

## From chemical companies to life sciences groups

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At the end of the Second World War, the Basel chemical industry consisted of four large companies, Ciba, Geigy, Sandoz and Hoffmann-La Roche, each of which produced dyes, chemicals, pharmaceuticals and, in most cases, agrochemicals. Half a century later, three of them had disappeared as independent companies, their businesses having been merged, divided, sold and listed in new combinations. The process began with the merger of Ciba and Geigy in 1970 and culminated in the merger of Ciba-Geigy and Sandoz in 1996. It continued with a long series of spin-offs that separated the chemical, agricultural, ophthalmological and generic businesses from the core of innovative medicines.<sup>1</sup>

The result is an industrial landscape that differs profoundly from that of the 1950s. The word "chemical industry", which described the Basel companies for a century, no longer fits the two largest groups. Roche and Novartis describe themselves as healthcare or medicines companies, whose products are mainly biological and small-molecule drugs and, in the case of Roche, diagnostic systems. The chemical businesses have moved into separate companies, among them Clariant and the Basel operations of BASF, whereas the agricultural business has become Syngenta. Lonza, which grew out of the Valais electrochemical industry, has become a contract developer and manufacturer for the pharmaceutical and biotechnology industry. The cantonal statistics and the cluster organisations therefore speak of "life sciences", a term that covers pharmaceuticals, biotechnology, medical technology, diagnostics and agricultural science.<sup>2</sup>

The restructuring followed the logic of the capital markets. Investors in the 1980s and 1990s rewarded focused companies and penalised conglomerates, whose diverse businesses made them hard to value and whose management appeared to allocate capital poorly. Shareholder value, a concept imported from the United States, became the guiding principle of the Basel boards in

the 1990s. The Swiss accounting reforms of that decade, which ended the tradition of hidden reserves, the opening of the share registers to foreign investors and the introduction of registered shares with one vote per share in place of the old categories of restricted shares made the companies more transparent and more exposed to the judgement of investors.<sup>3</sup> Part D has described the earlier culture of discretion, reserves and family or bank control. The modern Basel groups are listed companies whose shareholders are mostly foreign institutional investors.

## 1 Notes

1. On the merger of Ciba and Geigy in 1970 and the subsequent restructuring of the Basel chemical industry, see Part D, Chapter II, and the articles "Ciba-Geigy", "Sandoz" and "Novartis" in the Historisches Lexikon der Schweiz (HLS). To be verified. ↩
2. On the use of the term "life sciences" in the regional economic statistics and cluster policy of the two Basel cantons, see the publications of the Statistisches Amt Basel-Stadt and of Basel Area Business & Innovation. To be verified. ↩
3. On the transition of the large Swiss companies to shareholder value and to international accounting standards in the 1990s, and on the reform of the Swiss company law in 1991, see the literature on Swiss corporate governance, for example Peter Böckli, Schweizer Aktienrecht, 5th ed., 2022. To be verified. ↩

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