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Hedging At Porsche



Introduction

The detailed case “Hedging at Porsche” is devoted to analyzing the financial strategies of one of the world’s largest car manufacturers, Porsche. Currency risk was another important category, with Porsche exposed to fluctuations particularly the US dollar and British pound being a global firm.



Hedging Policies

Porsche has applied an unusual method of managing risks relating to fluctuations in exchange rates, the use of currency options and forwards. While, Porsche's hedges focused on long-term hedges and sometimes in longer hedges than what was necessarily required by the company for its operations.



Strategic Implications

Another strategic decision which goaded the enviable position of Porsche was that it hedged intensely. This reduced the volatility brought about by the external economics and provided the organizational focus to innovate and diversify. But at the same time it also brought concerns of excessive trading in financial markets and whether Porsche was gambling rather than actually using derivatives to hedge.



Conclusion

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Resource

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