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## Hayek: "Switzerland needs entrepreneurs again"

Nicolas G. Hayek, the saviour of the Swiss watch industry, is unhappy with politicians and wants to see entrepreneurs rather than managers. Interview by Heinz Eckert

*Swiss Review: What was the state of the Swiss watch industry when you took it over and rescued it in the early 1980s?*

Nicolas Hayek Sen.: The watch industry was falling apart, which would have resulted in the loss of some 20,000 jobs.

*What was the main reason for such a catastrophic situation?*

Poor management and under-estimating the competition. Even then, Switzerland lacked entrepreneurs with courage, imagination and vision. Just think: the quartz watch was invented by a Swiss but not one Swiss watchmaker showed any interest in it. The Japanese were the first to manufacture quartz watches, plunging the Swiss watch industry into a crisis.

*At that time, was the Swiss watch industry at risk of being taken over by foreign companies?*

Yes: a Japanese company wanted to buy Omega and offered CHF 400 million for the brand. As a consultant, I advised Omega to reject the offer. At that time, Japanese competitors believed that we Swiss could make good cheese and chocolate but were unable to produce industrial goods. Then they raised their bid and offered to pay an additional CHF 5 for every Omega sold. But I rejected that, too.

*Then you yourself went in search of money?*

No, I had enough cash. But I had to persuade the banks that the problem with the watch industry was not the high cost of wages but the management, which was as inept as the management that drove Swissair to ruin. When managers rather than entrepreneurs manage companies, things usually go wrong. A company needs to be managed by entrepreneurs, not financial experts. Finally I managed to convince the banks. Since I didn't want to bear the risk alone, I went in search of partners. I then launched the Swatch because I needed a large turnover and couldn't have

rescued all our factories through luxury watches alone.

*What would have happened to the Swiss watch industry if the Japanese had bought Omega?*

Omega watches would be being manufactured in Japan and the Swiss watch industry would no longer exist or at best exist only on a minimal scale, and our country would have lost jobs and know-how.

*Whenever large companies in Switzerland are at risk of going to the wall, the cry goes out for Hayek the turnaround expert. Have you ever considered rescuing other companies?*

Swissair would still exist today if it had had a good management team and a responsible board. Whatever it could have done wrong, Swissair did it. If we had tried to buy up loss-making companies and beat the competition's low prices with cheap watches, we would now be broke. We adopted a different approach and first developed a new product which could beat the competition and embodied all the advantages associated with Switzerland: cleanliness, reliability, aesthetic appeal, precision and quality.

*Could you also have rescued Bally?*

Every Swiss brand company could have been saved. The only products that are difficult to manufacture profitably in Switzerland are highly labour-intensive goods that require no specific know-how or creativity, because salaries are very high here.

*Many traditional Swiss companies have long been sold off abroad. Is this regrettable?*

It would be, if the Swiss had not also bought up well-known foreign companies. We too have purchased a reputable German watch brand, Glashütte Original. I believe the score is balanced. Nevertheless, it's a pity that we've lost the pioneering spirit of our grandfathers' generation. For a small country, we used to have more international companies than any

other country in the world, plus the best airline. In a number of areas we are now only average.

*So what must the "right" entrepreneur do?*

A good entrepreneur is like an artist who is always creating something new. An entrepreneur must continually create new products, create jobs and find new markets. He must be continually on the move and prepared to take responsibility for his actions. Most managers are administrators without any clear strategic ideas, who have no desire to risk their own money and try to manage their company according to the text book. And when things go wrong, they still cash in.

*Nowadays profit is almost always maximised at the cost of jobs...*

... and that's not right. A good entrepreneur increases profit and at the same time creates new jobs. Nowadays jobs are being shed because managers can't think of any other way of increasing profit. For instance, when Omega was rescued, large savings were made in the area of logistics and purchasing. People only have to be laid off if a company has nothing left to sell and its revenues drop dramatically. Anyone who earns money by reducing jobs is a poor businessman.

*What do you think of Switzerland as a centre of business?*

As a centre of business, Switzerland is good but, as everywhere else in Europe, we need more entrepreneurship and less politics. But a great many opinion leaders in the community, at universities and the media have absolutely no feeling for or understanding of entrepreneurship. They confuse entrepreneurs with managers and primarily report on rip-offs. A footballer who shoots two goals a year and earns millions is treated like a hero, yet the president of a company that has posted billions in profit is criticised for the salary he earns.

*Do you regret that Switzerland has not joined the EU?*

No, not at all. The EU only produces laws that make things more difficult rather than facilitate them. I know what I'm talking about, because I sit on various EU commissions and see what goes on behind the scenes. The EU promised a strong economy and general affluence, and now France and Germany have the highest unemployment figures. Although we're not exactly flourishing either, we are still better off than our neighbours. The EU must improve first before it's worthwhile for Switzerland to join.



*Didn't the watch industry suffer as a result of voters' rejection of the EEA?*

No, absolutely not. As highly skilled producers and suppliers of first-class watches we don't need to belong to a bloc

to ensure success. I'm not anti-Europe: I'm a critic of the EU. Just think about it: the number of EU officials is three times more than necessary. That's just plain crazy.



Hayek: "A good entrepreneur is like an artist who is always creating something new"

#### NICOLAS G. HAYEK

Born in 1928, Nicolas G. Hayek is the co-founder, President and Board Delegate of the Swatch Group in Biel. After four years of consulting on the restructuring of watchmakers Asuag and SSIH and the merger of the two companies suggested by him, Hayek and a group of Swiss investors took over a majority share in the new company in 1985. In June 1986 he was appointed Chairman and Board Delegate as well as CEO. As saviour of the Swiss watch industry, Hayek played a key role in the

success of the Swatch Group, which now has a world-wide workforce of more than 20,000. The Swatch Group owns brands such as Swatch, Breguet, Blancpain, Jaquet Droz, Glashütte-Original, Léon Hatot, Omega, Rado, Longines, Tissot, Calvin Klein, Certina, Mido, Pierre Balmain, Hamilton, Flik Flak and Endura. Nicolas G. Hayek acts as a consultant to many European governments and has received numerous awards for his services.

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*What would you like Swiss politicians to do?*

Politicians should finally come to understand what the Swiss economy is all about and act decisively rather than taking an opportunistic stance. Switzerland is among the most expensive countries in the world. Why? Because the Swiss franc is the most expensive currency in the world. How can wages be reduced if everything is so expensive? The Swiss franc must become cheaper, even if this is against the interests of Switzerland's financial sector. At least then the business sector would not be demonised only because some CEO or Chairman earns an inordinate amount of money. Also, we should start providing training again for entrepreneurs rather than Masters of Business Administration. Young people must be motivated to become entrepreneurs. But no-one does this.

*Wouldn't this prove too much for politicians?*

Sure, yes: but most politicians haven't a clue about the economy, otherwise they would have liberalised Swiss markets long ago. So the once great industrial nation with global companies has become only a location for banks, insurance companies and service providers with a mere handful of production companies remaining. Switzerland is stagnating, and it shouldn't be.

*But the luxury watch industry is said to be booming, according to industry analysts. Is that right?*

Yes, that's right. And business is good. But it's not only expensive watches that are selling well, and we too are profiting from the trend.

*In what way?*

A watch is no longer a mere chronometer. People can read the time on any computer, mobile phone or street corner. Watches have become a piece of jewellery, a fashion accessory and a status symbol.

*Is Swiss Made still a valid sales argument?*

Yes, if it is intended to express Swiss virtues. Unfortunately that was not the case with Swissair. But it's still true of watches: no other country can produce mechanical watches as good as the ones produced in Switzerland. Not even the Japanese.