



## **James Breiding - Innovation Swiss Style: The Untold Story Behind Switzerland's Success**

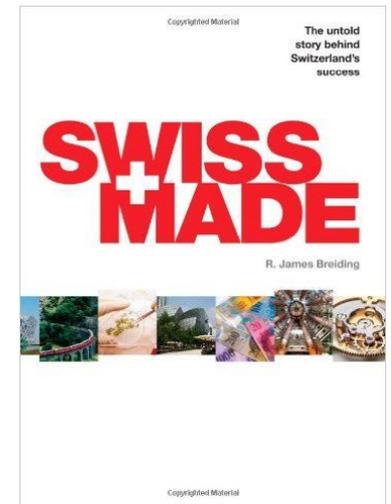
R. James Breiding is the founder and owner of Naissance Capital, a Zurich investment firm. He qualified as a Chartered Accountant and worked initially as a Senior Manager at Price Waterhouse Coopers, then as a Director of Rothschild Corporate Finance and Vice President of Bank Julius Baer. He holds Master Degrees from IMD Lausanne and the Harvard Kennedy School. For several years he wrote for the „Economist“ on the Swiss Economy and holds American as well as the Swiss citizenship. His contributions to this book have been supported by a fellowship from Harvard University.



By Mark Bidwell



James Breiding is the author of *Swiss Made*, a book on why Switzerland -a tiny country with few natural advantages- has become so successful in the world of banking, pharmaceuticals, machinery, and more. James discusses innovation in Switzerland and makes the point that when an entrepreneur comes up with a new and innovative method or product, there will be resistance from those who have accepted the status quo. Entrepreneurs as well as intrapreneurs need to have thick skin if they wish to disrupt the market. This means that typically, but not always, innovators are not pleasant people.



***With me today is James Breiding, who is the author of Swiss Made: The Untold Story Behind Switzerland's Success, which is a bestseller that's translated into eight languages. Welcome to the show James.***

*Thank you for having me, Mark.*

***What led up to you writing the book Swiss Made?***

*I had a brief spell of sort of writing for The Economist at one stage. When I was doing research about trying to understand how Switzerland works I came across a book called -- In German, the Das Heimliche Imperium that was written by Lorenz Stucki that I thought was a wonderful book but it was published in 1960, so it was quite a long time ago.*

*I just happened to be at a cocktail party and the former editor of the Neue Zürcher Zeitung which is Switzerland's leading paper. We just happened to stumble upon this book. I said it would be a great idea to write something like this and make it available in English. It turned out that he grew up in the same village as this fellow Lorenz Stucki. Lorenz Stucki's father was a very famous diplomat during World War II. His father knew his father and one thing led to another and you know he introduced me to the book publishing arm of the Neue Zürcher Zeitung. Here I was, a young writer who didn't have a manuscript but had a publisher for something that was in my head so that's how it came about.*

***You mentioned diplomat. I think when we first spoke James, you say this book, your book gets given to any Swiss diplomat to present to their host nation when they arrive on a diplomatic mission. Is that correct?***

*Well, it wasn't intended to be written for diplomats. It just so happened that --. I think Switzerland went through a very difficult period particularly because of the banks where there is a lot of Swiss bashing for a long period of time. I think part of the reason I wrote the book was because I thought there was a lot more to Switzerland than sort of met the eye. I mean a lot of people come to Switzerland for a weekend or Davos and they walk away with a fairly superficial impression. Quite a lot of people think Switzerland is about cuckoo clocks or chocolates or dubious banks. So, I thought there was a lot more to it. The purpose was just to get the story right. I think after I wrote it, it happens to -- It got some critical acclaim from opinion leaders outside of Switzerland. Larry Summers, Doris Dubuque and Lee Kuan Yew arranged to have a copy given to all members of GIC and Temasek.*

*Paul Volcker said something about the book so that was sort of -- I think if you like, a tonic on the wound for a lot of these ambassadors who have been having a tough go at selling Switzerland. Meanwhile, it was given by fifty Swiss embassies around the world as a diplomatic gift. In fact, two embassies -- the Swiss embassy in Vietnam and the Swiss embassy in Poland have actually -- we've donated the rights, the manuscript to them.*

***“A lot of the innovation in Switzerland is really below the radar stuff which is not particularly exciting but gets the job done”***



*They have undertaken on their own nickel to produce the book and made like 5,000 copies in each case that they use and distribute for the purpose of raising awareness of Switzerland.*

***You mentioned Swiss banking, you and I are both living in Switzerland and a lot of our listeners would be familiar with the Nespresso machine for instance, or Swatch, so how would you describe the kind of the Swiss brand of doing business? What are some of the success factors that contribute to Switzerland's economic strength?***

***“The Basel pharmaceutical industry has been a fantastic success story for Switzerland”***

*Right. I think -- You mentioned very notable innovations, I think that's part of maybe the issue that particularly now that there is this whole notion of disruptive innovation -- If you are in a B2C business, innovations can be very visual and very sexy, things like Teslas and Facebooks and these sort of things but a lot of Swiss industry's B2B businesses which are really fundamentally quite boring. If you are in a B2B business where you are producing textile machinery for, I don't know, an Asian producer of textiles, you just have to be slightly better than the competition, slightly more convenient, slightly cheaper to win the business. I think a lot of the innovation in Switzerland is really below the radar stuff which is not particularly exciting and sexy but gets the job done.*

***More incremental version of breakthrough innovation.***

*Yeah, exactly. And of course, the very notable things. I mean Nespresso was a very large breakthrough. It broke down a lot of habits of housewives and people in the household of how they went about drinking coffee. Swatch, of course was also major breakthrough but you know by and large the things that we don't hear about and read about or things like you know elevators at Schindler or turbines at ABB or plastic produced by Ems-Chemie, which is more resistant to heat or to noise on autobahns in Germany...very often working closely with the companies as sort of a supplier-customer relationships where they are tweaking things together. So, it's probably more, also more development than research I'd say.*

*Those factors that make Switzerland successful or have made it successful and continue to make successful, part of it I think is sort of inherent to small countries. You know as a small country you have a very small domestic markets so you're forced to export your product very quickly. With five or eight employees, you're very soon out there trying to win business in Germany or Japan or the United States so that's something very very indigenous to small countries.*

*I think as a small country you feel more vulnerable and maybe a little bit more paranoid because of that. Probably another factor is that other small countries Denmark, Singapore, etc. they're more modest people. I mean if you think about it, I grew up in America. There wasn't a history lessons that didn't mention some fantastic reason why America is such a great country. Donald Trump is now trying to -- is campaigning on that slogan “Make America Great Again.”*

*If you look at the UK, it's the Grand Empire. In France, it's the Grande Nation. Germany had its Bismarck. China, etc. -- these big countries tend to breed a certain sense of pride. There is a fine line between pride and arrogance. Very often these small countries can be -- particularly if you're competing far away from home, you can kind of be the underdog and be more modest about doing business. I think that's a subtle, a subtlety but I think it does help. Yeah.*

*I think another factor is being small is, you know as you probably know living here, there is probably a greater emphasis on the community here versus the individual. Behavior is more regulated by social norms than regulations. People have a tendency more to collaborate than to compete. Because of that, you have a greater sense of trust and probably lower friction cost and less cheating. That's fundamentally a much better environment to do business in.*

***Yeah. Then I'm struck by one of the statistics in your writing which says that the average age of an S&P 500 company is fifteen years versus in the SMI, the Swiss stock market, its 125 years, so it's a huge huge difference in terms of longevity, in terms of staying power in the marketplace.***



*“What surprised me about Nespresso was how much Nestle senior management was against the innovation”*

*Yeah. No, that's right. I mean it's maybe breaking down now. I mean we've seen within the last 18 months, as you know, with Syngenta, Holcim Lafarge, Kuoni, Sika. I actually wrote an article that was published in Neue Zürcher Zeitung about the changing attitude of ownership but you had around World War II an Anglo - Saxon society, a kind of advent of this sort of agency risk, the idea that these companies are increasingly owned by disinterested shareholders as opposed to owner operators, you know the old industrial families like the Rockefellers or the Carnegies, these sorts of things. That began to breakdown when you had the advent of these collective investment vehicles – mutual funds, ETFs and what have you.*

*I think a lot of that has to do with these new ownership structures which have led to this new class, this new emerging class of managers who are effectively fiduciaries, charged with running these companies but often have very transient anonymous shareholders who maybe don't look at the shop as closely as they did in the former days.*

*I think Switzerland still has a kind of -- still retains a lot of the old ownership features that we have in other Anglo - Saxon countries before World War II. That has led to, as you point out has led to greater longevity and probably just a greater engagement. A lot of these Swiss companies probably would have gone bankrupt had they been in Anglo - Saxon countries today. Nestle almost went bankrupt in 1923. ABB was bankrupt for a day in 2001. UBS was rescued by the Swiss government. The Swiss watch industry was bankrupt and had to be restructured. Roche was almost bankrupt twice. So you know, probably again this attitude of community, long term engagement, more interested owners, I think that's probably made the difference in these companies.*

***So as you are researching some of these stories, I mean the industrial examples in the book, are there any that really stood out and really resonated with you either in terms of a huge surprise you thought it was one way but once you dug into it, it was very different or that just struck you as being a real characteristic of being Swiss. Any stories you can share with on that journey?***

*Well, I mean there is lots of them. By the way, I had a fellowship at Harvard in connection with the book so we had access to all the case studies that were ever written about Swiss companies. I think I was the first one to really have that, which was terrific. We have tons of supporters, like Jorge Paulo Lemann, these are quite famous Swiss people who studied at Harvard and --*

*“These are companies which are a little less flashy and have as Warren Buffett says larger moats, franchises which are more resilient to intrusion”*

***He is with 3G Capital isn't he?***

*Yeah. Exactly, yeah. He is an example of a Swiss diaspora which is -- we can talk about as well because that's one of the other sort of hidden secrets of Switzerland. It's like the Jews or like the Chinese or the Scots, they do have a very -- I think it's about 11% of Swiss living outside the country which is the highest percentage of migrants in the world. Everyone talks about immigration but people don't talk too much about migration. I think that's one of Switzerland's unique features. They have such a high percentage of their own citizens that live and spend a good period of their life in other countries. It seems to be inbred into the DNA of formation that they recommend to young people to -- Well, go to the army and then go spend five years abroad. Because of that some people decide to stay and you have this sort of diaspora as like Jorge Paulo Lemann who live and become very successful in his case, Brazil. You have that sort of feature, it's not unique to Switzerland as I mentioned. There are other countries that have that as well.*

***Yeah, but the other uniqueness is the number of people. I think 25% of the Swiss population is made up of foreigners as well, right?***

*Yeah. No, that's right. That's of course a very controversial issue. It's very difficult being a foreigner anywhere these days but historically Switzerland has a huge advantage being on the crossroads in the north to south along the Gotthard, the flow of traffic going from Northern Europe to Italy, then east to west. For religious reasons it was along the pathway of the route to Compostela, which was a requirement for Catholics to undertake once in their lifetime. People just ended up coming and liking it and staying so there is a very long tradition of immigration in Switzerland.*



*As you know, there is multiple languages. Whenever there was political upheaval -- take the Huguenots for example, after the Edict of France was repealed and Huguenots were persecuted in France they left. They were very prevalent in the port cities of France. They dispersed and came to Basel and to Geneva. Most of them came from the ship building and sort of watch making industry because at that time, the real key of telling time, the real value of telling time was having reliable clocks onboard ships so that people can measure longitude. People could always -- the techniques for measuring latitude were pretty well understood because of the sextant and then because of the relationship to stars and equator, etcetera but they couldn't figure out a way to really measure longitude. The only way you could do that was -- would be to install a clock that work reliably and you set the time to Greenwich and you have a 360 degrees around the globe and each degree represents 12 minutes. You could measure how far you were from Greenwich but imagine having a ship with the moisture and the going ups and down and rowing and water etcetera. It was very difficult to have a mechanical instrument which kept precise time. The Huguenots were really -- that's what they're really good at. This is why they are sort of very rural place out in the middle of nowhere in Geneva, in Le Locle, and that region in Jura became -- developed expertise in watchmaking. Because of that political turmoil they were able to attract these Huguenots. The same can be said about the chemical industry in Basel which was a recipient of a lot of Jewish scientist from Germany, Poland -- who were forced to leave their homes and come to Switzerland. Roche for example was the only company that was amenable to hiring Jews.*

***They moved to New Jersey I think during that time.***

*They set up a research facility in Nutley, to specifically house Jews. They created a legal structure where a good bit of Roche's organization was owned by US entity legally, in the event that the Nazis took over Switzerland.*

***You mentioned watchmaking, maybe we can zero in on this Swatch story because it is remarkable that the industry nearly collapsed. Then as a result of an enormous pivot -- to use a kind of the west coast language, where the watch was seen as a fashion item, that sort of created an enormously successful industry which also isn't just at the low end but also at the high end, it created that. So, can you just tell the story of as you were researching, what stood out in that sort of detail, if you like.***

*Yeah, I mean I think the Swatch story is illustrating a number of interesting aspects of Swiss society and leadership and change and what have you. I mean I just picked up a couple of them but one is success has been the heroes. Nicolas Hayek, the phenomenal job of profiling himself as being the inventor of Swatch but in actual fact he wasn't.*

***It was Elmar Mock who is one of them, wasn't he?***

*Spot on. And then really, I think Ernst Thomke who kind of empowered Mock and pulled out sort of from the dustbin, a very old patent that was really this idea of actually superimposing the watch structure within a plastic casing, which by the way still to this day has not been replicated in Asia. You would have thought that some sort of -- you see Asians copying Swiss watches of any kind but no one's been able to replicate the Swatch because it's plastic injection molding technology is very difficult to execute and very expensive. That enabled them to produce a watch for less than \$20 which of course was, you can imagine the mindset of going from producing watches that took maybe a week to put together and cost \$20,000 and require craftsmanship and expertise. Then having to go all the way to the other end of the continuum and come up with a watch which is holding back a niche based on an entire different technology. So yeah, I think*

*The Swiss watch industry was pretty much designed to run the Swiss military so you had basically generals or colonels running either factories producing watch parts or running the markets. It was very much geared around the Swiss military. With military you have bureaucracy and probably difficulty adapting to new conditions. Of course, when the Japanese came out with this battery operated watch which could tell time in a far superior manner, people just -- the customers just went in droves. It was when Ernst Thomke and the head of Omega, they've just done the pilot project. They did two pilot projects for Swatch. One in San Antonio and the other one in Osaka. They had this sort of military looking watches. One of them was grey,*



*sleek grey and the other one was black. It all was very precise and accurate. The pilot projects failed. The feedback from the markets was “you can’t sell this watch.” Of course, the company was basically bankrupt, they couldn’t get any more credit from the banks, the best people were leaving.*

*Thomke was suffering in great despair. He stopped by Bloomingdale’s in New York on the way back. He met with the chief buyer who’s a Brooklyn, sort of Jewish hard-nosed buyer, New Yorker. He was wearing a tie despite – He looked up to Thomke and his fellow who was running amazed and said “You guys just don’t get it. It’s not about whether it tells time right or not, it’s about fashion.” He lifted up his tie and showed them that. And so, Thomke and this fellow came back to Switzerland. He knew that there was a company called Fogal which is – I don’t know if you know it but it’s a woman’s lingerie business. It was a family operated business that was ran by the Myer family. It used to produce uniforms, sort of boring nurse uniforms and old lady’s underwear. They were on the verge of bankruptcy because of Asian competition. They actually turned it into a company producing lingerie and pantyhose. With these pantyhose, you could produce some for about one or two dollars and sell them for \$50 or \$100, it’s very profitable, these things. The fellow that this family hired who was a designer of this lingerie came from Le Locle. I mean his father worked at the watch industry. So, when Thomke said – he went and talked to his family. He said “Well, how did you actually do this? How did you convert from this old uniform, old lady’s underwear company to a sleek, sexy lingerie company?” He said “You have to meet our designer.” So, they introduced him to this designer. That designer knew nothing about watches but he was the one that actually ended up doing the first 325 models of Swatch. It’s been a while back but at that time people would sleep overnight waiting for his new designs to come out on 5<sup>th</sup> Avenue.*

**So, Apple wasn’t the only one to create those raving fans.**

*Yes. Yeah, that was interesting. You mentioned Nespresso. I think what would kind of surprise me about – Nespresso was how much Nestle senior management was against the innovation. Everyone at the senior level in Vevey was against Nespresso because they felt it would cannibalize their instant coffee, Nescafe which was their most profitable product. They basically put it on ice. It took 20 years for them to, you know the patent effectively wore out before the fellow actually convinced them that there was actually an incremental market that would be available. Now meanwhile, Nespresso is by head and shoulders the most profitable product in Nestle’s 8,000 products. People were completely dead against it. Helmut Maucher the chairman, refused to install a Nespresso machine until after he retired.*

**Extraordinary, yeah.**

*It just goes to show you that you often have resistance not just the market but just your own people.*

***This is very interesting because a lot of our listeners are entrepreneurs or intrapreneurs in larger organizations wrestling with how to get their ideas adopted by those around them and by senior leadership. As you met some of these entrepreneurs who actually reshaped elements of Swiss industry, was there anything that sort of stands out about them that you -- any behaviors, any characteristics that might help people who are struggling with this sitting in Novartis or in Syngenta or in Roche today for instance.***

*Yeah. Anecdotally, I mean because I think I interviewed about 300 people. As you say, we did the research on key innovations. The book is basically a chronicle of all of these innovations. I mean I think the sort of things you find is that one First of all, people -- I think people underestimate just how costly innovation is. It takes a lot of attempts so you really do need a high tolerance for failure and you have to have a disposition to take risk. Of course, we see the successes and we write about successes but the fact is we don’t really talk about all the failed attempts that don’t make it into history books. One has to be pretty honest about that going into it.*

*I mean we talked about the immigrants. I mean if you look -- and this is not just risk, but just about every innovation in Switzerland had at least one key immigrant involved. Henry Nestle was an immigrant when he came to Vevey, Hayek was Lebanese, on and on and on. But it’s not any different anywhere else if you look at Silicon Valley. Jeff Bezos’s father is Cuban. The founder of eBay was Algerian. Sergei Brin is Russian. This*



seems to be characteristic of innovation in all sorts of places.

*I think that they were – I remember Charles Weissmann, who was the cofounder of Biogen and is mooted to be a contender for a Nobel Prize on two fronts. He said “I was successful because I was unrealistic”. He is a famous molecular biologist and cofounder of the second biggest, most successful biotech company. He is Swiss and was Professor of the molecular biology department in the University of Zurich. He said “I was successful because I was unrealistic.” Basically, what he was saying is that, if I would have been realistic I would have never engaged in the areas of research that I did because it was such a slog and the likelihood of succeeding was so low. There is that element of being a bit crazy, if you like. I think maybe the other thing is that they aren’t the nicest people probably because they tuned out. Imagine if -- I don’t know, you are going to a tennis club and you get all your buddies and you come up with this Nespresso idea. People are going to poo poo it and tell you, you are crazy. You are probably going to succumb to that. You have to probably be a bit autistic. So if you look at -- I read Steve Jobs’ biography and Jeff Bezos, most of these people are not the kind of people you want to have a beer with.*

*Anyway, Nicolas Hayek was a pretty disagreeable fellow. I can go on and on but I prefer not to name names but it’s not unusual to be very difficult because in a way you have to be (a) you have to be kind of crazy and, (b) you have to be really willing to fight the status quo. I mentioned the example in Nespresso but anytime you are coming up with something new there is a status quo of resistance. Employees that are afraid of losing their jobs, or as professors are afraid of being discredited, there are investors that are afraid of losing their investment. There are people, governments that are afraid of losing their taxes, so there is a whole bunch of people out there that just don’t want things to change because they feel threatened. One has to be pretty tough to work through all that.*

***That’s the extraordinary dichotomy in this. As we said earlier on, the 125-year life expectancy of a company on the SMI versus some near death experiences that these companies have faced. They’ve come back with leading positions in their markets and their product range as a result of taking some big bet. So there are a lot of forces that play here. The other thing that struck me, I think in Zurich -- the Zooglers, you know the Google facility. I don’t know how many people are employed there but it’s the largest facility***

*1,300. Yeah, right.*

***1,300 engineers. That is the largest engineering group outside Silicon Valley, I guess.***

*That’s right, yeah. Actually, Urs Holzle is Swiss, he is the 3rd employee of Google, and he’s chief operating officer.*

***Why did they choose Switzerland? Because this is another element to the theory, right?***

*Yeah, there is a chapter in the book called why multinationals live in Switzerland. I think that’s – I mean particular with the Brexit debate. The whole issue -- the world is becoming much more like an aircraft carrier where people sort of pull into a port and that port is Basel, or that port is Zurich, or that port is London and they want their planes to be refueled, they want their children to go to that schools, they want decent tax regime, and infrastructure, they want to feel safe. The whole package is a very important package in determining where capital will flow, into which countries, where people will be designated to work. And yeah, Google went through that assessment and that analysis and they chose Zurich because of – I mean to a large extent because of the ETH which is a fantastic and underrated university, sort of the MIT or the Cambridge of Switzerland. On the technical side, there is more per capita Nobel Prize winners from that university than anywhere else in the world.*

*And so that was the key ingredient to be able to sort of tap into that intellectual garden, if you like, but on top of that the spouses like Switzerland. It’s a really great place for spouses, men or women who have to think about having a second career, or have to think about where the kids are going to get a decent education, or where they are going to spend their weekends, or how close it is to Italy or France, how good are the airports. These are all factors compared to Dubai or compared to Luxembourg or even London which*



*compete pretty well. That of course is a very important comparative advantage that historically Switzerland has had. Like a lot of these things it is showing some cracks and one has to be careful that they can preserve this but historically they've had pretty good marks on that front.*

***Clearly, the other piece here is the ecosystem. Here in Basel, the center of the global pharmaceutical industry, there are lots of companies around the big players like Roche and Novartis that are attracted here. A company I'm chair of, we relocated from Finland to Switzerland just to be around these companies.***

*Yeah. Also, the startup scene by the way which is becoming increasingly important. I mean there is not a company in Schluen, which is really as you know probably the sort of biotech heart of startups, which doesn't have an employee or a partner that is coming and in some way related to the Basel pharmaceutical industry. That's been a fantastic success story for Switzerland. By the way, I mean just for the record, 1980, at that time three major pharmaceutical companies of today -- Novartis and Roche were really kind of laggards, they were not particularly strong in the total scheme of things. The days of Wellcome and Pfizer and Bristol-Myers, Smithkline Beecham, and of course the Germans, the French. You know, the Swiss were kind of bottom of the barrel. Roll the clock forward, these two companies have done much better and are now leading the pack. I think that in itself sort of embodies a lot of the analysis and points that we're talking about today.*

***Yup. Now, one final question. You've got another book you are working on at the moment called, I think the working title is "Too small to fail". I'm interested. You touched on Finland, do you see a connection between small country's success and the national service? I'm thinking Finland, Switzerland and Israel in particular. Clearly a lot of executives in large Swiss corporations are also senior in the Swiss army. I just wonder, is this something that you think is part of the story?***

*Yeah. I think it is. I mean we talked earlier about where countries are on the continuum between community and individual and I do think these small countries have a much stronger social glue. Probably the Brexit result was to some extent a reversion to the mean where there is a tradeoff between national sovereignty and globalization. I think these aspects will take on greater import as we progress going forward.*

*Yes, I think these smaller countries have in that respect in very different ways seem to appeal to the community aspects which I think are very important. I think the other thing which is where the wind is at the back of these smaller countries is that the fact is a global trade is growing in a much faster clip than GDP growth which is basically saying it is this globalization that because of the low cost of transport the fact that an idea can come from anywhere, that technology can come from anywhere, you know the means of production can come from anywhere, that the financing can come from anywhere, and the customers can come from anywhere. We're just living in a much more open world and these small countries get that. They have disproportionately participated in the fact that global trade has grown at a much faster clip than GDP production. I think that they are going to continue to be able to take more than the lion's share of these benefits which will create some political tensions, of course.*

***Yeah. I used to travel quite a lot to China and Sao Paolo from Zurich. It was always a leading indicator on a Sunday evening is how busy was a business class Swissair flight out to this location because you might be reading in the paper that things are slowing down but you wouldn't have thought so, fighting for a seat with executives trying to go out and do business from Switzerland. On that subject, just a quick segue into -- another thing that you do James is you run a fund which is originally founded with the support of Sir John Templeton.***

*That's right, yeah.*

***I'm a great follower of his philosophy. I'm just curious, as you've looked at these companies and innovation in as you say, industrial business to business context versus a sort of breathless Elon Musk-like, high tech Silicon Valley innovation, as you assess either an existing holding in your fund or you're thinking about putting some money to work, how do you think about innovation, disruption, new entrants, changing consumer patterns? It's a big question but do you adapt your investment approach as a result of***



**having looked at these Swiss companies?**

*Yeah. No, absolutely. You know again, I think it's very tempting if you can -- Everyone would've been in Amazon -- It's up 3,600% over the last ten years. I wasn't in it. It was always too expensive for me. I suppose there is a lot of people out there that felt quite the same. That is maybe one of the disadvantages of the Templeton school that you are really looking for deep discounted value. I know we met through Guy Spier and he very much feels the same way. I think the fact is there are three or four technology companies that really won that game. If you were in genentech, if you were in Google, if you were in Amazon -- you've done extremely well. Facebook -- you've done extremely well. But you know, that's it. It's really been sort of a winner take all. These companies are becoming sort of the Exxons's and AT&Ts of our generation. They are very much -- I'm sure there is going to be a lot more discussion about monopolies. I think the safer bets are going with companies that -- I mean Schindler's gone up 15 times over the last 10 years.*

**The elevator company?**

*Yeah, the elevator company. Ems Chemie which manufactures Specialty plastics. And you know the story of Roche. Maybe you are not going to get 3,600% but 1,500% is not bad at all. These are companies which are a little less flashy and as Warren Buffett says larger moats, franchises which are more resilient to intrusion.*

**When we had Larry Cunningham on the show a few months ago, we talked about that. But in your book, you do talk about two industries at risk, right. One is Wealth Management, which I think everyone can understand, but you also talked about pharma. Do you see the moat there getting narrower and narrower?**

*Yeah. I think the pharma industry will be a disappointing industry for the next generation for a number of reasons. One, I think there is just diminishing returns with regard to technology and increasing cost with regard to discovery. The fact is we're all living to be 80 years old and there is some mathematical limit to how long we can live and the sort of reasons for our lives not being cut off at some point or by at large had been eliminated, except for cancer and the type of ailments and diseases or more age-induced diseases, whether it's arthritis or Alzheimer's.*

*That becomes a very difficult political discussion debate given the fact that the number of people working versus the number of people retired and the ability to fund healthcare systems. To what extent are people willing to release/channel money to research that sort of thing? Then, the famous moral dilemma, what is the value of life? How much can you charge for someone to live six months, if you only have a 20% chance for taking a cancer drug which will work?*

*I think there is a lot of vectors which will make it very difficult. This is going to be an uphill battle. I think it's just a matter of time before the US reduces pricing. They are really the gravy train for pharmaceutical companies. It's the US pharmaceutical market because it has twice the level of prices as Japan and Europe. That's just a matter of time before that arbitration is gone.*

*So yeah, I think it will be very difficult, but you know there is a lot of other industries which are coming about and will be very attractive. A lot of about choosing investments and choosing careers is catching the right wave. That's what's it's about. It's very much a proactive thing. When I was growing up everybody wanted to work for IBM, then they wanted to work for McKinsey and Goldman Sachs. These opportunities of course have changed overtime.*

**Excellent. I sent through to you James, three questions a few days ago. I just like to segue to those. The first one is around your morning rituals.**

*I normally get up around five o'clock, sometimes six. I'm not terribly precise about it. I wake up when my body wakes up. I have my laptop in the bed and I go through the headlines. I'm on Twitter and I have my Twitter feeds. I'm following people who I admired, whose information I trust. Then, I have a stack of reading*



next to my bed. I'm reading the FT, The Economist, and then just specific things that come to my attention.

Unfortunately, it's not a particularly exciting morning but I am generally reserving my mornings for analytical work and writing. Then, afternoons for phone calls and meetings. That's pretty much what I'm trying to. I'm probably just confining travel because I just find it just increasingly awkward and costly to travel so I'm batching it more than I used to.

**Got it. Got it. Okay, second question. What have you changed your mind about recently?**

Well, this morning or just ?

**Something a little bit more profound perhaps than what socks to wear this morning.**

Probably on a superficial front, I change my mind just about every week on financial markets but I don't seem to be alone on that front. Where have I been wrong? I think the whole energy opportunity set is to change radically. I mean I think most of us felt that oil and coal and these sorts of commodities would be here to stay. I mean it's just quite remarkable to see what sort of inroads that solar and shale have made and how that's changed the geopolitical situation of the world.

I think that the -- Maybe Brexit sort of caused me to revise my understanding of British identity. I was sort of expecting a stiff upper lip, and it feels a bit like children, bickering with each other, so it's, yeah anyway. I guess those are examples of things where I've revised my views. I'm revising my views probably more often than most people, I suppose.

**Well, nothing wrong with that. If the information is changing on these too, right.**

That's right, yeah.

**Third and final question. You touched a little bit on when you were growing up -- IBM, Mckinsey. What advice would you have for your 25-year-old self?**

Well, I'll repeat. I think catching the wave is really important, and of course a really tough one to get but you -- because 80% of the jobs that are going to be there in 15 or 20 years are not there now, so I think it's really important. When I look at the people that have been truly successful, a lot of them have been very fortunate in terms of choosing. They weren't particularly brilliant but they chose the right wave so I'd say that's very important.

**What's the 2016 version of The Graduate advice "plastics"? What do you say is the wave to look at at the moment based on your perspective?**

I think this internet has legs. I really think that how the internet will change the way products are sold and produced and serviced -- were just in the early innings of that. I would have thought that if you could get some experience with the kind of eBay and social media and advertising and Zoolando's in this world that I would have thought that was probably not a bad bet, I'd say.

**We had Kevin Kelly on the show a few weeks ago. It was extraordinary. I don't know if you have read his latest book. It has gone straight to the top of New York Times but it's called The Inevitable. He talked a lot about AI, that's he's thesis certainly.**



*I guess my view is a bit more -- That would be sort of, if you like, offensive wave of approaching a career. Maybe cautiously, probably the truth is that because of the uncertainty that all these jobs are going to be out there and you don't know what they are, I think other people, maybe young people -- I don't know this when I was younger, that 80% of your relationships are made by the time you're 30 years old. I think it's really important to -- And I'm really happy I worked with Rothschilds and Templeton and Harvard and these sorts of things because it really introduced me to a whole bunch of people that provided valuable and lasting relationships. I guess my advice would be, be pretty picky about who you are meeting during those ages between 20 and 30 because those are going to be your buddies. As you get older, you just don't meet very many new people.*

*That would be -- I jotted down some notes when you asked me -- I was prompted for these question. I think science versus arts, skills versus knowledge, which is against a lot of the sort of liberal arts type of stuff that we grew up with in the Anglo - Saxon world. Yeah, if you can go to one of the great schools and have a liberal arts education, fantastic. I still think it's a really valuable thing to have but if you don't get into one of these great schools, you know having a mediocre liberal arts education, I don't think is going to take you very far in my view.*

*Then there is just the classic just find something you are really passionate about, where you really have a talent, you feel you're better and intersect that with the market need. Be pretty -- fail fast! If you don't have all three of those things lined up, those ducks lined up, then move on and try something else because it's a pretty competitive world out there. Maybe that's probably new for our children compared to us. We have an intern working, an IIT graduate, just graduated last month from Delhi. He's working for one-twelfth the price of ETH graduates. These guys are hungry. They want our lunch.*

*Then I'd say, as opposed to picking company names, find people. That's been my -- it's really the people you work for not the There is no Mr. McKinsey. There is no Mr. Goldman Sachs. You really want to choose people if you look at people who worked at PayPal or people in the hedge fund industry, they work for Caxton's or Genentech, it was those people who chose to work for those organizations who are at that time were not known, they were just good at recruiting very good people.*

**Good advice, very good advice. So James, final question. You mentioned you're on Twitter, where can people get in touch with you? How can they follow you or connect with you?**

*Yeah. Well, I'm on Twitter. I think it's @breiding3, if I'm not mistaken.*

**We'll put it on the show notes, so okay.**

*Yeah. And then I think we have what is called Swiss Made -- Foundation. I have to check it quickly, just one second. We have a website <http://www.swissmade.foundation/>*

**Otherwise, you can send the details. We'll put it on the show notes but people can connect with you through Twitter.**

*There you go, that's right. The book is on Amazon, so have a look at it. There's a few videos if you just want to take a shortcut.*

**Lovely. And your new book is work in progress but coming out in 20--?**

*We have a team and we're working at it now. It's basically called "Too Small to Fail". It talks about how small countries like Switzerland, Denmark, Singapore, Israel, Ireland -- why they managed to get some things right. If you look at the 15 highest disposable incomes in the world, 12 of them are countries with populations of less than 20 million people. If you look at Gini coefficients, if you look at happiness, desirability -- it all sort of points in the same direction. I'm just intrigued by that and trying to We're doing a bunch of research to*



*understand why that is and hopefully share something which people find interesting, informative, valuable.*

*Wonderful. Once you got a publication date, maybe we can get you back on the show to tell that story. It is a slightly counter intuitive story but it's also, as you said the data is quite compelling. In the meantime, I really like to thank you for your time, James. This has been fascinating particularly for our Swiss but also many of our non-Swiss listeners that are tuned in to listen to you and to learn from. Thanks for your time and have a good summer.*

*Thank you for having me Mark, thank you. You too.*

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