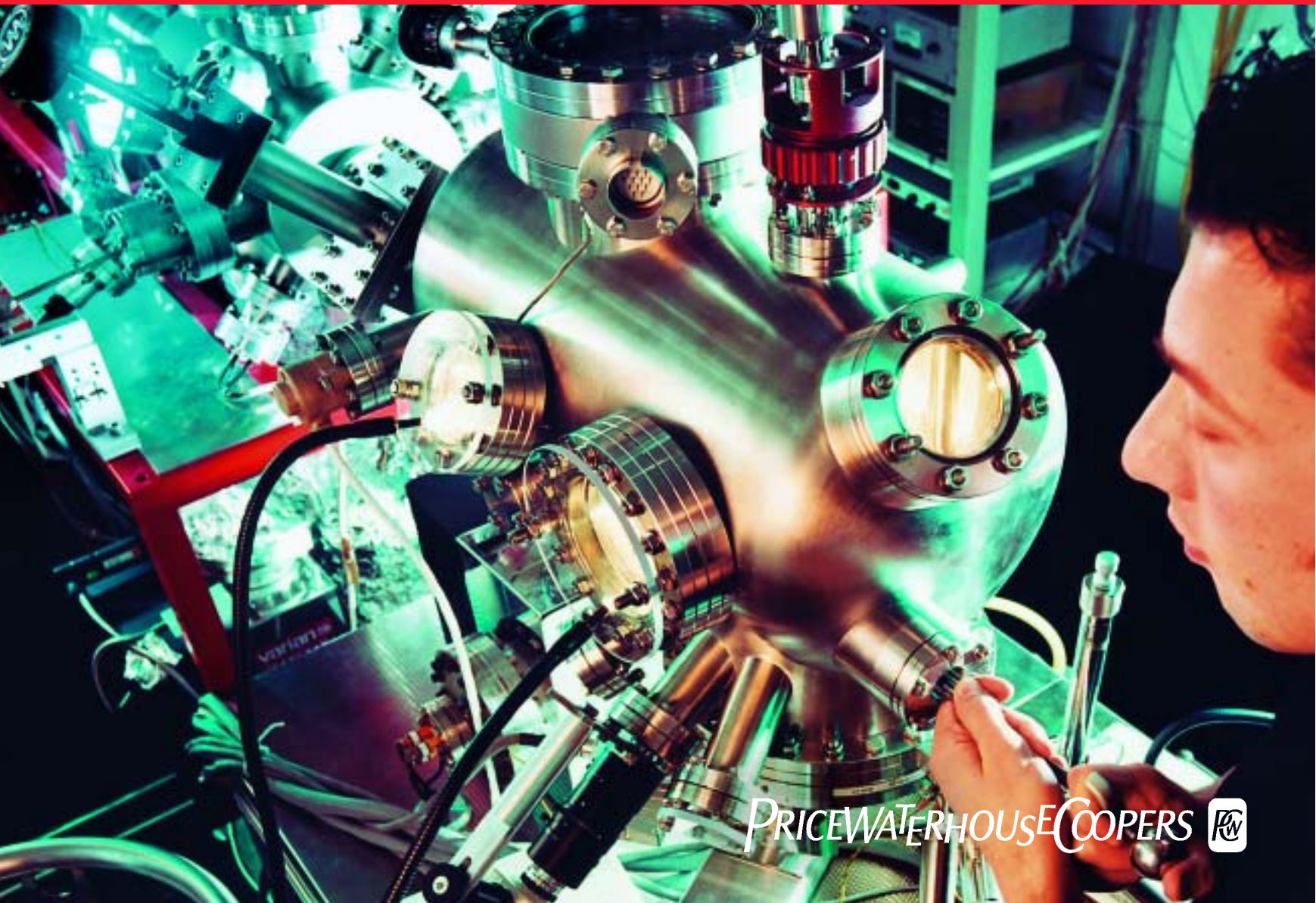


# ceo\*

The magazine for decision makers. may/june 2006

Nanotechnology. Tiny particles with a great future. Who's cashing in?  
ICRC. Logistics champions, active in 80 countries around the world.  
Market third age. Seniors are the trendsetters of tomorrow. A smart target!



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Markus R. Neuhaus,  
CEO PricewaterhouseCoopers, Switzerland

The balance between mature experience and new, dynamic potential is an important topic for many companies. The job market has sparked a new war for talent.

BRIC is the new buzzword. It stands for Brazil, Russia, India and China – markets that are viewed by the majority of international CEOs as the engines of global economic growth. The article in this issue on the latest Global CEO Survey by PricewaterhouseCoopers highlights the expectations and concerns of CEOs vis-à-vis globalisation and complexity – and also with regard to new markets. One of the factors for the growth prospects of the BRIC markets is their demographics: all four countries have a high proportion of young people.

#### New market third age

In Europe, the population trend is very different. The age pyramid that is establishing itself here is currently also causing anxious debate in Switzerland. These discussions are relevant and important, for at the present time we cannot predict precisely how a society in which youth is becoming a minority will evolve. Yet these analyses and future forecasts should not prevent us from seeing that there are also opportunities to

be had in the changing demographics of Europe. For example, independent and wealthy senior citizens constitute a new and highly advantageous market. An article devoted to this market shows how the expression “senior citizen” is taking on very different, more vibrant connotations.

#### Reality versus appearance

The balance between mature experience and new, dynamic potential is also an important topic for many companies. The job market has sparked a new war for talent. In particular, auditing and consulting companies such as PwC depend each year on being able to persuade graduates of clever mind and solid character to join them. A good image – “appearance” – as an employer plays a decisive role here, which is why a lot of money is invested in communication. Of course, and especially in the recruiting market, appearance that doesn’t match reality is quickly debunked. So we are focusing our activities on genuinely being an attractive employer and improving the work environment for our employees. Moreover, we are convinced that this information will find its way to the labour market without the need for a major advertising campaign.

If appearance alone does not suffice to ensure success, it is equally true that those who stress only reality risk not being seen. Appearance, like reality, is a lubricant of the economy – as illustrated by three interesting contributions to our forum on the topic “Reality versus appearances”.

One area where reality is certainly all-important is internal control systems. The central role that corporate culture plays in the functioning of control mechanisms – even when they are highly sophisticated – makes for a fascinating read. Our Head of Assurance, Stephan Bachmann, takes leave of the group of authors of ceo\* magazine with a compelling farewell address. He is retiring this summer, although as the previously mentioned article on the new senior citizens shows, retirement today is anything but retiring! May I take this early opportunity to thank him and to offer him my very best wishes.

And I hope that you, dear readers of ceo\*, find this issue enjoyable and stimulating!

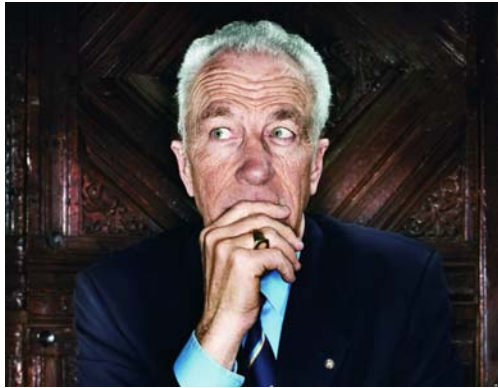
Markus R. Neuhaus

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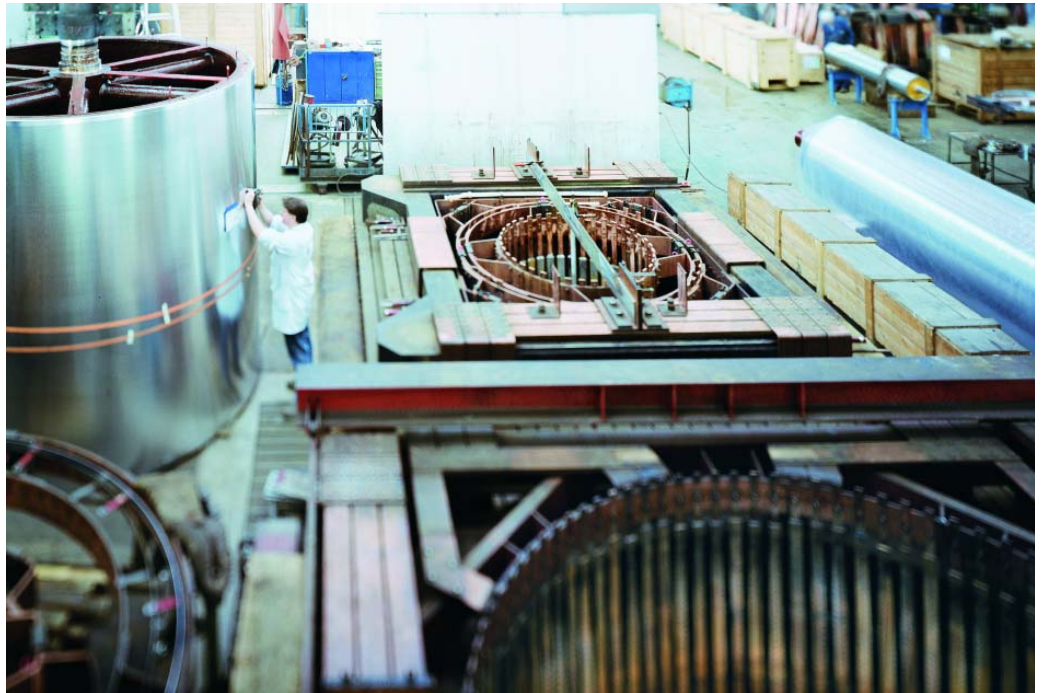
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# forum1. reality versus appearances

## Johann N. Schneider-Ammann: Today's successful business people are role models for others – and cannot escape the public eye.

Johann N. Schneider-Ammann, an FDP member of the National Council, is Chairman and CEO of the Ammann Group. This family-run company based in Langenthal manufactures machines for the construction industry. It employs 2,650 people worldwide and achieves an annual turnover of some CHF 900 million.

For responsible business people, the difference between reality and appearance is also a question of their credibility. We are leaders of people; we are supposed to be role models and adhere to ethical standards. The statements we make need to be consistent. Trust is not an asset position on the balance sheet. Yet it is definitely a liability when it is nonexistent. Appearances are not sufficient. Here is a specific example from our company. To safeguard more than 1,000 jobs in Switzerland, our market presence is a global one. Within the framework of our strategy, we have also made an acquisition in the Czech Republic that gives us access to the Eastern European markets, completes our range of products and lowers our manufacturing costs. Our credibility was decisive in our successful market entry because we were initially viewed with a great deal of scepticism. I travelled to the Czech Republic myself several times and spoke to people from a variety of departments and hierarchical levels. The aim was to make myself accessible. I wanted everyone to find out that we are decent business people and that we are not just an incubator company,

buying companies as cheaply as possible and selling them off just as rapidly with the sole intention of making money quickly. People got to know us, and the acceptance was there. Because, as I said, it was about reality and not just appearances. With our company, I am pursuing the vision of “independence, self-reliance, credibility”. To many people, vision is just a word. But when vision is a conviction that is actually lived, I stand by it. Of course, I do question whether it isn't possible for appearances to get out of hand. For ultimately as a family business we only want to be in the limelight as often as our employees feel is important. They invest their reality in our company and should see that their company is given the appropriate attention and recognition. However, it is even more important that our customers see that there is a balance between reality and appearances. The Ammann Group has maintained its financial independence through all the highs and lows of its existence, a feat that has only been possible over such a long time because reality is an implicit characteristic of our company. Reality means self-reliance. By that, I mean employees who consistently make our company “sparkle” with new products thanks to their excellent qualifications and ongoing learning. And we are credible when we offer and keep what we promise. The announcement of this promise is appearance, but all the requirements listed here for fulfilling this promise are reality. We sound the drums so that we are heard – but on real instruments. Presenting a great invention, having an innovative spirit and then not developing any powers of persuasion is neither satisfying nor pioneering. We also need to be able to sell our innovations to our customers. Both the inspiring idea

and the light shining upon the bushel, rather than kept under it, are needed. An idea is inspiring when it can be presented and communicated.

However, reaching this stage requires stamina. Those who are fully committed to their idea and convictions generate their own opportunities for launching a progressive idea, a new product or an innovative service onto the market. In most cases, only a very small group of people realise how much energy, time, money, self-discipline and obstinacy as well as joy, conviction and belief are invested in a project. This, too, is reality.

Ultimately, reality has priority over appearances. I realised at an early stage that you don't get very far by bluffing. And really qualified superiors never let themselves be dazzled anyway. Reality must be sought, whereas it is better not to go looking for appearances. Today, business people who are successful and role models for others, inspiring and spurring them on to top performance, cannot escape the public eye. Indeed, the greater the performance, the more likely it is that someone will want to find out about it and its development. That is how the public platform is created. And when the collective performance – or rather the collective reality – emerges, it is one more step towards a successful future. //

Photo: Mathias Braschler



## forum2. reality versus appearances

Hanspeter Danuser: Every year, 350,000 people are attracted to St. Moritz and spend a billion euros while they are here. If they are disappointed, they will never return.

Hanspeter Danuser (58) has been Director of the St. Moritz Tourist Board since 1978. In 1986 he had St. Moritz registered as a brand, and subsequently initiated a lucrative franchising system.

In January, Stefan Raab, the chat-show host at the German private TV company ProSieben, broadcast his programme live from St. Moritz and made a joke out of calling me “Doctor Mabuse”. Then the news programme “10 vor 10” on Swiss television garnered some snappy headlines with an investigation into cocaine consumption in St. Moritz. Overnight, Hanspeter Danuser, alias “Doctor Mabuse”, became a “drugs baron”. Some people got very annoyed at that. I myself found it all rather amusing. Twenty-eight years ago, though, when I accepted this job, I was still very sensitive about things like that. Now, there’s not much that bothers me.

I only really get angry when the guests suffer. Like last year, when the pedestrian zone in St. Moritz degenerated into a lorry zone thanks to the rampant building work going on. Or when the indoor swimming pool was closed without so much as a murmur – and in a place which has been known for its springs since the Middle Ages. Even I don’t feel like laughing then, because events like that just do not befit a tourist destination that claims to be “Top of the World”. To my relief, solutions have now been found to both problems. The indoor swimming pool is open again; the pedes-

trian zone is being extended next year. Appearances and reality – what is simply wishful thinking or pure fantasy, and what is reality? One question that concerns me personally: Can the reality live up to the high expectations that guests have of St. Moritz? Certainly, our basic set-up is fantastic.

St. Moritz is situated in the middle between Munich, Zurich and Milan and can easily be reached by rail, car and even by plane. And then there is also its impressive mountain backdrop, its 322 days of sunshine a year and its dry, tingling “champagne climate”.

In a setting like this, grand events such as polo tournaments and horse racing on the frozen lake turn into unforgettable experiences. That creates an emotional bond between guests and St. Moritz that carries into the future.

The glamorous image of this place has great aura and appeal. St. Moritz has become world famous as the holiday home of the rich, beautiful and famous, as a place offering products and services that meet the discerning requirements of high society. This reputation attracts 350,000 people to St. Moritz every year, and they spend half a billion euros while they are here. They come with their heads full of expectations, hopes and yearnings. If they are disappointed, they will never return. If we can inspire them, though, they will become ardent ambassadors of St. Moritz. In winter, at least, we seem to be perfectly capable of convincing people of the benefits we offer even outside the holiday period.

Two-thirds of our new guests come on the recommendation of people who have been here before. We are proud of that, and also slightly dependent on it too, for our marketing budget totals just 2 million euros...

Noblesse oblige, and so does a beautiful appearance. Our great reputation is one of our outstanding assets. It is no accident that St. Moritz regularly claims a top position in international rankings of the most attractive holiday destinations. From December to April, we have no serious competition anywhere in the world. But in the summer, it’s different. As an international brand, St. Moritz has a very clear focus on the winter. Consequently, I regularly see long faces in the summer, in particular among guests who come from very far away. They quite clearly booked their holiday with visions of a glamorous, snow-covered town. Under the slogan “Boosting the summer season”, we are therefore making intense efforts to narrow the gap between the beautiful appearance of St. Moritz in winter and the reality in summer.

It is not that we believe we can satisfy the motto “Top of the World” all the year round; we have far too many strong competitors around the world during the summer time for that. In approximately four years’ time, however, the construction boom will quieten down. And by then we want to have made our events programme so attractive that, even after the snow has melted, our guests will travel home in raptures about their holiday. //

Photo: Noë Flum





## forum3. reality versus appearances

# Claudia Steinfels: The merry-go-round of the art business is spinning faster. Some of the works that are celebrated today could be forgotten in a few years' time.

Claudia Steinfels, 39, studied history of art and archaeology at the University of Zurich. Since 2001, she has been General Manager of Sotheby's Switzerland and Senior Director at Sotheby's Europe.

Reality and appearances – in many respects, these two terms aptly describe what the art business is all about. Whereas some people collect art because owning art is in vogue, others do it because it is both an obligation and a need; genuine passion is the mainspring here. Whilst the former are primarily interested in the prestige of a work, the latter see it as an addition to their collections. Whether people buy art out of passion or just because it is “in” – “reality” or “appearances” – is not necessarily the point in our business. However, it gives you great pleasure when art is bought out of genuine passion.

Even the art business adheres to the economic principle of supply and demand. Over the past few years, art has profited greatly from the growing general prosperity; a wider audience is attracted to art, and the demand for art has virtually exploded. Many important daily newspapers have an art market page, and if you're interested in art, you could visit art fairs from São Paulo to Helsinki all the year round. Collecting art demonstrates a broad and inquisitive mind. The art market is flourishing as never before; works of contemporary art in particular are in demand. In the past, “Liz Taylor” by Andy Warhol was worth 2 million

to 3 million dollars; today that figure is between 8 million and 12 million.

The interpretation of art is seen as something subjective and this is indeed true, although it isn't the whole story. Whether 5,000 or 5 million dollars are paid for a painted canvas depends on aspects such as authenticity, quality of the work of art and the contribution it makes to art history. Sometimes, such as with jewellery, its origin also plays a pivotal role. For example, we sold the false pearls of Jackie Kennedy for 400,000 dollars; at one of the Manor stores you could have bought the same strings of pearls for 10 francs. Rarity also has an inflationary effect. Last November in New York, we sold a sculpture by David Smith for 23 million dollars – the most expensive piece of contemporary art ever sold at auction. The sculpture has an iconic status among Smith's works, and was the last of its kind in private hands.

Twenty years ago, it was the old masters that were the driving force in our business; today it is works of classical modern and contemporary art. Four times a year, we hold important auctions in this sector, two in London and two in New York. These are events that can easily generate a volume of 100 million dollars. The run on contemporary art is huge. Particularly Art Basel Miami Beach and London's Frieze Art Fair have shown that collecting art in the contemporary sector is a must, irrespective of the potential consequence that some works may no longer have any value in ten years' time – put simply, works of art that currently promise more than they can keep in the long run.

The huge demand for contemporary art has given great impetus to the business.

Renowned galleries are regularly sold out before the vernissage has taken place. And at Art Basel, a work can no longer be reserved for two days, as in the past. Now the maxim is “take it, or leave it”; you have no more than 15 minutes to make your decision. In addition to the generally strong increase in demand for art, it is particularly collectors who consider art to be a financial investment and manage their collection accordingly who are ensuring a “rapid turnover of goods”. The high turnover rate that now prevails in the so-called primary market is also changing the auction business, where only works are offered that have already changed hands once. Increasingly, we have works in the auction that are only two or three years old. In the past the rule of thumb was that a work had to be at least 10 years old before it was interesting for the auction house. Nowadays, the merry-go-round of the art business is spinning faster. Some of the works that are celebrated today could be forgotten in a few years' time and thus be practically worthless. It's all about separating the wheat from the chaff. Whether a work really is what it appears to be is also determined by whether it stays relevant over the course of time and maintains or increases its value, or whether it descends into obscurity. //

Photo: Mathias Braschler

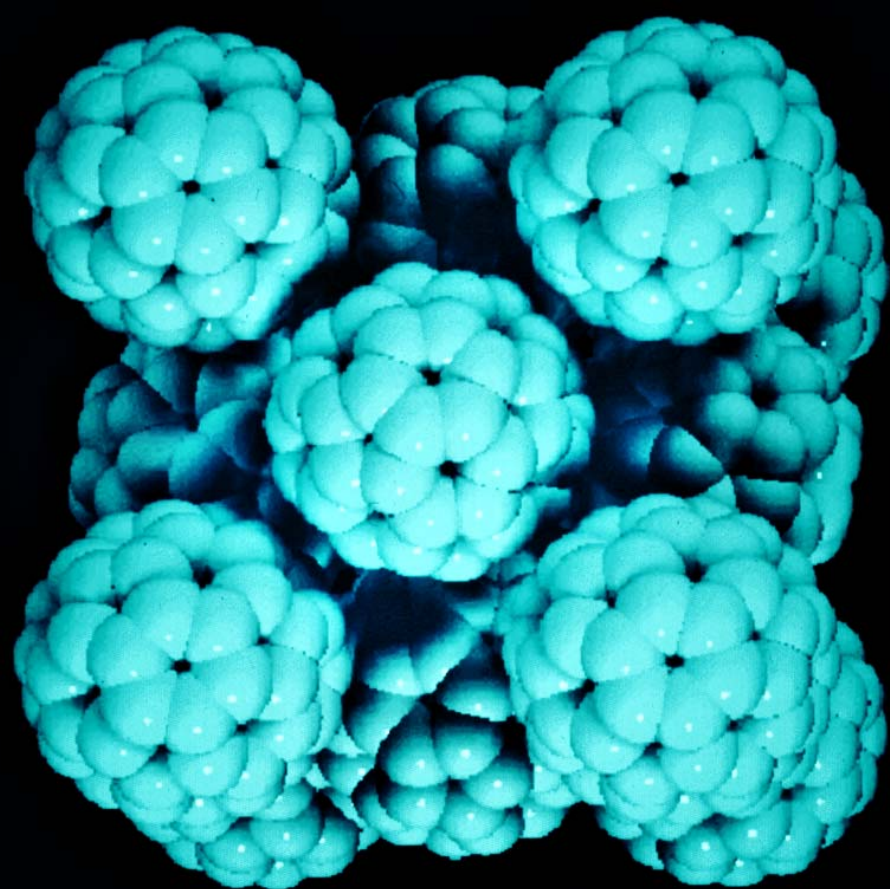


special: nanotechnology

# A great future for tiny parts.

Currently, nanotechnology is using just a small fraction of its huge potential. Swiss companies and researchers are at the forefront of its development. Their conclusion: not everything is changing – but a lot is getting better.

A protein molecule has a diameter of 50 nanometres, a nanometre equals one-billionth of a metre.



Text: Bernhard Raos  
Photos: Noë Flum

In its tall white-painted production halls on the outskirts of Steinach, in the canton of St. Gallen, Hartchrom AG is applying industrial homeopathy to physical materials: 2.7-metre-long rolls are hoisted into huge immersion basins, subjected to hard chrome plating and then covered with an ultrafine layer of nanomaterial. This involves a very special finishing process, as Michael Hekli, head of research and development at Hartchrom, explains: "With paper guide rolls for newspaper printing, the time required for cleaning can be reduced by 85 per cent. The downtimes are shorter, productivity is higher and less waste is generated." The new technology has already passed the endurance test: nanochrome rollers have been in practical use for more than two years – without any problems.

90 kilometres away, the IBM research laboratory in Rüschlikon, near Zurich, hasn't quite yet reached this stage. Project manager Evangelos Eleftheriou holds the prototype of a revolutionary nanomechanical memory chip, "Millipede", in his hand. He is proud of it: "In the test run, all micromechanical components worked well together." With the Millipede, IBM researchers are venturing into the domain of one-millionth of a millimetre. For the first time, data storage has exceeded a density of one terabit per square inch. In familiar terms, that corresponds to fitting the content of approximately 25 DVDs onto an area the size of a postage stamp. Where are they intending to use this new generation of memories? "Everywhere where there is a demand for greater memory capacity in the smallest of spaces, such as mobile telephones, digital cameras or even PDAs and MP3 players," says Eleftheriou. However, it will still be some time before the little wonders are ready for market launch. With regard to their prospects for success, the IBM project manager is diplomatic: "Memory applications for consumer electronics are a rapidly growing market that harbours just as many opportunities as risks."

The endurance rolls from Hartchrom and the supermemory prototype show where Switzerland currently stands when it comes to nanotechnology: some initial industrial applications, and high expectations of a great future for the tiny parts; but nano-experts are keeping their feet firmly on the ground. "We are just at the beginning of nanotechnology's development. I do not expect any big bang, but rather a longish process that will be completed in small steps," says for instance Martina Hirayama, holder of the chair for industrial chemistry at the Zurich University of Applied Sciences Winterthur. Many research results that are making the headlines today will probably not be commercially used for another 10 or 15 years. Nevertheless, Hirayama is convinced: "Nanotechnology will change the world."

#### A global business worth billions

The enormous investments in research by business and politics show the importance attached to nanotechnology at the international level. It is estimated that these investments already amount to some USD 9 billion per year worldwide – and this figure is increasing. More than CHF 30 million is spent in Switzerland every year on nanotech research. On a per capita basis, that puts Switzerland among the global leaders. However, there is still insufficient knowledge transfer from universities to industry. "We have a lot of great ideas, innovative research and a comparatively good

#### The IBM Millipede

Current memory technologies are gradually reaching their limits. The nanomechanical data carrier Millipede, developed by IBM's research laboratory in Rüschlikon, opens up another dimension. The prototype creates a memory density of more than one terabit per second, which would enable the content of 25 DVDs to fit on a surface the size of a postage stamp. A complete high-capacity memory system is packed into the smallest standardised format for flash memory.

More than 100,000 writing and overwriting cycles provide proof that the Millipede is suitable as a rewritable type of memory. The nanomechanical data carrier hardly generates any heat, absorbs only a small amount of electricity and proves itself to be shockresistant – ideal for use in mobile devices such as cellular phones, digital cameras and USB sticks.

[www.zurich.ibm.com](http://www.zurich.ibm.com)

Working on the nanomechanical data storage medium:  
Evangelos Eleftheriou, project manager at IBM.



### The endurance roll from Hartchrom

Together with Nanogate Coating Systems in Germany, Hartchrom AG from Steinach, in the canton of St. Gallen, has developed a surface coating that is resistant to corrosion and temperature. The product, whose brand name is Nanochrom, consists of a combination of microstructured chrome and a special nanocoating. This layer has a very low surface energy and a high lotus effect. It absorbs less dirt and is easier to clean than conventional systems. The practical test of a paper guide roll at the Springer-Verlag publishing house shows the product's advantage: instead of the usual 330,000 to 370,000 rotations, the Nanochrome rolls do not require cleaning until they have done between 850,000 and 1.3 million rotations. Cleaning time is reduced by up to 85 per cent.

Sales incorporating nanochrome surfaces at Hartchrom are still comparatively modest. That is expected to change: Hartchrom sees further application potential for the paper and foil industries and also in the production of polymers and engineering in general.

[www.hartchrom.com](http://www.hartchrom.com)

Rolls with nanocoating: Michael Hekli, head of research and development at Hartchrom.



financial basis. Yet we are still bringing relatively few products through to the industrial realisation phase,” says nanoscientist Hirayama. One problem is the structure of Swiss industry, with its multitude of small and medium-sized companies. Although SMEs face exciting technological challenges, they rarely have the funds needed for research.

According to estimates for 2005, sales of products manufactured using nanotechnology reached a two figured billion mark. By 2010, this figure is anticipated to increase to hundreds of billions and by 2015 even to the thousand billions. Nanotech industries will generate 7 million jobs around the world. Or at least that is the forecast of the National Science Foundation in the USA. Yet the figures reach the sum of USD 1,000 billion when you take into account all the products that include nanotechnology. If, for instance, we take the paper guide roll that is coated by Hartchrom, nanofinishing accounts for just a small proportion of the overall costs.

Some Swiss companies are already generating significant nano-sales – such as the Unaxis Group, which counts thin film technology among its core competences. Many of the applications are in the realm of nanometres. Unaxis generates more than half of its sales with thin films. The wafer-processing division, for example, develops systems for semiconductor manufacturers such as IBM, Infineon and Samsung. Here, up to 200 ultrathin layers are positioned on a silicon disc. For biotech customers Unaxis produces biochips with highly sensitive layers. This means, for example, being able to test drugs safely and noninvasively. Biochips already account for more than 10 per cent of the division’s sales. However, Unaxis does not want to “ride the nano wave”, as its press spokesman, Carsten Barth, says. For, as everyone knows, surfing entails risks.

Nanosurf AG in Liestal, in the canton of Baselland, is also making a profit with nanotechnology. “Our cash flow has been positive ever since our market launch,” says company co-founder Robert Sum. Nanosurf, a spin-off of the University of Basle, develops and supplies scanning probe microscopes and positioning devices with nanometre resolution. The easy-to-handle, modularly designed measuring instruments enable quality control of nanosurfaces – for example on small spheres with a diameter of 0.5 micrometres. The instruments detect any processing and coating faults on the surface of the spheres. Nanosurf microscopes are used in both research and industry. In the university education sector, the company’s user-friendly devices make it the global market leader. Its list of customers from industry includes Sony, Nikon, Samsung, 3M as well as Schoeller Textil and Platit.

### Materials with new features

That products are becoming ever smaller is nothing new – and microtechnology is relying on this trend to continue. Consistent with the top-down principle, mainframe computers, for example, have been miniaturised to such an extent that increasing memory capacity for today’s laptops is no big deal. In contrast, nanotechnology doesn’t only miniaturise, it also creates new structures from individual atoms. This bottom-up principle alters the characteristics of the materials, meaning that a material that has been reduced to nanoparticles behaves in a totally different way. Electrically isolating materials, for instance, become conductive, and dissoluble

### The silver mixers of HeiQ Materials

HeiQ Materials AG in Zurich develops and produces nanotechnology-based anti-fungal additives for the functionalisation of technical textiles and plastics. The additives are silverbased (silver, as is well known, has a sterilising effect).

The reservoir effect in the textiles is controlled by the dosage of silver. Put simply: the higher the proportion of silver, the longer the additives combat bacteria. Wear-and-tear tests that simulate a turbo-ageing process show the durability of the tailor-made HeiQ materials. The young company is concentrating initially on technical textiles, and sees great opportunities in applications for protective suits, house textiles, medicinal textiles, carpets and car covers. [www.heiq.com](http://www.heiq.com)

Specialist for antifungal additives for textiles: company co-founder Carlo R. Centonze, HeiQ.

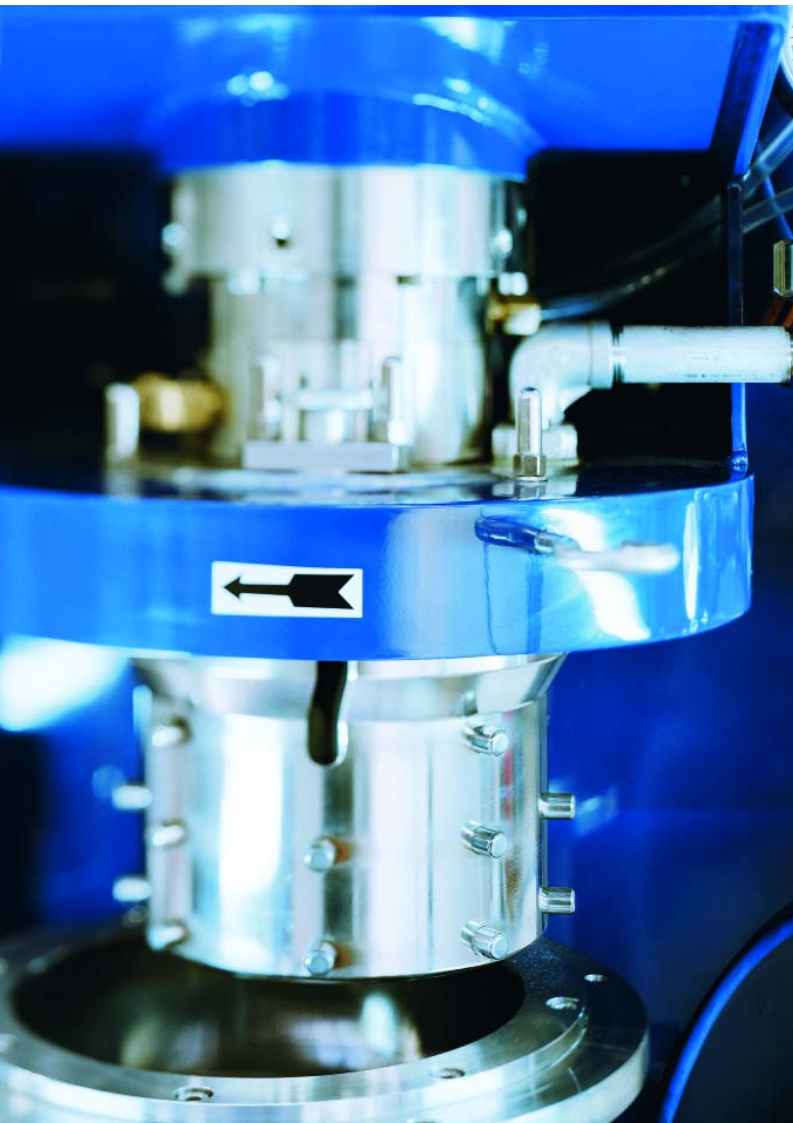




## Nanorefining agents from Bühler PARTEC

Nanoparticles tend to form bigger structures (agglomerates). That often causes the material to lose its desired nanocharacteristics. Surface modification alleviates clumping. Such a tailor-made nanoparticle dispersion is supplied by the company Bühler PARTEC GmbH, a subsidiary of the Bühler Group. Inorganic oxides such as silicon dioxide, zinc oxide, zirconium dioxide and special salts and even organic pigments are among the substances processed into industrial semi-finished goods. Twenty customer projects in the sectors of electronics, textiles, varnishes, cosmetics and the paint industry have already been acquired. Nanodispersions from Bühler are to be found, for example, in flat screens and in automotive parts. [www.buhlergroup.com](http://www.buhlergroup.com)

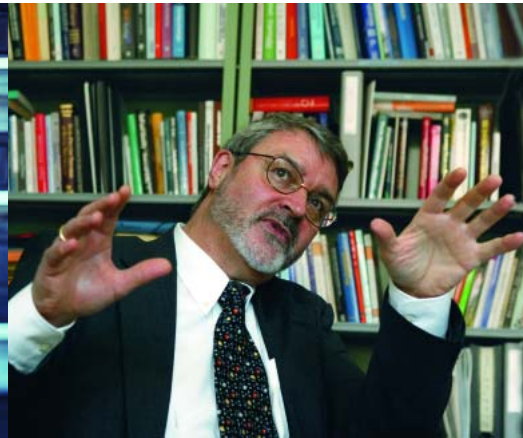
Refine nanoparticles: Bühler PARTEC GmbH,  
CEO Samuel Schär.



## The Nanosurf scanning probe

The heart of the scanning probe microscope from Nanosurf AG in Liestal is a patented, electromagnetic scanner that replaces the piezo elements in the scanning probe microscope. This innovation allows miniaturisation of the device and substantially greater cost-saving operation. Nanosurf is the leading supplier of compact, simple-to-use microscopes. The easyScan 2 series is designed in a completely modular way – a cost-effective introduction to scanning probe microscopes with the option of later extension. The combination of very high resolution imaging and portability enables efficient verification of nanosurfaces. Nanosurf scanning probe microscopes are in use worldwide in both the education sector and in industry. [www.nanosurf.com](http://www.nanosurf.com)

Developing scanning probe microscopes and positioning devices with nanometre resolution: company founders Lukas Howald, Robert Sum and Dominik Brändlin (from l. to r.), Nanosurf AG.



materials soluble. These new characteristics in turn facilitate completely new applications.

Take the inconspicuous powder that is produced in the laboratories of HeiQ Materials AG in Zurich Technology Park. This young company, a spin-off of the Swiss Federal Institute of Technology in Zurich, produces (among other things) antifungal additives for functional textiles. And it will soon be doing that in a new company building, as company co-founder Carlo R. Centonze explains:

“Thanks to our nanotechnology, these additives can be tailor-made for customers and cost-effectively produced in Switzerland.” Up to now, HeiQ has had to make do with three small rooms in the Technology Park. Centonze and his partner Murray Height got the idea for the business when they were out hiking together. Both their shirts were soaked with sweat and smelled accordingly. Why not offer a product that prevents bad odours and the formation of bacteria in textiles? Shortly before, Height had discovered a compound that sterilises water.

HeiQ Materials supplies tiny silver metal parts that are added to the textile fibres as nanocarriers. The dosage is adapted depending on the use, for example for short-life shirts or durable airplane seats. Initial wear-and-tear tests show that the system works. Competitors produce similar nanoparticles, but that does not put Centonze off. He radiates entrepreneurial passion: “Our additive is long-lasting and can easily be integrated into production processes.” HeiQ Materials intends to reach break even in three years at the latest. Centonze sees additional potential in applications for the medical sector – for example in antibacterial surfaces for door handles.

The technology group Bühler in Uzwil, in the canton of St. Gallen, whose subsidiary company Bühler PARTEC GmbH refines nanoparticles, is one step further down the road. According to the company’s CEO, Samuel Schär, several projects are to go into

## Nanotechnology

The term is derived from the Greek word “nanos” and means “dwarf”. The unit of measurement is the nanometre (nm) – a billionth of a metre. The ratio of 1 metre to 1 nanometre corresponds roughly to the ratio of the diameter of the Earth to that of a hazelnut. A red blood cell already measures 7,000 nanometres; a human hair would have to be split 80,000 times before it is as thin as a nanometre. Nanotechnology is a broad field and somewhat vaguely defined. Mostly, it is understood to mean the visualisation, production and modification of particles, coatings and materials that are smaller than 100 nanometres. With larger materials, it overlaps with microtechnology. Often, nanoparticles have different characteristics from bulk material. Nanoparticles allow the material strength, conductivity or scratch resistance of a material to be modified.

production this year already. Exact sales figures are not revealed. And confidentiality agreements prohibit disclosing details of specific applications.

The company has added its own chemical concepts in processing a broad range of nanoparticles. Namely, Bühler PARTEC is developing special nanoparticle dispersions to prevent the tendency of particles to clump together. Among other applications, the industrial semi-finished product is used by customers for transparent protection from ultraviolet rays in cosmetics or for more scratch-resistant car paints. Expectations are high: in ten years, Bühler intends to achieve a turnover of between CHF 50 and 150 million with its nanotech division.

## Future potential for a whole range of sectors

Completely new characteristics of materials are being inspired by the creativity of nanotechnology. Artificial photosynthesis systems for cleaner energy and small fuel cells for portable devices such as laptops appear to have moved tangibly closer. New materials such as carbon nanotubes are twenty times more robust than steel – at a sixth of its weight! A car made of nanotubes would use only a fraction of the fuel it uses today. The field of medicine aspires to produce nano-implants, the molecular surfaces of which are designed to prevent rejection by the body. Research is also being conducted worldwide on new cancer therapies. For instance, researchers at the University Charité Clinic in Berlin are injecting tiny iron oxide parts into tumours and subjecting them to an alternating magnetic field. The nanoparticles become so hot that the host cells die. It has thus been possible to stop the growth of tumours in clinical tests in every other patient. In future, the substances are to be packaged in nanocapsules and administered intravenously – the tiny chemical detectors will then find their own way to tumour cells.

The current subject of experiments by food researchers will take some getting used to. For instance, imagine a so-called multi-taste pizza that releases the flavour of mushrooms or seafood depending on the oven temperature. The only question remaining is what the risks of this brave new world are. Nanosize soot particles from diesel motors are believed to cause cancer. There have been no proven short- or long-term tests as to how nanoparticles behave when they enter the food chain or the atmosphere. Authorities, science and industry are required to regulate a sector without knowing whether the different applications are dangerous, and if so, how dangerous. In Switzerland, the Swiss Federal Office for Public Health and the Federal Office for the Environment are working on an action plan for nanotechnology. They do not want to miss out on the opportunities presented by nanotechnology. But at the same time, they want to safeguard employees, consumers and the environment. The Swiss reinsurance company Swiss Re has rendered a sober assessment of the situation: “New technologies also always lead to new kinds of damage.” Swiss Re places responsibility in the hands of research and industry: “There is still not enough known about the risks. The small amount of data available creates a lot of space for undifferentiated horror scenarios and fears.” That is also how nanotechnologist Martina Hirayama sees the situation: “The necessary funds need to be invested so that potential dangers are clarified before a situation arises in which nanotechnology is demonised.” //

# trend. the stress manager

## Dealing with stress. No problem, when it's worth it!

Berne-based Professor Norbert Semmer<sup>1</sup> on what causes stress and how to manage it – and the all-important role of motivation.

Interview: Giselle Weiss

Is there such a thing as a stress-free environment?

No!

Would it even be desirable?

Some stress enables us to learn and to grow. It immunises us against future stressors. If we never learned how to deal with stress, the slightest change in our lives would overwhelm us.

You have spent your whole career studying stress. Why?

I have always been fascinated by the concept of stress. It is universal. It can make you dysfunctional, but it is also an opportunity for personal development. And because I'm basically a work psychologist,

<sup>1</sup> Norbert Semmer is professor of the psychology of work and organisation at the University of Berne. He is the author of many research articles on stress at work. His research programme at Berne focuses on stress, health and productivity, but also includes issues of training as well as of errors, quality and accidents.

I am interested in the problems people encounter and the ways they find to solve them.

Why does today's workplace seem so much more stressful than in the past?

Today, many people, even highly educated workers, are worried about job insecurity. Cognitive demands – the need to concentrate, to analyse things, to react quickly – have increased. And work has become more intense. Of course, there has always been a push to do more in less time with fewer people. But that push has grown tremendously over the last years.

According to the Swiss State Secretariat for Economic Affairs (seco), stress costs the Swiss economy CHF 4.2 billion per year.

How does that affect individual workers?

I would say that between 12 and 15 per cent of workers suffer from stress symptoms, for example back pain, high blood pressure, sleeplessness and irritation. There are many more people who feel stressed. But the vast majority can handle it.

Why is that?

Stress is a legacy of the basic "fight or flight" response. It can be both positive and negative. Often it's not the immediate stress reaction that signals problems. It's whether you manage to unwind. Modest amounts of

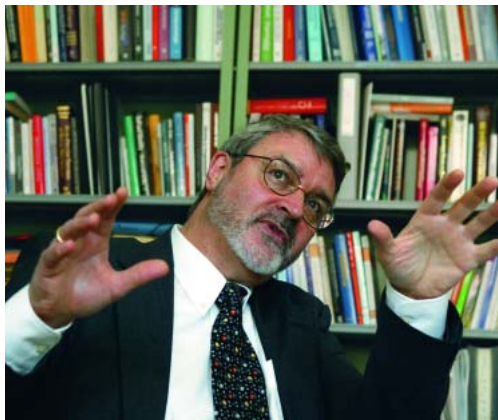
stress are no problem and can be motivating. It's when stress is chronic that it becomes a problem. The symptoms take on a life of their own.

Are managers just as stressed out as everyone else?

Managers, and especially upper managers, have substantial personal resources. You don't get into top management unless you have a high level of energy and self-confidence. Almost by definition, managers are people who think that things can be changed and influenced. That's their job. Moreover, they usually have the freedom to make decisions. So they have a *marge de manoeuvre*, and they are appreciated. Also, a good salary makes a difference in dealing with stress.

Do I hear a "but"?

Recent studies show that pressure on managers is mounting. One big problem is long working hours, which can lead to conflicts between work and family. Moreover, it can be lonely at the top. Feedback is often indirect and delayed.



“Many people, and especially men, don’t like to admit that they are under stress. It’s known as the ‘John Wayne syndrome’. I have interviews with people who tell me, ‘I am not stressed.’ Ten minutes later, they describe waking at night in a sweat, thinking about problems at work.”

#### Tell me about the concept you call SOS.

It’s an idea I have been working out with my research team. SOS stands for “stress as offence to self”, in other words, an attack on self-worth. We all cherish a positive image of ourselves. We want to be acknowledged and appreciated by others. An accumulation of stressful experiences – being blamed for mistakes, being treated unfairly and the like – shatters that image. To defend their ego, people may try to cover up mistakes, punish critics and so on.

#### How do companies contribute to stress?

Take communication about mistakes. Many places don’t have a real “error culture”, that is, an environment where making errors is considered normal and an opportunity to learn. (Note that “error” refers to some action in a long chain of events, not to a single bad outcome.) Although many companies pay lip service to the idea of learning from mistakes, constructive error

reporting is very difficult to establish. People feel that admitting to errors might damage their reputation.

#### When is stress harmful?

When work problems follow us home, the least little thing can set us off or provoke an overreaction. Chronic stress depletes our resources even further. A critical event – for example discovering that a major project has failed or being denied an expected promotion – can then lead to burnout. Sometimes, the trigger is trivial. But in the context of drained resources, it serves as the proverbial straw that breaks the camel’s back.

#### Once managers succumb to stress, how good are they at asking for help?

Many people, and especially men, hesitate to admit that they are under stress. They fear looking weak or incompetent. It’s known as the “John Wayne syndrome”. I have interviewed people who tell me, “I’m not stressed”. Ten minutes later, they describe waking at night in a sweat, thinking about problems at work.

#### Is the solution as simple as relaxation techniques?

Relaxation helps people to recharge their batteries. But it takes more than a few tips and tricks to learn how to handle stress. Sometimes, the working conditions keep

reproducing the problem, and they may have to be changed. The most important thing is mentally distancing yourself from work. People who cannot do that should take it as a serious warning sign.

#### Are there new ways of thinking about stress?

The key question regarding stress used to be, “Is it bearable?”. Now, we think in terms of “effort-reward balance” and ask, “Is it worth bearing?”. To come back to the matter of appreciation: If people get something from what they are doing, it is amazing what they are ready to bear and what they are ready to invest.

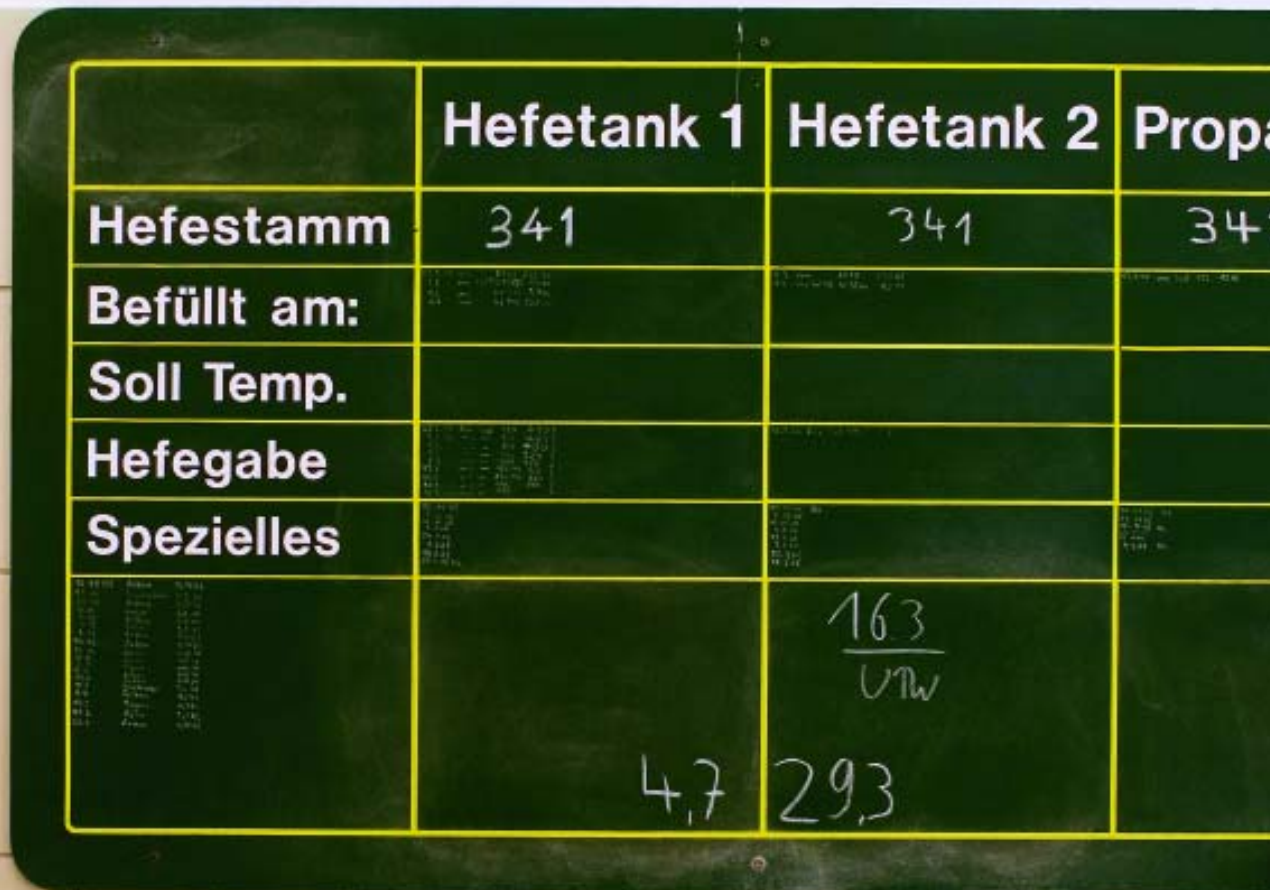
#### What can companies do better?

A few stress management sessions generally won’t solve the problem. Of course, I can tell people how to recognise the symptoms of stress and deal with them. But often it requires more than just personal stress management, for example changes in the way work is done or in the company culture. Thirty years ago, it was hard to sensitise companies to these issues. Today, I see progress: awareness is growing. //



# How to be successful in a shrinking market.

Or: Beer is still part of our heritage.



	Hefetank 1	Hefetank 2	Propo
Hefestamm	341	341	34
Befüllt am:			
Soll Temp.			
Hefegabe			
Spezielles			
		163 UW	
	4,7	29,3	

The Schützengarten AG brewery in St. Gallen is holding on to its position as an independent brewery, despite a difficult market environment. And it is growing – thanks to a clever combination of tradition and innovation. Photos: Roth und Schmid

The Swiss beer market is largely in foreign hands. With 45 per cent, the Danes have secured the lion's share with Feldschlösschen (Carlsberg), followed by the Dutch with Calanda (Heineken) and the import beers. Of all the beer sold in the brewing year 2004/05, only 20 per cent came from Swiss breweries.

"As the fourth-biggest and independent brewery in Switzerland, we are feeling the pressure from large and small players alike," says Christoph Kurer, chairman of the management board of Schützengarten AG brewery in St. Gallen. However, in the past few years the big competitors have lost market share to the innovative medium-sized breweries that are firmly established in their respective region – breweries like Schützengarten. "When the Hürlimann brewery in Zurich was taken over by Feldschlösschen, we were the beneficiaries. A lot of people didn't want to go along with the change." Kurer is convinced that beer is still a part of our heritage. Since 1990, consumption per head has shrunk from 70 to 55 litres per year due to a change in consumer habits. Today, there is a ban on the previously obligatory crate of beer on building sites; and there's hardly any heavy industry anymore. With this

change in society, a major proportion of the "heavy users" have disappeared too. In general, there is also less demand for alcoholic drinks. Together with the cold, wet summer of 2005, the new, more restrictive blood-alcohol limit of 0.5 per mille was responsible for a drop in annual sales in Switzerland in the brewing year 2004/2005 by 2.9 per cent to 4.157 million hectolitres. Yet Schützengarten is scarcely affected by the weakness of the Swiss beer market. "For ten years, we have enjoyed above-average growth," says Kurer, who has been able to successfully buck the trend with his brewery. Whereas the consumption of beer in Switzerland over the last decade shrank by 6 per cent, Schützengarten increased by 10 per cent as the result of organic growth. Overall, a good 140,000 hectolitres of beer was brewed in 2005 at Schützengarten. The second pillar of the brewery's business, the drinks trade (mineral water, sweet drinks, fruit juices and wine), managed to quadruple its sales in this decade. It makes a substantial contribution of CHF 22.6 million to overall sales of CHF 58.6 million.

#### Investing in quality

Schützengarten beers regularly compete in the quality contest of the German Agricul-

tural Society (DLG) and have been winning the gold medal for years. Success like this is only possible if you use the best ingredients and state-of-the-art technology. "The brewery business requires intensive investment. If you fall behind on this front, it is very difficult to catch up again," says Kurer. Today, his 227-year-old brewery is one of the most modern in Switzerland. Schützengarten invested in a fully automatic brewhouse – the first Swiss brewery to do so. In the middle of the night, a computer starts the brewing process for 350 hectolitres of beer in the deserted brewhouse on St.-Jakob-Strasse. It pumps the slurry into the straining vat where, depending on the recipe, it brings the wort to boil with a greater or lesser quantity of hops, and directs it to the whirlpool where the last remaining cloudy residues are removed. Finally, the yeast is added to the cooled wort so that it can ferment in the tanks and carefully mature. It was only last year that Schützengarten invested CHF 3.5 million in combined fermenting and storage tanks, and had its tanks dating back to 1982 fitted with new pipes so that they can be operated more efficiently and supply an optimal quality of product. Kurer is convinced that "for good beer, you need good equipment". At Schützengarten, only 7 of the 180 employees are entrusted with producing beer. And there are also only 7 employees who work in the fully automated bottling department and oversee the machines, send the used bottles on the conveyor belt to the washing system, and dispatch crates with freshly filled and labelled bottles on pallets to the drinks warehouse. The entire process is done at a speed of more than seven bottles per second. In an equally fully automated filling system, the 20-litre containers and 50-litre kegs used in restaurants are filled – at a rate of 240 containers per hour.



"For 10 years, we have enjoyed above-average growth. Whereas the consumption of beer in Switzerland over the last decade shrank by 6 per cent, Schützengarten increased by 10 per cent as the result of organic growth."

Schützengarten in St. Gallen is one of the most technologically advanced breweries in Switzerland. Below left, the yeast processor; and right, a robot at work in the barrel-filling facility.







## Those who want to secure market share long term need to offer a clever portfolio of products that serve a whole variety of target groups.

### Customer proximity as a principle

Schützengarten supplies more than 3,000 restaurants and 1,000 retailers and drinks dealers between Lake Constance, Zurich and the St. Gallen Rhine Valley with beer and other drinks. Currently, every fourth beer drunk in eastern Switzerland comes from Schützengarten. And recently, this figure increased slightly. As of 1 April 2006, the company from St. Gallen took over the operational business of the Löwengarten brewery in Rorschach and expanded its volume by around 10 per cent. "We are a regional brewery in a concentrated area," says Kurer. "In a stagnating market, however, we need to expand geographically somewhat if we are to continue to be successful." According to Kurer, growth is possible, particularly in the Zurich region. Today, 250 restaurants in the city already serve Schützengarten beers.

The catering sector is the most important customer for Schützengarten products, accounting for 60 per cent of the company's sales volume. The brewery sells 20 per cent to retail and 20 per cent to the drinks trade. The drinks are distributed ex brewery or via seven sales centres owned by the brewery in eastern Switzerland, thus ensuring the necessary proximity to the customer. Kurer does not want to expand the company's sales area indefinitely – this would mean he would no longer have reliable control over the sales chain.

### Balanced portfolio of products

The big international names on the market such as Heineken and Carlsberg consistently put their faith in a brand that they promote globally with massive marketing activities. Kurer, in contrast, puts his trust in local roots and the emotional ties of the

consumers to their beer. He says that growth is also possible via diversification of the product range. Those who want to secure market share long term need to offer a clever portfolio of products that serve a whole variety of target groups. "More and more people are drinking less and less beer," says Kurer with a smile. Or, put another way, beer today is increasingly also being consumed by women and by an urban clientele in hip pubs – but these customers are more likely to reach for a special beer in a 3-decilitre bottle or for an alcohol-free beer than for a lager beer in a half-litre tankard. There are, however, advantages to this trend towards speciality beers. These beers offer greater margins, and with 40 per cent (Switzerland: 22 per cent) Schützengarten has a very high share of speciality beers.

The latest addition to its range is the dark beer "Schwarzer Bär", or "Black Bear", which Schützengarten is hoping will give a boost to the market for dark beers in Switzerland that is currently languishing at a share of just under half a per cent. The launch of this dark beer in 2005 was an issue that was very close to his heart and that of the master brewer, says Kurer, himself a graduate engineer in drinks technology and brewing. He is satisfied with the development of this premium beer on the market, although he is aware that the market, like a good beer, needs to mature before consumers are familiar with the dark drink and begin to appreciate it. Kurer is in a position to give "Black Bear" the time it needs. "One of the strengths of a family-run

### Schützengarten in figures

The St. Gallen brewery Schützengarten AG employs 180 people. In the last fiscal year (October 2004 to October 2005), the family-run public limited company had a turnover of CHF 58.3 million (+CHF 2.1 million) and posted an operational cash flow of CHF 6.9 million (–CHF 0.2 million).

public limited company is patience coupled with trust in the quality of your own products." Nevertheless, according to Kurer, the company has to be careful in launching new products. "With every new beer, we cannibalise our existing products," he says. "Black Bear" tends to compete with "Klosterbräu", the brewery's most successful speciality beer.

### Putting its faith in good employees

Innovations have always shaped the company's history. In 1829, master brewer David Billwiller bought the oldest brewery in Switzerland, the Schützengarten brewery in St. Gallen, which was founded in 1779. At the end of the 19th century, his son Arnold turned the craftsman's business with an annual capacity of just a few thousand hectolitres into an industrialised company. By 1912 he had increased its output twenty-fold. As soon as the refrigerator was invented, he embraced artificial refrigeration and built his own power station on the Sitter River. This station was recently completely modernised and today supplies double the amount of energy required by the brewery. The surplus energy is sold. The ultra-modern and spacious business building was completed in 2001. Some of the offices and apartments are rented out; on the ground floor Schützengarten beers are served in the company's own gourmet restaurant, "netts Schützengarten". The majority of shares are still held by the descendants of Arnold Billwiller's sister; there are also around 200 shareholders from outside the family. Kurer is managing director and has been accompanied over the last ten successful years by the same management team and is proud of this stability. "It is unbelievably important that we don't have any internal friction – the challenges of the market are great enough." For Kurer, a good corporate climate with motivated employees is another key to success. That is why Schützengarten consistently practises insourcing. "Everybody at our company is a salaried employee, from the master brewer, salespersons and chauffeurs to the service technician for the bar equipment," says Kurer. "Only in this way can we implement our objectives directly and guarantee the consumers top beers and top-quality services." //

Most Schützengarten beers are sold fresh – that is, unpasteurised. To maintain the highest safety standards, experienced brew masters continuously test the quality of both the beers and the brewing process.

# ceo1/06. pwc expertise

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# Internal control: The importance of corporate culture.

Dishonesty in management or a working climate dominated by fear and arrogance are often responsible for entrepreneurial failures. Control procedures alone cannot prevent such failures, because the corporate culture has an influence on how information is interpreted and handled.

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Entrepreneurial failures widely published in the press have during the past few years resulted worldwide in regulatory initiatives – also in respect of internal controls. In the Sarbanes-Oxley Act it is now laid down that management must expressly take responsibility for internal control and ensure its effectiveness. The control procedures are certainly important components, yet they alone cannot prevent entrepreneurial failures. Because to set up the control system the basis must be right: a sound corporate culture.

The corporate culture is the foundation for a company's success. Most entrepreneurial failures are the result of dishonesty in management or a culture dominated by fear and arrogance. The corporate culture determines how employees assess and to what actions they can be persuaded by their assessments. If for example an employee receives a piece of information about poor performance, how does he react? Does he immediately inform his supervisor? Or does he let the information disappear and hope that the supervisor doesn't notice anything? Such decisions can be seen as part of a continuum, in which fraud – the deliberate

bypassing of rules and procedures – stands at one end of the spectrum and the simple mistake and the error of judgment at the other. Experience shows that extreme conduct that leads to dishonest, irregular or fraudulent acts is encouraged by an unhealthy corporate culture.

If the investment in control procedures is to have any measurable value, capital markets must be granted a deeper insight into a company's culture. The factors that influence conduct and culture must be understood and capable of assessment. For it is the corporate culture that determines how managers and employees interpret the information derived from the control procedures and act on them.

## The reverse of the control medal

The systems that are employed to improve the controls can in certain circumstances weaken the control environment instead of stabilising it. If a company tightens up its organisation and the business processes

become slimmer, more weight is automatically placed on technology. If the effects that such a change has on the employees are not taken into account, there is a risk of alienation. The employee sees himself only as a cog in a wheel and feels that he is not treated as an individual. That in turn has a negative impact on the culture. The system that is intended to improve the control procedures then harms the culture unwittingly and so also impairs the effectiveness of the controls overall.

## Management sets the tone

Which factors affect the corporate culture and conduct of a company? There are three main influences:

- the conduct of the management team
- the visible strategy of management
- the values of a company

Management determines the corporate culture and sells it to the people. Management should therefore have social competences, such as integrity, sense of judgement and a marked sense of values, in addition to performance and experience. These are the factors that create respect and trust within and outside the company. Also, it is not infrequently the relationships within management that are decisive for the success of the company. A strong relationship between the CEO and the Chairman of the Board requires invitations to comment and critical debates. It needs a balance of characters, skills and experience plus clarity

Viewpoint



Stephan A.J. Bachmann, Partner and Head Assurance, Member of the Management Board, Geneva.



concerning roles and responsibilities. But above all the team must be geared to the commonly agreed strategy and act constructively in order to ensure a strong, united management.

#### The strategy is the key

Without common goals it is difficult to manage from the top and influence a company. Lack of clarity promotes lack of unity about priorities and setting of objectives. This in turn leads to a lack of understanding for individual goals and responsibilities and creates an environment in which important questions can be ignored or swept under the carpet. The strategy communicated from above forms the context for decisions. Within this context the conduct of the individual is itself influenced by the quantity and quality of the available information and by the company's own way of taking decisions. If bad news once reaches the market – and it always does – then the cultural question behind it can influence the market more than the news itself. This is a clear indication that the market is sensitive towards the culture behind the profitability and the reporting.

#### The value of values

The effect of corporate values may be intangible, and yet it is omnipresent. Values create the company's reputation externally and internally. They are a sort of codex that determines trust. Most companies propagate values – but they must also be lived consistently, otherwise they are useless. The values within a company must be attuned to one another, otherwise the influences on conduct are inconsistent and result in subcultures. This can happen, for example, when, as a result of a merger, two cultures are forced to exist together.

#### Bringing the culture to market

Because effective internal controls form the basis for reliable communication with the market, inadequate insight into the corporate culture is a source of great risks for our capital markets. Analysts and investors should be clear what information is required for an objective assessment of this important economic aspect of a company. The requirement must then be reconciled with the company's possibilities of supplying such information. It is, however, information that because of its nature neither can nor should be prescribed by the authorities. The supervisory authorities must understand that it is useless to issue too many regulations about the control process as long as the markets do not receive a better insight into the corporate culture. Further regulations obscure the culture even more with additional layers. It does not make sense to have to scrape away these layers in order to make the heart and soul of the company visible. Management can create clarity with open communication, meaning comprehensive reporting of strategy, risks and their management style.

#### What role should auditors play?

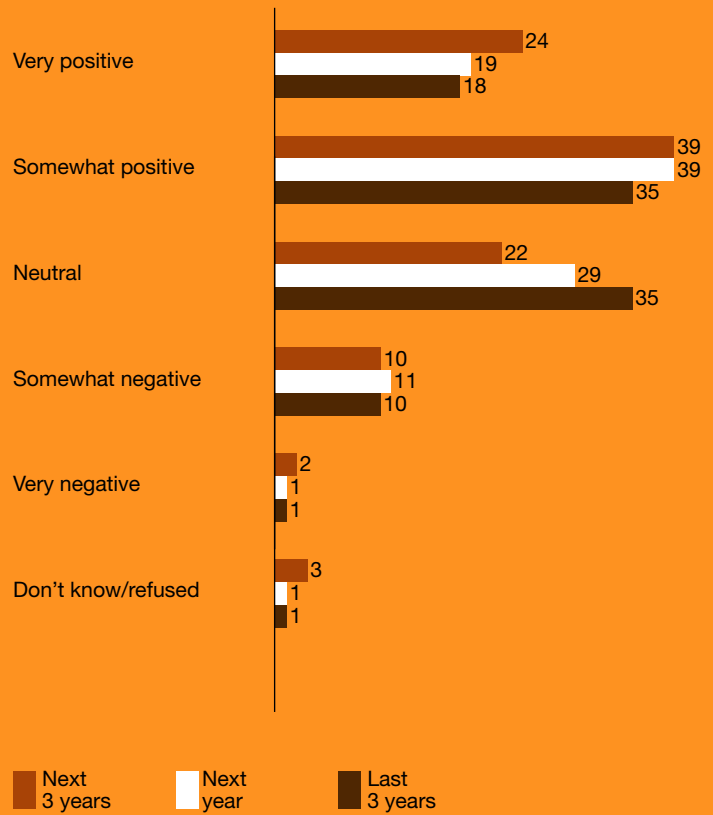
Based on our work with the client we make for ourselves an informal picture of the culture and efficiency of the management and Board of Directors in order to determine the scope and nature of our work. It is expected of us that we provide the management and independent Board members informal commentaries. We would certainly be in a good position to evaluate reporting about the culture of the company. We believe that the culture should be an integral component of reporting about internal controls. What needs to be done? One possibility would be to bring together all the parties mentioned above with interested parties in the capital market in order to gather and address their opinions, experience and different objectives. In this way experience reports, investigations and insights into entrepreneurial failures and best practices could be collected, and practical guidelines and recommendations for the market players worked out.

A second possibility would be to permit the markets to appraise the culture by means of extended corporate reporting. Reports about strategy, wages, Corporate Governance – to mention only a few aspects – permit a certain insight into a company. If one were to combine them with more comprehensive reporting about internal controls, gaps in the system could be filled to a certain extent. The disadvantage would be that this informal approach is subject to the tempo of the development and to the quality of the reporting and will always to a large extent be dependent on interpretation.

### Summary

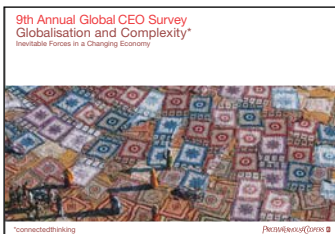
The information that the market needs to be able to satisfy itself about the effectiveness of internal controls will remain incomplete until all interested groups are given better insight into corporate culture. If internal control could be combined with insight into the culture, its value would be immense. The markets must with the correct approach and a suitable framework aim for a new perspective which adequately takes into account corporate culture.

IMPACT OF GLOBALISATION  
What impact has globalisation  
on your organisation?



# Global CEO Survey: Facing the challenge of increasing globalisation and complexity.

Two powerful and inevitable forces are on the minds of business leaders. Today's companies are expanding across the globe, but globalisation and other factors create new complexities, according to the more than 1,400 CEOs participating in PricewaterhouseCoopers' 9th Annual Survey.

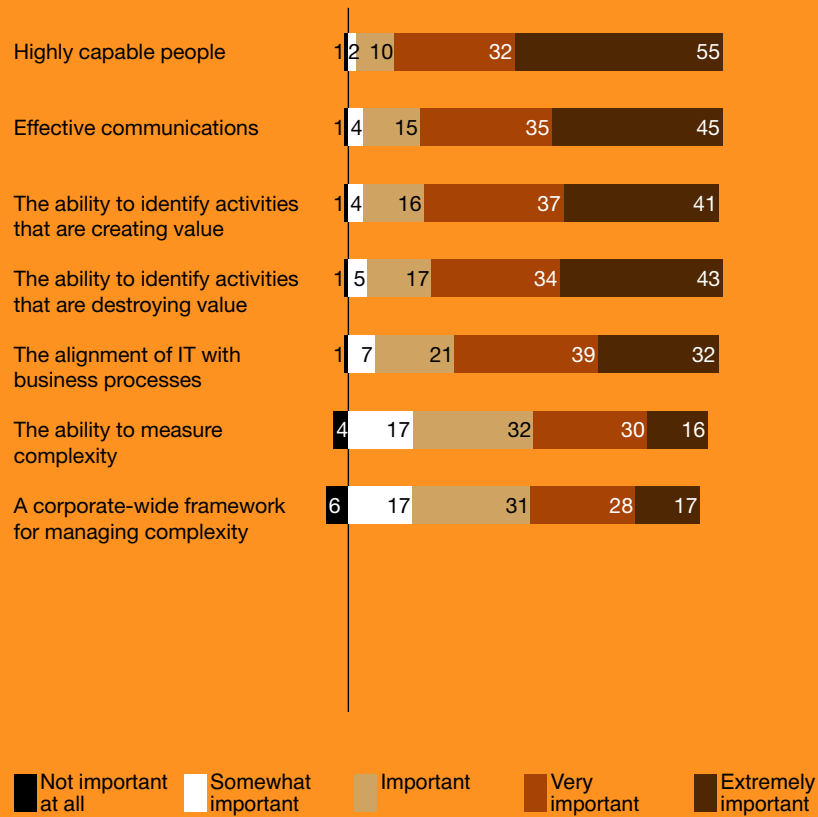


You can order free copies of the Global CEO Survey 2005 findings from [sonja.jau@ch.pwc.com](mailto:sonja.jau@ch.pwc.com)



## MANAGING COMPLEXITY

How important do you think each of the following is for managing complexity?



Across all industries companies both large and small, in the developed world and in developing countries, are vigorously pursuing globalisation to achieve business objectives. The CEOs surveyed are optimistic about globalisation: 58 per cent of CEOs surveyed say that globalisation will have a “somewhat” or “very” positive impact on their organisations in the next year, and that number increased 5 per cent when they were asked to predict over a three-year horizon.

Like people, organisations are subject to increasing complexity, particularly organisations seeking to grow through globalisation. New markets, customers, products and services that result from globalising add layers of complexity that must be managed if benefits are to be realised and value enhanced. However, other sources of complexity, particularly those that are beyond the CEO’s control, can destroy value.

### Managing complexity

Not surprisingly, managing complexity was a high priority for the CEOs surveyed. The vast majority (86 per cent) said their companies are engaged in three or more value-adding commercial activities that increase complexity, with extending operations to new territories leading such activities. While CEOs have some control over the complexity associated with commercial pursuits, they can only influence those geopolitical forces – such as national and international laws and regulations, actions by competitors and changing customer requirements – perceived to have increased costs and risks

to a “medium” or even “large” extent. Nonetheless, respondents appear unconcerned that such sources of complexity are harming their earnings and revenue growth. More than three quarters of the CEOs surveyed stated that managing positive complexity and reducing unnecessary complexity are high priorities (77 and 78 per cent, respectively). Nearly all respondents (97 per cent) are engaged in at least one programme to reduce complexity in their organisations, and 77 per cent are engaged in five or more such programmes. Many techniques are used to combat complexity, including implementing information technology programmes (84 per cent) and adapting organisational structure (79 per cent).

### Importance of effective communications

CEOs viewed “having highly capable employees” as the most important of seven complexity-managing capabilities, followed by “effective communications” and the ability to identify activities that “create value” or those that “destroy value”, the “alignment of information technology with business processes”, their “ability to measure complexity” and “having a corporate-wide framework for managing complexity”. While acknowledging the importance of these seven capabilities, overall CEOs indicated a “capability gap” when it comes to executing them – the percentages of CEOs who rated their performance as “very good” on each of the capabilities ranged from only 4 per cent to 17 per cent. Across all seven capabilities, only 11 per cent of the 1,410 CEOs rate their organisations as “very good”. Interestingly, however, this average is far higher for CEOs who say they are “very good” at measuring complexity (58 per cent), suggesting that what gets measured in complexity gets managed. Similar

### Survey methodology

1,410 interviews with CEOs were conducted last year in 45 countries. By region, 463 interviews were conducted in Europe, 331 in the Asia-Pacific region, 301 in South America, 187 in the United States (plus, in North America, 58 in Canada and 14 in Mexico), and 56 in the Middle East and Africa. By industry sector, financial services companies represent 17 per cent of interviews, technology and media companies 14 per cent, and products companies 68 per cent.

success is noted by CEOs who have a corporate-wide framework for managing complexity (55 per cent). At the same time, “having highly capable people” – ranked most frequently by CEOs as being extremely important in handling complexity – has the lowest correlation, with “very good” ratings for other capabilities. Thus, while highly capable people are important to all organisations, the survey suggests that they are hardly a “silver bullet” when it comes to managing complexity.

This enthusiasm is bolstered by opportunities in Brazil, Russia, India and China – the so-called “BRIC economies”. Positioned for extraordinary long-term growth, the BRIC economies are at the epicentre of globalisation efforts for companies worldwide: 71 per cent of CEOs surveyed plan to do business in at least one of the BRIC countries over the next three years, and respondents identified a broad range of activities undertaken to achieve their strategic objectives there. Forming alliances with partners topped the list, followed by opening new offices and developing unique products.

### Overregulation as the chief challenge

Yet their abundant optimism is tempered by regulatory obstacles and geopolitical forces. Overregulation was deemed the chief challenge to globalisation efforts, with 64 per cent considering it a significant obstacle. Next in rank were trade barriers/protectionism (63 per cent), changes in political direction and political instability (57 per cent) and social issues (56 per cent). Contrary to expectations set by news headlines, CEOs ranked terrorism (48 per cent) and the anti-globalisation movement (21 per cent) at the bottom of the perceived-challenges list. While CEOs are aggressively pursuing opportunities in all four BRIC economies, they are investing the most resources in China (the other three are not far behind). Once seen as at-risk locations to do business, China and Russia are now viewed as major opportunities. (This shift may be due to a decrease in perceived risk, or to an assessment that advantages available

in both countries now outweigh risks.) High-income companies in OECD countries are the most interested in doing business with the BRICs, but many companies from non-OECD nations that are geographically close to one of the BRIC countries are also doing business with that selected BRIC, demonstrating a “nearest neighbour” effect. Regardless of location or size, CEOs report that their companies are doing business with BRICs primarily to better serve new and existing customers; this development is fundamentally new. However, other advantages – especially in China – include low-cost and higher-capacity production. India ranks highest for accessing a highly skilled talent pool and second in cost reduction.

### World interest in the BRICs

Among CEOs from BRIC economies, quality and productivity are viewed as their main competitive advantages, followed by political and institutional stability. Taken together, the BRICs’ optimism about their economies’ competitive stance, the developed world’s interest in the BRICs and the BRICs’ enthusiastic participation in globalisation indicate positive implications for companies in developed and emerging countries alike. //

## Own labels on the march

In Asia, Russia, Central and Eastern Europe growing price sensitivity in the retail market is favouring the development of own labels. The expansion of retailers from the major cities into small, regional locations is increasing. The development in “shoppingtainment” – shopping centres with related leisure activities – is growing. These are the findings of the study “From Beijing to Budapest: New Retail & Consumer Growth Patterns in Transitional Economies”, for which PricewaterhouseCoopers investigated growth prospects in 14 countries. Six of these countries are recommended for investment: China, India, Turkey, Thailand, Malaysia and Hungary.

[www.pwc.ch/medien](http://www.pwc.ch/medien)

## Expensive health

Health costs will triple by the year 2020 to reach CHF 12,500 billion and in the USA will amount to about 21 per cent and in the other OECD states to about 16 per cent of GDP. The challenge to creating a sustainable health system consists in supplying the population with secure and qualitatively high-standard health services at controllable cost. These are the results of the study “Health-cast 2020: Creating a Sustainable Future” by PricewaterhouseCoopers. Increasing globalisation is also impacting the Swiss health system. Swiss patients with basic insurance are already being treated in neighbouring Germany. International mobility with comparable service quality is increasing the pressure for change.

[www.pwc.ch/medien](http://www.pwc.ch/medien)

## Banks are taking off again in China

More than 70 per cent of the foreign banks in China expect revenue growth rates of at least 30 per cent p.a. for the years 2005 up to 2008. Ten banks even reckon with a growth rate of 100 per cent or more during this period. This is a result of the first issue of the study “Foreign Banks in China”, for which PricewaterhouseCoopers conducted interviews with 35 banks in Beijing, Shanghai, Shenzhen, Tianjin and Hong Kong. The foreign banks in China surveyed receive strong support from their headquarters. Thirty per cent of the participants in the survey gave their parent company the highest rating of 10 for the support received.

[www.pwc.ch/medien](http://www.pwc.ch/medien)

## Alarm call for sleeping hotels

Lifestyle hotels are on the advance throughout Europe, setting the tone within the hotel industry. Since 2003 they have been growing at a rate of 13 per cent. The success recipe for lifestyle hotels is simple: they meet the needs of modern consumers – who demand new, modern products. The study “Hospitality Directions Europe Edition” by PricewaterhouseCoopers demonstrates that most traditional hotels no longer satisfy the needs of today’s customers.

[www.pwc.ch/medien](http://www.pwc.ch/medien)

## Swiss companies as chameleons

Thirty-three per cent of the largest Swiss companies measured by stock exchange capitalisation (Top 100) were able to hold their ground without a significant change in strategy in the last ten years despite an ever-changing economic environment. However, some companies that did not adjust their strategy quickly or forcefully enough became takeover candidates or were forced out of the Top 100 list by previously smaller companies with strong growth. More about this in the study “Der erstaunliche Wandel der grössten Schweizer Unternehmen” by PricewaterhouseCoopers.

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# Flat Tax: an alternative for Switzerland?

Globalisation is creating competition among tax systems: if Switzerland is to continue to keep up with changes in the future, reforms are necessary. The fiscal quota must be reduced and economic growth strengthened.

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During the last few years Switzerland has benefited from globalisation and competition among tax systems. The Swiss tax system with 27 income tax laws alone is complex and beset with several pitfalls – but internationally it can still be described as attractive. If it is to continue to keep up with changes in the future, alternatives to the existing system must be thoroughly investigated. Wide media attention has been paid to the Flat Tax. But does the model deliver in practice what it promises in theory?

## The models

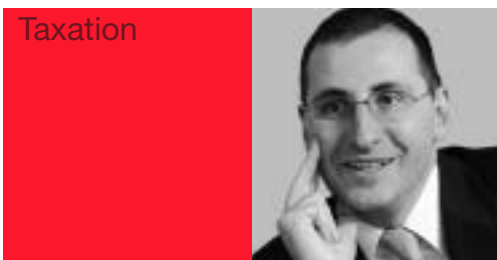
The idea is simple and therefore obvious. Take a uniform tax rate to tax all economic wages and activities, differentiate between businesses and households – whereby businesses are subject to a cash flow tax geared to the real payment streams and households to a wage tax – make it socially acceptable with a personal allowance and the Flat Tax model is ready. That the realisa-

tion of this idea is not quite so simple is shown by the fact that up to now no country has introduced this consumer-oriented model strictly according to the theory. A partial solution that exists already independent of the basic idea of a Flat Tax is the Flat Rate Tax. This concept is also simple. The progressive tax system is abolished and replaced by a proportional tax rate for everything that is set as low as possible. On the other hand, the tax base must be extended, which in Switzerland would probably mean taxation of capital gains on securities for individuals. Social concerns can, as in the Flat Tax model, be considered with personal allowances. Above all in the new EU member states the Flat Rate Tax is enjoying ever-greater popularity. The reasons for this are quickly listed: growth

incentives, increased transparency, abolition of tax privileges, simpler tax return, improvement of tax ethics and increasing attractiveness of the location. In the meantime, the Flat Tax rate movement covers countries such as Estonia, Latvia, Lithuania, Slovakia, Russia, the Ukraine, Rumania, Serbia and Georgia. Others such as Bulgaria, Croatia, Greece, Hungary, the Czech Republic and Great Britain are also playing with the idea of introducing this model. Each of the countries has a design tailored to its own circumstances. The greatest differences in the taxation standards in the new EU states are to be found in the rules covering depreciation and amortisation, valuation and the period for carrying forward losses. The flexibility of such a taxation system is remarkable. Whereas in Estonia, for example, income is taxed at a uniform rate of 24 per cent, under the Estonian corporate tax system retained and therefore reinvested profits are not taxed. Not until the profit is distributed does the corporate tax of 24 per cent have to be paid. In Slovakia a uniform tax of 19 per cent applies for income tax, corporate tax and Value Added Tax. True to the system, profit distributions to the members are not taxed again under this system.

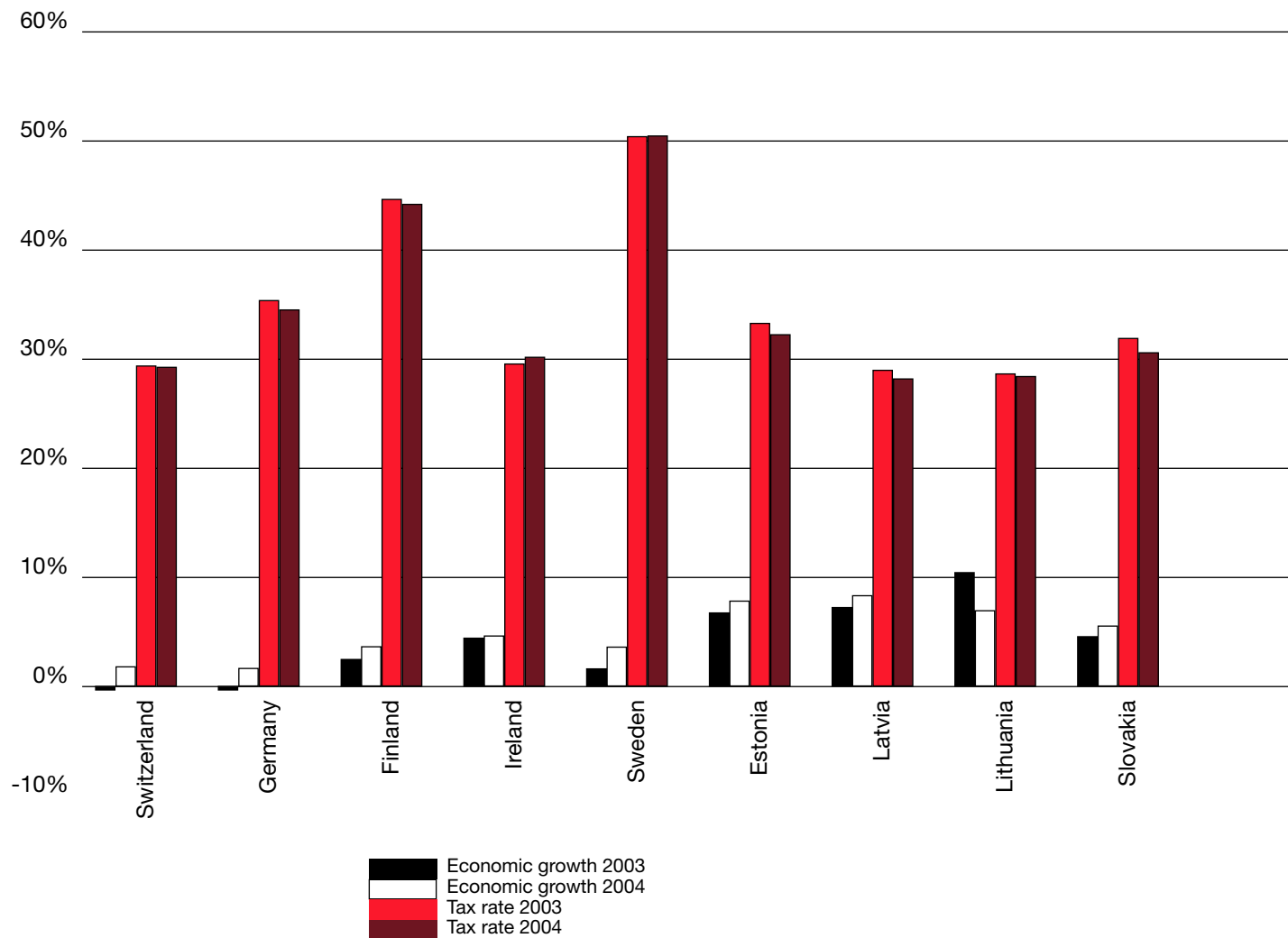
## The experience

The experience that has been gained in the new EU states with the Flat Rate Tax is invariably good: greater economic growth



Andrin Waldburger, Partner, Tax & Legal Services, PricewaterhouseCoopers, Zürich

## Tax rate and economic growth 2003/2004



than the EU average, investment-friendly climate, reduction of the budget deficit and, in Estonia, even a budget surplus. What stands out is that the fiscal quota in the new EU states at about 30 per cent is about the same as in Switzerland. Provided Switzerland keeps its government expenditure under control, thanks to its greater economic strength it should be in a position to reduce its fiscal quota correspondingly by applying lower tax and duty rates (cp. chart).

In the new EU states the corporate tax rates are not much lower than the effective corporate charges in most cantons in Switzerland. At the same time the Value Added Tax, in comparison with the 7.6 per cent in Switzerland, is high (for example

Slovakia 19 per cent, Estonia 18 per cent). From this it can be concluded that Switzerland is not yet among the back markers. There is a real opportunity of keeping up with these new competitors also and not letting the fiscal quota rise further. Up to now no empirical evidence has been brought that economic growth has been boosted by the Flat Rate Tax – not even in these new EU states. However, no one contests that as a rule a tax reduction

boosts economic growth. Generally, such a move gives rise to higher tax revenues that compensate any government revenue losses as a result of the reduction in the tax rates. The challenge for the finance minister is to find a tax rate that maximises the receipts and animates the country's population to create more value.

The idea of what the tax consequences of this additional income are and how they in turn could be reduced should be of secondary importance. Some mid- and Eastern European states have given us the opportunity to observe closely the introduction of the Flat Rate Tax and to analyse its effects. It is a fact, and that is also clear from the

chart, that there is no significant correlation between economic growth and the Flat Rate Tax; Switzerland, Germany, Finland, Ireland and Sweden also enjoy economic growth – even if lower – than, for example, the Baltic states.

The stage of development of a country's economy must also be considered: the tendency seems to be that it is more difficult for highly developed economies to expand than for economies at the transitional stage. Nevertheless, it is striking that states with a much higher fiscal quota, such as Finland and Sweden, demonstrate greater economic growth than Switzerland and Germany.

### The effects

The transparency and simplification of the tax system are a benefit that is not to be underestimated: salaries and wages are captured at the source, taking personal allowances into account. This reduces the risk that salaries and wages remain untaxed. Instead of a personal allowance for lower incomes, the Flat Tax can also be combined with tax credit models. In this case the taxable income is not reduced by personal allowances, but these lump sums are set off directly against a potential tax liability. If the balance is positive, it is paid in cash (so-called negative tax credit system). Other incomes continue to have to be captured separately with a uniform tax rate. The Flat Tax also helps to solve the current problem of economic double taxation, in that in the best case true to the system a company's profit distribution to a domestic resident shareholder is no longer taxed a second time. In addition, the choice of legal form for a business is tax-neutral, because the same tax rate applies for all entities. Because investments can be immediately

claimed in full as expenses deductible for tax purposes, this model promises growth impulses for the economy.

For businesses the assessment base is the cash receipts less the cash payments, including investments in fixed assets. The advantage is that only the cash that remains in the business is taxed. There is no more depreciation nor are there write-offs or valuations for tax purposes. Realised capital gains of all kinds are also captured by the Flat Tax.

### The problems

With the introduction of the Flat Tax for Switzerland there would be challenges in respect of national and international fiscal law. The uniform tax rate would be applicable for all taxing authorities (Federation, cantons, communities, parishes). This problem could be solved by means of a tax rate range model. Thus the intercantonal tax competition would be limited to purely rate competition. Tax privileges based on a special tax status, as foreseen, for example, for domicile and management companies and holding companies (at present not only investment income is privileged under the Swiss holding company regime, but also other passive income), would suddenly become secondary. The pressure on Switzerland from abroad, particularly from the OECD, but also from the EU, to reconsider the present tax privileges would abate or even disappear altogether. A revision of all the Double Taxation Treaties concluded by Switzerland would be inevitable with the Flat Tax, but not with the Flat Rate Tax.

### The challenge

It is obvious that Switzerland must be willing to undertake reforms also in matters of taxation if it wants to hold its own in the international location competition. The Flat Tax approach is an interesting alternative to the present tax system. Its realisation however represents for Switzerland (too) great a challenge. Many advantages can be anticipated even without completely introducing a Flat Tax. For example, the corporate tax reform can alleviate economic double taxation, can regulate by statute the

status of the professional securities dealer and finally clarify the question of the taxation of capital gains. Value Added Tax can also, apart from the reduction of the unnecessarily high administrative hurdles, be reformed and simplified with a uniform tax rate.

For a selective reform suggests also that all in all Switzerland is still very well placed in the international location competition. The Corporate Tax Reform I demonstrated in 1997 that with small but well-considered adjustments to the Swiss tax system much can be done to position Switzerland better in the location competition and that it pays off in the form of higher tax revenue. A bold step towards a Flat Tax is scarcely expected of Switzerland in the near future and is also not absolutely necessary.

## Summary

In order to reduce the fiscal quota and strengthen economic growth, the tax reform projects that have long been known should be taken in hand and driven forward in Parliament with high priority. In doing so the concept of the Flat Tax can serve as an important source of ideas for helping to achieve the breakthrough of certain reform approaches. At the present time no more can be expected from the Flat Tax concept.

## Events, publications and analyses.



Swiss Value Added Tax: ten years experience in a nutshell

Since the introduction of Value Added Tax (VAT) in 1995 PricewaterhouseCoopers has been advising businesses of all sizes and in all industries on all VAT matters. The book "Die Schweizer Mehrwertsteuer" contains a selection of the most important articles that have been published on the subject. The texts are in German, English and French and provide a comprehensive view of ten years of Swiss Value Added Tax. The book costs CHF 60 and can be ordered from [maja.grossglauser@ch.pwc.com](mailto:maja.grossglauser@ch.pwc.com)

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The authors of the topics covered in the pwc expertise section of this issue of ceo magazine can be contacted directly at the e-mail addresses given in their article.

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### New requirements for companies and auditors

In December 2005 the Federal Assemblies enacted the revision of the Swiss Code of Obligations (GmbH law and revisions of laws concerning shares, cooperatives, the Commercial Register and firm names), Association, Foundation and the Federal Law governing the Licensing and Oversight of Auditors. The new laws contain significant changes for companies and auditors. They concern the scope and content of the audit and provide for government oversight of the auditor. The new legal provisions set all companies challenges, above all those subject to compulsory audit. The 250-page book "Gesetzestexte 2007 zum Gesellschafts-recht und zur Revisionsstelle" contains a collection of law texts and is eminently suitable as a reference work. The brochure "Neue Anforderungen an Unternehmen und Prüfer" about the legal situation helps in fixing one's position. The book and brochure are published in German and French and are available free of charge from

[sonja.jau@ch.pwc.com](mailto:sonja.jau@ch.pwc.com)

### St. Gallen Symposium "Inspiring Europe"

The 36th St. Gallen symposium will take place from 18 to 20 May 2006 on the campus of St. Gallen University. Under the topic "Inspiring Europe" 600 top managers from around the world will discuss with 200 brilliant students the questions that entrepreneurs and business leaders as well as those responsible in government and society have to face in their economic, political and societal environment. As the official Knowledge Partner PricewaterhouseCoopers was significantly involved in setting the topic of the symposium and will be present with speakers and participants. For further information: [www.stgallen-symposium.org](http://www.stgallen-symposium.org)

### Swiss Economic Forum

Over the last seven years the Swiss Economic Forum has developed into a major business conference in Switzerland for future-looking and innovative entrepreneurs. The business conference, sponsored by PricewaterhouseCoopers, will take place in Thun on 11 and 12 May under the motto "Breaking the Rules". For further information: [www.swisseeconomic.ch](http://www.swisseeconomic.ch)

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Cost: CHF 490

For further information and registration [andrea.geering@ch.pwc.com](mailto:andrea.geering@ch.pwc.com)

# World champions in logistics.

With more than 13,000 employees in 80 countries, the International Committee of the Red Cross has a global presence that very few companies can match. The Swiss economy also profits from the know-how of the ICRC.

Text: Kaspar Meuli

The biggest fleet of vehicles in Switzerland drives on foreign roads. It belongs to the International Committee of the Red Cross (ICRC): 3,400 all-terrain vehicles and lorries that are registered in Switzerland are out and about on four continents around the world on behalf of the organisation. The ICRC also runs its large warehouses of relief goods far away from its Geneva headquarters. For example, the warehouse in Nairobi, where the biggest distribution centre of the Switzerland-based organisation is located, covers 11,000 square metres. It is operated according to the most modern logistics methods using the vendor management inventory system – i.e. the suppliers administer the warehouse themselves.

The ICRC is one of the most venerable and well-known humanitarian organisations anywhere in the world. It operates in line with the logistics standards of successful multinational companies – from integrated software down to total cost control. A new reporting system for transportation, storage and handling, for example, facilitates the calculation of the total logistics costs during the distribution of the relief goods. All costs are recorded from the moment that the

food, blankets and plastic tarpaulins arrive in the respective country until they are ultimately distributed to those who need them.

## Global company with a special mission

As a major customer of international suppliers – the Geneva-based organisation purchased relief goods totalling CHF 155 million in 2004 – the ICRC is integrated in the global trade flows and, as a relief organisation, works similarly to any global commercial enterprise. In the same way that companies such as Nestlé, Coca-Cola and Unilever open up new markets, the ICRC modifies its network of (at last count) 80 delegations to the rhythm of changing areas of conflict and constantly conjures up new high-performance operational bases from scratch. As a reaction to the tsunami catastrophe at Christmas 2004, for instance, Singapore became an important hub for coordinating the relief campaign in Indonesia. The logistics teams handled all the air and sea operations from the city state; in Singapore itself the urgently required relief packages for the tsunami victims were put together in great haste.

Yet the ICRC's role as a player in the globalised high-tech world is only one side of the story. "In areas with no economic structures we still operate like we did twenty years ago," says Thierry Fournier, deputy head of logistics. In conflict zones such as

Darfur in Sudan, for instance, there is no trace whatsoever of the benefits offered by modern telecommunications. "In places like that, there is no such thing as real-time management," says Fournier, smiling. Internet access via the telephone network is unthinkable, and communication via satellite is hampered by mistrusting authorities, meaning that ICRC employees still depend on their own radio network.

With more than 13,000 employees in 80 countries, the ICRC has a global presence that very few commercial companies can match. But the Geneva-based organisation is a special kind of multinational company, a fact that becomes instantly clear when you visit its headquarters. It sits enthroned on a hill over the city, like a grand hotel that has seen better days. The address says it all: 19, avenue de la Paix. Although the ICRC does have a red-carpet area, representative functions are restricted to a few rooms. Behind the scenes, space is cramped, and the standard of the canteen would be unacceptable to the employees of most major companies. But the atmosphere is good –





#### ICRC facts and figures

In 1863, Henry Dunant founded a humanitarian organisation out of which the International Committee of the Red Cross subsequently developed. In 1949, via the Geneva Convention, the community of states granted the ICRC the mandate to protect the victims of armed conflicts and to provide them with assistance.

Today, with its 13,000 employees and a budget of well over CHF 1 billion, the ICRC is active in three areas: emergency aid – from food and accommodation to water supply provision and hospitals; protection – visiting prisoners of war, looking for missing persons, bringing together families; and prevention – raising awareness of and developing international humanitarian law.

The organisation is headed by the 18-member committee with Jakob Kellenberger as president. The operative head is the Director-General Angelo Gnädinger.

many employees know each other from field assignments. And they have a common mission.

#### Cash flow management as a competitive advantage

What really distinguishes the ICRC from the corporate world and other relief organisations, though, is to be found elsewhere – not least in the organisation's financing. The ICRC is financed primarily from state funds; private donations account for just a few per cent of the budget of well over CHF 1 billion. Several governments are gaining in importance here. The five biggest donors, the USA, Switzerland, Great Britain, the EU and the Netherlands already account for more than 60 per cent of the funds.

This development is one that worries the ICRC, for to be independent the organisation requires the broadest financial basis possible.

One constant problem in financing relief operations is the availability of funds, which often do not materialise when they are most urgently required – i.e. right at the start of a humanitarian crisis! Accordingly, efficient cash flow management is a strategic objective of the ICRC. It has managed to convince the most important donor states to submit multi-annual support pledges with

“Decisions are needed, and they have to be implemented.”

Angelo Gnädinger<sup>1</sup>, first CEO of the ICRC, on restructuring, internationalisation and the art of repeatedly earning trust anew.



How does the ICRC differ from other relief organisations?

We are politically and denominationally independent and, in contrast to, for instance, the UNO agencies, are not tied to any decisions made by political organs. And unlike practically any other global player, we are generalists. We meet the basic requirements of the population in their entirety. We deal with health, food and water supply, and we ensure protection.

You are the first director-general in the history of the ICRC with the competences of a CEO. What is the reason for this abundance of power?

The issue here is corporate management, not an “abundance of power”. I realised right from the start that strong, coherent management is required to drive an organisation like the ICRC forward. We work in conflict situations and are correspondingly exposed. We are confronted with risks on a day-to-day basis, whether they involve finances, reputation management or security. Transparency and cohesion in the directorate and towards the president, whom I report to, are of primary importance here.

In the past, the ICRC has been criticised for a certain weakness in decision making. What is your style of management?

I cultivate a decision-oriented dialogue.

Does that mean that the so-called brainstorming culture that shaped your organisation in the past has disappeared?

That has indeed changed as a result of the reorganisation over the last four years. We need open and also by all means controversial discussions, because ultimately we often have to deal with fundamental matters such as the security of our people. But then decisions are needed, and they have to be implemented. In the directorate, we recently took stock of our initial mandate and are proud that we have always remained capable of making a decision despite all the debate.

Since its foundation, the most important operational ICRC employees, the delegates, had all without exception been Swiss nationals. Only in the past few years has the ICRC opened up its personnel policy. How has this change made itself visible?

We are experiencing a sustained internationalisation and interculturalisation of our employees. Now more than half no longer come from Switzerland, and increasingly not from Europe either. But this

process did not take place in an uncontrolled manner, and we have managed to maintain the essential qualities of corporate culture: we are action-oriented on the basis of the strongly normative structure of our organisation. It has even been shown that values such as precision, discretion and a demand for high standards of quality have been strengthened through the opening up of our personnel policy. We attract people who want to work in this way – and they come from a whole range of cultures.

Competition among relief organisations has increased dramatically, and they are all trying to make their mark. In areas such as support for prisoners of war, you traditionally have a monopoly...

It makes less sense now than ever to talk about a monopoly.

Louise Arbour, the new UN high commissioner for human rights, has been given a broad mandate, and it includes visiting prisoners.

Nevertheless, one privilege remains that of the ICRC alone: your organisation can afford to be more low-key in its presence because, unlike the competition, you do not rely on private donations.

That's right. Because we are financed by governments and communicate with them directly, we can maintain our rather more discreet campaigns. But donor states, too, are subject to public opinion – that shouldn't be forgotten. There, the discussions are about what affects the population. States such as the USA, Great Britain and Switzerland provide us with major contributions without imposing any specific requirements. This trust has to be repeatedly earned anew. Governments have to be responsible to their parliaments. For that, they need arguments, and we have to provide our donors with these.

<sup>1</sup> Angelo Gnädinger (54), a lawyer from Schaffhausen, is the Director-General and the first CEO in the history of the ICRC. Up to four years ago, the Director-Generals were merely first among equal members of the directorate. Gnädinger's first term of office expires in June 2006, and he must be re-elected. The brother of the actor Mathias Gnädinger began his career at the ICRC more than twenty years ago as a delegate. Before that, he worked as an examining magistrate.



Increasingly, it's not people who stand out for their social commitment that the ICRC wants. Rather, it requires hard-headed administrators. Specialists are in demand.

binding payment deadlines. The Geneva-based organisation now has sufficient financial scope to be able to act straight away in disaster situations. "We can decide within an hour whether to commit ourselves with tens of millions," explains ICRC CEO Angelo Gnädinger. "Compared to other organisations, we therefore have a strong advantage." Shortly after the catastrophic earthquake in Pakistan last autumn, for instance, Gnädinger, in cooperation with ICRC President Jakob Kellenberger, was able to approve CHF 50 million after just a handful of telephone calls.

The ICRC has offered generations of adventurous Swiss graduates the opportunity to gain experience abroad. Surveys show that the relief organisation is still among the top ten destinations of Swiss graduates when they embark on their careers. However, the ICRC actually needs fewer and fewer people who stand out for their social commitment. Rather, it requires hard-headed administrators. Specialists are in demand, for instance logistics experts, 140 of whom are active in crisis regions all around the world.

These experts coordinate operations in 300 warehouses, move hundreds of lorries and manage a fleet of 15 aeroplanes, including crews, that the ICRC has hired on a permanent basis. There are good reasons why the Geneva-based organisation prefers to meet its transport requirements from start to finish itself rather than outsourcing them to globally active specialists: "If you work in Chechnya, Somalia or in the eastern part of the Sudan, you cannot rely on the big transport companies," says Thierry Fournier. "In conflict zones, we have to rely entirely on ourselves."

Fournier and his colleagues not only solve complex transport tasks, often under precarious safety conditions. They are also responsible for managing the supply chain, for example purchasing standard humanitarian business goods such as cooking sets. In 2004, the ICRC distributed a total of around 250,000 of these simple tools, which are essential for survival in disaster areas. The cookers are purchased according to the rules of the globalised markets. To start, a tender is published in the "International Herald Tribune". Normally about a dozen manufacturers from a whole range of countries, for example Egypt, India or Poland, reply to the tender. The individual offers can vary between USD 15 and 25 per set. No compromises with regard to quality are permitted. The sets must meet precisely formulated specifications. And after manufacture they are tested in European laboratories.

For some time, not only quality and cost criteria have played a part in the contract award. "We used to just visit the factories of our manufacturers ourselves every now and again," says Fournier. "Now we are gradually introducing parts of the SA 8000 standard." These regulations, which are moni-

tored by inspection companies, are intended to prevent child and forced labour and to ensure that minimum conditions of hygiene are adhered to.

#### Exchange of experiences with major Swiss companies

In other areas, the ICRC took the clean record of its partners very seriously right from the outset. Last year, the organisation launched a partnership with major Swiss companies that were all first checked for ethically correct behaviour by a ratings agency. So far, the group has seven members, including ABB, Roche and Swiss Re. The objective of the new initiative is not only financial support but also to exchange experiences in areas such as risk management. "In the assessment of risks, many companies choose a top-down approach; but we prefer to use the analyses that the delegates make in the field," says Gilles Carbonnier, who is responsible for contacts with the corporate world.

For example, one of his concerns is that the knowledge of Roche specialists about dangerous counterfeit drugs could find its way to ICRC's pharmaceuticals purchasers. Conversely, the major companies of the so-called Corporate Support Group are showing interest in the ICRC as a temporary employer. In the context of corporate volunteering, which has also recently become a topic in Swiss companies, temporary work assignments for socially committed employees are highly sought after. The ICRC is convinced that business and humanitarian organisations can profit a great deal from one another. //

# Seniors. The trendsetters of the future.

In a few years, the majority of the population in Europe will be over 50. Never before have older people had so much money – and never before have they been so self-confident and discerning! The demands of this target group represent a whole new market.



“The new senior citizens will radically change our society and our markets.”

Karin Frick,

head of research,  
GDI, Rüschtikon

Modern architecture and a forward-looking concept: The retirement accommodation company Tertianum offers assisted living with services tailor-made to individual apartments.





“The so-called Generation Gold will put its faith in more mature and more experienced financial consultants.”

Beat Bernet,

Director, Banking Institute of the University of St. Gallen

Text: Bernhard Raos, Franziska Zydek  
Photos: Markus Bertschi

“The new senior citizens are the next big thing that will radically change our society and our markets,” says Karin Frick, head of research at the Gottlieb Duttweiler Institute in Rüschiikon, near Zurich. Her study, “The Gold Generation: how values, wishes and lifestyles change between 50 and 80”, examines attitudes towards life and the consumer behaviour of senior citizens. It reveals a new approach to retirement. In contrast to the past, more and more people are behaving differently than expected for their age group. According to Frick’s findings, “The new senior citizens have money, know what they want and not only know the price but also the value of things – they decide and consume accordingly.” The statistics speak unequivocally. Worldwide, the number of senior citizens is growing at a rate of 8 million per year; in 2030 it will be around 24 million per year. Western

Europe is growing old fastest – with the highest share of the population of people over 65 in the world. Beginning in 2010, these age-group dynamics will accelerate like never before as the so-called baby boomers – the products of the high-birth years of the post-war period – reach retirement age. Today’s 65-year-olds will continue to age over the same period, for demographers are predicting a life expectancy of 80 plus for them. Already in a few years’ time, most of the people in Europe will be over 50. Up to now, demoscopic scenarios of the future have generated hardly any response in the corporate world, says the researcher. “There is a lack of creative ideas for opening up the market to this new and huge age group.” The mobile phones and cars for senior citizens launched up to now are simply not sexy enough for the target group. Indeed, the senior citizens of tomorrow are self-confident and highly discerning. After all, their generation fundamentally changed society in many ways – from the movement of ’68 through Woodstock and emancipation to the patchwork family. Now they are lining up to reinvent old age too.

#### Banks need to rethink

In some sectors, visionaries are seeing a paradigm shift on the horizon. Take Beat Bernet, director of the Banking Institute of the University of St. Gallen. He anticipates that the demographic changes of the next 15 to 20 years will be a great challenge to providers of financial services. “For the first time, banks will be confronted with a generation of customers who are very well acquainted with financial matters. At the same time, issues of investment and social security are becoming ever more complex.” According to Bernet, those who have lived through stock market crashes and followed the debate over pensions will expect “the bank employee to be a competent discussion partner and not just a seller of products”. It is already clear that today’s 40- to 50-year-olds will also spend the wealth they have saved at some time in the future.

“In future, strength training will be as natural as brushing your teeth.”

Werner Kieser,

CEO of Kieser Training



This means a lower rate of savings for the banks; their refinancing will become more expensive, and their margins will come under pressure. If capital from social security is used up and shares are sold, that will affect the stock market.

In general, senior citizens invest their money more cautiously; the demand for products with risk protection is growing. Bernet foresees that “banks need to transform themselves from product-oriented organisations into consulting organisations – and their employees need to age and grow with their customers.” In future, inexperienced young consultants will hardly be able to successfully serve an ever-discriminating generation of senior citizens. Education and further training are therefore on the list of priorities for banks even today, in addition to customer segmentation and adaptation of their service portfolios. Is the industry getting the message? “Unfortunately, these issues are currently given much too little attention,” laments Bernet.

#### The market for health is booming

The new senior citizens will not only invest their money differently, they will also spend it differently. “In future, fewer products will be sold, and instead, more services will be requested. With their altered consumer behaviour, senior citizens will set new trends,” says Frick. One of these trends is already emerging. The successful “Generation Gold” also want to age successfully. Health and performance until a ripe old age is the maxim, and resources that facilitate these goals are booming. In 2004, the Swiss medical technology sector increased its sales by 22.6 per cent; the five biggest companies in the sector achieved sales of CHF 4.2 billion. Initial figures are already available for 2005: Synthes increased by 34.7 per cent, Nobel-Biocare by 25 per cent; Actelion’s nine-month figures indicate

a plus of 40 per cent, Straumann increased its sales by 21 per cent and Phonak is expecting a plus of 19 per cent. The sector is buzzing – in 2006 too, the objective is double-digit growth.

That the individual paths to fitness in old age are also booming has been noticed by Werner Kieser, founder and CEO of the training chain of the same name. At the age of 65, strong as a 25-year-old and training twice a week, he himself is the best advert for his 148 centres in Europe, Australia and New Zealand, which boast more than 280,000 customers. Kieser’s market potential is on the increase. Today, already more than half of his customers are older than 50; the oldest is 98. His training is probably “unintentionally geared to the target groups”, comments Kieser, because he wants to address all age groups. Kieser detects a change in attitudes in medicine: “In the past, you were told to do some exercise. Today, the aim is to strengthen your body.” The message has caught on among



**“Conveying values is more beneficial than making a quick change.”**

**Freddy Burger,**

show and gastronomy manager

the new senior citizens. What do the older customers like about Kieser training? “The focus on the essential,” says the boss with conviction. His centres offer exclusively strength training on sophisticated machines and, where necessary, under a doctor’s supervision. There are no exotic lighting consoles and no animation accompanied by music. His success proves that Kieser is right.

#### **New residential concepts are in demand**

Residential living is a trend topic of the future. More and more people would like to live longer within their own four walls. Tertianum AG has its finger on the pulse of these requirements. The “retirement accommodation” company invests in real estate for senior citizens, runs its own properties for senior citizens as well as those of third parties, and offers services for old age. Founded in May of last year by the Helvetia

Patria Group together with Swiss Re, Zürcher Kantonalbank, and Silvia and René Künzli, it runs six of its own residences for senior citizens in addition to nine rented properties. The houses, some of which are newly built, are of first-rate architectural quality, with spaciouly designed, highly modern living space in top-class locations. Depending on the house, any of a number of services are part of the infrastructure: indoor swimming pool, fitness centre, leisure and event facilities, laundry and cleaning service, restaurant and support, depending on requirements, up to residential care. The CEO, Hans-Rudolf Blöchlinger, wants to make a decisive contribution to shaping tomorrow’s accommodation market for senior citizens: “In addition to the 15 Tertianum residences, as part of a new residential concept we will soon be offering apartments at the going rental price of the respective locations, with a modular system for a range of services that is tailor-made to individual requirements. We want to create a quality of life in old age that is as high as possible and that can be individually experienced,” says Blöchlinger. The company’s

own development group is considering pilot projects on the topic of a new old age, for example universities for senior citizens. With its 1,100 employees, Tertianum AG is the market leader in Switzerland. Because all the separate partners were integrated into one company only in 2005, the president of the board of directors, Urs Oberholzer, is reticent regarding figures: “The value of all our own properties is about CHF 300 million; we will have a positive financial statement.” Oberholzer is not worried about the future of the company. “Our society is changing from a youth market to a senior market, where we are ideally positioned.”

#### **The trend topic of recreation**

With regard to quality of life in old age: “The market for meaning and transformation has hardly been recognised up to now,” says GDI head of research Frick, who has detected a “great need for intellectual



“We are ageing differently than in the past – more individually and with fewer obligations.”

Abbot  
Daniel Schönbacher,

Benedictine abbey at Disentis



topics, philosophy of life and spiritual added value.” According to Frick, there is future growth potential for companies that are able to meet this new demand for meaningful self-determination and flexible planning. Recharging batteries within the walls of a monastery, for instance, is already very popular today. Currently, the customers of Abbot Daniel in the Benedictine abbey at Disentis include people of all ages and professions. As a trainer of adults, he offers individual psychological and spiritual support. His seminars on behalf of the ZfU International Business School, near Zurich, are frequented above all by people aged around 40 who want to progress further in their careers. In contrast, the option of staying temporarily in the monastery is a choice of both retired professors and younger people. “Today, we are ageing differently than in the past – more individually and with fewer obligations,” says the 63-year-old monk. In the past, people were integrated; today people no longer belong anywhere

properly. Perhaps this is one reason for the increasing search for values.

This assessment is also shared by Freddy Burger, owner and head of the Freddy Burger Management Group. The Zurich company, with some 350 employees, has gained a reputation over the last 30 years by virtue of successful interactions between the core areas of artist management, event management and catering management in the music and entertainment scene. “The music business is one of the big money-making machines of the global economy,” says Burger. “Those who want to stay at the top here over the long term need to be able to credibly uphold certain values.” Burger knows what he is talking about: His star Udo Jürgens fills halls today just as he did back in 1977 – when the two began their collaboration. This year, the 71-year-old singer will give 80 concerts for more than 400,000 fans and thus sell the most tickets in Germany of any world star. His manager is convinced that “those who can offer organised leisure in future in such a way that consumers feel a sense of belonging and security will be successful.”

Freddy Burger intends to remain in the running with his business for a long time to come. The 60-year-old producer believes he will continue to be able to detect trends at an early stage. After all, he says, everything is just a matter of experience – even recognising quality.

With this assessment, trend-sensitive Burger has touched on the nerve of his generation. As Karen Frick writes in her study of the Generation Gold: “Those who already have everything are not easily seduced by ‘faster’ and ‘cheaper’ and generally know whether ‘better’ really is better.” According to Frick, whereas the requirements of young people have been thoroughly analysed by marketing and advertising, the opening up of the senior market is only just beginning. Her conclusion? “The challenge to business, marketing and advertising is to grow with this new target group.” //



The Islamic Republic of Mauritania borders the Atlantic and is surrounded on three sides by desert. The health care of its largely nomadic population is financed with assistance from the Global Fund.



## Mauritania: Scaling up, reaching out, getting ready.

Mauritania, on the west coast of Africa, is a country of unexpected contrasts: bounded on three sides by trackless desert, the country has a land mass comparable to Colombia, but its population is the size of Oman's, with a society which is both highly rural and nomadic. This makes it difficult to efficiently implement national health initiatives, particularly among population groups which are both small and widely scattered. Malaria has been a national priority for the Mauritanian government since 1997, when it introduced its national malaria control programme. With Global Fund monies, Mauritania was able to train 40 doctors in private practice and 400 public health professionals in prompt and effective treatment of malaria, while 300 community

health workers received training in dealing with non-complicated cases. Twenty thousand insecticide-treated bed nets were purchased, and a large number of information and education kits were also distributed as part of the scale-up.

Mauritania's tuberculosis grant focused on expanding DOTS treatment across the country: to this end, 60 health centres and hospitals were covered by the DOTS strategy, and 60 additional screening and treatment centres were equipped with operational laboratories, including both equipment and staff. One of the key elements of the tuberculosis plan involved community outreach in order to educate local populations and reduce the number of treatment drop-outs from 32 to 15 per cent. Mauritania is now getting ready to expand its national HIV/AIDS programme with the help of its grant from the Global Fund. This grant will provide for education of vulnerable populations, including voluntary counselling and testing, peer education programmes and prevention activities

implemented by local NGOs. Another component of this grant will focus on providing free treatment to those living with HIV/AIDS.

### [Active for the Global Fund](#)

To ensure that the funds of the Global Fund end up in the right channels and that the financial transactions are monitored and documented, Local Fund Agents (LFA) have been contracted all around the world. PricewaterhouseCoopers has taken on this task in many countries of the world, among them Mauritania. //

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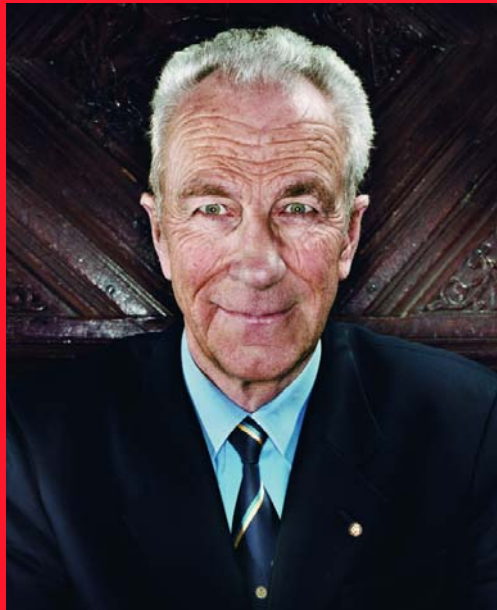
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# ceo\* forum/reality vs. appearances



**J. N. Schneider-Ammann**  
“You don’t get very far by bluffing. Reality must be sought, whereas it is better not to go looking for appearances.”

06



**Hanspeter Danuser**  
“It is no accident that St. Moritz regularly claims a top position in international rankings of the best holiday destinations.”

08



**Claudia Steinfels**  
“Some people collect art because owning art is in vogue, others do it because it is both an obligation and a need.”

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