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*Ernst Schmidheiny II*  
1902–1985



# Ernst Schmidheiny II (1902–1985)

## From cement to the top-flight position at Swissair

It seemed to be a tradition in the Schmidheiny family of industrialists from Heerbrugg: in the furthest domains of their companies, brothers jointly took responsibility for far-reaching decisions, decided jointly and jointly passed on their experience. This had been the case even in the second generation of entrepreneurs, Ernst I and Jacob II, at the beginning of the century; the phenomenon was to be repeated in the third generation with Ernst II and Max Schmidheiny. Max Graf, one of the most important personalities in the Schmidheiny empire at that time – he mainly built up its South American operations – later described his memories of the fifties: «At that time one never really knew which of the Schmidheiny brothers did what. However, they were in perfect harmony and worked absolutely hand in hand.» And even if they did not meet personally, they always discussed every decision with each other on the phone, from near and far, in the cement and the «Eternit» sides of the business. «They always greeted each other with «Saluti» – and then came to an agreement», says Max D. Amstutz, then a close colleague of Ernst Schmidheiny and later a leading member of the management of the «Holderbank» group. The collaboration even functioned at a time when Ernst was heavily absorbed in his duties at Swissair.

In his memoirs Max Graf also mentioned something else, something very important, about the style of leadership practiced by the Schmidheiny brothers Ernst II and Max: it was, he

noted, «a completely intuitive kind of management». For neither of them was what one would call a modern company boss; neither of them had an organized, painstakingly set-out plan for his businesses. Both were characterized by what Jean R. von Salis wrote about the older of the two brothers in a memoir: «It is striking that in everything that Ernst Schmidheiny did, he stood above the system with a natural self-assurance and, if my information is correct, preferred a clear, appropriately structured organization based on competent, reliable colleagues to any kind of overblown setup.» Ernst, though, who was very skilled at motivating his staff, was reputed to be able to delegate more effectively, whereas Max relied instead on the motto «trust is good, but control is better».

### A master of negotiating tactics

Ernst, according to the testimony of people who used to work closely with him, was the stricter of the two in delicate crisis situations; he could be tough with his staff if need be. In general, though, he was the quieter and more obliging of the two. Those who had dealings with him admired his skill in negotiating and in drafting and concluding contracts – a quality he had clearly inherited from his father. From the latter, so he once said to his closest colleague in South Africa, Hans Rudolf Benecke, he had also received an exemplary training in this respect. He repeatedly stressed that with every contract one should ensure that it was just and benefited both par-

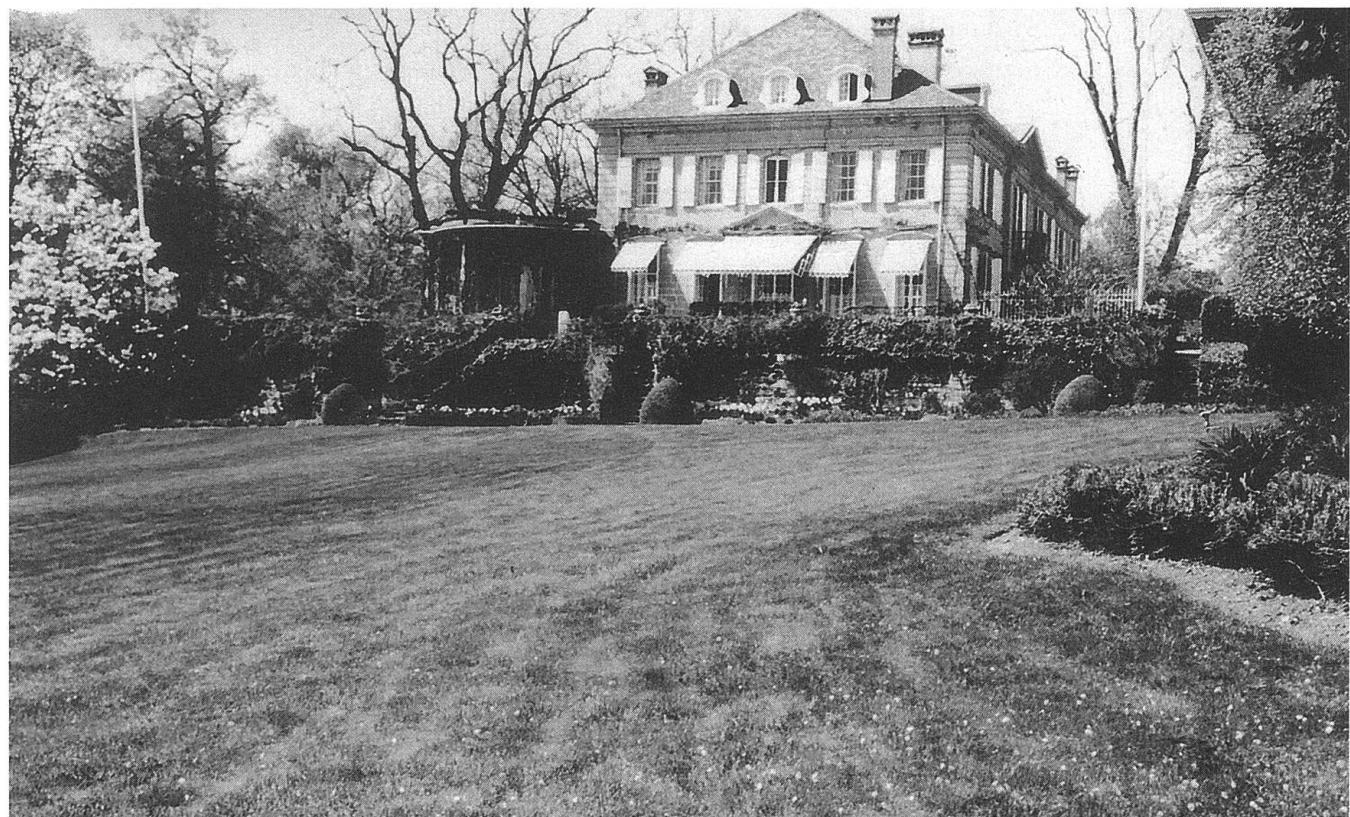
ties in the long term; also, he said, one should always consider from the outset how the other party or a third person might understand or interpret the wording of the agreement. A contract that was not drawn up according to these guidelines «would quickly become a worthless piece of paper». Hans Byland, another close colleague of Ernst Schmidheiny in South Africa, remembered in similar fashion the teaching he had received from the Heerbrugg industrialist on dealing with competitors: «He always recommended that one should first have a clear picture of one's own position, intentions and wishes, but one should then try to do the same for one's opponent, so as to foresee and understand his reaction and perhaps find a compromise.»

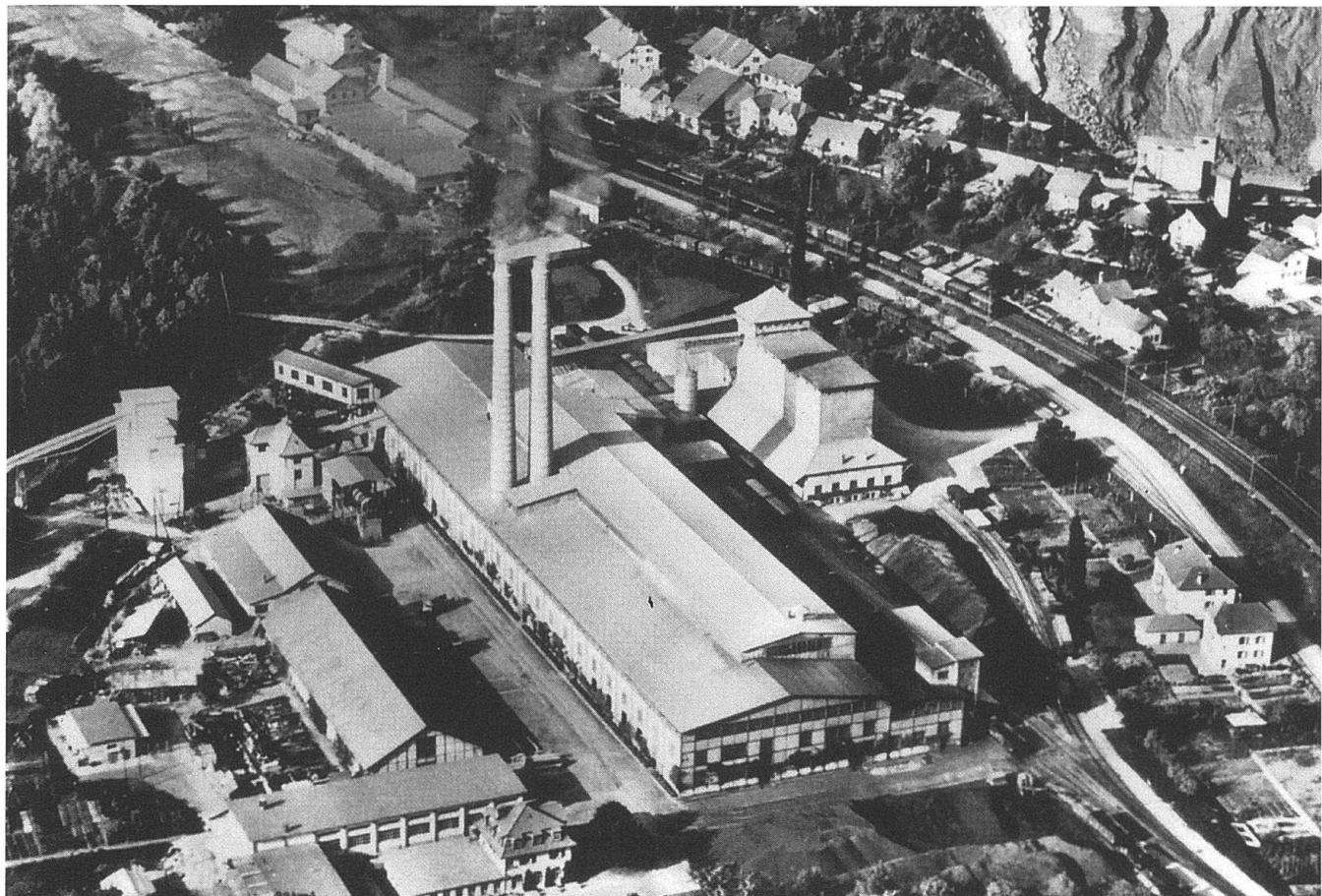
There was one respect in which the two brothers Ernst and Max were fundamentally different: in their public presence. Ernst, so the story goes, was extremely fond of large, elegant, luxurious cars, which he used above all in

French-speaking Switzerland. His magnificent estate «Garengo» in Céliney near Geneva, where he had a universally admired orchid farm, also became a byword among the initiates. For this farm he always brought back unique specimens from his trips to distant countries; this occasionally got him into trouble at border crossings, especially once when returning from Rhodesia to South Africa, when two or three exceptionally rare tree orchids were confiscated there and then by the customs officials.

Whether Ernst Schmidheiny merited the description «gentleman of industry» given him by Jean R. von Salis is a matter for dispute. At any rate, his lifestyle hardly matched the more reserved nature of his brother, even though both of them jointly indulged, during their active life, in a passion which was reserved for the higher echelons of society: in their leisure time they loved to travel into the Vorarlberg, where they were members of the Lenzing Hunting Society, of

*The «Garengo» estate in Céliney near Geneva, which Ernst Schmidheiny II moved to in 1940*





*The former «Holderbank» cement works in the canton of Aargau, where Ernst Schmidheiny began his apprenticeship as an ordinary shop-floor worker*

which «Uncle Jacob» had formerly been president and which Max later presided over. But Ernst Schmidheiny also enjoyed hunting in other places too, and from time to time proudly showed off in his home two large sets of antlers, a trophy from Hungary.

### **An apprenticeship starting from the bottom**

In the early years of his career Ernst Schmidheiny was obliged to follow a different road from his younger brother. Born on 16 July 1902 as the third of four children, he first attended the primary school in Heerbrugg and then Hof Oberkirch college, which he always had fond memories of. After this he entered the Ecole Supérieure de Commerce in Neuchâtel, but had to interrupt his studies because of tuberculosis and retire to Arosa and Davos for two years to convalesce; he never completed his secondary education.

His health restored, Ernst Schmid-

heiny embarked on a career in industry, entirely according to the family tradition. The young heir was to learn his profession starting from the bottom, and gain a real-life acquaintance with the people and the materials he would be working with. Not quite twenty years old, he began his apprenticeship at *Aargauische Portlandcementfabrik «Holderbank»-Willegg* as an ordinary shop-floor worker – to be more precise, first of all as a laboratory assistant under the direct supervision of Adolf Gygi, a qualified chemist and at the time general manager of the plant. Ernst Schmidheiny's duties included the preparation of test specimens and the performance of tensile tests. He then had to penetrate the secrets of chemical analysis of the raw materials and of the finished cement. Adolf Gygi's son Hans remembers that Ernst subsequently worked «in the quarry, where the raw material was at that time still extracted by the danger-

ous «chute-hole» method, and in the raw material preparation plant, the cement grinding plant and the forwarding department. In particular, Ernst Schmidheiny worked for several months as a cement burner. The art of cement burning gave him quite a few headaches; this was due not to a lack of skill on his part, but to the rudimentary and imprecise proportioning equipment and the complete absence of gauges and the like on the kiln installation».

This practical training lasted for one year, during which Ernst Schmidheiny became familiar with every detail of the manufacture of Portland cement – beginning his career the hard way, so to speak. It goes without saying, of course, that during this time the young man was also introduced to the administrative side of the business, although at that time the effort spent on administration and accounting was minimal: «There were no monthly balances, and budgets for the next year, let alone for five years, were unknown», noted Hans Gygi in his memoir.

In April 1923 Ernst Schmidheiny senior and Adolf Gygi sent their sons Ernst and Max Schmidheiny with their cousin Peter Schmidheiny and Hans Gygi on a three-week trip to Luxembourg, Belgium and the Netherlands. Serving as their mentor was Professor A. Hartmann, a chemistry teacher at the Aargau cantonal school, who also introduced the young Schmidheinys to the mysteries of silicate chemistry. The driver of the «Minerva 12 PS» open car provided by their father Ernst Schmidheiny was Ernst junior. «On the first day the route led through Alsace, Lorraine and Luxembourg», wrote Hans Gygi later. «In the evening we arrived in Liège, where we spent the night. After dinner the tour leader and the driver immediately went up to

their rooms. The younger travellers, on the other hand, accepted Max's suggestion that we should take a look at the town before going to bed. We ended up in a cinema, where we had a bit of trouble on account of Max, for in Liège young people under 16 were in those days not allowed into cinemas.» The small party subsequently visited smelters, steel works and rolling mills as well as various cement works, «whose run-down-looking plant we did not find particularly pleasing compared with «Holderbank»», remembered Hans Gygi. The official purpose of the trip was that the youngsters should find out which cement works in the countries concerned were potential candidates for takeover. Ultimately, though, the enterprise had educational aims; according to Hans Gygi, its instigators were «clearly convinced that knowledge acquired at school was on its own not sufficient to prepare young people for working life; visual instruction was also necessary».

### **Early days at «Holderbank»**

Real working life was soon to begin for Ernst Schmidheiny junior. In 1924 Adolf Gygi met with a fatal accident. The industrialist from Heerbrugg, then not quite 22, was appointed his successor. He held the post of technical general manager of *Aargauische Portlandcementfabrik «Holderbank»-Wildegg*, shared the management of the firm with Oskar Wagner, who had been promoted to commercial general manager, and henceforth had full responsibility for the firm, which he also represented in various trade organizations – much to the annoyance of more senior colleagues, who displayed to the allegedly inexperienced «patron» of *Portlandcementfabrik «Holderbank»* all the distrust felt by the older generation. Such a young man would be advised to hold his tongue, the

chairman of Kalk AG once intimated to Ernst Schmidheiny in Zürich, when he stubbornly held to an opinion which the chairman disagreed with...

At first, the «Holderbank»-Wildegg cement works did not cause any major problems. Business went satisfactorily up to the end of the twenties; the cash flow provided funds for the acquisition of interests in *Portlandcementfabrik Laufen*, *Vigier* and *Société des Chaux et Ciments de la Suisse Romande* as well as foreign investments, especially in Belgium, the Netherlands and Egypt. But then came the «Black Friday» of 25 October 1929 and the Great Depression – and, with a certain lag, hard times for Swiss businesses as well. For «Holderbank»-Wildegg this did not mean an immediate catastrophe; the canton of Aargau had a diversified industrial structure, and in 1930 work began on two large power stations in Wettingen and Albbruck, which boosted cement production. Real unemployment did not begin until 1932.

For Ernst Schmidheiny senior, however, the worries came less from Switzerland than from an entirely different quarter. In particular, he had taken on too much in his foreign operations; the value of his assets in other countries depreciated due to the collapse of the various currencies. However, he himself would not experience the consequences of the disastrous decline; the entire burden of his over-indebted companies fell on his sons when he was killed in an air crash in the Sinai Desert on 15 March 1935. His elder son Ernst had accompanied him on that fateful excursion; he survived the crash and, only slightly injured, was able to summon help. His younger son Max was, doubtless fortunately for him, not with them at the time; he learnt of his father's sudden death from a distance.

The hard-hit family first had to consider whether they could and should actually enter upon the over-indebted inheritance. In the end, though, they accepted the legacy and took the necessary action. «Anything else was doubtless out of the question for these entrepreneurs, with their sense of mission» noted Werner Catrina in his book «Der Eternit-Report». Shortly before his death, Ernst Schmidheiny senior had had his son Ernst II appointed managing director of «Holderbank» Financière AG, established in 1930; now the office of chairman of the board of *Eternit Niederurnen AG* fell to him as well. For Ernst also had to devote himself together with his brother Max to the family business of asbestos cement; he had already been deputy chairman of the supervisory board of *Eternit Deutschland* since 1932.

### Splitting up the headquarters

At this time, the two brothers' fields of activity merged; outsiders could hardly tell them apart, even though Ernst's interests were directed more to cement making, i.e. to «Holderbank», and Max's more to Eternit. However, decisions on large investment projects were taken by both of them together; sometimes it was the one and sometimes the other who delegated trustworthy colleagues to undertake major tasks. This particularly applied to the operations abroad, where the formation or acquisition of cement companies usually ran parallel with the building of asbestos plants or asbestos cement works – in Egypt or South Africa, for instance. Here, both of them seemed to be in harmony in their assessment of the political and economic situation. In the late thirties, and certainly after the «Anschluss», when Austria was absorbed into «Greater Germany», the brothers had

clearly both recognized that they should reorganize their widespread foreign commitments and take appropriate precautions for their industries. First of all, wherever possible they bought up raw materials, asbestos and of course coal, which were vital to cement and «Eternit» production.

They also jointly decided to split their headquarters, in line with a scenario which in retrospect testified to many illusions but was in fashion at the time: it was generally predicted that Switzerland might be partitioned. Accordingly, Max remained in the eastern part of the country in order to come to some sort of arrangement with the Germans in the interest of the family businesses; Ernst was to move to western Switzerland to make an accommodation with the allies, especially the British. In practice, this meant that in 1940 the elder of the two sons transferred his home to Céliney near Geneva with his second wife Lucie Meyer from Olten, whom he had married in 1936. His first wife, Anna Margarethe Gygi, one of Hans Gygi's sisters, had borne him two daughters.

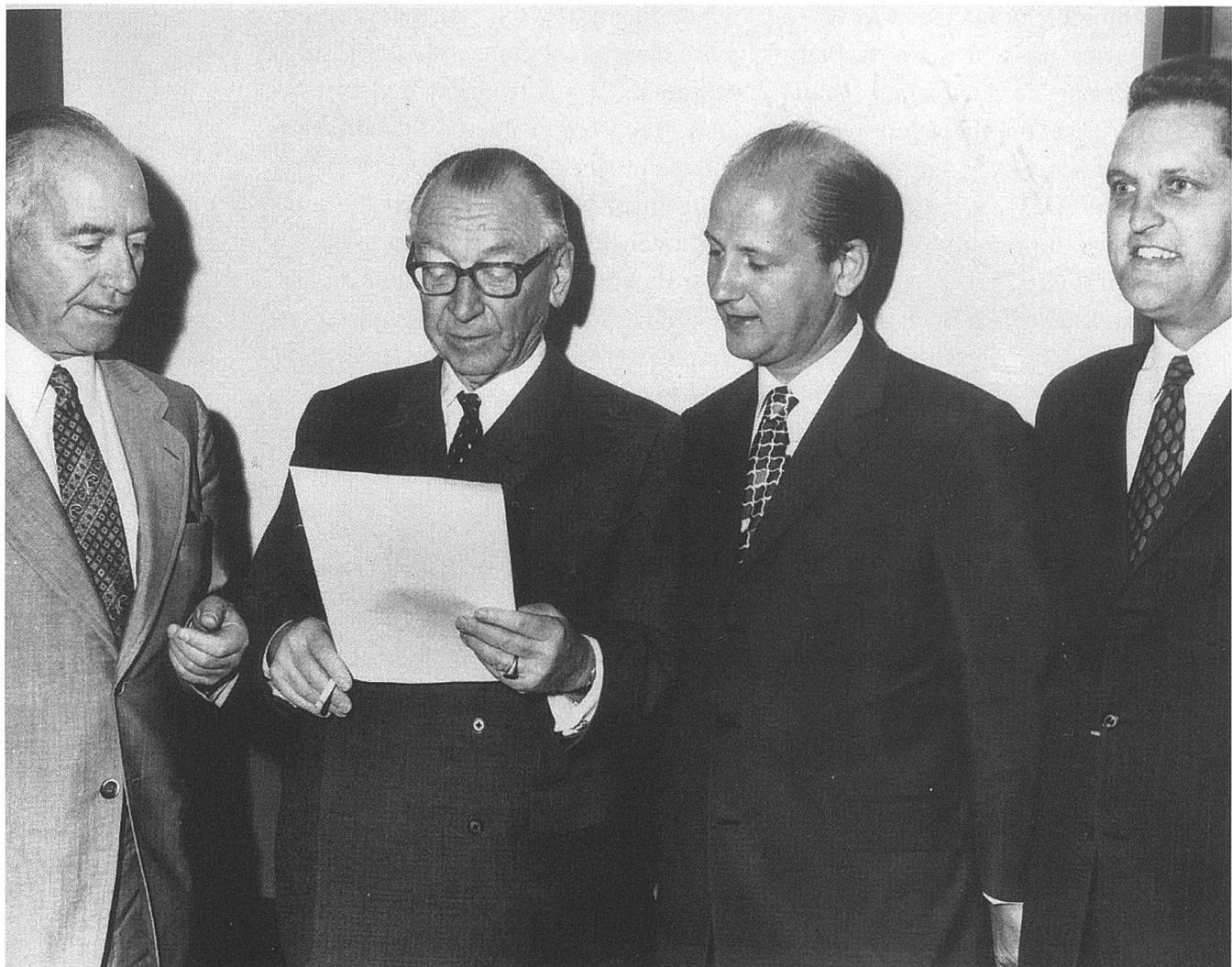
Moreover, the Second World War was just one of the difficult periods which «Holderbank» and with it Ernst Schmidheiny junior had to survive. In September 1935, after the death of his father, he had been thrust into the post of managing director – at a time when the cement industry was already suffering from a severe slowdown in sales and a substantial drop in production. Despite the troubled times, however, «Holderbank» worked continuously on the development, modernization and rationalization of the production plant, the forwarding department, the energy supplies and the research activities. The latter had been assisted since 1937 by a special «centre for technical cooperation», which ten

years later became the *Holderbank Technical Centre*.

The policy of ongoing modernization was even continued during the bleak months of the war. After the hostilities were over, in the late forties the firm really began to plan large extensions and especially to tap new and reliable sources of raw materials – one of the main worries at the time. On 19 June 1947 Ernst Schmidheiny was elected chairman of *Cementfabrik «Holderbank»-Wildegg* – a function which he combined with that of managing director and which required him to make diverse, far-reaching decisions at home and abroad.

### **Expansion to South Africa...**

For «Holderbank» increasingly began to develop into a global company. This the Second World War also could not prevent; it could at most slow down the breakneck expansion a little. Back in 1937, Ernst Schmidheiny and his colleagues had already become aware of a deposit of raw materials for cement near Cape Town, which «Holderbank» subsequently bought. The newly established *National Portland Cement Company Limited* started to build a factory in the Cape Flats on False Bay, for which Ernst Schmidheiny together with Hans Gygi had awarded the contract for the mechanical equipment to the company *F.L. Smidt* in Copenhagen in late summer 1938. However, the outbreak of war – the factory was still under construction – did cause a number of problems: numerous machinery shipments which were en route from Europe to Cape Town were sunk by German U-boats. But the work went on and the link with Switzerland was maintained. The post of general manager of *National Portland Cement Company Limited* had been given to Hans Byland (from Aargau), who moved with his family to



*The two brothers Max and Ernst Schmidheiny with Anton E. Schrafl and Max D. Amstutz in South Africa*

Cape Town in the spring of 1939 and during the war largely – with a few exceptions – had to fend for himself.

Not until the war was over could Ernst Schmidheiny again give South Africa his full attention. He entered into negotiations with the *Anglo-Vaal Group*, which controlled *Anglo Alpha Cement Limited* of Johannesburg. It was merged with *National Portland Cement Company*, which was not in the best of health as it was dependent on raw material deposits that were too far away. Help came from Max Schmidheiny, who injected funds from the Tourah operation in Egypt, thus providing another example of the close relationship between the two brothers. *«Holderbank» Financière Glarus* secured a decisive influence over the enlarged and strengthened *Anglo Alpha Cement Limited* group,

which began to occupy an important position among the cement companies of South Africa. Hans Byland's son Peter was subsequently chosen as its chief executive and chairman.

The beginning of the Second World War also saw the start of the Schmidheiny family's asbestos cement operations in South Africa. The family was trying to break away from Egypt, which had become unsafe. In 1940 Ernst Schmidheiny asked a college friend of his brother Max, Hans Rudolf Benecke, whether he would be willing to go to South Africa to assess the chances of success for an asbestos cement industry. Despite the upheavals of the war, Benecke's journey via unoccupied France, Spain, Portugal and on Portuguese ships went reasonably well. The result of the excursion was very positive, and in March 1941

Ernst Schmidheiny managed to fly to South Africa in a British military plane to study the documents for the new enterprise on the spot. On 22 April of the same year – in full agreement with Max Schmidheiny, of course – *Everite Limited* was formed in Johannesburg. Ernst returned to Switzerland, again in a British military aircraft; for the next five years, Benecke too was left to fend for himself. «Contact with Switzerland», he later wrote in the memoir, «was only possible by cable or sea mail.» The capital for the formation of *Everite* had been transferred to an account with a bank in Johannesburg in the name of Benecke, who enjoyed Ernst Schmidheiny's complete trust, although the latter declared to his South African chief executive that he was bound to be caught immediately if he should try to run off with the money...

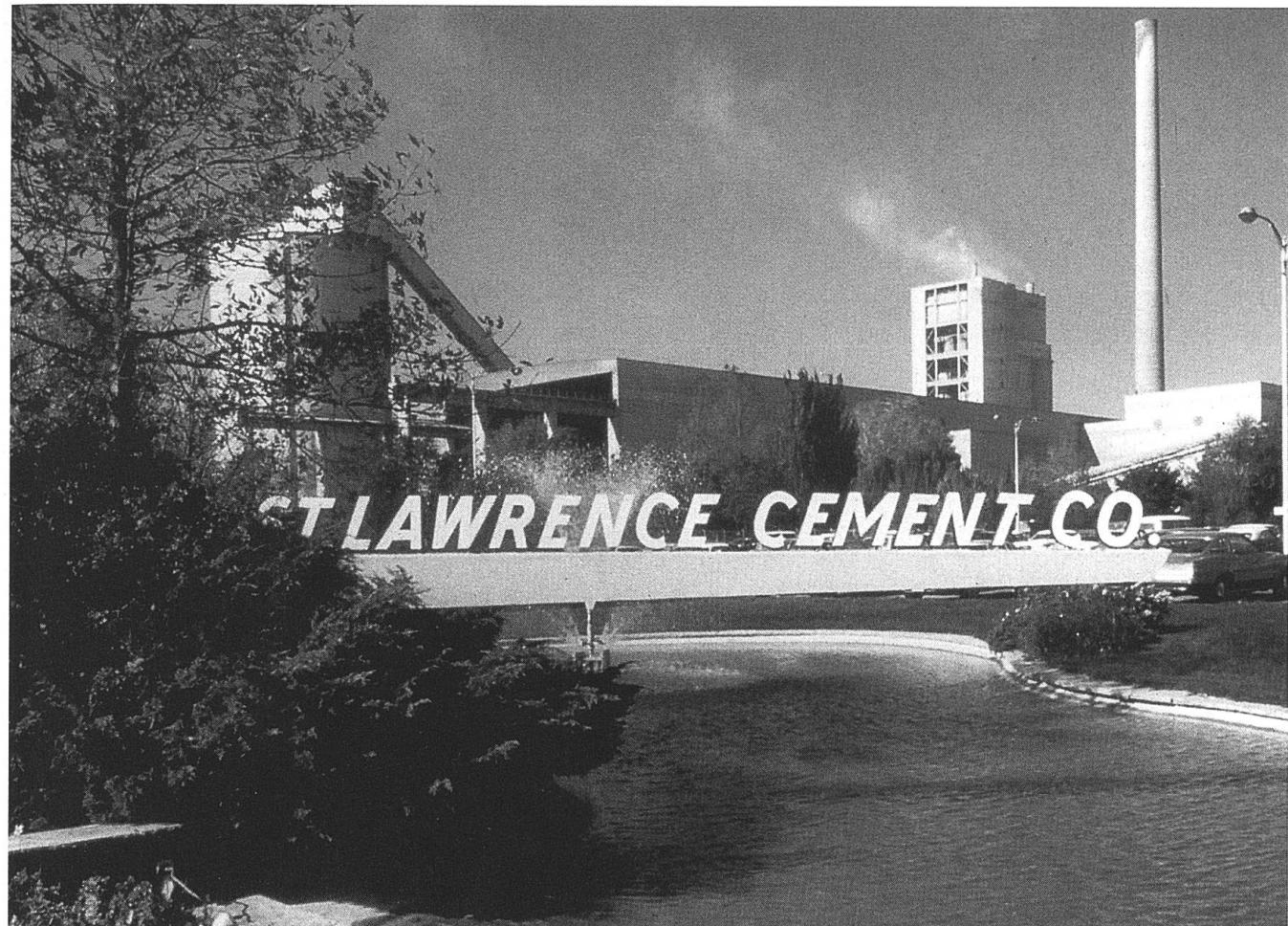
In March 1946, shortly after the war, Ernst Schmidheiny wished to go to South Africa again, this time with his wife. However, the Portuguese ship on which they had secured places caught fire near Las Palmas. The couple nevertheless finally reached their destination by means of an adventurous flight via the Congo and Angola and were able to visit *Everite's* two now completed factories in Kliprivier and Brackenfell. Ernst Schmidheiny subsequently made several trips to southern Africa and, from 1947, also to Rhodesia, a country for which he began to have a very high regard. There, he and Benecke prospected for asbestos mines to supply the raw material for *Everite*. The first of these deposits, the *Vanguard Mine* in southern Rhodesia, grew into the company *Asbesco*.

Of course, not every prospecting operation was successful; even those which Benecke described in his reminiscences on the occasion of Ernst

Schmidheiny's 70th birthday: «In those days a real pioneering spirit still prevailed. (...) A few scattered asbestos fibres were visible on the surface, and the prospector had dug a primitive shaft about 100 feet deep. At the top was a winch constructed from branches, from which hung an iron bucket on an ordinary rope which was just big enough for a man to put one leg in and hold onto the rope at the top with his hand. By this means we descended one by one into the shaft and critically appraised the beds of rock and the fibres they contained.»

### **...and to North America**

In line with the geographical split which the Schmidheiny brothers had planned for their foreign interests even before the Second World War, the American continent initially fell more into Ernst's sphere of interest. In 1950 Hans Gygi proposed that «*Holderbank*» should expand its cement operations into Canada. Near Quebec, at Villeneuve on the banks of the navigable St. Lawrence River, he had been shown a large raw material deposit. The *Holderbank Technical Centre* undertook the preliminary work for a new factory, but discovered that the cost was higher than the Swiss cement industry had estimated before the war. Ernst Schmidheiny therefore decided to set up a Swiss group under the leadership of «*Holderbank Financière Glarus*» which, with the help of Swiss banks, subsequently established the *St. Lawrence Company Montreal*. The competition turned out to be very tough; it was clear straight away that the new firm could only survive if it could supply a cheaper product of better quality. Since the efficiency of a cement plant increases with its production capacity, «*Holderbank*» took the risk of purchasing machinery units with a capacity double that which was



*The Mississauga works of the Canadian Company St. Lawrence Cement Co.*

normal at the time. The gamble paid off. Soon afterwards the *St. Lawrence Company* built a second major works in Mississauga near Toronto on the shores of Lake Ontario with almost the same features as the first Canadian venture.

The company then itself expanded into the United States – always in agreement, of course, with «Holderbank» and its boss. It first inspected a large raw material deposit near Detroit; the *Dundee Cement Company* in the state of Michigan was formed, the financial needs of which proved to be very high. Besides the capital placed in Switzerland, American money was also needed. This was finally raised thanks to E. Schmidheiny's negotiating skills. The new plant was opened at the beginning of June 1960; it was running at a profit after only three years.

Five years later, this success led the *Dundee Cement Company* to build a large new work in Clarksville, Missouri, on the banks of the Mississippi north-west of St. Louis. There too, raw materials were available in large quantities, and coal and electricity could be obtained at favourable terms. To keep the capital and operating costs as low as possible, enormous machinery units had to be purchased and the plant's own harbour facilities constructed. The barges developed by *Dundee* itself were intended to enable the cement to be shipped by water to terminals on navigable rivers, from where the product would be taken by truck to major centres of consumption.

The realization of this completely novel concept required a certain amount of optimism, which Ernst Schmidheiny clearly did not lack.

## Cement and Eternit in Latin America

The expansion into South America, in both cement and asbestos cement, was also really the brainchild of Ernst Schmidheiny and the two men who lived very near him in Céliney and became his closest friends: Max Graf and Max D. Amstutz. Graf was taken on by Ernst Schmidheiny in December 1944 – following a discussion in the station buffet in Zurich which Graf later remembered; Schmidheiny, he said, had greatly impressed him «simply by his manner». «And then he offered me the chance to go abroad. In his naturalness and «generosity» (which was, however, not necessarily expressed in the pay he offered), he made the decision easy for me, especially since he bore a name which even then almost made one stand to attention». From 1946 onwards Max Graf developed, as Ernst Schmidheiny's personal secretary and «maid for all work» (as he called himself), into his South America specialist. He crossed the South Atlantic Ocean 202 times, so he calculated, in four decades of management activity – a time-consuming business, especially in the early years with ship voyages lasting for weeks. He primarily attended to the asbestos cement interests; to begin with he supervised the existing plants in Brazil, Colombia and Venezuela, and from 1958 to 1965 he directed the takeover or establishment of companies in Ecuador, El Salvador, Guatemala, Costa Rica, Honduras and Nicaragua. From 1962 onwards he began to restructure the companies in his care, «slowly turning away from the one-man business», as he put it. He formed a management organization for Latin America, which was given the name *Amindus AG* (the word is also derived from asbestos); it was initially based in Niederurnen, but from 1964 operated

from Nyon, in Ernst Schmidheiny's vicinity.

That was the period when Max Graf never quite knew who was really his boss, Ernst or Max: «Once a year I had a meeting with the two Schmidheinys together, otherwise I met with the one or the other individually if necessary and discussed many things with them on the phone. They did not push me, they let me see to things; they trusted me.»

For Max Graf also worked at times for the cement operations, i.e. for the «Holderbank» group, although it was Max D. Amstutz who took charge of its interests as of the late fifties. He too worked closely with Ernst Schmidheiny, but he was also responsible to Ernst's brother Max. From 1959 to 1964 Amstutz was managing director of what was then the only «Holderbank» factory in Latin America, the *Companhia de Cimento Ipanema* in São Paulo, Brazil. On returning to Switzerland, he built up, in collaboration with others, the Latin American branch of the «Holderbank» group – true to a model which was part of Ernst Schmidheiny's true creed and was officially approved by the group's board of directors in 1970: «The governing principle is that of decentralized, federalist management; that is, the subsidiaries, as profit centres, are to be largely independent managerially and commercially, in order to preserve initiative and self-determination.»



AM 227

## The future of Swissair

In the second half of his life, Ernst Schmidheiny enthusiastically devoted himself to another task which was completely new to him and which had nothing to do with cement or «Eternit»: *Swissair*. Again and again he steered his conversations with friends, colleagues and confidants towards it,



*Ernst Schmidheiny (left) next to Dr. Rudolf Heberlein, chairman of the board of Swissair, in Burbank, California, during a visit to Lockheed Aircraft Corporation in the autumn of 1956. Next to Heberlein are Professor Eduard Amstutz, delegate for civil aviation, and Thomas Bergmann, general manager of Lockheed.*

## Ernst Schmidheiny and the decisions on Swissair's aircraft

*The DC-4, the first four-engined propeller aircraft to come out of the Douglas factory in San Diego, ordered by Swissair in 1946 when the plane was basically already obsolete.*

*It nevertheless flew the Geneva – New York route for the first time on 2 May 1947 and remained in service with the company until 1959.*



*The Convair Metropolitan, which formed the backbone of Swissair's European traffic between 1950 and 1968*



*The DC-8, one of the first long-haul jet aircraft, put into service by Swissair from 1960*



*The Coronado CV-990, in service with Swissair from 1962, was initially beset by teething troubles and upset the cooperation with SAS.*



*Eight Caravelles made by the French firm Sud Aviation in Toulouse, long regarded as a pioneering model, were in service with Swissair as of 1960.*



even if something quite different was being discussed, and many a deal in the building sector passed into the hands of his brother Max as he concerned himself more and more with the national airline. For «*Swissair* was everything to him, almost more than cement», admitted the future chairman of the board, Armin Baltensweiler, who had worked closely with him. He was completely absorbed with it; to be involved in its preservation and rescue was for him a challenge of the first order.

For that was exactly what was at stake in the forties, when Ernst Schmidheiny was concerned with *Swissair*: the future of the national airline, which was at that time engaged in a passionate debate over its destiny. It was wrestling with the problem of whether to actively move into the international long-haul sector or to remain a local, and thus provincial, feeder airline.

The pioneering aviator Walter Ackermann had issued, shortly before his death in 1937, the prophetic call: «The time must come when the Swiss cross flies across the Atlantic in scheduled service.» However, influential people in the land – especially those associated with the Swiss Association of Commerce and Industry – saw things differently. Even in 1944, the then chairman of *Swissair*, Alfons Ehinger, gave a testimony of discouragement: «Many of the international air traffic plans which are currently being presented in the press as comprehensive should, when considered rationally, be described as rather imaginative and questionable; other such projects are, where Switzerland is concerned, only worth following up at some future date. It is clear at the present time that our air traffic on the routes to and from Europe's main centres will first and foremost have the

role of carrying mail.» The vice chairman of the board, Colonel Edwin Schwarzenbach, supported him: «After the war is over, planes of the size of our Douglas DC-3s will doubtless be sufficient for our purposes at first, and it will then become clear whether anything larger is required for the continental inter-city traffic and feeder services.» Colonel Schwarzenbach went on to say that air traffic from overseas would serve the airports of a few European capital cities, and from there «the smaller feeder aircraft would radiate out in all directions, including to Switzerland». Schwarzenbach also expressed his conviction that «the purchase of really big planes with forty or more seats and with room to sleep» belonged «more or less to the realms of utopia».

After 1945 little changed at first. The board of *Swissair*, which had been formed on 26 March 1931, initially groped its way forward in the traditional Swiss manner with a wait-and-see attitude and a policy of half-hearted decisions. During the war, big, heavy long-range aircraft had easily proved their value, and the Scandinavian airlines were using crash-landed American B-17 bombers in civil aviation on an experimental basis and for training purposes. But at *Swissair* – as the former chief executive officer Walter Berchtold resignedly stated in his memoirs «Durch Turbulenzen zum Erfolg» (through turbulence to success) – people were unwilling to «engage in experiments with untried planes». In June 1946, therefore, four DC-4 long-haul aircraft – already an out-of-date model – were ordered at a cost of eight million Swiss francs. They were the last ones off the production line, and from then on nobody was interested in them. New types were already emerging: the DC-6 with its pressurized cabin had already had its maiden flight

in February 1946. *Swissair* was also to buy this plane, but not until much later – in 1950!

### **Long-haul flights: yes or no?**

Ernst Schmidheiny was thrown into the confusion of the controversy over long-haul flights with his election to the board of *Swissair* on 12 February 1947 – a week after the company had officially been given the title of *Swiss national carrier*. For him, the task was in itself not new; since 1946 a commission chaired by ETH Professor Eduard Amstutz, the «delegate for civil aviation», had been looking into the restructuring of *Swissair* and Swiss aviation in general. Among the members of this group was Ernst Schmidheiny as a representative of industry.

He therefore knew that as a member of the board, he immediately had to

tackle some extremely delicate problems – in particular, with a submission drafted in the spring of 1948 to the Swiss Department of Posts and Railways, in which the company's top management asked the federal government in a roundabout manner for help by purchasing three modern Lockheed Constellation or Douglas DC-6 airliners. These types would of course be used on long-haul flights. However, the submission itself was extremely contradictory on this issue: on the one hand, the document provided a wealth of statistics to confirm the poor results of the long-haul test flights, yet on the other hand, it said that it was still necessary to address the question of whether a regular long-haul service ought nevertheless to be started in the country's overriding interest.

The *Swissair* management had clearly drafted the submission without

*Ernst Schmidheiny, member of the committee of the board of directors of *Swissair*, with his wife Lucie during the demonstration flight of a prototype Boeing 707 in 1956*



consulting the board of directors, which earned it a sharp rebuke from Ernst Schmidheiny on 18 June 1948. On this occasion the industrialist from Heerbrugg clearly came out in favour of the development of a long-haul service «on a modest scale within a specific programme», which, he said, must then be adhered to at all costs. This was a plea for regular scheduled flights; if these flights were only operated if there was sufficient demand, as certain ditherers clearly wished, it would be very difficult to find passengers.

The federal government never replied to this strange submission. On 23 September 1949, after a very lively meeting, the *Swissair* board nevertheless decided by a large majority to purchase three modern long-haul aircraft. But the decision came too late. Five days before, on 18 September, the sterling pound had been devalued; the currency crisis temporarily put an end to all the airline's high-flying plans.

On 27 June 1951 a change of personnel took place on the board which was to prove crucially important for Ernst Schmidheiny's future at *Swissair*. Dr. Rudolf Speich, a long-time reactionary, handed over the chairmanship of the board to Dr. Rudolf Heberlein, a textile magnate from Wattwil and a man whose «fiery nature (...) was not always easy to deal with», as Walter Berchtold noted. Schmidheiny was linked to Heberlein by a particularly close relationship of trust and friendship; both of them, as amateur pilots, had a personal relationship with flying. At *Swissair*, those in the know had spread rumours even in 1951 of a kind of «Fronde» which the two men, together with others, had formed around the company's board of directors. This «Fronde», according to Walter

Berchtold, «was not in keeping with the timid way in which the Swiss airline was being managed». The dawning of a more dynamic era at *Swissair* and the fresher wind which began to blow through the management certainly pleased the enterprising industrialist Ernst Schmidheiny.

His position strengthened when he was elected to the committee of the board of directors on 21 December 1953 – albeit with some difficulty. In August the former chairman Dr. Alfons Ehinger had died; men from Geneva and Basel laid claim to his post on the committee. The Swiss Bank Corporation general manager Dr. Samuel Schweizer was put up against Schmidheiny; after a fierce debate, however, the board of directors finally chose Schmidheiny by a majority of five votes.

### **The switch to jet aircraft**

A few years later, the entire burden of responsibility for *Swissair* was to fall on Ernst Schmidheiny. In the night of 5 January 1958, Rudolf Heberlein suddenly died. At first, some of the top men at *Swissair* thought of falling back on a plan formed eight years previously and electing Walter Berchtold as the new chairman of the board. But «matters took a different turn», wrote Berchtold later in his memoirs; «The cement industry magnate Ernst Schmidheiny went to the first vice chairman Prof. Amstutz and declared his willingness to become Dr. Heberlein's successor. When news of this discussion came out, all alternative suggestions were silenced, and on 17 February 1958 the board of directors unanimously elected Ernst Schmidheiny as its chairman.» Berchtold remained managing director and chief executive officer. He continued to have an excellent working relationship

with the new chairman of the board; the two of them made, according to later members of the *Swissair* administration, a «fantastic team». Schmidheiny was entirely different from his predecessor in his temperament and style of management. He exhibited, wrote Berchtold, «an external calm, which enabled all the business to be prepared harmoniously by means of objective discussion. He in fact warned me on my first visit that the development of *Swissair* would in future have to proceed at a more moderate pace. Although there were stormy developments to come, which would also put *Swissair* in a precarious position, he never curbed the management's initiatives and his support for it was rock-solid».

Even under Heberlein, Schmidheiny had to deal with a problem which was to become a life-or-death question for *Swissair* at that time: the switch from propeller to jet aircraft. This was an extremely difficult deci-

sion. The aircraft makers were just bringing out a new generation of high-performance propeller aircraft, tempting some airlines to stick with the old system. *Swissair* nevertheless decided to step out in the other – new – direction. Schmidheiny and his colleagues were doubtless aware that the switch presented a risk, as it had to be made in one go and required a complete restructuring of the company.

It was clear to all those in charge of the Swiss airline that it could not undertake the modernization on its own. Schmidheiny himself emphasized in June 1958 that in aviation the trend always pointed towards ever larger and ever more expensive aircraft. For the smaller airlines, which could each only operate a few machines of the same type in their fleet, it would become increasingly difficult to keep the acquisition costs at a competitive level. As a partner for *Swissair*, *SAS* particularly fitted the bill. At the instigation of the Swedish industrialist

*Ernst Schmidheiny, chairman of the board of *Swissair*, in conversation with the then chief executive Walter Berchtold at the opening of the Hotel Airport in March 1964*



Markus Wallenberg, who was friendly with Ernst Schmidheiny, a fruitful (albeit not entirely easy) relationship going back to 1956 had developed between the Swiss airline and the Scandinavian company, which resembled *Swissair* in certain respects. Both firms pursued similar policies with regard to hardware, owned the same types of aircraft, and despite being partly state-owned had committed themselves to an independent, profitability-oriented management. First of all, they successfully standardized the DC-8s ordered from *Douglas*. In addition, work began on preparing a more extensive mutual agreement; however, Heberlein, the chairman, would not live to see its conclusion. It was his successor, Ernst Schmidheiny, who reached the finishing line: on 6 October 1958, in the Hotel Eden-au-Lac in Zurich, an agreement was signed which regulated the close cooperation and, in particular, provided for a common fleet policy. *Swissair* ordered five Coronado 880 mid-range jet aircraft from *Convair*; two of these planes were to be leased to SAS, which would in turn lease four Caravelles from *Sud Aviation* to the Swiss company.

However, the conclusion of the agreement did not put an end to the troubles of *Swissair*'s chairman and its top executives. The Coronados, supplied as a modified model with the number 990, were at first beset with persistent teething troubles – one of the factors which caused the cooperation with SAS to totter. To solve these problems, in 1961 Ernst Schmidheiny and the then chief engineer Armin Baltensweiler got in touch with *Convair* on a trip to San Diego.

The obsolete piston-engined planes were to be got rid of. In 1963-64 the company's short-haul fleet had to be renewed and the decision in favour of

the DC-9 taken in a difficult balancing act. This and the complete restructuring of *Swissair* naturally required considerable financial resources: the company's capital was increased in 1958, 1959 and 1964 – operations which according to the future chairman of the board, Baltensweiler, were each time well received by the public, as Ernst Schmidheiny enjoyed widespread confidence.

Moreover, under his aegis the plans for the construction of the Balsberg central administration building were streamlined; the Schweizerische Luftverkehrsschule (Swiss Pilot Training College) was founded, talks with the Dutch airline *KLM* began, and a co-operation agreement was concluded with *Austrian Airlines* – thirty years before there was some talk of mergers with a big European airline. In the autumn of 1963 the then chairman of *Swissair* faced the difficult task of addressing the relatives of the eighty people who were killed in the crash of flight SR 306 Zürich-Geneva-Rome, operated by a Caravelle, on 4 September near the village of Dürrenäsch in the canton of Aargau.

On 29 September 1965 Ernst Schmidheiny resigned from his post as chairman of the board of *Swissair* «as the load had simply become too great», as he himself testified. His own companies required his attention, and in addition, *Union Bank of Switzerland* had elected him vice chairman – a position which itself would be very time-consuming. However, he remained on the committee of *Swissair*'s board until 26 April 1968 under his successor, the textile magnate Fritz Gugelmann from Langenthal; he then was relieved of this burden as well, but continued to play an active role in the affairs of the national airline as an ordinary member of the board until 1974.

Stepping back into the ranks was clearly not a problem for him, for at no time in his entire career did he try to gain prestige or material profit from his leading position. Philippe de Weck, former chairman of *Union Bank of Switzerland*, later fondly recalled a typical episode which he experienced as a young general manager during a flight from Geneva to Zurich. Also on the flight was Ernst Schmidheiny, at that time chairman of *Swissair*, who invited de Weck and a well-known Middle Eastern businessman who was travelling with them to join him in a glass of whisky. The foreign guest couldn't believe his eyes when, as the plane was approaching its destination, the Swissair hostess appeared and said «Mr Schmidheiny, can I take your money, please?» and Mr Schmidheiny paid for the drinks without batting an eyelid...

### **Times change in the cement industry**

Three years after his retirement as chairman of the board of *Swissair*, the University of Geneva presented Ernst Schmidheiny with an exceptional honour. It bestowed on him – a man who had been unable to complete his secondary education for health reasons – the highest possible academic distinction. It awarded him the title «Docteur ès sciences économiques honoris causa» for his services to Swiss industry. In this way it rewarded the eminent interest in research, the foundation of all sound industrial development, which Ernst Schmidheiny had allowed to flourish during his entire career as a businessman. Back in September 1962 the board of *Holderbank*, the cement company which he directed, had set up a foundation «for the advancement of scientific education» on the occasion of its 50th anniversary; its purpose was «to

enable young people to further their education in a particular field of science. The foundation promotes all educational and career paths and all scientific disciplines». And it really did pursue this goal, occasionally even well outside areas which might be «useful» to *Holderbank* as an industrial firm, entirely according to the ideals and the will of its founder.

In December 1965 the *Ernst and Lucie Schmidheiny Foundation*, based in Céligny, was set up. According to its official statutes, this charitable foundation's purpose was «to contribute in a general manner to the advancement of the University of Geneva». And in May 1972 the board of *Holderbank* decided to establish an *Ernst Schmidheiny Foundation*, endowed with one million Swiss francs, for the purpose of promoting interest in, and an understanding of, «economic relationships in the context of the liberal social market economy among the Swiss public and especially among young people». From the very beginning the foundation has held «business weeks» at secondary schools, which chambers of trade and industrial associations are in charge of organizing. The actual training is provided by executives of Swiss industrial companies, the goal being to help students to learn – through discussion and personal contact – to understand different corporate philosophies and the environment that enterprises operate in.

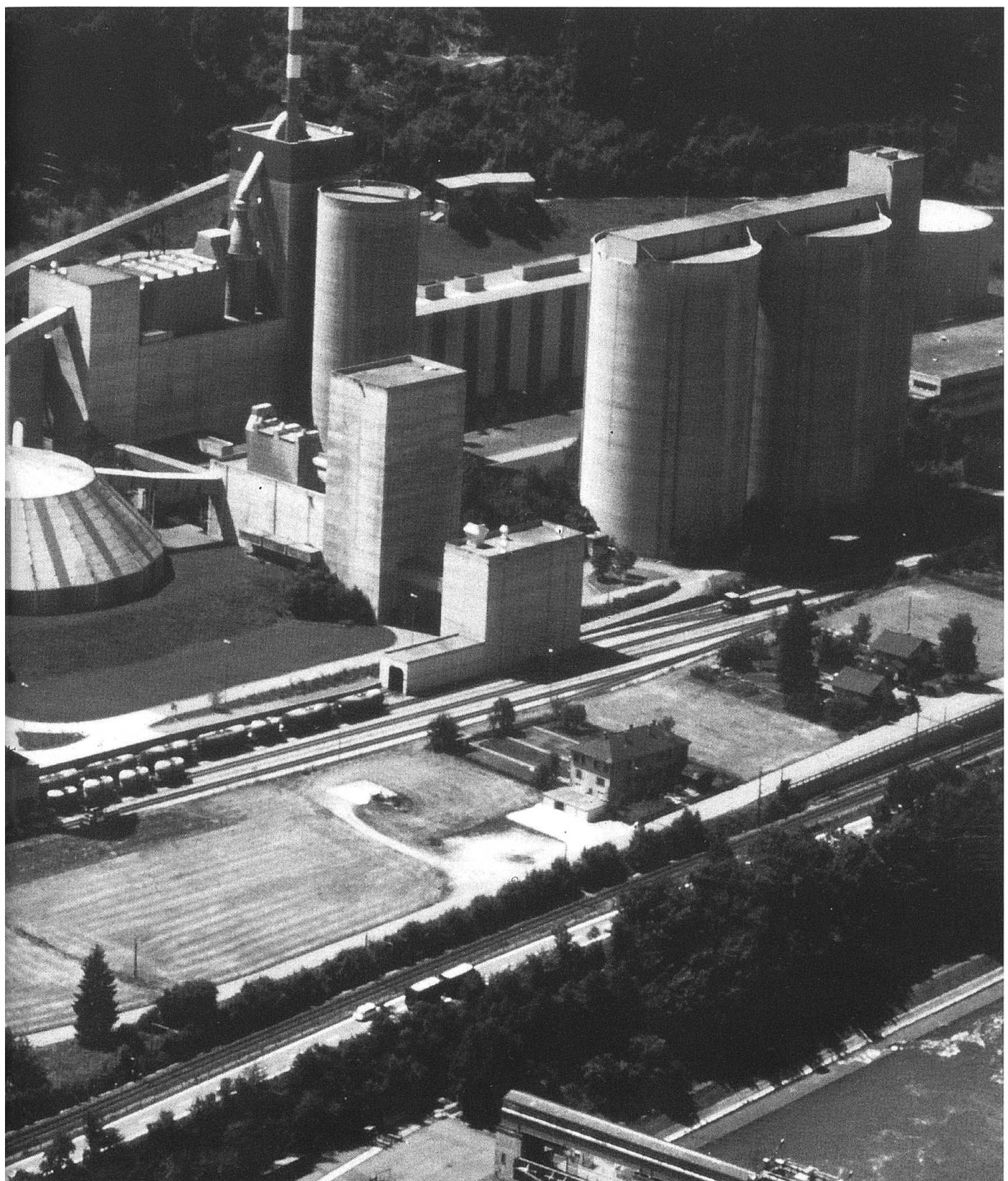
There was a twofold reason for setting up this foundation: Ernst Schmidheiny celebrated 50 years of service on 1 May 1972 and his 70th birthday on 16 July. However, the pace of industrial development had become so fast that Schmidheiny no longer could or wished to keep up with it. In the same year *Holderbank* decided to build an ultra-modern plant at Rekingen; it was ready for service in 1975. How-

ever, it also signified that times had changed completely in cement making, and ultimately marked the end of an era for Ernst Schmidheiny. In 1977 the management and the board of directors moved to the new factory, and in 1980, 68 years after its construction, the works in Holderbank closed the gates for all time. Ernst Schmidheiny slowly withdrew from the firm's activities. As long ago as 1974 he had handed over the chairmanship of «Holderbank» Financière to his brother Max; the latter's oldest son Thomas gradually became familiar with handling the problems of the cement industry, became managing director of «Holderbank» in 1975 and took over as head of the group a year later.

Ernst Schmidheiny remained honorary chairman of the company, although he could not of course take an active part in it right up to the end of his life. A serious and extremely painful illness overshadowed his final years. Death released him from his suffering on 2 March 1985.



The «HCB plant in Rekingen



## Chronology

- 1902** 16 July: Birth of Ernst Schmidheiny II
- 1922** 1 May: Ernst Schmidheiny II joins *Aargauische Portlandcement-Fabrik «Holderbank»-Willegg* (established in 1912)
- 1923** April: Ernst and Max Schmidheiny go on a three-week fact-finding trip to Luxembourg and Belgium together with Hans Gygi, Peter Schmidheiny and Prof. Dr. A. Hartmann, chemistry teacher at the Aargau cantonal school
- 1924** 24 February: death of Adolf Gygi; Ernst Schmidheiny assumes responsibility for the management of the «Holderbank»-Willegg works as technical general manager together with Oskar Wagner, the commercial general manager
- 1925** 3 January: marriage to Anna Margarethe Gygi
- 1929** 9 November: daughter Anne-marie is born
- 1931** 2 January: daughter Susanne is born
- 1932** Ernst Schmidheiny junior becomes deputy chairman of the supervisory board of *Eternit Deutschland* (until 1942)
- 1935** 15 March: death of his father Ernst Schmidheiny I in an air crash near El Arish in the Sinai Desert – his elder son Ernst Schmidheiny II, who had recently become managing director of «Holderbank» *Financière Glarus Ltd.* (*HOFI*), now also takes over the chairmanship of *Eternit Niederurnen*
- 1936** 26 November: marriage to Lucie Meyer from Olten
- 1937** «Holderbank» sets up the Centre for Technical Cooperation, which is to become the «Holderbank» Technical Centre in 1947 – formation of *National Portland Cement Company* in South Africa; over the next few years the company builds a plant in the Cape Flats on False Bay near Cape Town
- 1940** Ernst Schmidheiny moves to Céligny near Geneva
- 1941** 22 April: formation of *Everite Ltd.* in South Africa – building of the Kliprivier and Brackenfell plant
- 1942** Ernst Schmidheiny joins the board of directors of *Union Bank of Switzerland*
- 1947** 12 February: Ernst Schmidheiny becomes a member of the board of directors of Swissair and, during the year, chairman of the board of *Cementfabrik «Holderbank»*
- 1947/48** Acquisition by «Holderbank» of a majority interest in *Anglo Alpha Cement Company*, Johannesburg, by amalgamating *National Portland Cement Company* with it; control of *Anglo Alpha* passes to «Holderbank» – acquisition of asbestos mines in Rhodesia
- 1950** «Holderbank» begins to establish itself on the American continent, first of all in Canada; building of the factories at Villeneuve on the St. Lawrence River and Mississauga on Lake Ontario
- 1953** 21 December: Ernst Schmidheiny is elected to the committee of the board of *Swissair*
- 1955** Ernst Schmidheiny becomes chairman of the board of «Holderbank» *Financière (HOFI)*

- 1958** 6 January: death of Rudolf Heberlein, chairman of the board of *Swissair* – 17 February: Ernst Schmidheiny is elected as his successor – «Holderbank» goes public under Ernst Schmidheiny's leadership
- 1960-1969**
- Expansion of «Holderbank» to Latin America
- 1962** Ernst Schmidheiny sets up the «Holderbank»-*Stiftung zur Förderung der wissenschaftlichen Fortbildung* (Foundation for the Advancement of Scientific Education) on the occasion of the «Holderbank» cement works' 50th anniversary
- 1965** 29 September: Ernst Schmidheiny resigns as chairman of the board of *Swissair*, but remains on the committee until 26 April 1968 – 23 December: establishment of the *Ernst and Lucie Schmidheiny Foundation* for the advancement of science at the University of Geneva – building of the cement works at Clarksville, Missouri
- 1966** Ernst Schmidheiny becomes vice chairman of the board of *Union Bank of Switzerland* (until 1974)
- 1968** June: the University of Geneva bestows on Ernst Schmidheiny the title «Docteur ès sciences économiques honoris causa»
- 1969** Formation of the management consultancy company «Holderbank» *Management and Consulting Ltd.* under Ernst Schmidheiny's direction
- 1972** May: in recognition of Ernst Schmidheiny's imminent 70th birthday and 50 years of service, the *Ernst Schmidheiny Foundation* for «promoting an interest in and an understanding of economic relationships in the context of the liberal social market economy among the Swiss public and especially among young people» is set up
- 1974** Resignation from the board of *Swissair* and as chairman of the board of «Holderbank» *Financière*; Ernst Schmidheiny becomes the latter company's honorary chairman
- 1976** Thomas Schmidheiny replaces his uncle Ernst Schmidheiny in the management of the «Holderbank» group
- 1985** 2 March: Death of Ernst Schmidheiny II

