next he took his management team on extensive tours of Japanese auto plants. They timed precisely how long it took Porsche to assemble body parts and engines and install carpeting and dashboards, then studied the comparable times in Japan. On most tasks, Porsche was taking almost twice as long.

"On those trips a lot of people said, 'I did 20 years of work and it's all garbage now.'" Mr. Wiedeking said. "It gave us an understanding of what had to be done."

The arrival of the Japanese in late 1992 was indeed painful. One of the engineers, Chihiro Nakao, says they were always polite to the workers but often sharp with the managers.

Porsche's assembly line, he says, looked like a dark warehouse when the Japanese arrived. On either side were shelves eight feet high with huge parts bins filled with 28 days of inventory. To get a part, workers often had to climb ladders, wasting enormous amounts of time.

First off, the shelves were cut in half and inventory reduced to seven days. Eventually the parts bins were eliminated entirely; Porsche engineers created a remarkably low-tech, but highly efficient parts super-market in the basement of the factory. There, workers hook only the parts needed for each stage of assembly onto carts. The carts are then sent up to the line and accompany the car until they are used up, when they return to the basement to be refilled.

"Even the Japanese are interested in this system," Mr. Wiedeking said.

What is ultimately revolutionary for Porsche's auto makers is the redefinition of craftsmanship.

"The traditional craftsmanship for which Germany became famous was filing and fitting parts so that they fit perfectly," Professor Jones said. "But that was wasted time. The parts should have been made right the first time. So the new craftsmanship is the craftsmanship of thinking up clever ways of making things simpler and easier to assemble. It is the craft of creating an uninterrupted flow of manufacturing."

The company now has been able to turn its focus to product development. The 2-seat Boxster — a roadster with Porsche's traditional flat, six-cylinder with opposing, or boxing, cylinders — will cost about \$50,000, compared with about \$64,500 for a 911 coupe. Porsche hopes the Boxster will add younger professionals to its customer base of wealthy professionals and business people over 40.

Porsche still hopes to strip another 10 hours off car-assembly time, according to Mr. Wiedeking, a goal that would make the company comparable to the best Japanese auto makers. And Porsche is working with its suppliers to cut costs and improve quality and deliveries.

But the Boxster will be the true test of Porsche's campaign of self-renewal. BMW, Mercedes-Benz, Audi, Fiat and Rover have all introduced new two-seaters in recent months, or plan to soon.

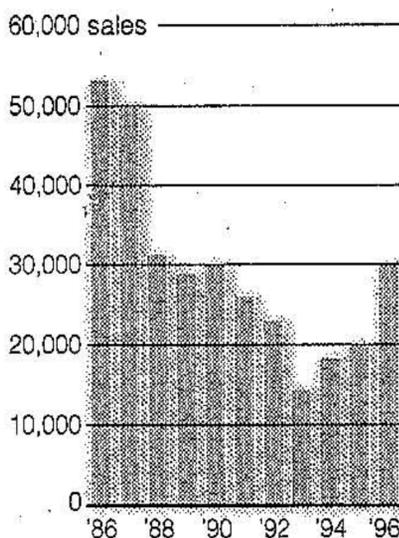
"It is entering a very crowded market segment," said Steven Reitman, auto analyst for Union Bank of Switzerland in London. "The whole roadster market will be very crowded by the time Boxster hits the scene."

Mr. Wiedeking says simply: "For the others, a sports car is a marketing strategy. For us, a sports car is our life. If the customer feels he wants the real one, wait for the best."

## A Comeback For Porsche

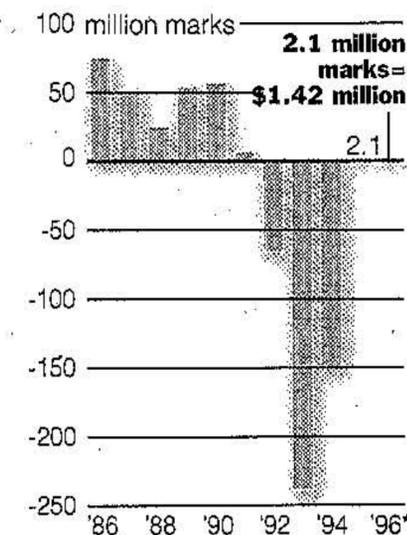
Sales Are Recovering...

Worldwide unit sales, for fiscal year ending July 31



...And Profits are Beginning to Reappear

Net income in millions of German marks, for fiscal year ending July 31



\* Estimates  
Source: Company reports

The New York Times

## BANK EARNINGS

For periods shown. In parenthesis, the first one to five letters before the comma are the company's stock ticker symbol. N after the comma indicates stock is listed on the New York Stock Exchange, A the American Stock Exchange, NNM Nasdaq National Market System, NSC Nasdaq Small Capitalization, and ECM Emerging Company Marketplace.

### Associated Banc-Corp (ASBC,NNM)

Qtr to Dec 31	1995	1994
Net inc	12,530,000	10,934,000
Per share	.77	.66
Yr net inc	46,652,000	41,662,000
Per share	2.83	2.53

Results for the latest quarter and year have been restated to reflect the acquisition of Gladstone-Norwood Trust & Savings Bank, accounted for as a pooling of interests, as if the transaction had been effected as of the beginning of the earliest reporting period.

Per share earnings and shares outstanding have been adjusted to reflect a 5-for-4 stock split in the form of a 25 percent stock dividend paid to shareholders on June 15, 1995.

### Banco Latino Americano de Exportaciones SA (BLX,N)

Qtr to Dec 31	1995	1994
Net inc	19,102,000	12,773,000
Per share	.92	.71
Shares outst	20,325,000	17,434,000
Yr net inc	71,418,000	45,018,000
Per share	3.44	2.54
Shares outst	20,330,000	17,189,000

Share earnings are after preferred stock dividends.

### Bank of Boston Corp. (BKB,N)

Qtr to Dec 31	1995	1994
Net inc	614,400,000	120,800,000
Per share	1.18	1.04
Shares outst	112,285,000	107,108,000
Yr net inc	654,000,000	435,300,000
Per share	4.55	3.73
Shares outst	110,716,000	106,730,000

b-Included recognition of certain special items.  
c-After an extraordinary charge of \$6.6 million, or 6 cents a share, from early extinguishment of debt.

### Citizens Financial Group Inc.

1st qtr to Dec 31	1995	1994
Net inc	24,823,000	20,947,000

Citizens Financial Group is a unit of Royal Bank of Scotland PLC.

### Coastal Bancorp.

Qtr to Dec 31	1995	1994
Net inc	2,836,000	2,123,000
Per share	.57	.43
Shares outst	5,000,772	4,997,327
Yr net inc	8,542,000	13,452,000
Per share	1.71	2.64
Shares outst	4,991,373	5,090,289

Coastal Bancorp said that fourth quarter results benefited from an increase in net interest income and slightly offset by an increase in its loan-loss provisions.

The banking concern said the loan-loss provision increase came from whole-loan purchase in 1995 of \$416.5 million and loans of \$103.3 million acquired as a result of its acquisition of Texas Capital Bancshares Inc. in November 1995.

The company blamed the drop in its full year results on a \$2 million non-recurring reversal of income tax accrual in the year-ago period, on a \$1.7 million reduction in asset management fees from its nonbanking unit sold in 1994, and on an increase in noninterest expenses in operating 13 newly acquired branches and two that were just recently opened.

### First Financial Bancorp (Ohio)

Qtr to Dec 31	1995	1994
Net inc	8,314,000	6,516,000
Per share	.64	.54
Yr net inc	31,789,000	28,173,000
Per share	2.55	2.31

### First Hawaiian Inc. (FHWI,NNM)

Qtr to Dec 31	1995	1994
Net inc	19,696,000	14,997,000
Per share	.63	.47
Shares outst	31,227,585	32,059,127
Yr net inc	77,005,000	72,511,000
Per share	2.43	2.25
Shares outst	31,734,669	32,259,321

### First Michigan Bank Corp. (FMBC,NNM)

Qtr to Dec 31	1995	1994
Net inc	9,868,000	8,419,000
Per share	.53	.44
Shares outst	18,497,000	18,360,000
Yr net inc	35,910,000	32,380,000
Per share	1.95	1.71
Shares outst	18,426,000	18,434,000

### Fort Wayne National Corp.

Qtr to Dec 31	1995	1994
Net inc	7,009,000	6,981,000
Per share	.61	.60
Yr net inc	26,700,000	26,200,000
Per share	2.33	2.21

### Jefferson Bankshares Inc. (JBK,NNM)

Qtr to Dec 31	1995	1994
Net inc	7,265,000	5,775,000
Per share	.48	.33
Shares outst	15,192,454	15,181,650
Yr net inc	24,863,000	22,600,000
Per share	1.64	1.49
Shares outst	15,181,152	15,148,400

Jefferson Bankshares is the parent company of Jefferson National Bank.

### Leader Financial Corp. (LFCT,NNM)

Qtr to Dec 31	1995	1994
Net inc	10,054,000	9,463,000
Per share	.99	.91
Shares outst	10,154,000	10,244,000
Yr net inc	37,353,000	34,562,000
Per share	3.70	3.33
Shares outst	10,083,000	10,387,000

### New York Bancorp Inc. (NYB,N)

1st qtr to Dec 31	1995	1994
Net inc	7,828,000	6,467,000
Per shr	.64	.48

New York Bancorp said that 1994 results have been restated to reflect the merger with Hamilton Bancorp Inc., which was accounted for as a pooling of interests.

### Liberty Bancorp (Okla.) (LBNA,NNM)

Qtr to Dec 31	1995	1994
Net inc	6,678,000	5,159,000
Per share	.68	.55
Yr net inc	26,193,000	25,876,000
Per share	2.66	2.60