

THE GENIUS OF NICOLAS G. HAYEK: 1928-2010



By Karen Simon

To remember the watch world before the 1980s is to remember utilitarian timepieces whose sole purpose was to keep track of the passing minutes. Watches were pragmatic accessories sought after in number only by the wealthy, while the masses contented themselves with owning just one.

However, in 1982 with the introduction of the lightweight, colorful, and inexpensive Swatch Watch, watches transformed almost overnight into must-have

accessories for people of every age, gender, and social status. Nicolas G. Hayek, founder and chairman of the Swatch Group, was the genius behind this paradigm shift.

Born in Lebanon in 1928, Nicolas G. Hayek went on to study mathematics, physics, and chemistry at the University of Lyon, France, after which he moved to Zurich, Switzerland in the 1960s to establish his first consultancy firm, Hayek Engineering AG. Having been involved in the reorganization of AEG-Telefunken and Swiss Railways, Mr. Hayek was approached, in the early 1980s,

by a group of Swiss banks to draw up a report on how best to dissolve the two main Swiss watch manufacturers, Société Suisse de l'Industrie Horlogère (SSIH) and Allgemeine Schweizerische Uhrenindustrie AG (ASUAG).

Switzerland, formerly having been on the forefront of watch manufacturing, had by the 1970s, lost ground to the low-cost Japanese quartz watches Citizen, Seiko, and Casio. High labor costs in Switzerland threatened the production of Swiss watches and allowed East Asian watch producers to undercut Swiss





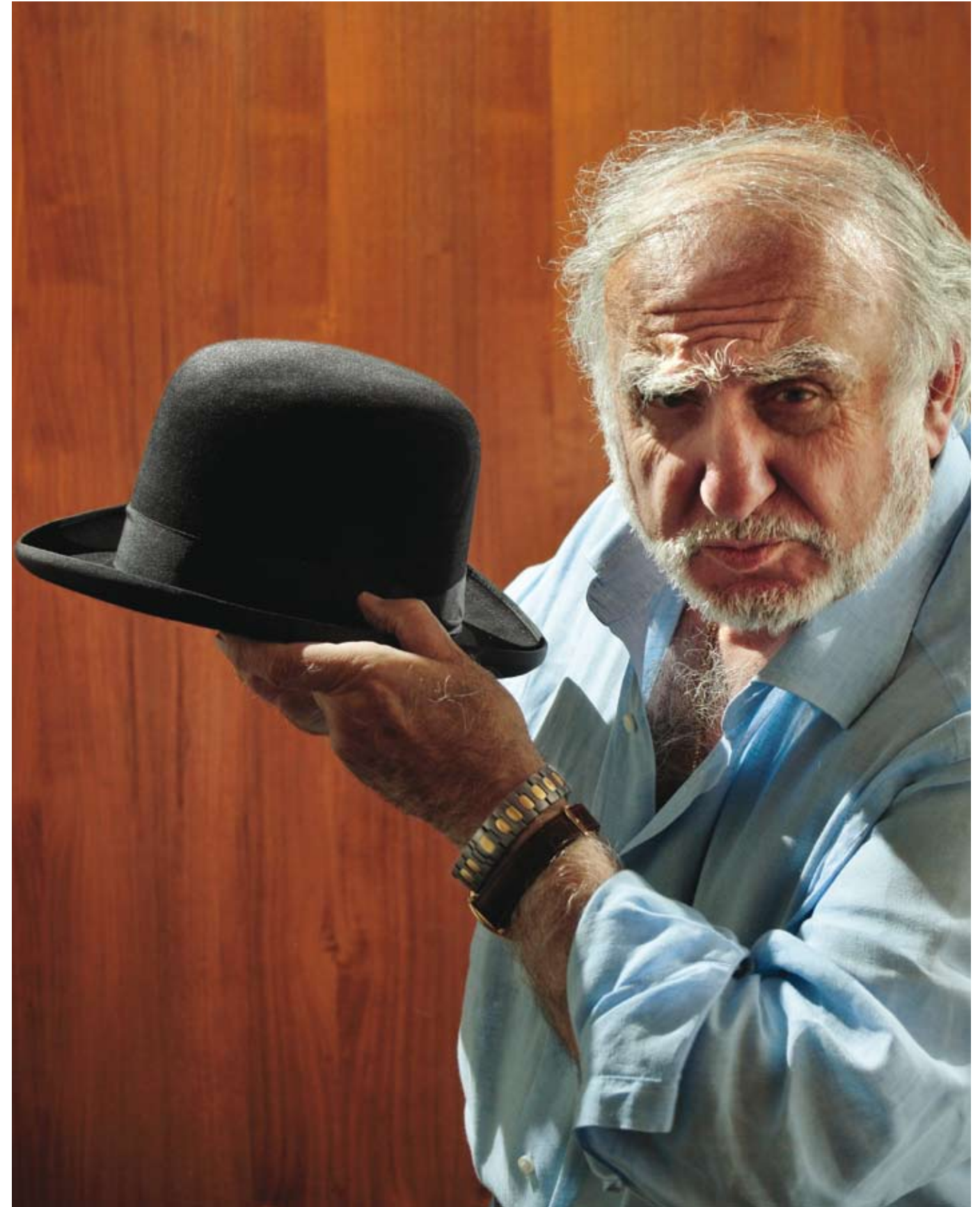
prices. To maintain possession of the lower and middle market of watchmaking—and to allow Switzerland to concentrate on producing expensive rarities—companies like Seiko were offering to buy up Omega and other Swiss watch brands. And seeing no other choice, the Swiss bankers were prepared to submit to this proposition.

In an ironic twist of events however, Mr. Hayek, who was originally brought on board to

liquidate the floundering Swiss watch industry, decided to merge and streamline the SSIH and ASUAG under the banner of the Société Suisse de Microélectronique et d'Horlogerie (SMH)—which in 1998 would be renamed Swatch Group—to compete against the Japanese watch producers for the majority of the market share.

Champion of self-sustainability—once telling the *Wall Street Journal*, “I was the advocate of the fact that we should produce in our own

countries;”—Mr. Hayek was not prepared to relinquish the historic tradition of Swiss watchmaking. He was convinced that people saw in Swiss watches, not just ornate timepieces, but, “the message of the culture of Switzerland.” And thanks to Swiss engineers Elmar Mock and Jacques Müller, creating inexpensive Swiss quartz watches was no longer unfeasible. They developed a quartz watch composed of only 51 components (Japanese quartz watches are made up of over 100), that could





be produced locally in Switzerland and retailed for under \$35 (JOD 25).

Thus began the meteoric rise of the Swatch Watch. The combination of an inexpensive timepiece with Swiss Made design was irresistible to consumers, and within the first three years of the company's inception, 12 million Swatch units had been sold worldwide.

Through Swatch, Mr. Hayek put forth the idea that a watch is much

more than a timekeeper: a watch is a personal, artistic statement. And with artists like Keith Haring and Kiki Picasso commissioned to design collections, the concept of owning more than one watch quickly grew among the masses.

The global popularity of Swatch revitalized the entire Swiss watch industry and pushed Nicolas G. Hayek to the forefront of horologic celebrity. Flooded with profits from the lower-end Swatch, Mr. Hayek was next able to concentrate

on rebuilding the SMH's more exclusive watch brands, such as Tissot, Longines, and Omega. He reinvested in new factories, financed further research and development projects, and began expanding the company's portfolio by purchasing brands like Blancpain and Glashütte Original.

In 1999, Mr. Hayek—in an ingenious move to ensure both the market dominance and the prestige of his company—procured one of the world's oldest and most



prestigious watch brands, Breguet. Unlike Swatch, which produces up to 20 million units a year, Breguet produces only 40,000 units yearly. However, with a retail price of up to \$1.6 million (JOD 1.1 million), in purchasing Breguet, Mr. Hayek guaranteed that the Swatch Group would be a force throughout the watch industry, fashioning the most basic to the most luxurious timepieces.

Almost 30 years since its creation,

the Swatch Group is today the world's largest watch manufacturer, and Nicolas G. Hayek, who was originally hired to help terminate the main players of the Swiss watch industry, will forever be remembered as its savior.

With his passing at the age of 82 on June 28, 2010, the watch world lost its most ardent supporter and Switzerland its leading entrepreneur. Mr. Hayek died of heart failure while working at his

beloved company's headquarters in Biel, Switzerland.

The Hayek name, however, remains the mainstay of the Swatch Group; Mr. Hayek's daughter, Nayla Hayek succeeds him as Chairwoman of the Board of Directors, while his son Nicolas Jr. has, since 2002, been the Swatch Group's chief executive. To Nicolas G. Hayek, the Swatch Group was more than just a company or a business strategy, it was a duty to his country and a cherished family affair. ♡