

2. THE SCHMIDHEINY FAMILY IMPERIUM

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According to the *Neue Zürcher Zeitung*, the Schmidheyns constitute the “best known business dynasty of Switzerland,” and Max Schmidheiny the “greatest industrialist in Switzerland” [1]. How did the Schmidheyns, who flew the flag of globalization very early, get to where they are now?

Bricks and Cement

The history of the Schmidheiny imperium began in Heerbrugg, a small village in the Rhine Valley, in the eastern part of Switzerland. Jacob Schmidheiny (1838-1905), the grandfather of Max Schmidheiny, was the son of a tailor and was originally a silk weaver [2]. After his attempt as a textile manufacturer, he established a series of tile works, starting in 1870. Before that, he had bought the Castle Heerbrugg with a loan from a virtual stranger; the castle remained in the family until the early twenty-first century. In 1906, Ernst Schmidheiny (1871-1935), Jacob’s elder son, began producing cement. This would eventually lead to the creation of the Schmidheyns’ vast global conglomerate, Holderbank; the name being derived from the location of a factory in which Ernst Schmidheiny had acquired an interest before World War I.

As early as 1911 the Swiss cement industrialists founded a cartel that controlled prices and limited production (this ensured fat profits for the Swiss cement industry for many years; until the 1990s, in fact). At the same time the industry underwent extensive consolidation, resulting in the elimination of most of the weaker, independent entities.

Between the wars Holderbank expanded abroad, and by 1944 it was an international corporation of considerable size with cement companies in Switzerland, the Netherlands, Belgium, Greece, Egypt, Syria, Argentina, Brazil, and Peru. After the Second World War, it continued to expand rapidly, establishing itself in South Africa, Canada, and the United States. After the fall of the Wall the conglomerate quickly showed up in Eastern Europe, and it commenced operations in Asia. By 1991, over 360 companies in twenty countries on five continents belonged to Holderbank. The strategic aims were expressed as globalization, verticalization, and expansion

of services. In 2010, Holcim (the name of Holderbank since 2001) employed over 80,000 people in about seventy countries. With a turnover of 21.65 billion Swiss francs the corporation earned a net profit of 1.62 billion francs [3].

The Timber Industry, Optical Instruments, and Eternit

The scope of the Schmidheyns’ activities was not limited to tiles and cement, not by a long shot. In 1920, Ernst Schmidheiny together with an associate took over the Swiss Eternit-Werke AG in Niederurnen, a company that had been founded in 1903; in 1923 he became a member of the board of directors of Gips-Union AG Zürich; and in the following year he founded Holzindustrie AG (Hiag). Ernst’s brother, Jacob Schmidheiny (1875-1955) acquired an interest in the automobile factory Safir and in 1921 together with two others founded Heinrich Wild, Werkstätte für Feinmechanik und Optik, which later became Leica. In 1928 Eternit acquired a German subsidiary, the Deutsche Asbestzement AG Berlin.

In the interwar period there was an initial de facto split of the imperium, in that Jacob Schmidheiny took charge of the tile business while Ernst Schmidheiny became responsible for the cement business. The firm Wild, which took over the German company of Leitz in 1972/1974, was held by the family until the 1990s.

The man who invented asbestos cement, the Austrian Ludwig Hatschek, licensed his product (trademarked “Eternit”) country by country, that is, only one license was allowed for any one country. With one exception, the Dutch firm Martinit, licensees were obligated to use the word “Eternit” in both their company title and the name of their product. This led to a series of companies called Eternit, most of which were unrelated, at least initially. This was to change: two national Eternit companies, in particular, Eternit Belgium and Eternit Switzerland (controlled by the Schmidheyns), rose to prominence and established Eternit subsidiaries abroad. After World War II, both of these multinationals continued to expand their global reach. In the heyday of asbestos production, the Schmidheyns controlled

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Eternit factories in sixteen countries, employing 23,000 workers, and they owned interests in factories, through their stake in the Belgian Eternit Group (belonging to the Emsens family), in another sixteen countries. The annual turnover of the Swiss Eternit Group in the mid-1980s was two billion Swiss francs, while the Belgian Eternit Group had a turnover of two billion francs, of which the Schmidheyns owned a share of about 20%. In 1989 the Swiss Eternit Group separated from the Belgian Eternit Group [4].

Max Schmidheiny, who had taken charge of the Swiss Eternit Group in 1967, was succeeded by his son Stephan in 1975. In 1978, Stephan Schmidheiny announced that Eternit planned to stop making products containing asbestos, and Eternit thus began to change over to asbestos-free products.

Max, Ernst, and Peter

What may be termed the third generation Schmidheyns, namely the brothers Ernst (1902-1985) and Max (1908-1991) along with their cousin Peter Schmidheiny (1908-2001), continued the family business and expanded it. Peter Schmidheiny took over from his father Jacob as head of the tile group, which had changed its name to Zürcher Ziegeleien, as well as the engineering works of Escher Wyss in Zurich that Jacob Schmidheiny and an associate had acquired in 1936. The renowned works of Escher Wyss had fallen on hard times during the worldwide economic crisis and survived thanks only to the intervention and aid of the public purse. In 1966, the Schmidheyns sold Escher Wyss to the engineering company Sulzer, headquartered in Winterthur, bestowing on the Schmidheiny family in return a seat on the Sulzer board of directors. In 1999, this branch of the family, now represented by Peter's son Jacob (born 1943), left the tile business, which was sold to the leading Austrian sector entity, Wienerberger. Following this, the firm's name was changed from Zürcher Ziegeleien to Conzeta, which is now involved with engineering, plant construction, foam materials, sporting goods, graphite coatings, and real estate.

Max Schmidheiny, known in his circle as "Sir Max" and from time to time politically active, was the most distinctive figure in this third generation. Under his leadership, with brother Ernst's help, Holderbank (now Holcim) was "forged into its essential components," Wild Heerbrugg (now Leica) "a leading brand in optics" and Eternit "construction material in demand worldwide." Hiag, which produces fibers, chipboard, and parquet flooring, became a market leader. It was acquired in the 1970s by Gustav Grisard, who had married into the Schmidheiny family [5].

ABB, Swissair, and the Big Banks

The Schmidheyns not only had their own imperium but were linked in many ways with other industrial sectors such as energy and transport as well as major Swiss banks. In 1959, Max Schmidheiny was the impetus for the founding of Swisspetrol, which then began to explore for oil in Switzerland. Then he became the authoritative figure in the technological company BBC (now ABB) [6]. He was also a member of the board of directors of, among others, Motor-Columbus, the electronics corporation Landis & Gyr, Genfer Versicherungen (insurance group), the Zürcher Privatbank und Verwaltungsgesellschaft, and the Swiss Railroad (SBB). Ernst Schmidheiny significantly shaped the history of the national airline, Swissair, as president of the board [7].

The three large Swiss banks (at the time) doled out Schmidheyns among themselves: Max and Peter Schmidheiny went to the Schweizerische Kreditanstalt (SKA, now Credit Suisse) and Ernst Schmidheiny to the Schweizerische Bankgesellschaft (SBG, now UBS). In the younger generation, Stephan Schmidheiny became a member of the board at SBG; Thomas Schmidheiny at SKA; and Peter's son Jacob at the Schweizerischer Bankverein (SBV, merged in 1998 with SBG to become UBS).

Distribution of the Estate

As the fourth generation took over, the huge fortune of Max Schmidheiny was distributed among his sons in 1984. Thomas Schmidheiny (born 1945) got the cement company of Holderbank and Wild-Leitz; his younger brother Stephan (born 1947) got Gipsunion and Eternit. The third son Alexander (1951-1992) took over the ski wax company Toko in 1982, which then became part of Zürcher Ziegeleien eleven years later after Alexander's early death. In 1989 there was an exchange: Wild-Leitz went to Stephan Schmidheiny, who handed over Gipsunion and the Swiss Eternit to Thomas in return.

While Thomas Schmidheiny opted for continuity for Holderbank, Stephan diversified into other sectors, for example, the steel trade and metal construction, whereby buying and selling often happened in rapid succession. Stephan Schmidheiny invested early in Latin America [8]. Besides the companies already mentioned, he took over from his father both the Zürcher Privatbank und Verwaltungsgesellschaft, which he sold to SBG in 1989, and the equity stake in BBC. He invested together with Nicolas G. Hayek in the clock company SMH (now Swatch Group) in 1985/86; in 1987 he bought a majority stake in the electronics com-

pany of Landis & Gyr. In 1994 Stephan Schmidheiny had control of his various holdings (Anova, Unotec, Nueva), Leica (formerly Wild-Leitz), Landis & Gyr, and the international company of Cosa Liebermann; he held shares in ABB, Merkur (retail trade), Globus (department store), and BB Industrie Holding; he was also on the board of directors of the international food conglomerate Nestlé [9].

Stephan Schmidheiny Exits from Swiss Industry

In the second half of the 1990s Stephan Schmidheiny speeded up his gradual departure, probably motivated by the severe structural crises, from Swiss industry and shifted his energy to Latin America and cultural and charitable activities. Leica was divided into three companies in 1996 and 1997: Leica Camera, Leica Microsystems, and Leica Geosystems, all of which went to new owners [10]. To fund his charitable efforts in Latin America, where, among other things, he restores rain forests and supports small and mid-sized enterprises, Stephan Schmidheiny established the foundations of Fundes (1986) and Avina (1994) in addition to his Grupo Nueva [11]. In 2003 the Viva Trust was born, into which Schmidheiny put his construction material businesses concentrated in Grupo Nueva, a donation worth about a billion Swiss francs. And then Grupo Nueva sold all these shares and invested in Masisa, which owns timber and wood processing companies in Chile, Argentina, Brazil, Venezuela, and Mexico. According to the *Welt am Sonntag* (a German weekly), Schmidheiny is “the most dedicated sponsor of Latin American art worldwide” [12] with his Daros-Latin-america AG, a private Swiss collection based in Zurich. As the 1990s drew to a close, Stephan Schmidheiny had phased himself out of all responsibilities for operations and management [13]. But his money continues “to work.” For example, in 2008 he bought interests in the global market expansion services company DKSH. It was announced at the time that he wanted to expand links between Asia and Latin America [14].

The Slow Retirement of Thomas Schmidheiny

Over the last few years, Thomas Schmidheiny has also withdrawn from the day-to-day operations of the business, in part voluntarily and in part involuntarily. He continues to sit on the board of directors of the cement conglomerate Holcim, second in the industry only to Lafarge, worldwide. At the close of 2010 he still had a share of 18.2 percent in Holcim; the second biggest shareholder of Holcim was the Russian company Eurocement Holding with, in September 2011, 10.1 percent [15]. Thomas Schmidheiny’s withdrawal was accelerated by a series of unpleasant events, the first of which

was an accusation of insider trading. In December 2000, at a board of directors meeting of the mining company Xstrata, based in Zug, Switzerland, he learned that there was going to be a merger with the Spanish company Asturiana de Zinc (Azsa). Four days later he bought Azsa shares, which rose in value by about 2 million Swiss francs after the announcement of the merger buyout offer by Xstrata. But the details leaked to the public. At the beginning of January 2001 he sold his stake for his purchase price to Xstrata. The Spanish authorities initiated a trial, which resulted in a fine of 1.5 million euros. Under the pressure of events, Thomas first resigned his role in operations, then his position as chairman of Holcim; then followed resignations from the boards of Xstrata and the Credit Suisse Group [16].

The varnish on the façade of the amazingly successful industrialist continued to crack with the bankruptcy of Swissair, of which he was vice president. In March 2001, even before the final collapse, the board of directors of Swissair, consisting of the best of the best, including Thomas Schmidheiny, all resigned but one. Afterwards, the board members, some Swissair top management personnel, and a few outsiders were put on trial, but all nineteen defendants were cleared in 2007. “Mistakes were made that were punished with financial ruin but none of the nineteen defendants committed a criminal act under the law,” the *Neue Zürcher Zeitung* [17] said. In 2002, Thomas Schmidheiny consolidated his industrial and private interests into his family’s Office Spectrum Value Management Ltd., which not only held their investment in Holcim, but also investments in biotechnology, and equity interests in: Siegfried, the Swiss fine chemical company; the Grand Hotel Quellenhof & Spa Suites in the Swiss spa town of Bad Ragaz; and vineyards in Switzerland, the Napa Valley in California, Australia, and Argentina. The generation of Max and Ernst Schmidheiny had also invested in hotels.

The Schmidheiny family are certainly no longer captains of industry, but they are still among the wealthiest in Switzerland. Thomas Schmidheiny’s fortune, in 2007 reckoned to be 7.5 billion Swiss francs, was estimated by the business magazine *Bilanz* to be 4.5 billion francs in 2010. That’s still a billion more than in 2004. Stephan Schmidheiny’s fortune is estimated by *Bilanz* to be 3.5 billion francs, a billion less than in 2007 [18].

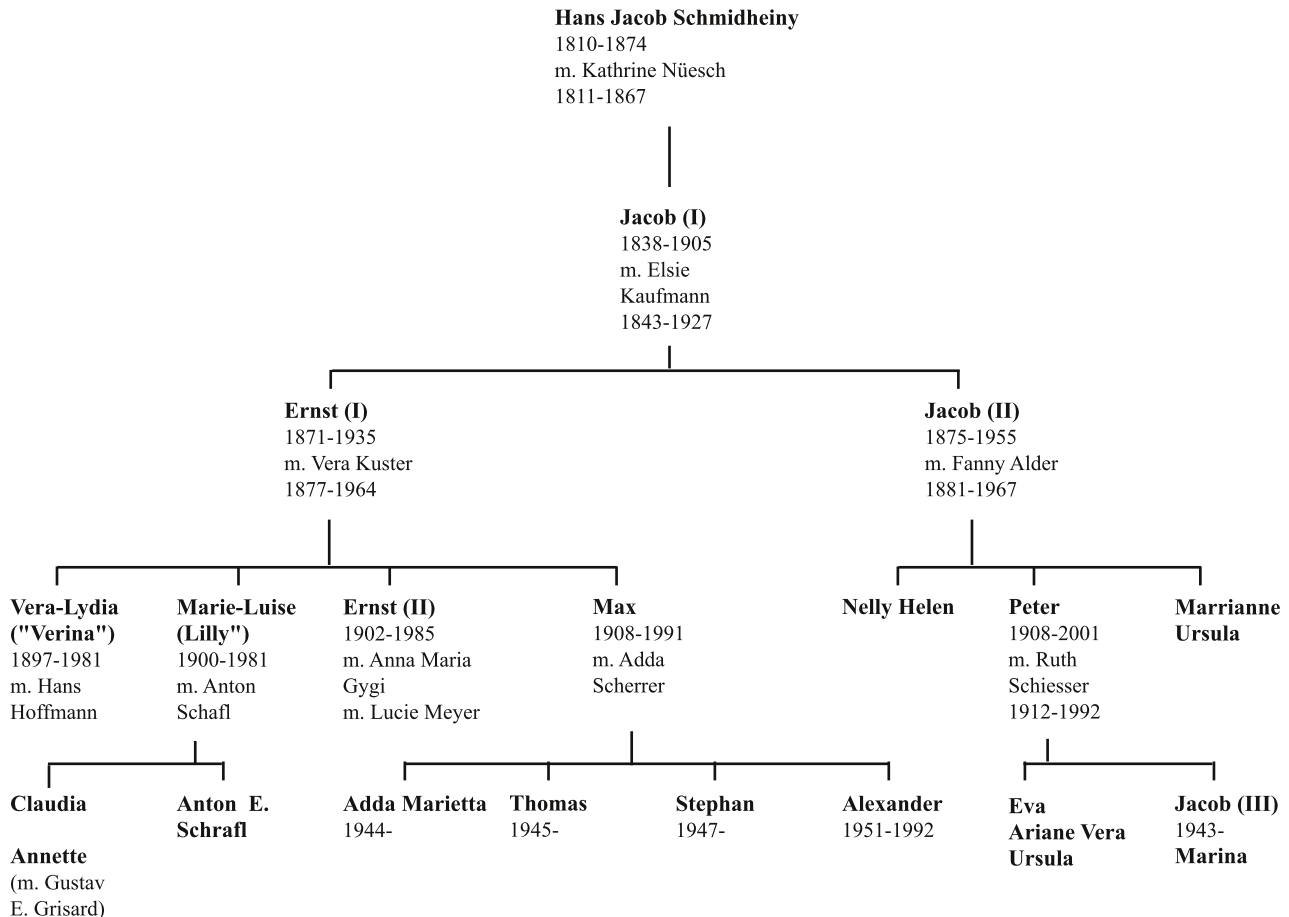
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The Schmidheiny Generations*



*This abridged version of the Schmidheiny family tree is intended to clarify the relationship between members of the clan mentioned in the above paper. Where no details have been given, or where names have been grouped, the birth order is preserved (down the listed names and left to right).