INTERVIEW

Baer's View

An Interview with Hans J. Baer,
Chairman Emeritus, Julius Baer Holding Ltd.

Hans J. Baer

EDITORS' NOTE *Hans Baer began his career with Bank Julius Baer & Co. Ltd. in 1947, rising to Chairman of the Board in 1993 and Honorary Chairman of the parent company, Julius Baer Holding Ltd., in 1996. Among numerous professional and cultural affiliations, he has served on the board and executive committee of the Swiss Bankers Association, as President of the Association of Swiss Merchant and Trust Banks, and on the admissions board of the Swiss Stock Exchange and the Swiss-American Chamber of Commerce. He holds a BS degree in industrial engineering from Lehigh University and an MA in economics from New York University. Baer's book titled,* It's Not All About Money – Memoirs of a Private Banker, *will be released in April of this year.*

COMPANY BRIEF *With roots dating back to the 19th century, the Julius Baer Group (www.juliusbaer.com) is the leading dedicated wealth manager in Switzerland. Operating through a network of offices in 30 locations around the globe and employing some 4,000 people, the group concentrates exclusively on asset management for discerning private and institutional clients and on the management and distribution of investment funds. The group's core companies are Bank Julius Baer & Co. Ltd. and GAM Holding, and its parent company is Julius Baer Holding Ltd.*

There is so much uncertainty in the financial markets today. Do you ever worry about the long-term viability of the system?

Personally, I worry more about credibility than I do about viability. I think the world will always need banks, but people are going to stop believing in them. I think banks have to create structures that they can control. You cannot drive a Ferrari and then say it's too complicated and you can't control it. People won't buy that.

Nowadays, we hear so much about the importance of giving back to society. In your view, to be a truly great company, do you also need to be a great corporate citizen?

Yes. You read about the outlandish salaries in the banking sector, but the recipients of those salaries don't tell you what they do with their money. I know one person who gives half of his million-dollar salary to a nuns' home in India, but you never hear about that kind of thing. Also, many younger executives with outlandish salaries don't talk about the level of taxes they pay. In Switzerland, the tax load is quite heavy. Nobody ever mentions that 60 percent of our salaries go in taxes.

Why do think there is so much secrecy about executive compensation?

That's a good question. I wonder whether executives are poorly advised to keep quiet. They're poorly advised and afraid of politicians. Or maybe they just think it's better not to talk about it at all. The man on the street is, of course, infuriated when he hears about the salaries that are being paid to bankers today.

When something goes wrong in the banking sector, the CEO often has to take the hit. Patience is in short supply, and changes happen very quickly at the top. What's your view of this trend?

On the one hand, it makes it hard to plan long-term strategy. On the other hand, if anything goes wrong, like the debacle surrounding subprime lending, retribution ought to be swift. As a CEO, you will pay very highly. If the problem goes on for any length of time, you have to go. The trouble is that there are not enough people in the world to control these people. Board members tend to be afraid it's going to happen to them. So when they're thinking of firing someone, they say to themselves, "Wait a minute. I'd better be generous. I could be sitting in his chair." I think that's one reason why action isn't always taken.

In light of these issues and the changing regulatory environment, do you think the role of CEO has changed over the years?

Maybe it has, although if you're living through it, you don't notice. You are always a guarantor of honesty, which means that, once in a while, somebody has to be kicked out. It used to be illegal to make someone pack his bags by the end of the day, because it was thought that would create the illusion of the person having done something wrong. So, in that sense, the speed at which things happen has changed.

When you look back at your career, did you know very early on that you were going to end up joining the bank, which was the family business?

Yes. In our family, the eldest son always joined the bank. There was another provision: You could not join the bank in a very inferior position. In other words, you couldn't say, "Look, the guy's all right and he's a relative, but let him run the mail room." That, in our bylaws, was not possible. Either you went to the top or near the top, or you didn't join.

Was giving back always a part of your family culture? Was it something you learned from your grandfather and others?

Actually, our family culture had more to do with art, because my mother was a practicing sculptress. Art always played a relatively large part in our family life. My father was a practicing physicist at the local university. It was well known that if people needed money, he would pay their bills. So, in a way, I suppose that giving back was part of our family tradition. We often had beggars at our house looking for money to buy lunch. So we were trained early on to do something for people who were in need.

What would some of your close associates say if they were asked about your management style?

He's a bastard. I'm always trying to tell the next generation, "We're not in a beauty contest or a popularity contest." In my view, the CEO who is the most popular is certainly much more dangerous than the CEO who is the most feared.

What does it take to be a truly effective CEO today?

You have to be a control freak. You have to say, "Show me." One reason for the subprime mortgage crisis is that people didn't read the small print.

Are you optimistic about financial institutions, in the long term?

Yes, I think things will work out. All sorts of things will happen, but life goes on. However, many institutions may not make it. Many of the large institutions will have to be chopped down in size. ●