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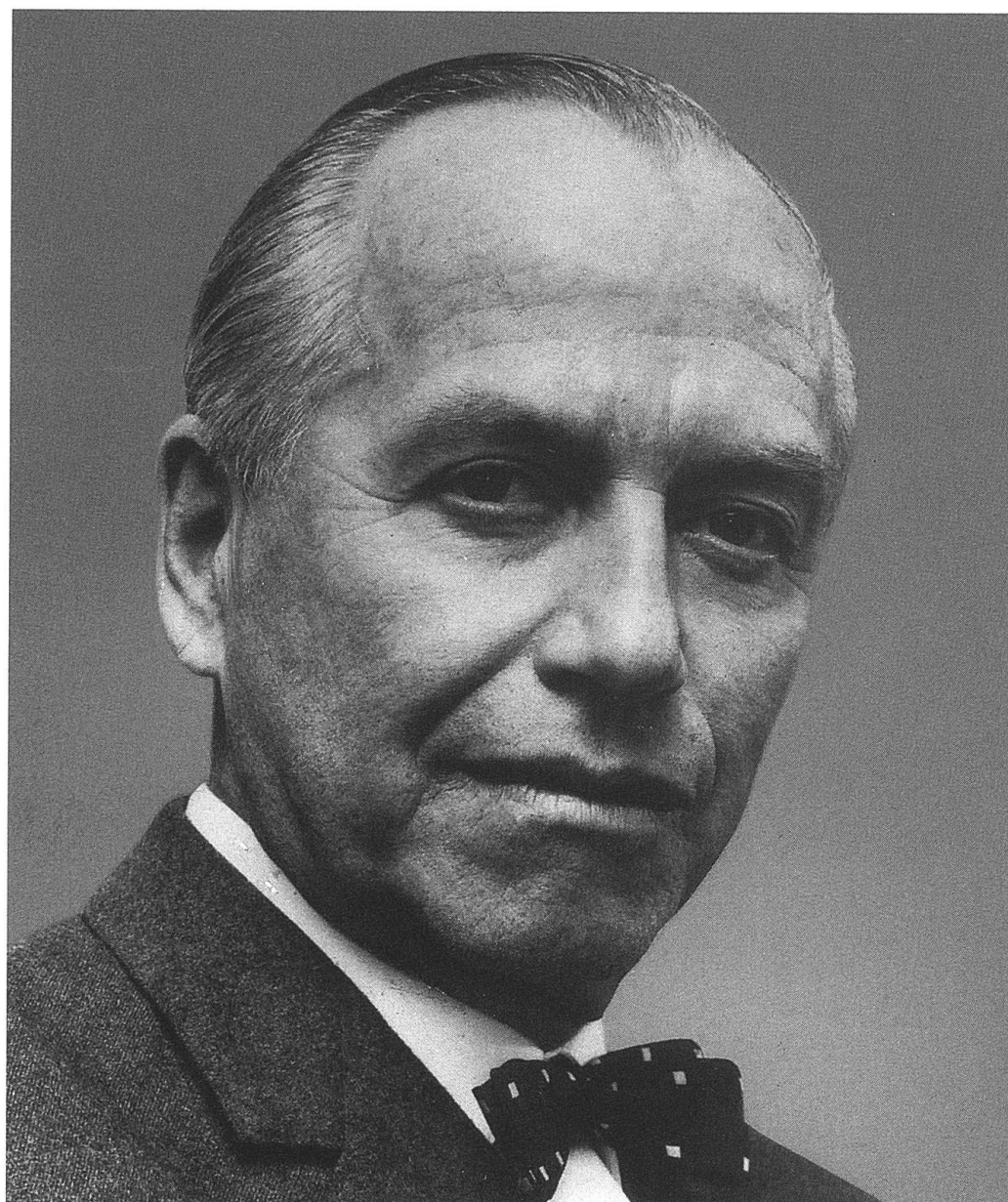
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*Max Schmidheiny*  
1908–1991

# Max Schmidheiny (1908–1991)

## Traveller between worlds

Among Max Schmidheiny's papers, there is a précis of the thoughts championed by the British philosopher historian Arnold Toynbee. Two sentences are heavily marked, with a handwritten comment in the margin: «Quite so!». The sentences in question state: «Human cultures have survived only as long as they have had the ability and the will to solve their existential problems. Accordingly, our future depends neither on some or other <prognosis> nor on private or public pipe-dreams, but solely on our will to master this future.»

The note in the margin expresses Max Schmidheiny's character and philosophy – a man about whom Hans A. Lüthy, director of the Swiss Institute of Art Studies, wrote a different but equally valid appraisal. In the course of their long friendship, Lüthy, Schmidheiny and Schmidheiny's wife Adda spent many hours discussing the Swiss painter Ferdinand Hodler, of whose works the Heerbrugg industrialist had built up a unique collection. «I am convinced», wrote Lüthy, «that owning works of art changes the owners. (...) There is a power in works of art: their meaning and content rub off on the collector, who begins to see the outer and inner world in a different light. Hodler's extraordinary combination of robust character and surprising sensitivity, in particular, has this effect, and I believe I can say that as Max Schmidheiny's fascination with Hodler grew, so he was influenced by him. The parallels between their characters (...) will doubtless have played a role in this, too.»

A combination of robust character and surprising sensitivity – this shaped Max Schmidheiny's actions throughout his life. As a young man, though, he, unlike his older brother Ernst, could have chosen an easier life. He was born in Heerbrugg on 3 April 1908 and attended the local elementary school, with a break in Berne during the war, when his father Ernst was head of the Federal Barter Office. In 1921, he entered the cantonal high school in Trogen – where he enrolled in Latin, a normal part of any classical education at the time, but was granted a heartfelt «Christmas wish» and allowed to drop it («I was always good at mathematics») – and passed his high school leaving examination in 1926.

Max Schmidheiny had only one goal: «To follow in my father's footsteps, who had spoken so much about his business». Ernst senior, however, wanted his younger son to take a degree at the Swiss Institute of Technology in Zurich first, which Max did – notwithstanding inner reservations, though without any «difficulties», as he put it. He graduated with a diploma in mechanical engineering in 1931. But then he wanted to get into business, even while doing his military service. The twenty-three-year-old officer in the artillery began to sense that his presence was urgently needed in life at home and in the family business, rocked by the Great Depression, especially as his father was often abroad. The latter was looking after his business in the Middle East, his new home. In 1931 he had moved

his domicile to Egypt, a country that he felt was unscathed and out of harm's way; as he told his sons: «Even if Europe sinks into chaos, Egypt will survive.» He would not live to see how wrong he was.

### **Head of the business at twenty-three**

As Max Schmidheiny acknowledged looking back over his life in 1976, the economic crisis of the 1930s left an «indelible impression. The effects of the Depression on our country became stronger and stronger. Unemployment and bankruptcies rose from month to month. (...) State welfare services and provident funds were utterly incapable of satisfying the exigencies of mass unemployment. Many firms lived off their capital and shrinking reserves until their hour came. Despite their good intentions, the authorities and the National Bank of Switzerland were utterly helpless in the face of the catastrophic developments and obvious signs of spreading political and social disintegration. Some of the blame for the rapid worsening of the situation was due to widespread economic inflexibility, in particular the credit policies of some banks and the official policy of the central bank».

The companies that Ernst Schmidheiny senior built up were also in very great difficulties. And when he died in that fatal accident in the Sinai Desert on 15 March 1935, Max and his brother «had to take on enormous responsibilities overnight» as Max wrote in his «Memories of bleak years». By that point, however, the young industrialist had already gathered a lot of experience in the running of several firms. At the age of 23 he had already started to take charge of his father's balance sheets: «I started to put his accounting in order. Virtually nothing

had been committed to writing. He kept everything in his head, had a tiny office and wrote all his correspondence by hand.»

The task for which the son now assumed responsibility was not easy. To gain a proper insight and authority in the empire his father had built up took more than entrepreneurial spirit and managerial talent, it also required grasp of the business. Max Schmidheiny had been acquiring this since 1932 – starting, as the Schmidheiny did, from the bottom in his chosen field, the cement business, and working his way up. For a year he worked in the *Eerste Nederlandsche Cement Industrie* in Maastricht, the city that was to give its name to the European Treaties sixty years later. «Holderbank» had bought the local cement factory in 1926. Max Schmidheiny worked as a crane-driver, in the quarries and in all sorts of positions in the company for a salary of 200 guilders a month. This was hardly a princely sum, «but I could live on it», he said later, «and was even able to put something aside».

After the death of his father, Max Schmidheiny and his elder brother Ernst together took all major decisions affecting the family businesses, including, of course, building up and expanding the «Holderbank». But for the moment his essential creative energies and entrepreneurial enthusiasm were reserved for *Eternit AG* in Niederurnen. After 1919 the company had started to recover from the shock of World War I and expanded anew in the 1920s. Growth came to a halt with the crisis of 1929; catastrophe was around the corner. The report of *Eternit's* activities in 1933 reads laconically: «For lack of orders, the firm cannot produce at full capacity. In some weeks the machine does not run at all and our people have to go on the dole.»



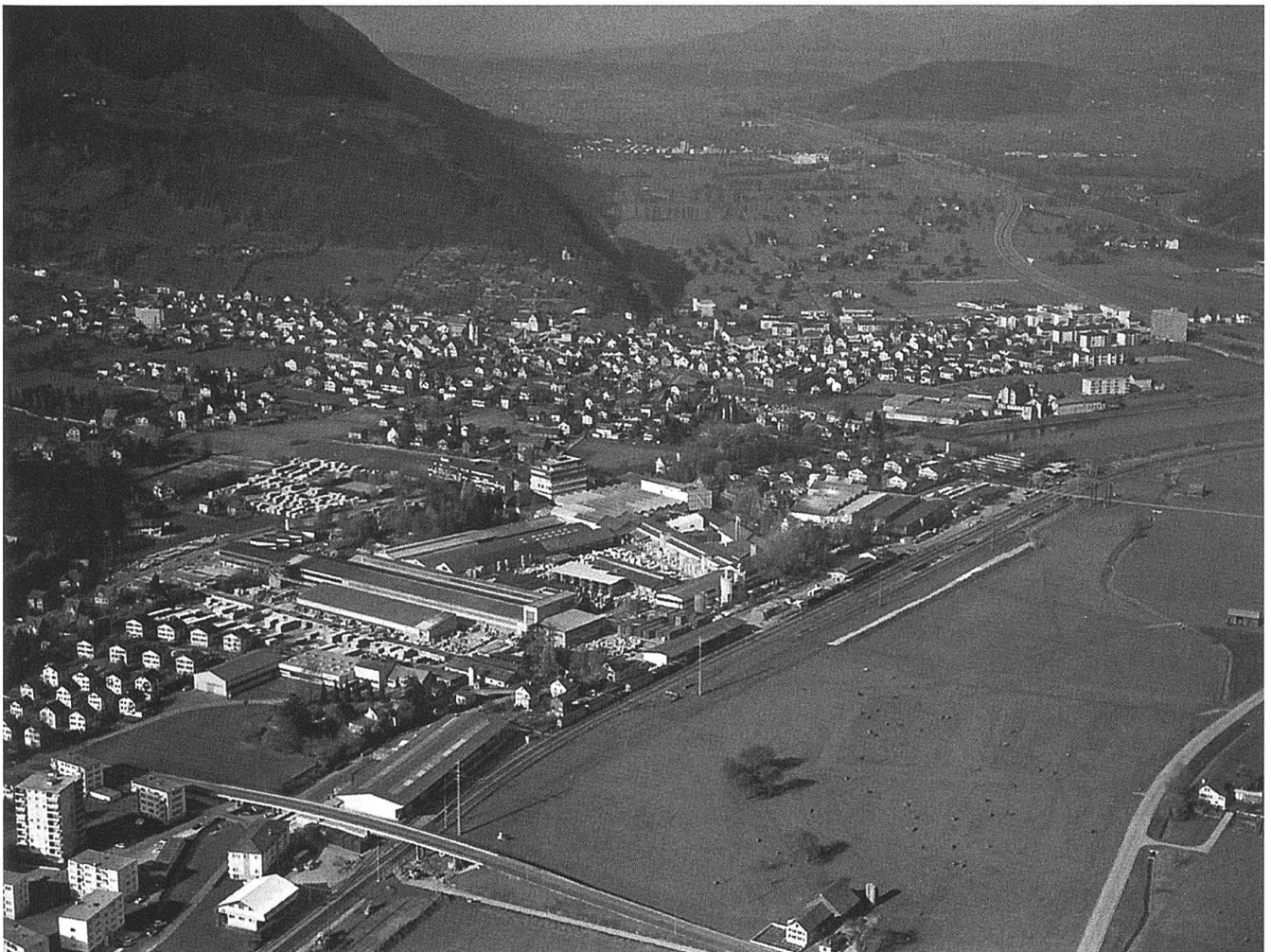
In that year, 1933 – shortly before his twenty-fifth birthday – Max Schmidheiny took over the running of the Niederurnen company. In 1934, he was officially appointed managing director. On account of his youth, he came into conflict with the existing management, which was a generation older than he was. As he noted, «By the nature of things, our views on company management can hardly agree in all points. While appreciative of tradition, which, however, resulted in an increasingly catastrophic decline in sales in most of the years preceding my arrival, (...) my goal must be to break with (...) former practices. It is obvious that to survive here we must grow. Looking at it this way, my youth is an advantage: for, which young person is not convinced that he can do things better than his elders?»

*The Eternit factory in Niederurnen, 1978*

Max Schmidheiny did eventually overcome the crisis, and the building material that had already been dubbed «Eternix» once again became «Eternit». To achieve this, the young industrialist had to do everything in his power, and not just at managerial level: «At times I must get out and sell Eternit pipes myself, as we still have to build up a proper team of sales representatives. More than once I have been put in my place by people who are not interested in products which have not been used for at least fifty years.»

### **Contacts with both warring parties**

In the following years, with enthusiasm and a thirst for adventure, Max Schmidheiny devoted a large part of his entrepreneurial creativity to the family's investments abroad – in the



Middle East, Belgium and Germany. It was not always easy to honour all contracts: in the 1930s, the storm clouds of the Second World War were already gathering on the horizon. The family had interests in opposing camps, both in allied countries and in Nazi Germany's sphere of influence. With great diplomacy Max Schmidheiny managed to reach agreement and retain contact with both sides, which he was able to put to use in the service of his country during the Second World War. As a result of a kidney disease, the artillery officer was exempt from military service in 1942. This enabled him to assume another public responsibility: the government appointed him, as it had his father before him, to the committee on national provisioning.

Max Schmidheiny was one of those rare people able to commute between the fronts when borders were hermetically sealed for others. As he admitted later, during the war he had «acquaintances among the Nazis» who arranged for him to travel in areas under German occupation. He assured the British that he travelled to Germany and Belgium only to visit his factories there. Thus, the British for their part made it possible for him to visit the Middle East.

In Belgium and Germany Max Schmidheiny had to take care of the family's cement and Eternit companies. In Brussels there was also the *Atlanta*. This particular headache was a legacy of unfortunate property transactions that his father had been dragged into. Max Schmidheiny had been forced to take an interest in the hotel even as he was finding his feet in Maastricht. He bought it in 1934 – or more accurately: had to buy it to avoid greater financial losses. When the Germans occupied Brussels in 1940, General Alexander von Falkenhausen,

head of the military government in Belgium and northern France, chose of all places the *Atlanta* as his headquarters – one reason for Max Schmidheiny's conflict with the Nazi bureaucracy on his frequent business trips.

Travel in German-occupied territory and in Germany during the Second World War was not without risk. But Max Schmidheiny insisted on personally supervising his businesses in times of trouble. More than once he was surprised by allied air-raids – above all on that memorable 31 May 1942, when the British launched their notorious «thousand bomber raid» against Cologne. Schmidheiny had just boarded one of the few south-bound trains still running. After two kilometres it came to a halt, from which distance the Swiss industrialist followed the awful spectacle.

Schmidheiny also experienced air-raids on his trips to Berlin, though these were minor. The Heerbrugg industrialist had been associated with the capital of the Reich since 1940, when he succeeded his brother Ernst as a deputy chairman of the supervisory board of *Eternit AG Berlin*. Ernst senior played a leading role in founding the company in 1929. An *Eternit* factory erected on the Teltow Canal in Rudow started producing slabs in 1930 and pipes the following year. Production ceased completely during the war: asbestos was needed for other purposes in Germany, such as submarine sealings.

#### **An «act of madness» in Berlin**

In 1945 the Soviets carried off the plant and equipment in Rudow; the company, however, continued to exist as a legal entity. In 1948, Max Schmidheiny became chairman of the supervisory board, but «his fellow



*Max Schmidheiny at Eternit, Berlin, shortly after his 70th birthday. Two years later, on 11 July 1980, the City of Berlin awarded him the Ernst Reuter Medal.*



board members were not inclined to rebuild a company that had lost all its physical assets. (...) They lacked any real confidence in the political and economic future of post-war Germany», as a special edition of the «*Eternit Hauspost*», the company newsletter, put it twenty years later. The scepticism of his German business partners was understandable: the Cold War between West and East had reached freezing point. In an effort to drive the western powers out of the former capital of the Reich, the Soviets began their blockade of Berlin in June 1948. The Americans replied with their famous airlift, which eventually saved West Berlin. In the summer of this decisive year, however, the success of the West's response still lay in the future. At this point, Max Schmidheiny started collecting the capital to rebuild the Rudow operation, contributing generously himself – «a million», to quote him. Work on the new factory started in 1949, right on the border to the eastern sector.

In 1948, and even a year later, critical voices condemned Max Schmidheiny's action as «an act of madness». For Schmidheiny, however, saving the Rudow factory in Berlin was a matter of political conviction: »*Eternit* in Berlin means more to me than just an investment. It is a vital and growing expression of a conviction, a declaration of faith» he declared in 1979 in his speech on the occasion of the 50th anniversary of *Eternit AG Berlin*. He continued: «Thanks to this conviction, neither the building of the Wall in 1961 nor the invasion of Czechoslovakia in 1968 caused me to waver in my commitment to Berlin. West Berlin was then and is now an outpost of liberty.» Max Schmidheiny also saw to it that the headquarters of the *Eternit Group* in Germany remained in Berlin, even though in time a number of

modern production facilities were built in the Federal Republic.

Max Schmidheiny was chairman of the supervisory board of *Eternit Berlin* for 32 years until his retirement on 11 July 1980, when he was elected honorary chairman. On the same day he was awarded another honour, one of the greatest among the many received in a long career: on behalf of Mayor Dieter Stobbe and the entire Senate he was presented with the *Ernst Reuter Medal*, the highest award of the City of Berlin.

### Historic meeting in Cairo

Max Schmidheiny's business career in the Middle East was even more adventurous and eventful. Ernst, his father, had built up large companies in Egypt, the country he was particularly attached to, and in Lebanon. After his father's death in 1935 he, the younger son, had to assume responsibility for these operations. He was appointed managing director of the *Société Egyptienne de Ciment Portland Tourah-Le Caire* and of the *Société des Ciments Libanais Chekka*. As such, he had to fight a few battles with difficult local notables, «veritable pashas of the good old days», as well as foreign financiers in Egypt. He managed to overcome all adversity and keep the manufacturing and distribution costs of the local factories so low that from 1935 onwards it was no longer a paying proposition to import cement into Egypt. This helped generate local self-financing, which in turn facilitated improvement in manufacturing operations. A factory was built to produce paper sacks, a foundry was opened and eventually the company acquired its own transport fleet.

The times worked to the advantage of the company. The Italian Abyssinian Campaign from 1936 to 1941 and the ensuing strengthening of British

defences along the Suez Canal increased demand for cement in the Nile Valley. Demand rose further from 1939 onwards. As Max Schmidheiny recorded later, large quantities of *Tourah* cement were sent «especially (...) to the El Alamein region, where (...) the British defences played a decisive role in stopping Rommel's army from advancing towards Alexandria and the Suez Canal». With hindsight, this assessment is correct. At the time, however, it did not seem as though the Commonwealth troops and *Tourah* cement together would be able to halt the onslaught of the German Africa Corps.

The fluctuating fortunes of war in Cyrenaica between early 1941 and May 1943 are now part of history. Max Schmidheiny lived through these events at close quarters. For, as we have seen, during the war he insisted on supervising his business operations personally, which applied to the Middle East, too. This was all the more so in the critical year of 1942, when reports reached Switzerland that Rommel would soon enter the Egyptian capital. It seemed that Max Schmidheiny's presence was needed to save what could be saved of *Tourah*.

Getting there was an adventure in itself – part of the way in German military aircraft on a German visa, then by train and car through Bulgaria, Turkey and Syria, and finally from there to Cairo with allied papers, where panic had broken out in July 1942. The world had decided – prematurely – that Britain had lost the war in North Africa. A fascinating interlude began for Max Schmidheiny. In later years he liked to introduce his account of the time with the sentence: «We were expecting Rommel, and Churchill showed up.» The Swiss industrialist was sitting with a group of British officers in his firm's canteen, when the

prime minister suddenly turned up from London and joined the officers. He had unexpectedly decided to visit the theatre of war in Egypt to consult with Jan Smuts, the South African prime minister, on crucial decisions. So crucial, in fact, that they decided the war in the Mediterranean: General Auchinleck, the British Supreme Commander in the Middle East, who was obviously incapable of dealing with Rommel, was replaced by General Alexander. General Montgomery was appointed Commander-in-Chief of the Eighth Army.

At the end of 1945, Max Schmidheiny returned to Cairo for the first time after the war, this time with Allied Air Transport command. On inspecting the plant, he decided to expand and modernize the *Tourah* operations so as to greatly increase production capacity. In 1952, *Tourah* and *Helwan* together founded the *Alexandria Portland Cement Factory*, which was particularly well situated for exports, and the *Sudan Portland Cement Company Ltd.* with a factory at Atbara on the Nile about 300 kilometres north of Khartoum. «Thanks to foreign investment», Max Schmidheiny wrote looking back in 1984, «the country was not only self-sufficient in cement, but also able to export large quantities. (...) Under the technical and commercial management of about two dozen foreign employees, the three cement plants and their branches provided a livelihood for about 2500 Egyptian workers.»

### **Nasser's coup and nationalization**

From 1952 onwards, political uncertainty began to overshadow the economic recovery of the Egyptian companies. King Farouk's unpopular and corrupt government was overthrown in 1952 and a republic declared

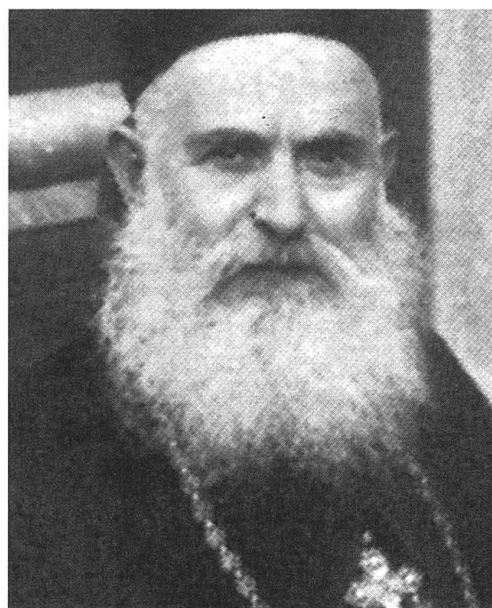
the following year. After seizing power, Colonel Gamal Abdel Nasser nationalized the Suez Canal on 26 July 1956. In October the Israelis, British and French marched on Cairo, a lightning campaign lamentably broken off. Nasser's indirect response was the confiscation of all foreign companies in Egypt, including, of course, the Schmidheiny cement works. On 20 July 1961, the government published Decree No. 117, which transferred to the state the entire property of 52 companies, including the «*Portland Cement Company at Tourah*», the «*Portland Cement Company at Helwan*» and the «*Alexandria Company for Portland Cement*». In his account of the affair, Max Schmidheiny recorded that in terms of the decree «the existing board of directors was to be regarded as dismissed, and at 11 p.m. on the night of the 20 July the former administrator in Helwan appeared as a government official under police protection and announced that he was the «chairman» and general manager of the nationalized Tourah company. (...) He then ordered two company clerks he had brought with him to draw up a list of all files and dossiers. All keys and spare keys of the filing cabinets and safes had to be handed over».

The question of compensation led to lengthy legal and political skirmishing. Max Schmidheiny was not deceived by any Egyptian ruses and threats. In his report on the affair he later wrote: «For that matter, history teaches us that the only way to deal with dictators is to stand up to them and not to flinch.» The Swiss industrialist acted accordingly. First, he had all *Tourah* assets in banks abroad frozen. Then Schmidheiny ordered the confiscation of a cement grinding mill waiting for shipment in Copenhagen that the nationalized Egyptian plant apparently was in urgent need of.

After this, Cairo was more open to compromise, which was to have a positive effect on the struggle over the *Sudan Portland Cement Company*. In the latter case, Max Schmidheiny was determined to do all he could to prevent this company from being nationalized as well. The Egyptian affair caused a stir in Switzerland and throughout the world. The Swiss government resorted to diplomatic means that ended in lengthy, tough negotiations between Switzerland and Egypt, in which the then ambassador and subsequent secretary of state, Raymond Probst, played a crucial role. In 1964, the two sides reached what Schmidheiny called an «amicable agreement» on Tourah: the original owners ultimately received «an amount equal to between only 30 and 40 percent of what would have been fair compensation».

#### «I want Schmidheiny»

Developments took a happier turn at another Schmidheiny company in the Middle East, the cement factory in *Chekka*, a small Lebanese seaside resort a few kilometres south of Tripoli. In 1935, the French High Commissioner and a decrepit, sleepy manage-



*In April 1942, His Beatitude, Patriarch Antoine of Antioch and All the Orient presented his «friend Mr Max Schmidheiny» his portrait as a sign of his «affection». The patriarch held the formal position of «Delegate for life» of the Société des Ciments Libanais Chekka.*



ment initially made life difficult for the Swiss industrialist. Eventually, though, Max Schmidheiny got his way with the help of the Swiss consul, a man versed in the secrets of the country – and the support of the Patriarch of Antioch («and All the Orient», to give him his full title), who had the formal position of «delegate for life». Ernst Schmidheiny senior had already had dealings with His Beatitude, who extended his favour to son Max – for money, of course: 50 pounds a month in gold coins, a sum that «His Blessedness» converted at the black-market rate during the Second World War...

Max Schmidheiny visited the factory in *Chekka* regularly between 1939 and 1945. The route to Egypt ran through Lebanon. However, after 1941 it was not quite certain who was in charge: the French, who still felt they were running the country or the (militarily more important) Commonwealth occupation forces. Relations between the two were tense, which almost proved to be Schmidheiny's undoing. In 1942, on his way to his operations in *Chekka*, he was arrested without much ado by the French police as a suspicious foreigner and transferred to the military prison in Beirut. Eventually, he was rescued by an old acquaintance, an Australian who in civilian life was the chairman of one of the leading cement companies in his country, but in the army was a colonel and commander of one of the regiments at Tobruk that for months had withstood the onslaught of the Italians and then of Rommel's Africa Corps. He appeared at the gates of the French barracks with two tanks and bellowed: «I want Schmidheiny!»

For Max Schmidheiny this arrest was just an interlude in what he admitted was a fascinating Lebanese adventure. Since the 1930s he had been acquainted with the business practices of

the Middle East and knew how to deal with the respective rulers and the various clans. After the war, the company in *Chekka* expanded accordingly – notwithstanding unfavourable developments in local politics. The company generated its own finance for expansion, acquired its own hydroelectric power station and continued to operate during the turmoil in later years.

### **Commander of the Order of the Cedar**

*Chekka* was the base from which Max Schmidheiny started to expand his industrial activities in the Arab world in the early 1950s. *Eternit S.A.L.* *Chekka* was founded on 5 December 1950 and a temporary installation came on stream in 1951. As it became apparent that the Arab countries possessed enormous oil wealth, business started to boom. Max Schmidheiny reacted immediately: in 1956 *Chekka's* capital was increased to finance a modern factory for Eternit pipes, since a major requirement of the oil industry was giant water pipes.

In its early phase the Lebanese factory exported to the Gulf. Later, factories were built in other countries. Max Schmidheiny always made a point of letting local businessmen acquire a majority holding in any new company, while ensuring an indispensable Swiss role both through a substantial minority holding and, above all, through technical know how and efficient management structures. *Amiantit S.A.L. Beyrouth* was founded in 1967. Companies with the same name followed in Libya, Saudi Arabia, Dubai, Jordan and Oman. New factories were established in Tripoli, Jeddah, Jubai, Dammam, Abu Dhabi, Amman, Muscat and Istanbul. Eternit became a market leader through the Middle East, above all in pipe production.



Throughout his life Max Schmidheiny took pride in recounting his successes and his entire involvement in the Middle East and North Africa, and the personal effort that he had invested in this region on numerous trips and which continued after the war. With pride he would open for visitors the door of a built-in cupboard in his office in Heerbrugg to reveal a magnificent calligraphic document hanging on the inside: the certificate appointing him *Commander of the Order of the Cedar*, an honour he received from President Charles Hélou of Lebanon in 1969.

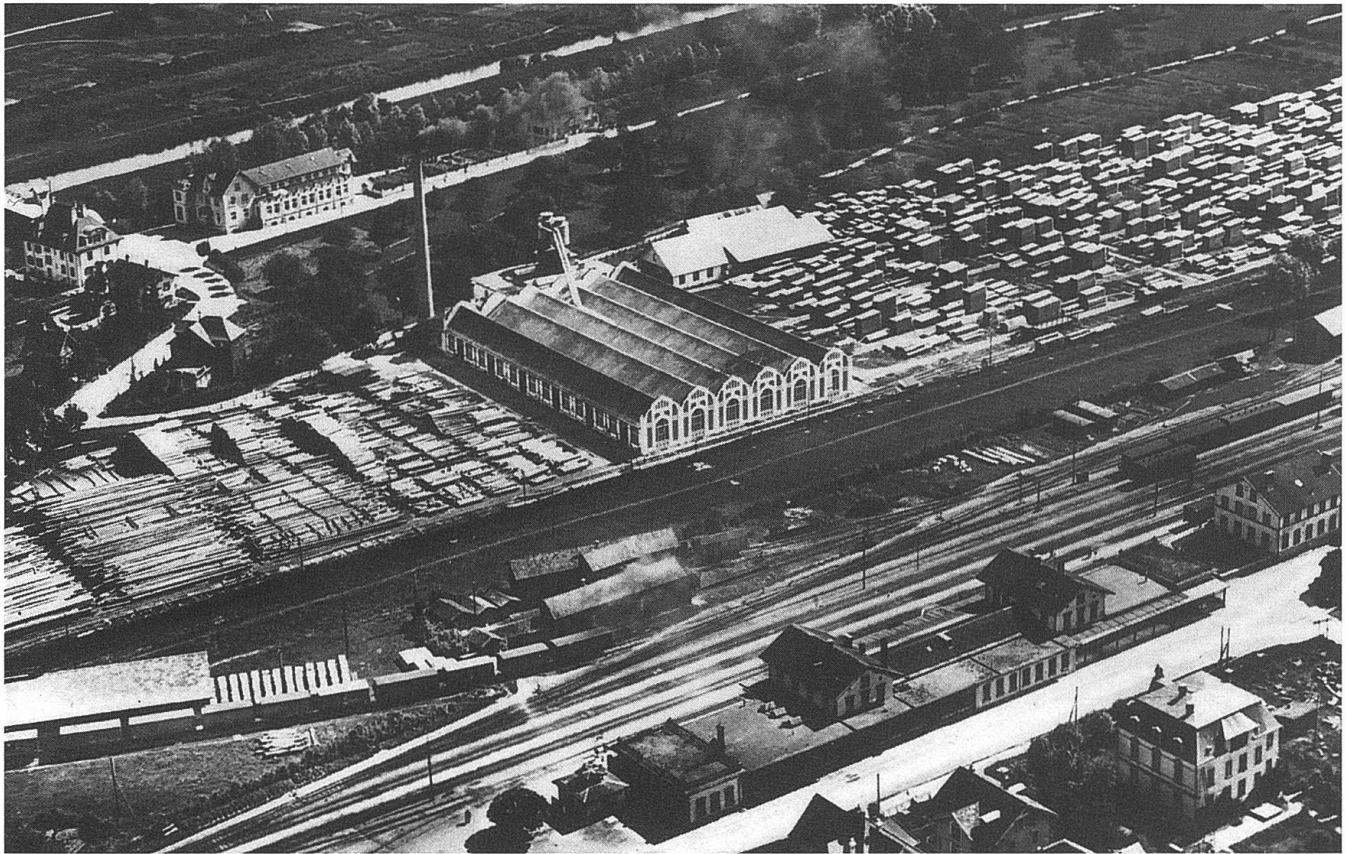
#### Interlude in wood

Germany, Belgium, the Middle East and North Africa: in these regions Max Schmidheiny had dealt in cement and cement products, the family's traditional businesses. But he had already long been practising what is now called diversification. He himself did

not care for the term, and tended to speak condescendingly of colleagues that tried to shift the focus of their business or expand into other fields. In reality, however, building materials alone were not enough to satisfy this active, enterprising industrialist. In this respect, too, he was a «traveller between worlds» – the worlds of very different industries.

His father had left him a diverse legacy, including the *HIAG* company, the *Holzindustrie St. Margrethen AG*, of which he became chairman in 1934. This posed an unusual challenge. At the time, the «*Terza*» match factory at Unterterzen on Lake Walen was fighting for survival. Originally, the local municipality had founded the company to provide employment in the town, but had difficulty making a going concern of it. In 1938, Schmidheiny agreed to buy the bankrupt business and merge it with *HIAG* – on one condition: to start producing quality

On 7 June 1969, President Charles Hélou of Lebanon named the Swiss industrialist Max Schmidheiny «Commander of the Order of the Cedar» and presented him with a magnificent certificate to this effect.



*In 1934 Max Schmidheiny became chairman of the board of directors of the Holzindustrie AG St. Margrethen (HIAG) – a company that had been saved by his father, Ernst Schmidheiny. This large operation ...*

matches. This rescue operation may have seemed madness, for at that time the Swedes held an international monopoly of sorts in matches. But it was this that motivated him: «The cement business had shown me the strengths and weaknesses of a small outsider.» He accepted the challenge, and eventually his mighty Scandina-

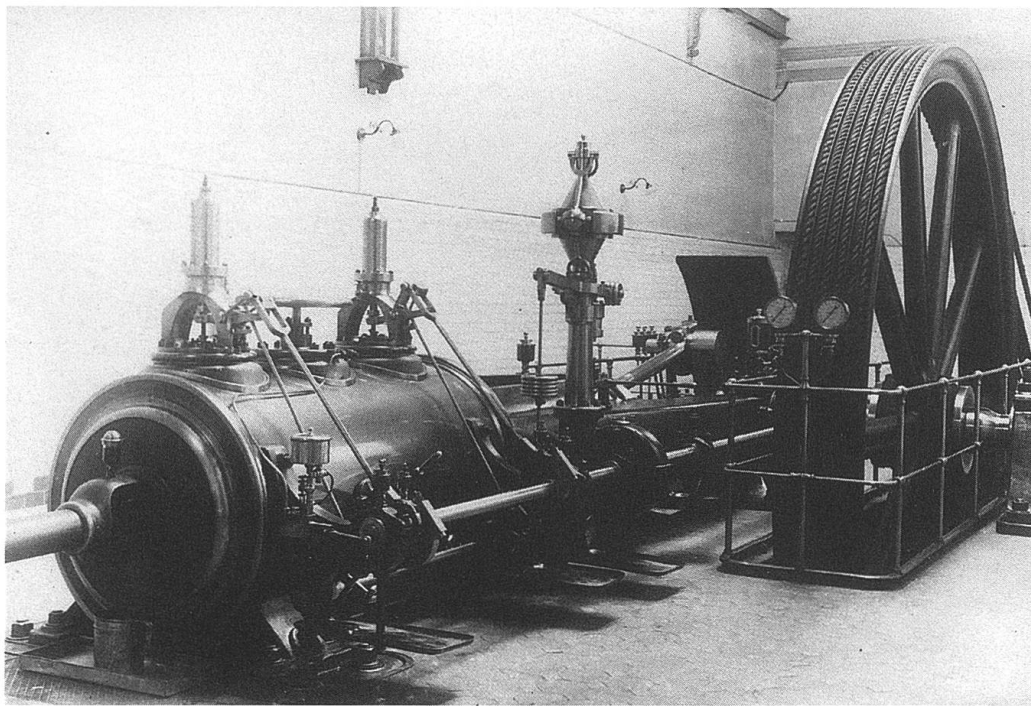
vian competitor signed an agreement on quotas with him.

The HIAG group as a whole gradually widened its range of activities, overcoming the difficulties of the Second World War and a disastrous fire that completely destroyed the main plant in St. Margrethen in August 1946. In 1948 the factory reopened as

*... was destroyed by fire in 1946 and had to be rebuilt from scratch.*







*Until 1946 an old, hulking great steam engine produced all the power for the entire HIAG facility in St. Margrethen.*

one of the most modern and most productive of its kind. Through the acquisition of related manufacturing and commercial operations, the group became the market leader in the field of fibre board, chip board and parquet flooring. *HIAG* began to export its knowledge systematically, erecting turnkey plants abroad in which the company retained a holding. At the beginning of the 1970s, Max Schmidheiny withdrew from the wood busi-

ness. But it remained within the wider family, as *HIAG* was bought by Gustav E. Grisard, who was married to Max Schmidheiny's niece Annette, née Schrafl.

#### **Wild-Heerbrugg: Max Schmidheiny's «favourite child»**

Max Schmidheiny took diversification a step further with his involvement in a company that was close geographically, but whose business was



*Until 1993, the administrative office of the Holzindustrie AG St. Margrethen (HIAG) was housed in a modest office building.*

not remotely connected with any building material: *Heinrich Wild's geodätischer Instrumente*, headquartered in Heerbrugg, at the foot of the hill on which he lived. As an artillery officer, optical instruments of all types must have held a particular attraction for him, and, as Arnold Semadeni, at the time chief executive officer, put it in 1979, *Wild* became «one of Max Schmidheiny's favourite children».

This company was also going through a difficult phase when the young businessman took charge in 1933. After the founder, Wild, had left the company in anger and joined the Kern company in Aarau, Max Schmidheiny bought his shares, which, together with his father's holding, gave him the majority. His uncle Jakob remained chairman in name, but Max Schmidheiny made the decisions. He remained deputy chairman until 1954, when he became chairman, a position he held until 1983. Looking back later, he remarked that «until

1935 people kept talking of liquidation»; then the range of products was expanded, and as demand grew for modern surveying and photogrammetric instruments, the company's situation started to improve noticeably.

Once again, political developments worked to the advantage of a Schmidheiny firm. Military forces around the world were taking an increasing interest in precision optics, and *Wild's* instruments were of the highest quality. The German army was ordering theodolites for its *artillery* long before Adolf Hitler appeared on the scene – and long before the Swiss military had recognized the potential of *Wild* products. In the first phase of the Second World War, the Heerbrugg company sold optical instruments to both the German and the British armies. There were lots of opportunities for this, of course. Although Germany had answered the allied blockade of Switzerland with a counterblockade, Germany did not have, as Oswald Inglin de-

*The committee of the board of directors of Wild Heerbrugg AG in the 1950s (from left to right): Heinrich Spoerri, general manager Albert Schmidheini, Max Schmidheiny, at the time still formally deputy chairman.*



scribes in his book «Der stille Krieg» (The Silent War), «a tradition of blockades. As a typical land power, it lacked the means to enforce this systematically and effectively at sea». Thus, Swiss exports crossed the Italian border, from where they went by ship to the USA or the UK, or via unoccupied France to North Africa and on to the allied forces. Only after the German armies marched into Vichy France in 1942 and established a government of occupation in Italy in 1943 was Switzerland completely cut off.

Once the war was over, *Wild* had to refocus its activities, and the decision was taken to concentrate on microscopes. A firm in Allschwil that *Wild* acquired in 1947, and relocated to Mels in 1963, was already specialized in this field. The factories in Heerbrugg, Rebstein and Oberriet manufactured optical instruments and tripods for the most part. Max Schmidheiny later put this period in a nutshell: «There were hardly any problems in the 1950s and 1960s. (...) It was a good time.» The production and administrative facilities expanded and a number of branches and sales networks were established abroad.

This optimism was dented by the Swiss government's decision to restrict the use of foreign labour in Switzerland and so pre-empt a referendum on foreign workers organized by James Schwarzenbach. This hit the Heerbrugg company hard. On 19 June 1971 – the 50th anniversary of the founding of the firm – Max Schmidheiny gave a speech that caused an enormous stir by criticizing the Swiss government: «Although, on the one hand, we can look back on the rapid growth of our company with satisfaction, on the other hand, we follow with growing concern the effects of a labour policy adopted by the authorities that threatens to gradually undo what

has been achieved. I will not hesitate to speak of a form of economic exploitation. (...) It is nothing short of economic exploitation (...) when hundreds of well-paying jobs in a thoroughly rationalized manufacturing company cannot be filled because of artificially created shortages in the labour market, when, for this reason, existing productive capacity that has been built up with enormous investment cannot be used and is going to waste.»

Max Schmidheiny was harshly criticized for his remarks on migrant labour policies, particularly in Liberal Party circles. Nello Celio, at the time head of the Swiss Department of Finance and Customs, labelled his views «political nonsense». *Wild* drew its own conclusions from this difficult situation in the Swiss labour market and transferred part of its production abroad. A subsidiary, *Wild Heerbrugg GmbH Kärnten*, was founded in Völkermarkt, Austria, in 1970, and a second branch was opened in Singapore in 1971. By the end of the 1970s, the company and its affiliates had a staff of 3000; about 500 employees commuted across the Austrian border every day to work in factories producing optical instruments on the Swiss side of the Rhine.

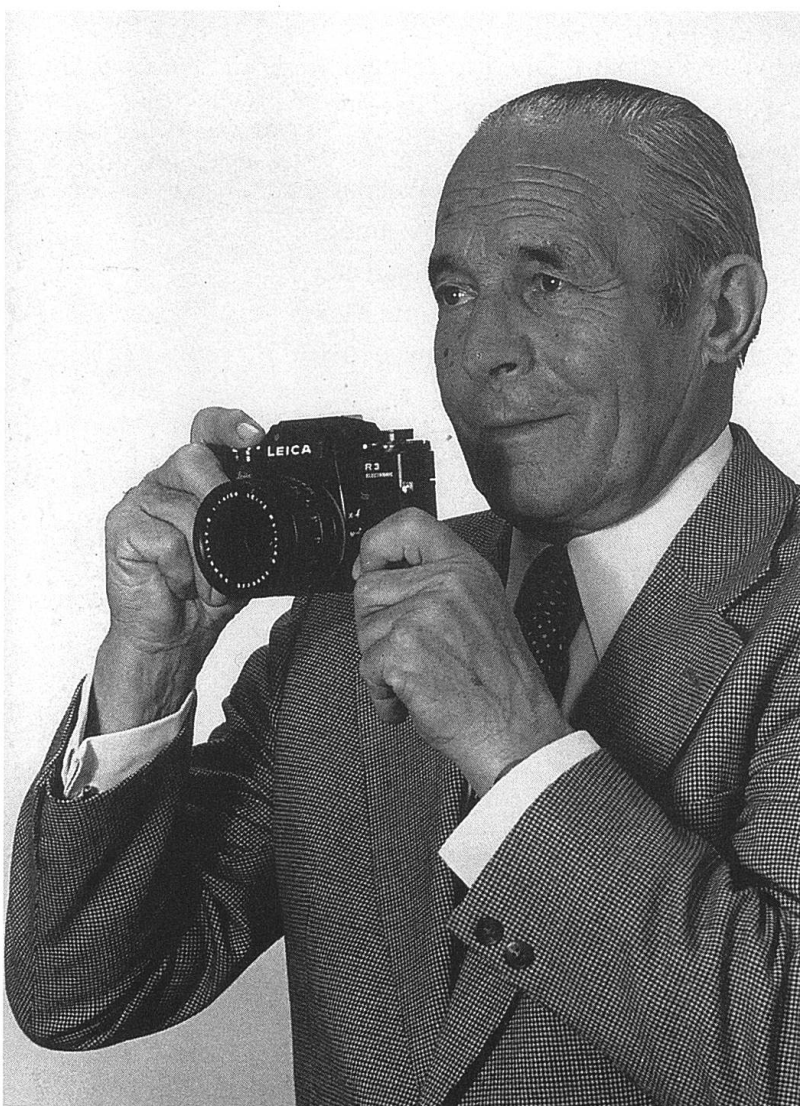
At that time *Wild AG* was at the height of its international reputation. On 8 March 1979, Edgar Faure, former prime minister of France, presented Max Schmidheiny with a sort of «Oscar for industry», the *Trophée Internationale de l'Industrie* of the *Institut International de Promotion et de Prestige*, an associate organization of UNESCO. *Wild* was awarded the trophy for the quality precision and ongoing development of its products and, above all, for creative research.

By the time it received the award, however, *Wild* was already involved in





8 March 1979: The former French prime minister, Edgar Faure, congratulates Max Schmidheiny on the «Trophée International» awarded to him by the «Institut International de Promotion et Prestige» of UNESCO. Gisèle Rutmann (centre), President of the Institute, presented the prize to the Heerbrugg industrialist for the enterprising and technical achievements of the Wild company.



Max Kreis, graduate engineer with a degree in mathematics and Adda Schmidheiny's first husband, appointed technical director of Wild-Heerbrugg in 1949, and Albert Schmidheini's successor as head of the management board from 1961 to 1974, chairman of the board of directors of Leitz-Wetzlar GmbH until 1983.



a company that would be a source of headaches for many years. In 1971 *Wild* had signed a joint venture with *Leitz-Wetzlar*, and later acquired a majority of the shares in the German company. The merger was largely the doing of Max Kreis, a mechanical engineer and student friend of Max Schmidheiny's who had been technical director of *Wild-Heerbrugg* since 1949. In 1979, Kreis was still speaking optimistically of «various opportunities of German-Swiss collaboration in industrial interests». But his hopes were not fulfilled. In *Leitz* Wild had acquired a company in need of restructuring, one that – in Max Schmidheiny's subsequent sober assessment – «had done good work in research and development but was badly managed and manufactured products that the market did not want». The firm's structures were old-fashioned, and internal problems prevented a speedy merger of the Swiss and German operations. This was one of the reasons

why the company failed to recognize the direction of technological developments and adapt in time. *Wild-Heerbrugg* had to share all Wetzlar's problems, and, as a result, became a problem case itself, one that had not been properly solved by the time Max Schmidheiny withdrew from active management of the company.

#### **Concern about energy supplies**

Another legacy of Max Schmidheiny's father was permanent concern about adequate energy supplies for Switzerland and, above all, for the Rhine Valley, his home region. The experience of the Second World War strengthened his resolve: they received only inadequate supplies of coal for cement production, and at times none at all. The Heerbrugg industrialist felt obliged to resort to electricity and harness what water sources he could find in the Canton of St Gallen and, in particular, the Sarganserland region to produce hydroelectric power. Shortly

*Ernst Leitz GmbH in Wetzlar ca. 1972, about the time Wild-Heerbrugg took a stake in it.*

after the war, a utility, the *Nordostschweizerische Kraftwerke*, had conducted studies of the Rhine Valley, but came to the conclusion that the geology was too precarious and discontinued its work. A private entrepreneur seized the opportunity: Max Schmidheiny. He invested more than one million Swiss francs in studies for a new project. One variant was implemented, and the power station came on stream in 1978. The new utility, *Kraftwerke Sarganserland*, was able to meet peak energy demands for three to four hours a day. Approval was subject to the provision that the utility ensured that there was always a certain minimum amount of water in the Tamina Gorge to feed the hot springs upon which the communities of Pfäfers and Ragaz depended.

A more risky energy venture was Swiss oil research. The Suez Crisis was a crucial experience. Schmidheiny felt it was important «to do something to lessen Switzerland's dependence on foreign sources of energy». He wanted to promote oil research by an independent body in Switzerland. At first his views met with distrust among the authorities and in industry, who ridiculed him as a

voice in the wilderness. Eventually, after painfully slow progress as an «itinerant preacher», as he later put it, he had collected sufficient support and money – «the rewards of courage», wrote the Düsseldorf «Handelsblatt» with a mixture of criticism and admiration. *Swisspetrol Holding AG*, a financial and management company with headquarters in Zug, was founded in 1959, and Max Schmidheiny was its chairman until 1983.

It was impossible not to involve foreign oil companies, although this immediately drew dirty looks from various quarters. Foreign involvement should not mean that possible energy sources ended up in non-Swiss ownership. In reality, there was little danger of this, for lengthy, costly drilling in different locations bore few commercially exploitable results. The dream of some newspapers that were already drivelling on about «filling stations selling Swiss petrol» came to nought.

#### **«Favourable constellation for success» at Brown Boveri**

Cement and Eternit, petrol and electricity, optics and wood, investments in Switzerland and abroad: one

*Tour of the factory in Baden on the occasion of the 75th anniversary of BBC in 1966: the new chairman Max Schmidheiny accompanied by federal councillor Hans Schaffner.*





would have thought Max Schmidheiny already had enough on his plate. Yet, in the mid-1960s he assumed the chairmanship of *BBC, Brown Boveri & Cie., Baden*. This was a new, extremely demanding challenge. Later, he was to admit that it was «simply too much» for him.

Ernst senior had already had very close relations with *BBC*: in 1912 he was elected to the board of *Motor AG*, an engineering subsidiary of *Brown Boveri & Cie.* Max had got to know Walter Boveri junior, son of the founder of the same name, at a relatively early stage. The two clashed on the board of directors of *Credit Suisse*. The bank was to have invested one million Swiss francs in Schmidheiny's *Swisspetrol*, which was also thinking of issuing dividend rights certificates, at that time a novelty in Switzerland. Boveri reacted to both suggestions with a fit of temper. Apparently he feared that his turbine exports would suffer if Switzerland imported less or no oil...

At the same time, the businessman from Baden seemed impressed by the insolence and unconventionality of his colleague from Heerbrugg. In addition, Boveri was influenced by a horoscope of his private Roman astrologer, Francesco Waldner, who pointed out that Schmidheiny's «constellation» was extremely «favourable for success». The final decision lay with the big banks and the company's management, which was becoming increasingly uneasy about the often bizarre decisions that Boveri was handing down from his Olympian isolation. As Paul Eisenring recalled, «the situation in Baden grew more and more difficult until it became intolerable». National Councillor Eisenring acted as mediator, and after weeks of discussion was influential in convincing the ageing head of the

company that it was time for him to retire. First, Boveri summoned Schmidheiny, seemingly off his own bat. Schmidheiny reacted to the proposal that he join the board of directors with astonishment. But this was only the start: on 13 July 1966, in the 75th year of the company's existence, the Annual General Meeting elected the Heerbrugg industrialist as new chairman of the board of directors. Boveri was given the title of honorary chairman.

Schmidheiny's immediate task was to reorganize the company. According to the future managing director Piero Hummel, the company's organization «no longer functioned. One just did not know enough, whether one was making or losing money» – this in an international company with 75,000 employees and sales of three billion Swiss francs. Schmidheiny restructured the company with the assistance of *McKinsey*, a firm of corporate consultants. Decisive innovations including replacing the former functional organization with a «vertical structure» that distinguished between administration and production. Not everyone approved of the changes, least of all the German subsidiary, *BBC Mannheim*, which began to behave increasingly autonomously, and at times almost as a competitor of the headquarters in Baden. These business tensions between the Germans and the Swiss were compounded by long-standing personal rivalries – Boveri had already clashed with the Mannheim chairman, Kurt Lotz, as Max Schmidheiny would too. The problem of the Mannheim subsidiary would always be at the back of the mind of the new chairman of *BBC*, and he was never quite able to resolve it.

Especially as crucial strategic decisions waiting to be made in Baden demanded management's full attention.

The chairman of *BBC* focused primarily on the generation of electricity. At that time, nuclear energy was regarded as the energy of the future. There was little sign of the vehement opposition that would develop later. «Building reactors for nuclear power stations interests not only *Brown Boveri*, but also most Swiss firms active in the engineering industry» declared Max Schmidheiny in July 1967. In the following years, *BBC* became one of the leading builders of nuclear power stations and placed great importance on this field of activity, too much in fact, as it turned out some years later.

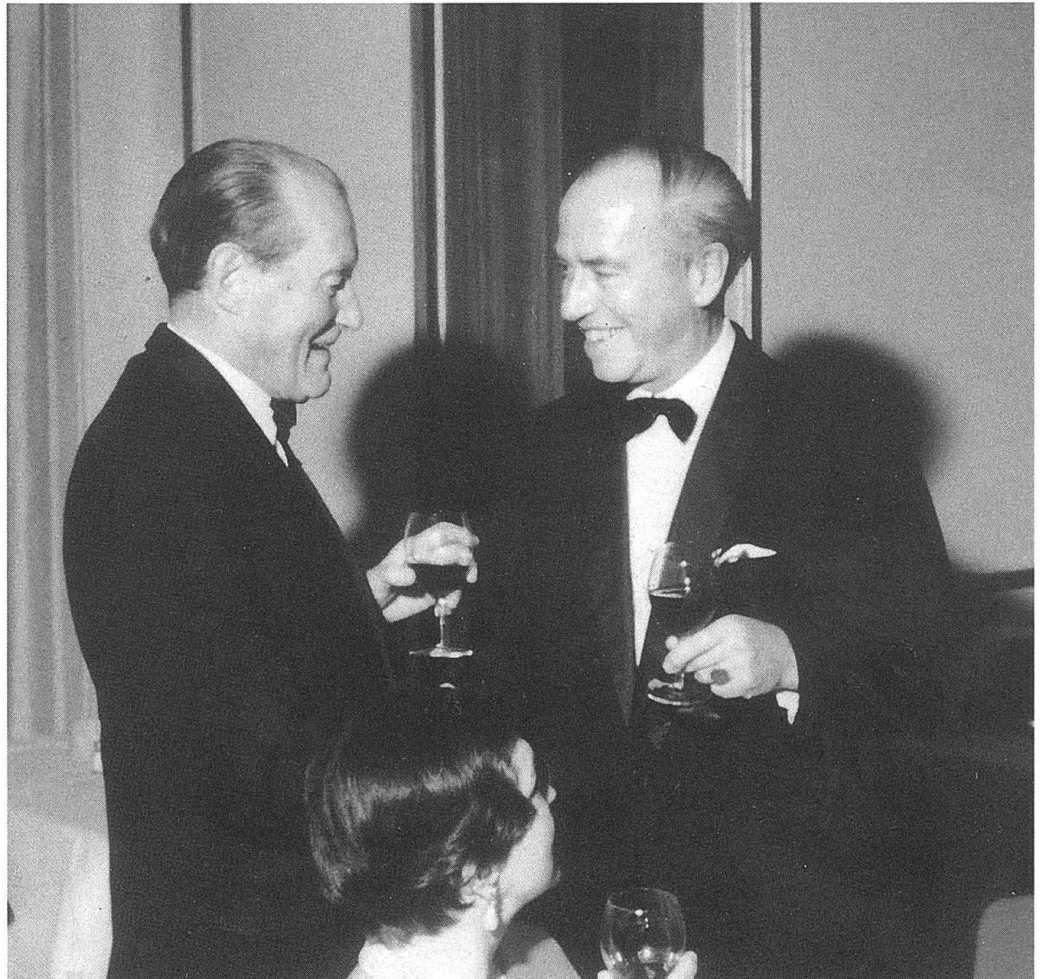
Under Max Schmidheiny's chairmanship, the company's output in its traditional field of electrical engineering machinery rose enormously. The United States, in particular, seemed to offer endless opportunities. At the end of the 1960s – to the intense annoyance and envy of its UK and US

competitors – *BBC* won a contract from the *American Electric Power Company* to build huge power plants driven by large steam turbines capable of producing 1100 MW of electricity, monsters 76 meters long and weighing 4800 tonnes. However, the Baden company decided not to join the *North American Rockwell Corporation* in bidding for an even larger project: the construction of a factory for large-scale turbines, which would have got the Swiss company into the American nuclear power station market. Ultimately, the financial and operating risks involved seemed to be too great, and *BBC* was obliged to withdraw.

### **Mergers, amalgamations, takeovers**

Max Schmidheiny became increasingly convinced of one point: an individual firm could neither satisfy the growing requirements of the interna-

*Chairman and honorary chairman of BBC toasting each other: Max Schmidheiny and Walter E. Boveri, son of the founder.*



tional market nor keep up with the demand for new developments on its own. To remain competitive it was necessary to concentrate the resources available in Switzerland. On 14 March 1967, a few months after being elected chairman, the Heerbrugg industrialist announced his coup: the merger between *Brown Boveri & Cie* and the *Maschinenfabrik Oerlikon (MFO)*, which had 6000 employees (4200 of them in Switzerland). Walter Boveri had already attempted to do this in 1965, but failed on account of his own unfortunate tactics and the refusal of the *MFO* board of directors, as its chairman, Georges Heberlein, subsequently made abundantly clear. Max Schmidheiny, who had been a member of the same student society as Heberlein, succeeded in his merger bid – or more precisely, «takeover» – creating a company with 82,000 employees.

Max Schmidheiny was faced with two broad criticisms. He answered the charge that the merger ran counter to all liberal principles by pointing to the «arrival of large foreign corporations in the Swiss market», which in their threat to Swiss industry often enjoyed the support of their governments or the advantages of nationalized companies. It was more difficult to deal with the arguments of Swiss industrialists who felt they had lost out and begrudged Max Schmidheiny his coup. He justified his high-handed behaviour by raising the spectre of speculation on the bourse, which he wanted to avoid at all cost: «If I had behaved differently, this could have led to insider dealings which could have endangered the venture.»

Another merger two years later did not go through so quietly and smoothly. The *Société Anonyme des Ateliers de Sécheron* in Geneva (*SAAS*) was one of the leading companies in the Swiss electrical engineering industry.

With a staff of about 1300 skilled workers, it was the largest industrial employer in the small city canton. In the mid-1960s the firm had run into great difficulties; turnover and new orders sank. German and Swiss companies – *Siemens* and *ASEA* – expressed interest in *Sécheron*, but the Swiss banks as majority shareholders favoured the Baden company. After difficult negotiations, influenced not only by *Sécheron's* concern for its survival, but also by considerable animosities between the French- and German-speaking Swiss, agreement was finally reached in autumn 1969.

Max Schmidheiny's term as chairman of *BBC* also included other cooperation and coordination agreements. In 1968, a joint venture with *Sulzer Brothers Winterthur* and their Zurich subsidiary, *Escher Wyss AG*, created the *Turbomaschinen AG* in Zurich, which was, however, short-lived. In July 1969, negotiations with the Swedish company *ASEA* led to an initial, modest agreement – the two families of industrialists, the Schmidheiny's of Heerbrugg and the Wallenbergs of Stockholm had long been on friendly terms.

### **The Hans Schaffner affair**

In 1970, Max Schmidheiny felt that the time had come to pass the chairmanship of *BBC* onto someone else's shoulders, as the demands of his family businesses were too great. He spent months looking for his successor. He had chosen Hans Schaffner, a former federal councillor with enormous standing and a wide circle of contacts in Switzerland and abroad such as large companies being extremely useful. But then Schmidheiny experienced «one of the greatest disappointments» of his professional life. As he later admitted: «I made a mistake choosing Schaffner.»

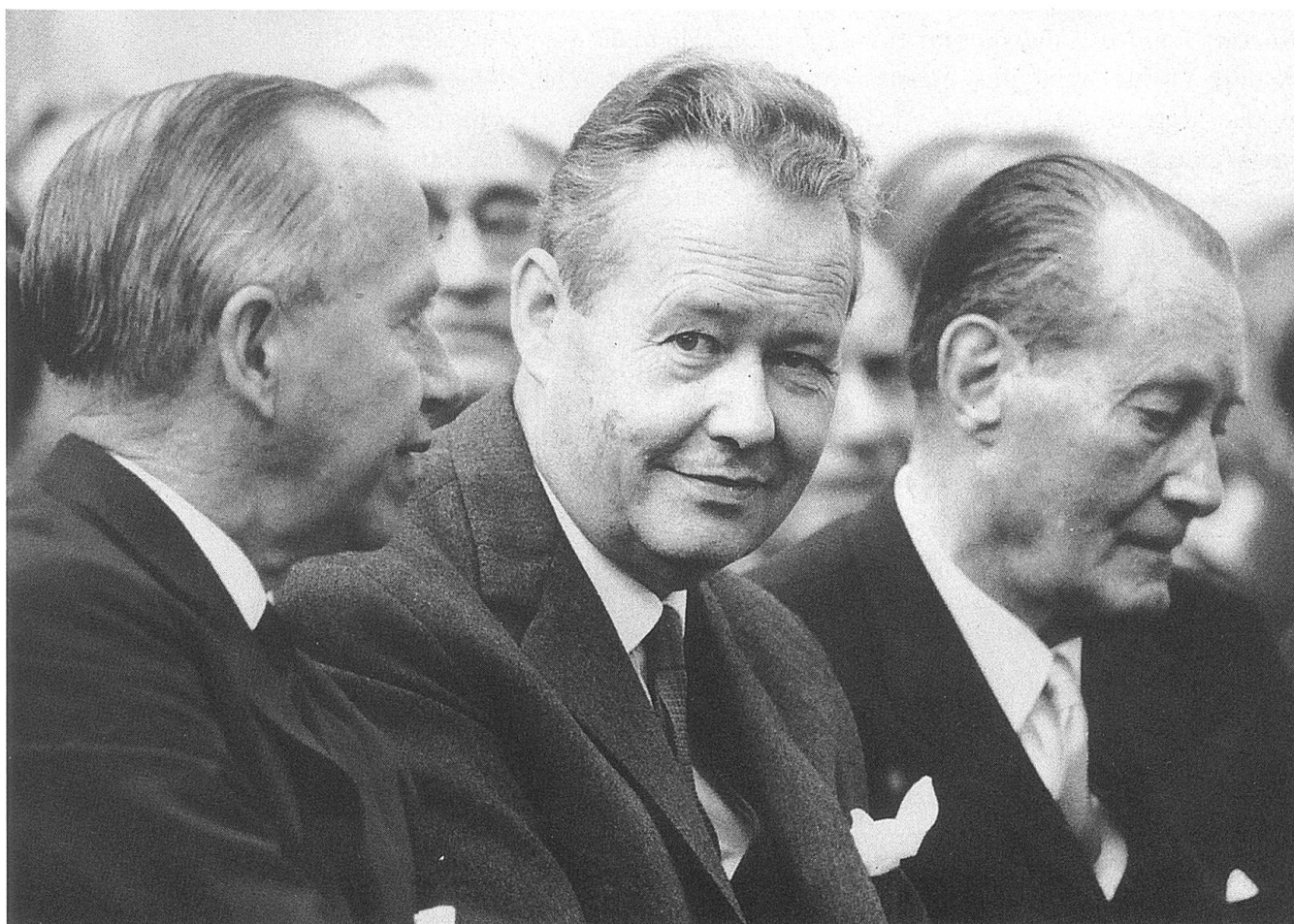


*Federal councillor Hans Schaffner, Chairman Max Schmidheiny, Honorary Chairman Walter E. Boveri, son of the founder of BBC, on the occasion of the 75th anniversary of the company in 1966. In 1970, Hans Schaffner was chosen by Max Schmidheiny as his successor, but withdrew unexpectedly after objections to his candidacy had been raised at the Annual General Meeting.*

At the annual general meeting on 15 July 1970 objections were raised against the nomination of the former federal councillor, which were supported by a small minority: of 602 shareholders, 40 voted against Schaffner. The election of a government official was a thorn in their flesh. In addition, they also wanted to reduce the size of the board of directors. Although the number of opposing votes was very small, both Schmidheiny and Schaffner appeared to lose their self-control. The retiring chairman spoke of a «perfidious attack» and asked the rhetorical question: «Should retiring federal councillors have to enter a monastery?» In a speech after lunch, Schaffner, for his part, responded to the attacks in an offended tone: «If the employees of BBC don't accept me, I won't accept this office; BBC can get along without me.» At some point the fatal remark was made that he, Schaff-

ner, would have no regrets as he rode passed in the Zurich–Berne express «without a stop in Baden». The next day, 16 July, the board of directors of *Brown Boveri* received a letter signed by Hans Schaffner in which he brusquely announced that he would not accept the office of chairman of the company to which he had been elected 24 hours previously. For the press this was a sensation. The *Tages-Anzeiger*, a Zurich daily, ran the headline: «BBC: Topless».

This temporary «topless» had personal consequences for Max Schmidheiny: he had to find a new successor. He finally chose Franz Luterbacher, the managing director of *MFO*. Everything was finally settled after lengthy discussions, and on 7 September 1970 *BBC* elected a new chairman; Max Schmidheiny remained on as deputy chairman until May 1980. This choice, however, was not one of his best. Un-



der Luterbacher *BBC* reached new heights – followed by alarming lows. More than once Schmidheiny wondered whether *BBC* had not «taken the wrong turn» in the early 1970s. The company seemed to have put too many eggs in the electricity basket, oblivious to the signs of the times, which pointed to falling demand for both nuclear and conventional power stations in the industrialized world. More than once, Max Schmidheiny suggested «diversifying into another field» besides large turbines, viz. telecommunications and electronics. However, company insiders assured him that they «had missed the boat». Companies such as *Hasler*, *Autophon* and *Siemens* had such a head start in this field that it was virtually impossible to catch up. «Yet», Schmidheiny mused later, «precisely in this field we could have become a force!»

### **Politics: not a dirty game**

Max Schmidheiny's dealings, whether for *BBC*, *Swisspetrol*, energy matters or his numerous businesses abroad, were, of course, highly political. He acted not only as a businessman but, in the final analysis, also as a «political animal» par excellence, a «politician by choice», as a friend put it, «with a flair for politics, (...) with an unequalled knowledge of the organization of public affairs and of the art of finding political majorities for his concerns».

For Schmidheiny there was no question of whether businessmen should get involved in politics. In 1976 he wrote in the «Frankfurter Allgemeine Zeitung»: «Speaking as a businessman, I have always thought it unfortunate that politics should be regarded as a «dirty game». Nor have I been able to accept the common excuse of too little time as a justification for keeping out of politics. The

influence and operation of the businessman's so-called «iron law of responsibility» goes beyond ensuring the prosperity and survival of his company; it includes his relationship with the public, the state and the community. Seen from this angle, standing aloof from politics is more than benign neglect, more than a form of ignorance about relationships, more than snobbery, than a venial sin.»

In the same article, Schmidheiny admitted that «the simpler structures of small democracies make it easier for businessmen (...) to get involved in active politics. (...) The career of a politician, who can seldom afford to be a career politician, usually starts at the local level, working with the authorities in his community and on the local school and church boards, then in the cantonal parliament and finally, at the very most, in the Swiss parliament in Berne».

This describes Max Schmidheiny's own political career. In his home region, where he was referred to as «Sir Max», he was in his element – deputy chairman of the Heerbrugg school board, local councillor in Balgach and, for two legislative periods, member of the cantonal parliament of St Gallen. He was also the family's representative on the boards of various charities and public works in the Rhine valley and surrounding areas – and also created foundations of his own. After the Second World War he organized and financed the renovation of a home for 60 retarded children in *Oberfeld-Marbach*. In 1967, the village of Balgach opened the *Verahus*, old-age and nursing home next to Castle Grünenstein, in accordance with the wishes and testament of Vera Schmidheiny-Kuster, Max Schmidheiny's mother. After her death in 1964, her children decided to donate their statutory share of her estate towards realizing this charitable

institution. In 1947 Max Schmidheiny created the *Adda Marietta Schmidheiny Foundation*, named after his daughter, to benefit the Schanfigg village of Pagig, at the time in dire need of help. He was later made an honorary citizen of the village. In 1977, the Heerbrugg industrialist made a substantial contribution to the renovation of the *Monastery of Ittingen* near Warth, five kilometres north of Frauenfeld, which was falling into disrepair. His personal initiative was the vital spark that led to the restoration of this unique historical monument and its dedication as an art museum that, in conjunction with commercial farming on the estate, is an economically viable concern.

#### «Sitting around in Berne»

Of course, local and regional matters could not fulfil a man of Max Schmidheiny's abilities. He felt drawn to Berne – to Swiss national politics. In 1959 he stood for the Liberal Party in his native canton, and was elected to parliament on 25 October with the highest number of votes of any member of the Liberal Party. His speeches were, according to a fellow parliamentarian, «to the point, simple and always unconventional», and therefore drew criticism from all sides. The Socialists regarded him as a confirmed «reactionary». Staunch Liberals did not trust him an inch, either: they complained that his vehement defence of cartels, particularly in the cement industry, was at odds with his liberal economic views.

For he had recorded his liberal principle in countless interviews, and called himself a «fanatic supporter of free-market economics». As such, very early in his parliamentary career in Berne he pilloried the agricultural policies of the previous decades as a huge mistake – in a vote that would be

topical today, but was thought absolutely revolutionary at the time. He stated that instead of putting Swiss farming on a healthy footing, it had simply been given tranquillizers, an immediate palliative, but not a cure: «To solve the problem, agriculture has to go through the same process as manufacturing. Units that are uneconomic because of their size must be merged, mechanized and rationalized to raise productivity.»

Max Schmidheiny caused a similar outcry in 1961, when, in keeping with his liberal principles, he attacked the watchmakers' statute, a holy cow that shackled the Swiss watchmaking industry like «a mediaeval guild» and so allowed foreign competition to flourish. He pleaded for freedom of production, which gained him the animosity of both the Left and Right.

He became best known, though, for another surprising position that he took: in 1961, the Liberal politician supported the proposal of Max Grütter, a Socialist, against the planned increase in the daily allowance for members of parliament – at that time 65 Swiss francs – as a gesture of economy. He was aware, of course, that his action was open to misinterpretation. Parliamentarians muttered that he was hardly the person to ask them to economize – he, who only appeared in the chamber «for cavalry charges», he, who flew to the sessions in Berne in his private plane (Schmidheiny had a pilot's licence).

Some of the criticism was justified, of course. Later Max Schmidheiny would say that «he had never been so bored as in the National Council». He began to consider where he could best serve the interests of the Swiss economy: «sitting around» in the lower chamber or doing business. After a single term of four years he declined to stand again in 1963. But he contin-

ued to serve in other public posts, for instance on the board of directors of the *Swiss Federal Railways* from 1961 to 1971 and as chairman of the *Association for the Promotion of the Swiss Economy* from 1961 to 1964.

On his 70th birthday in 1978 Max Schmidheiny reiterated his commitment to the market economy: he endowed a *Freedom Prize* at the University of St. Gallen, an institution to for which he had a special attachment and from which he had received an honorary doctorate in economics in 1967. The prize, with a grant of 100,000 Swiss francs, is awarded annually to two persons or organizations for «especially valuable efforts to preserve and expand the liberal economic and social order». Incidentally, the honorary doctorate from St Gallen was his second. In December 1952, the faculty of humanities and the natural sciences of the University of Basle had awarded him an honorary doctorate in recognition of his services in publishing the papers of the mathematician Leonhard Euler. As a young man, Max Schmidheiny, who had always been interested in mathematics, had collected the money needed for publication, a huge undertaking, in the face of which the Swiss Society of Natural Science had given up.

### **Settling his succession**

In his seventies, Max Schmidheiny began to think about his succession. In this, he avoided the mistake made by many heads of family concerns of refusing to take time between the pressures of daily business to settle this matter. The heirs are then left to deal with this difficult and painful point on the agenda, possibly paralysing the running of the business. Naturally, it was not easy for the Heerbrugg industrialist to decide to withdraw from his

firms, especially as by the 1980s he was quite aware that he and his younger son and heir held diametrically opposed views on *Eternit*, one of the family's oldest companies. Stephan, who was already virtually in charge of the firm, wanted to get out of the asbestos business. For many years, though, his father continued to feel that the worldwide concern about the health risks associated with the previously highly praised mineral fibre harboured a large element of hysteria.

Despite this, Max settled his succession on the basis of certain clear principles, which he himself never put in writing. Writing, he often emphasized, «had never been his forte». In a later speech, however, his second son, Stephan, discoursed at length on succession in family businesses, inspired by very personal experience. His views mirrored the clash between emotions and rational considerations that accompanied the transfer of Max Schmidheiny's life's work to his sons' shoulders.

Stephan Schmidheiny wrote that every family businessman who «is in full possession of his physical and mental powers, with the assurance and satisfaction of success» and sets about settling his succession «must in his mind give up his life's work, indeed, the purpose of his life». «This means, first, transferring one's own responsibility to a successor who has not yet properly proved himself – when has one finally proved oneself in business? Second, it means finding a new style of life for oneself to replace life as a businessman. Both of these are tasks whose fulfilment requires a considerable measure of insight, consistency and human greatness.»

It was difficult to find a single solution. Only after a great deal of thought and discussion did it become clear that one holding company for all the fam-

*Max Schmidheiny pursued his great passion for hunting – above all in Vorarlberg – even at an advanced age.*





ily businesses was not the solution. A parent company of this nature had to be so large and complex that it would run counter to two Schmidheiny traditions: first, «ownership and responsibility» should, as a rule, remain in one hand, and second, management of all companies should be decentralized.

Finally, the family agreed to divide up the family's holdings – which, in turn, was not all that easy. The companies founded or expanded by «Sir Max» in Switzerland and abroad were complex constructions that were often interlinked, even involving crossholdings in some cases. To disentangle them took months of laborious effort. By 1984 sufficient process had been made in the transformation that Max Schmidheiny was able to announce the new arrangements at the «*Holderbank*» annual press conference on 7 June. He emphasized, above all, that the Schmidheiny Group should not be regarded as a single corporation; it did not have one single policy-making body and management for all companies: «Different branches of the «Schmidheiny Group»», according to the communiqué, «behave towards one another like independent third parties, even to the extent of not excluding direct competition».

In practice, this basically meant that 39-year-old Thomas would assume responsibility for the «*Holderbank*» holdings and 37-year-old Stephan for Eternit. In 1984, Max Schmidheiny resigned from the board of directors of «*Holderbank*» *Financière* and a year later from the *Eternit Group* board as well. This departure from the family's two traditional companies should have convinced even the most sceptical minds that the father had indeed transferred all responsibility to his sons. He allowed his successors enough scope to find their own way «by trial and er-

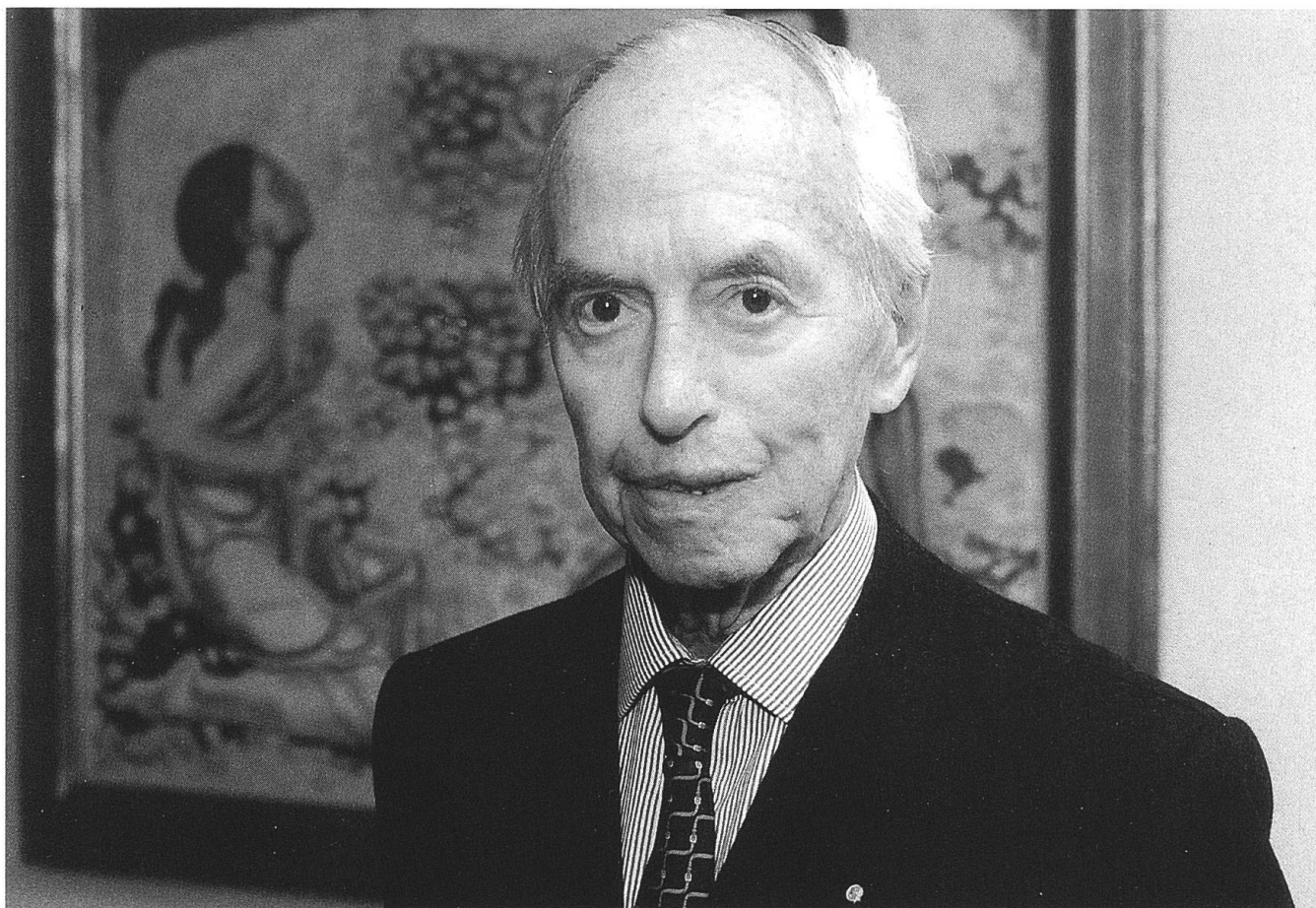
ror», as Stephan expressed it in his account. His older brother Thomas added: «He respected the decision taken in 1984 to hand over responsibility. Had he interfered, no one would have taken us seriously.»

### **The «most powerful businessman in Switzerland»**

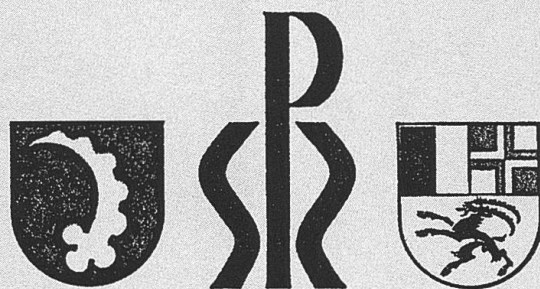
However, the elderly gentleman continued to take an active part in social and political affairs. He had more leisure, and more time for hunting, which he pursued with passionate enthusiasm, above all in Vorarlberg. Yet he still kept himself thoroughly informed about every detail in the family operations, read minutes, memoranda and reports. In his last years he took to saying he had neither the time nor the interest to be tired. And he was always present at crucial meetings – not to interfere, but just to draw attention to an important problem using an odd passing comment or one of the pointed questions for which he was famous. He continued to follow these business affairs with an iron resolution for an astonishingly long time well into his eighties, notwithstanding the infirmities of age, until his death on 19 August 1991.

With his death passed one of the last, great representatives of a generation of businessmen who were in the position to create an empire not only through painstaking attention to detail, but also through far-sighted intuition. With his death passed the man that the German journal «*Capital*» – belatedly – discovered to be the «most powerful businessman in Switzerland».





*Max Schmidheiny on his 80th birthday in 1988, standing in front of «Spring», a painting of his collection of Ferdinand Hodler's works.*



# URKUNDE

DIE GEMEINDE PAGIG/SCHANFIGG GR ERNENNT MIT GROSSER FREUDE  
UND DANKBARKEIT

HERRN DR. H.C. MAX SCHMIDHEINY

DIPL. ING. E.T.H. GEB. AM 3. APRIL 1908,  
VON BALGACH SG UND WOHNHAFT IN HEERBRUGG SG, ZU IHREM

# EHRENBÜRGER

MIT ALLEN DARAUS ERWACHSENDEN RECHTEN UND PFLICHTEN WIRD  
ZUSAMMEN MIT DEM GENANNTEN AUCH SEINE FAMILIE IN DIE EHRUNG  
EINGESCHLOSSEN:

SEINE EHEFRAU ALICE LINA, GEB. AM 14. JULI 1915  
SEINE TOCHTER ADDA MARIETTA, GEB. AM 26. NOVEMBER 1944  
SEIN SOHN THOMAS, GEB. AM 17. DEZEMBER 1945  
SEIN SOHN STEPHAN, GEB. AM 29. OKTOBER 1947  
SEIN SOHN ALEXANDER, GEB. AM 25. MÄRZ 1951

DER GROSSE RAT DES EIDGENÖSSISCHEN STANDES GRAUBÜNDEN HAT  
DIESE AMTSHANDLUNG DER GEMEINDE PAGIG AM 3. OKTOBER 1969 GENEH-  
MIGT UND FÜR DR. H.C. MAX SCHMIDHEINY UND SEINE FAMILIENANGE-  
HÖRIGEN DURCH DAS DEPARTEMENT DES INNERN UND DER VOLKSWIRTSCHAFT  
DIE BÜRGERBRIEFE DES KANTONS AUSSTELLEN LASSEN. DAMIT SOLLEN DIE  
GROSSEN UND BLEIBENDEN VERDIENSTE, DIE SICH DR. H.C. SCHMIDHEINY  
UM DAS WOHL UNSERER BERGGEMEINDE ERWORBEN HAT, ANERKANNT  
UND GEWÜRDIGT SEIN.

PAGIG, DEN 1. NOVEMBER 1969

FÜR DEN BÜRGERRAT:

*Walter Michael  
Joos Birkholz*

## Chronology

- 1908** 3 April: birth of Max Schmidheiny
- 1926** October: high school leaving examination, Trogen
- 1931** Max Schmidheiny graduates from the Federal Institute of Technology, Zurich, with a diploma in mechanical engineering – Heinrich Wild, one of the founders of *Verkaufsaktiengesellschaft Heinrich Wild's geodätischer Instrumente* in Heerbrugg, leaves to join the *Kern company* in Aarau; Max Schmidheiny acquires a majority shareholding in *Wild AG*
- 1932** Apprenticeship in the cement factory in Maastricht
- 1933** 1 January: joins the board of directors of *Wild-Heerbrugg*
- 1934** Elected chairman of the board of directors of *Holzindustrie AG St. Margrethen HIAG*, which had been founded in 1924 (until 1974) – managing director of *Eternit Niederurnen*
- 1935** 15 March: His father Ernst Schmidheiny dies in an air crash near El Arish in northern Sinai – Max Schmidheiny appointed managing director of the *Société Egyptienne de Ciment Portland Tourah-Le Caire*, of *Schweizerische Cement Industrie-Gesellschaft Glarus*, of the *Société des Ciments Libanais Chekka* and deputy chairman of *Wild-Heerbrugg*
- 1936** Joins the board of directors of *Gipsunion*
- 1937** Joins the board of directors of «*Holderbank*» *Financière (HOFI)*
- 1938** Buys *Zündholzfabrik Terza*, a match producer in Unterterzen
- 1942** 25 July: marries Adda Scherrer – meets Winston Churchill in Cairo – deputy chairman of *Eternit AG Berlin*, founded in 1929
- 1944** 26 November: birth of his daughter Adda Marietta
- 1945** 17 December: birth of his son Thomas – Max Schmidheiny appointed managing director of *HOFI*
- 1947** 29 October: birth of his son Stephan – creation of the *Adda Marietta Schmidheiny Foundation* for the benefit of the Schanfigg village of Pagig, which names him an honorary citizen on 1 July 1969
- 1948** Elected chairman of the supervisory board of *Eternit Berlin AG* – decides to rebuild the factory in Berlin-Rudow
- 1950** *Eternit S.A.L.* founded in Chekka, Lebanon (starts operating 1951)
- 1951** 25 March: birth of his son Alexander
- 1952** *Tourah* and *Helwan* found a joint venture: *Alexandria Portland Cementfabrik* – 21 November: receives an honorary doctorate from the faculty of humanities and natural sciences of the University of Basle
- 1954** 16 March: Elected chairman of the board of directors of *Wild-Heerbrugg* (until 1983) as Jacob Schmidheiny's successor
- 1955** 8 March: elected chairman of *Rheintalische Strassenbahnen* (renamed *Rheintalische Verkehrsbetriebe*; resigned as chairman 3 July 1970)
- 1956** Joins the board of directors of *Landis & Gyr Zug* (until 1974)
- 1959** Elected to parliament (until 1963) – elected chairman of the board of directors of *Swiss-petrol* (until 1983)

On 1 November 1969, Max Schmidheiny and his family were made honorary citizens of the community of Pagig/Schanfigg. Twenty-two years previously, the Heerbrugg industrialist created the Adda Marietta Schmidheiny Foundation – named after his daughter – for the express purpose of supporting the village.



**1961** 20 July: Egyptian government decrees nationalization of the *Portland Cement Company Tourah, Helwan and Alexandria* – Max Schmidheiny joins the board of directors of the *Swiss Federal Railways* (until 1971) and *Kraftwerke Sarganserland* (until 1983), the utility founded on his initiative – elected chairman of the board of directors of *Gipsunion*

**1962** Joins the board of directors of *Brown Boveri & Cie. (BBC)*

**1963** Chairman of the *Association for the Promotion of the Swiss Economy* (until 1966)

**1964** Agreement with Egypt on compensation for *Tourah-Le Caire* – joins the board of directors of *Motor Columbus AG* (until 1982)

**1966** 13 July: Elected chairman of the board of directors of *BBC* (until 15 July 1970)

**1967** 14 March: Max Schmidheiny seals merger of *BBC* and *MFO* – 20 May: the University of St. Gallen awards Max Schmidheiny an honorary doctorate in economics – 15 June: elected chairman of the board of directors of *Eternit Niederrurnen AG*

*BBC Chairman Max Schmidheiny addressing the company's Annual General Meeting.*



- 1969** Max Schmidheiny named *Commander of the Order of the Cedar* by President Charles Hélou of Lebanon – elected deputy chairman of the board of directors of *HOFI*
- 1970** 15 July: Max Schmidheiny resigns as chairman of *BBC*; affair surrounding election of Hans Schaffner, a former federal councillor, as his successor. After Schaffner's refusal, Franz Luterbacher elected chairman; Max Schmidheiny remains deputy chairman until 5 May 1980
- 1974** *Wild-Heerbrugg* acquires a majority holding in *Leitz-Wetzlar* – Max Schmidheiny elected chairman of the board of directors of *HOFI* (until 1984)
- 1977** Max Schmidheiny plays a leading role in a foundation's acquisition of the *Monastery of Ittingen* for renovation and rehabilitation
- 1978** 3 April: On his 70th birthday, Max Schmidheiny endows the *Max Schmidheiny Freedom Prize* at the University of St. Gallen for outstanding achievements in economics, politics or business in Switzerland or abroad – 19 September: inauguration of *Kraftwerke Sarganserland* – 22 September: retires as chairman of *Eternit Niederurnen AG*, succeeded by Stephan Schmidheiny
- 1979** 8 March: UNESCO's *Institut International de Promotion et de Prestige* awards Max Schmidheiny the *Trophée Internationale de l'Industrie*
- 1980** 11 July: Max Schmidheiny elected honorary chairman of *Eternit AG Berlin* and awarded the *Ernst Reuter Medal* by the City of Berlin
- 1984** Settles succession; the family interests divided between his sons Thomas and Stephan
- 1991** 19 August: Max Schmidheiny dies

