

Nicolas G. Hayek

‟I NEVER WORKED A SINGLE DAY IN MY LIFE, IT WAS ALL FUN!”



Nicolas G. Hayek, the founder of the Swatch companies has been a true entrepreneur with a particular, brilliant insight and a man with a sharp marketing mind who rescued the entire Swiss watch industry. Hayek’s management philosophy and strategic thinking, whereby he realized that watches are not just about telling the time but that they can also be fashion items and entertainment, enabled him to be ‘a powerful one’ in world business.

This interview took place a decade ago in Biel, Switzerland though its key messages are alive today, as much as at the time conducted.

**Slywotzky and Morris, authors of the book Profit Zone mention eight great business reinventors of modern times: Bill Gates - Microsoft, Nicolas Hayek - Swatch Group, Percy Barnevik - ABB, Michael Eisner - Disney, Charles Schwab, Roberto Goizueta - Coca-Cola, Jack Welch - Genaral Electric and Andrew Grove - Intel.**

Some of them are real entrepreneurs and some of them are big managers. There is quite a significant difference between an entrepreneur and a manager. An entrepreneur is a creative person; he develops new ideas, creates new wealth and new jobs and expands everything. A manager is often a person who takes what exists, manages it well but does not necessarily develop new ideas. Many of the people you mentioned are entrepreneurs, but not all of them.

**There must be something in your personality as an entrepreneur and that probably starts at an early stage.**

I have one thing in my personality that I keep doing continuously: I ask myself all the time ‘why do people do this’. I like to go to the basics and it all started when I was a young boy. I had an uncle who was a diplomat and as he and his wife, my aunt, liked me and were proud of me I had to attend diplomatic cocktail parties to be presented and say hello to important people. So I had the opportunity at an early stage of my life - to study society. And I found out it was very superficial. People often did not listen to what was said. I personally hate superficiality, I like and need substance. That is one of the reasons I avoid events where superficiality prevails.

**You were and still are often challenging the majority opinion. In other words, you dare to go ‘against the Gods’. Ultimately because of your success, because you made it work, you became a business “God” yourself. There is another interesting example of straightforward thinking and entrepreneurship disclosed in your book. The ‘Leopard tank deal’ in which, as the book says, half of the people involved disagreed with your findings and the other half did not dare to speak up.**

First of all, I have always been challenging society because I question everything we do. That might be one of the reasons why people who work with me like it. But my behaviour often irritates people at the beginning of our cooperation. But finally people start to admire it when success becomes visible, since you can hardly argue with success. The story you are referring to concerns a mandate from the Swiss government to analyze the foreseen building under license in Switzerland of the German ‘Leopard’ tank. The tank was being sold by the German producer for three million German marks a piece, including spare parts, to the NATO and Switzerland wanted to produce under license the same tank for twelve million Swiss francs, but without spare parts. In Switzerland a consortium of about twelve companies was founded to produce the tank. After I analysed the situation I was asked to present my findings to the Swiss parliament. I presented all the details which finally summed up that it would cost the Swiss army about 4.3 billion Swiss francs if the tanks were produced in Switzerland, as opposed to 1 billion Swiss francs if they were purchased from Germany. I was attacked by almost everybody - the people from the consortium - the unions because 9,000 jobs would have been created for this venture. My answer was simple: what would be done with the 9,000 people working on the tank production after it was finished in a country where weapon exportation was not allowed. The savings of 3.2 billion Swiss francs could be well invested in industries with a future. With regard to my findings, about 30% of the people were against me and the other 70% did not say anything. At the end of the year the international and the Swiss press named me ‘Man of the Year’. The parliament could not avoid recognizing the facts. The whole story led to the release of a high civil servant from the defense ministry. The project manager who ran the operation later made a speech to parliament five years later saying ‘We can be proud that thanks to Mr. Hayek we saved several billion francs’. And that’s how the story ended.

**But you have to have a lot of self-confidence and courage to do what you did!**

I said in my book that if my children had been hungry and I had been starving - in a bad situation with no job - I don’t know if I would have had the courage to do what I did. But, fortunately, I am very independent - probably one of the most independent people in Switzerland. Nobody can fire me and experience has shown that over 90% of the general assembly of the Swatch Group is behind me. At Hayek Engineering - it is a company like yours, I fully own it and nobody is going to challenge that. With this confidence and financial strength - living in a democratic country - not much can happen to me.

**Let’s talk about the difference between entrepreneurs and managers. We can get the impression that managers who run companies often care more about their own prosperity than creating new value?**

One mistake you should not make is to admire the managing culture of most American companies. I am not talking about American society because I think it is good but I am talking about the managerial part which has completely departed from what it used to be in the times of the great entrepreneurs - like Henry Ford - who created industry in America. University professors often state that you can learn to be a doctor of medicine etc so you can learn to be an entrepreneur. In a speech at a famous American university I made the following statement in order to make this point: ‘If you send a donkey to the Salzburg Music Academy you cannot make a Mozart out of him in the same way you cannot create a Henry Ford by sending a camel for an MBA to Harvard University’.

Entrepreneurs need genius, an entrepreneurial mind and mentality, the power and creativity to develop new things and the courage to make things happen, thus creating new wealth. Take any entrepreneur. He creates things, he moves and he creates new jobs and new wealth around him. But there are always people who say ‘it is impossible you cannot do this’.

When I took over the Swatch group I had some people at Hayek Engineering who studied the Swiss watch industry with me and said ‘Do not touch it - it is a dangerous thing’. But I decided to risk some of the money I had at that time, knowing that if it did not succeed I would be very unhappy but I would not be a poor man. So I made it. An entrepreneur has to have enough courage to take calculated risks. And every time I hear the word ‘impossible’ I keep saying ‘The only things I cannot influence and are impossible to avoid are taxes and death’. Obstacles are always chances and people who work with me say that they learn a lot from me. Often people think that innovations only relate to a new product but it extends to new ideas, new ways of doing things, new systems - and all this on a daily basis. Remember the fantasy of children? Well, unfortunately many people do not keep theirs and it is often killed by their daily routine and a society which runs after security rather than creativity and innovation. The new EU countries have a great chance here.

**Let’s continue where you just stopped. It is the great frustration of the new EU countries that well-educated people willing to work and having the ability to succeed often find themselves in front of closed doors.**

There are three groups, among others, that have an influence on the industrial world of today. First, the managers and entrepreneurs, second the financial community, and third the political institutions. Returning to the first one, young people should be encouraged to become entrepreneurs. As far as the financial community goes, banks are necessary, they are needed to play an important part in developing society but they should never control industry. The same goes for stock exchanges and analysts. Entrepreneurs should not be driven to run their businesses according to the expectations of analysts and the press. I remember I was asked once to participate in road shows geared towards selling shares of the Swatch group and I refused this with the statement ‘I am not selling shares, I sell watches’.

On the one side, I am critical of the financial community for their lack of industrial entrepreneurship, but I am honestly thankful to them for their lack of confidence in the future of the Swiss watch industry, even though I told them that it would be very good. They insisted on me selling over 51% of the Swiss watch conglomerate I had put together, which turned me from a millionaire into a billionaire.

**The third element you mentioned were government organisations and the heavy overregulation they create.**

Let me start at the beginning. First of all, you and I believe that somebody who is successful is honest until their dishonesty is proved. On the stock exchange the belief is that you are dishonest until you prove the contrary. And, unfortunately, we see dishonest behavior on a daily basis often at the top management level which always calls for more regulation and control. And we here in Europe follow America by constantly creating new rules and regulations and nobody does anything against it, and this paralyses entrepreneurs.

**In your book you talk about your contribution to society - to a better world - and somewhere there it is stated that you helped with your company Hayek Engineering and the Swatch group to directly or indirectly create over 350,000 jobs. That is an extraordinary achievement.**

Do not forget that I started working with industry in Germany and Switzerland in 1953 just after the war. So especially Germany had to build everything up from scratch. I contributed to practically everything that was built up in the automotive, the steel and special automatic machine industries. People working with me found out that I was somebody who not only had ideas but was also able to push action through and make things happen. The companies that worked with me were successful and I do not remember any single one failing after they followed the strategies we had designed.

**In today’s business world many problems arise due to misunderstandings relating to international corporate culture. Dealing with aggression creates a lot of problems such as terrorism on one side and economic issues on the other. The group of companies that you are chairing is a real global player and I would like you to refer to the two issues I mentioned. How do you deal with cultural differences and how do you make the best out of them?**

These are two very important problems. The misuse of power is one of the main reasons why this world of today is in such bad shape. Anytime somebody who feels strong seeks to take something away from somebody else with a weapon or with other power then this will create aggression.

This should not be permitted in our society. We cannot live in a society where there are a very few rich people and the majority of people is poor. Fortunately, in our country we have few poor people and not too many who are jobless.

The second problem is the development of society. Every entrepreneur should be a philosopher. Regardless of their religion, race and country, the starting point is always the family and the ‘clan’. The human beings of today live in big cities and are losing their roots and often have no more clans and no more family ties. If we look at singles or divorcees of today the company they work for with its people and environment often becomes their family and home and their life.

If that company tells you at the age of 55 ‘we do not need you anymore’, even if you have worked for that company for twenty to thirty years and even if the company earns quite some money which is good for the development of the company’s shares on the stock exchange, you feel betrayed. With this you destroy the company culture and the confidence people have in the company leadership. Respect for people and their integrity makes people fight for their company, but how can employees and workers have respect for managers who cash millions, present brilliant financial results but dismiss people. For the success of a company you need not only loyal employees but also a loyal leadership and more entrepreneurs who regard social responsibility as one of their most important tasks.

**Maybe you should create a ‘Hayek Academy for Entrepreneurship’ dealing with the practical and ethical aspects of leadership.**

Look, the entrepreneurs of today are artists and the creators of wealth and new jobs and there is absolutely no lobby for them. And an entrepreneur is normally not a lobbyist. There is one thing we should understand ‘Without entrepreneurs society is going to die’. Politics often do not understand this and the press often alludes to something being wrong with successful entrepreneurs. Entrepreneurs are generally not very good speakers and do not like to appear in public. But entrepreneurs create wealth around them. In the 22 years I have been with Swatch I created - everything taken together (salaries, contracts, material purchases etc) - over 60 billion Swiss francs of wealth. And I got between 2% to 5% of this, which is enormous. We are living in a democratic country and we have to explain this to the public, politicians and the press since in ever y democratic country we do not have enough entrepreneurs who are finally responsible for creating new wealth, helping people raise the standard of living, enjoy a quality life and get happier. If this does not happen we get more poor people, aggression will increase together with the misuse of power and this is definitely not a world in which we would like to live. This is the reason I want to create a powerful entrepreneur group, and here I am not only talking about entrepreneurs running big companies but the entrepreneurs of all small- and medium-sized companies who contribute significantly to the creation of wealth in any democratic country. If entrepreneurs from different countries were to join together we could create a powerful organisation.

**It is a great idea. Mr. Hayek, how do you feel about EU and global politics in general?**

I think an important point to reflect on now is what the future European Union is going to look like. Where are and where should the borders be? How can we deal with the different cultures, and with financing all this to keep the standard of living high for all people in the EU - at the level of Germany, Italy, France, the UK for example?

And in this process we should not forget that politicians want power and that the bigger an area like the European Union becomes the more the power of the politicians in Brussels increases. But at the end of the day we should not let politicians in democratic countries be the only people responsible to determine the way we have to go. There is a big job here for the people and also for entrepreneurs and we have to take the challenge.

**The results of Swatch show that the group is doing well especially in the luxury segment of watches.**

The Swatch Group is doing very well because of what I told you. We create new products, we have many entrepreneurially minded people in this company. In the non-watch business, we realise twice as much profit percentage-wise as they do in the car industry. That is the lowest part: in the luxury watch part we multiply the profit percentage. Luxury watches are doing very well, Swatch watches are doing good but less well than luxury ones. The group is expanding internationally. We are building a centre in Tokyo and we are in China - we are number one worldwide. We are practically everywhere and there is no country in the world in which we are not present. We are adding jewelry to some of our brands.

The Swatch Group has a good future because of the type of leadership we have who apply the same approach to industry as you have seen with me. There are always people who disagree with certain approaches, but they have left the company. The people who are with the company and me feel good and happy. I see the future of the Swatch Group as being very positive.

**What is your motivation Mr. Hayek? After all your successes and fortunes some people might say ‘ Wow, it is time now to go to the Caribbean, stay on the beach and look at the sun’. But no, you are here, as if you are still 18 years old, full of energy and full of new ideas. Again, what motivates you?**

I have never seen an artist stop painting. Artists do not retire and entrepreneurs are artists. The first sentence I wrote in my book was ‘I never worked one single day in my life, it was all fun’. Going to the Caribbean - why should I do this? I can have everything here. I take a vacation, I do sports, I swim, I even play tennis at my age and, as I said, I still have many things to achieve.