ceo*

The magazine for decision makers. sept./oct. 2006

Competition. Get the look! The right design determines success.
Technology. Integral Science Data Centre – the Swiss listening post in space.
Growth. Raiffeisen – why the whole is greater than the sum of its parts.

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Being open to novelty and willing to tread new ground is essential for embracing change as an opportunity and profiting from it.

Dr Markus R. Neuhaus,
CEO PricewaterhouseCoopers, Switzerland

Today, growth heads the list for companies and managers in Switzerland. We see a similar picture in many places: savings potential has been located and exploited; ensuring compliance is no longer a threatening worry. In short, the house has been tidied up and consolidated. Because the overall economy is growing again, the question is now that of above-average growth – stronger than the competition. But where will this growth come from, and how?

Planning future growth

To the question "where?" the answer frequently is globalisation. Companies are becoming international and opening up sales markets on every continent. The answer to the question of "how?" can be found in the M&A market. The search for attractive acquisition objects or strategic partners is more intense than it has been for a long time. The ubiquitous discussion about innovation, too, is an indication of our preoccupation with future growth. But both innovation and growth spring from the same essential source: curiosity. Being open to novelty and willing to tread new ground is essential for embracing change as an opportunity and profiting from it.

One of the greatest challenges we face is the increasing complexity that accompanies change, both within companies and in their environment. Here, CEOs are constantly tested as drivers and models, as simplifiers and signposts in a daily jungle of complexity. And this under the increasingly attentive and judgemental gaze of the outside world. Shareholders, legislators, analysts and the media expect companies to pursue a responsible strategy geared to long-term value creation and to guarantee effective management. Stakeholders demand that laws be observed in all territories in which a company operates and that economic crime be met with firm action. They insist on transparent and morally irreproachable tax conduct, and values-based corporate management and reporting.

Setting clear priorities

These topics, of immense importance for CEOs, are covered in our PwC Spectrum, starting on page 26. Just as a foretaste: In managing exposure to change, companies need to set clear and decisive priorities that are embraced by all levels of their organisation.

The other articles in this issue of ceo* deal in the widest sense with the changes taking place around us. In our Forum, four quite different managers describe how they personally cope with the conflict between tradition and innovation. And in an interview on page 42, Maria Cristina Bombelli, lecturer at the SDA Management School Bocconi in Milan, talks straightforwardly about her research findings on the subject of diversity – another important aspect of societal change. "We champion people who share the same values, opinions and ideas as we do. It is difficult to accept anything that is different – but that is the very essence of diversity," says this scientist. And in so doing, she gets at the real issue underlying these diverse topics: our own attitudes to change.

Whoever meets change with curiosity can more easily overcome barriers, solve problems and exploit opportunities.

I wish you a stimulating read.

Markus R. Neuhaus

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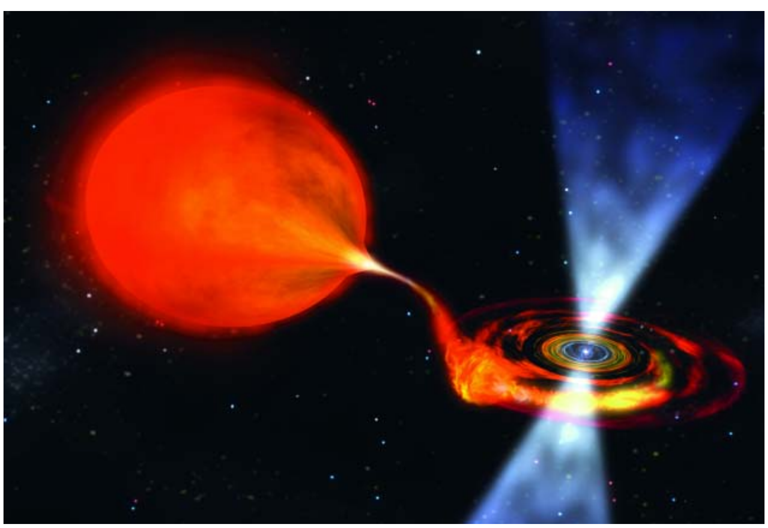

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Caroline Gruosi-Scheufele: The jewellery market is eager for innovation! People who like special things and have the money to afford them are highly discerning.

Caroline Gruosi-Scheufele (44) is co-president and creative director at the Geneva-based watch and jewellery maker Chopard and, together with her brother co-president Karl-Friedrich Scheufele, responsible for marketing.

Gold, precious jewels and diamonds needed ages to develop, and they will outlast us all. For thousands of years, they have been objects of desire, the symbol of beauty and power. The jewellery trade has been around for as long as there have been women.
I also feel personally part of this tradition. In 1860, the foundation stone of the Chopard watchmaking factory in the Swiss Jura was laid. Round about the same time, my great-grandfather, Karl Scheufele, began to make watches in the Black Forest. My parents bought Chopard in 1963; my brother and I are fourth-generation watch and jewellery makers. In the luxury goods industry, growth is not possible without courage and entrepreneurial spirit, because the expectations and requirements of customers change very rapidly.
The jewellery market is eager for innovation! People who like special things and have the money to be able to afford them are highly discerning. The manufacturer who manages to launch a particularly high-quality, refined innovation on the market can profit from it long-term. Chopard has managed to do this several times, for instance with its "Happy Diamonds" collection. Inside the casing, diamonds move freely around the watch itself – a global innovation!
However, in our company innovation does not mean regularly reinventing yourself from scratch. In the jewellery sector, for example, we can develop our creativity by building on the foundation provided by tradition. The new collections are a supplement and an extension of our range of products; every collection that proves its worth will become a classic some day. And if it maintains its appeal for even longer, it will one day become part of tradition. With this principle, we are following the life cycle of our clients, for we want to inspire an elderly lady just as much as a young businesswoman who is buying her first brilliant ring.
I travel a lot and keep my eyes open in every country I visit. This provides me with inspiration for new collections. Often, I already know in the design phase which customer segment a new line will address and what the marketing needs to be like. I also regularly visit our boutiques all over the world and have a very precise knowledge of grass-roots requirements. Once I was in New York when a lady came into our boutique with her dog. She was immediately offered a drink. "And the dog?" I asked. It turned out that we didn't have any container to put some water in for the dog apart from an ashtray. So I developed the "Happy Dog" dog bowl – of course a very fine, Chopard-like one with movable golden bones – and opened up a market niche in the process. Details like this are also trend setting and are perceived by our customers as being innovative.
In the watch sector, our greatest innovation to date was a return to tradition. When my family took over the company, Chopard was producing a lot of individual parts itself but not the elements for the watches. In 1996, we produced the first of our own watches; since then we have been able to call ourselves "makers", a title that is reserved only for companies that produce all the individual parts of their watches themselves. In contrast to other companies that are intensifying their outsourcing activities, we attach great importance to insourcing. Chopard also possesses its own gold smelter and produces its own alloys.
We are forging totally new paths in marketing. We are a sponsor of numerous VIP events, and one of these events is the film festival in Cannes that we have been supporting very actively for nine years now. This sponsorship makes it possible for us to have the most beautiful ambassadresses of our jewellery walk down the red carpet on the Croisette. Quite simply, a fabulous collier looks more dazzling around the neck of Penelope Cruz than it does on a velvet cushion in a shop window!
In the charity sector too, we are working together with the world's most famous celebrities. We have been developing limited editions of exclusive watches for the José Carreras Leukaemia Foundation, The Prince's Foundation of HRH The Prince of Wales and the Elton John AIDS Foundation. Part of the sales revenues will benefit the respective foundations.
All in all, Chopard is represented at around 250 events a year, often by a member of our family. Next week, I will be flying to Kazakhstan. A label like Chopard is part of the new attitude to life of many people in the emerging countries too. They want the real thing, and that means the best. //

Photo: Tom Haller

Werner Augsburger: Even when you are on top, yesterday's innovation can be tomorrow's tradition, and needs to be questioned once again.

Werner Augsburger (48) has been the chef de mission and chief coach of the Swiss Olympic Association, the umbrella organisation of the Swiss sports associations that represent Olympic and non-Olympic sports, since 1999.

Sports are emotional. Ultimately, it's all about inspiring people through top performance. But individual traditional sports have lost some of their shine. We need to find new competitive formats for these sports that can captivate spectators again. One success story for example is the marathon. International city marathons have made the marathon an event that attracts spectators on a large scale. And thanks to beach volleyball, volleyball has been able to reach a level of popularity that was previously unknown for indoor volleyball in Switzerland. Innovating the system of competition can give new momentum to a sport.
For some people, innovation in sport means a determined search for new and clever means of doping. This is a type of innovation we clearly want to distance ourselves from and combat. Technical innovations, too, are a double-edged sword. Of course athletes need the best equipment to be successful in competitions. But how far do you go? For example, to create a level playing field, from the 2006/2007 season onwards all bobsleighs in the bob competition will be made of standardised steel. Even then, rich countries will still invest a lot of money in research and development, and come up with more innovative designs.

Sport requires a constant, delicate balancing of tradition and innovation. It is part of the nature of sport that it demands ever more innovation within traditional rules and boundaries to facilitate peak performance. In sport, you need to have the courage to regularly question traditional values. It requires lateral thinkers, people who can look at things from many different perspectives and are successful in the process. But even when you are at the top, yesterday's innovation can be tomorrow's tradition, and needs to be questioned once again. That is why constant analysis is necessary: What have the success factors been in the past? What needs to be done to meet the requirements of the future? This dynamic in sport is intense, and it exacts a great deal of individual initiative on the part of trainers and athletes.
The associations (at both the international and national level) also need to actively seek new avenues. As already mentioned, they have to keep their sports attractive. At the same time they must consider what is necessary to promote and support successful athletes – both today and tomorrow. The larger associations in Switzerland are now professionally organised and have effective operations. In the smaller associations, a great deal of importance is still attached to tradition; most of them have an unsalaried management structure. New ideas tend to bump up against a "but we've always done it like this" mentality. It is not easy to change this situation. But for all parties, professionalism must be paramount.
In Switzerland, much importance is attached to traditional sports such as downhill skiing and football, and these sports attract a big audience. Having said that, we also have a tradition of innovative and newer types of sports such as snowboarding, mountain biking, beach volleyball and triathlon – what's more, we've been among the top players in these sports for years. But our neighbours have been catching up, and now is the time for us to show them whether we are creative enough to maintain our lead. And our funds to do that are limited. Indeed, allocation of funds is a hotly debated topic. Which sports should we provide greater assistance to – the trendy new ones or the traditional ones? At the moment we are providing assistance according to a defined system of funding that I think is fair because the same criteria apply to all. However, some people feel that more funding should be given to traditional sports to make them more attractive.
Time is always a factor in innovation in sport. When Swiss Olympic set out tougher targets for the Olympic Winter Games in Turin than for Salt Lake City (2002), many people privately had reservations. Yet because Switzerland succeeded in capturing 14 medals, next time it will be easier to select athletes according to strict performance criteria. And that of course raises the perennial question: How quickly should the innovations be implemented? Overnight? Or gradually, so that all those concerned can get used to them? In sport, it is extremely difficult to speed up innovative processes, even if everybody agrees with them. The commitment to innovation alone is not enough. It also requires the will, determination and courage to implement it. //

Photo: Noë Flum

Geneviève Morand. We have to keep asking ourselves over and over again the fundamental question: Does our business model still make sense?

Geneviève Morand (45) is the founder and CEO of Rezonance, the Suisse Romande network of business people, with headquarters in Geneva. She has created SwiTi – Swiss Talents for Innovation – and publishes a yearbook of Swiss innovation award winners.

We live in a time of great upheaval. Probably the most drastic change is that today we work in real time – at the speed of thought, so to speak. If someone in a company has a brainwave today, it has to be implemented tomorrow. In such a world, it's no longer about being able to manage change.
Change now has to be the norm, rather than the exception. Turning things on their head changes our perspective of our world and has a huge impact on the organisation of companies. Hierarchies, for instance, are becoming ever flatter, and many companies are outsourcing their activities to such an extent that the only thing they conduct themselves is their core business.
The greatest obstacles in the way of achieving permanent innovation are those in our minds. People are reluctant to embrace change; they have a need for security. That is only because they are afraid. People who are free, who set themselves no boundaries, will no longer see change as a threat but rather as something positive. Consequently, if we want to encourage our ability to innovate, the first thing we need to learn is how to overcome our fears – for these are the emotions that hold us back.
We are living in an increasingly complex world in which problems are no longer controllable. We can only survive in that environment if we recognise that we are unable to hold the key to every problem in our own hands. Networked thinking is required. Business people need to learn how to function in networks. The strengths of the future are the art of encounter and human curiosity. To survive, we depend on intensifying our interactions with other people – the ability to approach people is becoming an essential competence.
Innovation does not mean simply reacting. We need to cultivate change. At Rezonance, for instance, all of us changed our offices not once but twice in 2005 – something like that clears your head for new challenges. Every year, when we organise the Swiss Innovators Gala and publish the SwiTi Yearbook, we always proceed as if we were dealing with totally new products.
Everybody's talking about innovation today. Politicians in particular love this term – it can mean everything and nothing. Many people speak of change, yet only very few actually practise it. What we need is a management of mobility, for it is not sufficient for companies simply to undergo continuous improvement. We have to keep asking ourselves over and over again the fundamental question: Does our business model still make sense? A genuine break from what has gone before is required. An example of a company that has ventured a radical break is IBM. It moved away from PC production and focused on services and consulting – reinventing yourself like that requires courage.
On paper, the prospects for Switzerland's innovative ability look good. Various studies show that, based on the number of patents per head of population, we are among the most innovative of nations. However, the great difficulty lies in turning this wealth of technical ideas into successful products. Our weakness is implementation, in other words, the path from the idea to the market. This difficulty is due not least to the values that Switzerland conveys to its young people. First and foremost, it's about security. Security does not meld well with a willingness to take risks, a characteristic that is an indispensable part of an innovative mindset. For this very reason, we have created SwiTi – Swiss Talents for Innovation. Our aim is to show examples of Swiss citizens who, as heads of their own companies, have taken risks. And done so successfully. As role models, these people have a huge responsibility; they hold the key to the innovation-friendly Switzerland of tomorrow. //

Photo: Markus Bertschi

Ulrich Körner: Tradition and innovation are complementary, mutually dependent factors for building long-term corporate success.

Dr Ulrich Körner (44) has been a member of the Executive Board of Credit Suisse since 1998. He was named CEO of Credit Suisse Switzerland at the start of 2006.

Innovation is the engine of progress, and the primary driving force behind the advancement of humanity. Innovations are arriving at an ever faster rate, and their shelf-life is increasingly short. Stand still, and you're out. With one innovation following hard on the heels of another, it's all too easy to forget what's been handed down to us, and our awareness of tradition risks fading away. But a positive relationship with our heritage helps us create our identity, and underpin our collective memory: where memory is absent, we lack the necessary experience to draw the right conclusions from history and to bring to market innovations that correctly anticipate future developments. To be sustainable, innovation has to be rooted in experience. Tradition and innovation are not, therefore, polar opposites: in fact, they are two complementary, mutually dependent qualities – qualities on which the long-term success of a business is founded.

On the occasion of its 150th anniversary, Credit Suisse is reminded of the achievement of its founder, Alfred Escher: the Zurich-based economic and industrial trailblazer – who set up Schweizerische Kreditanstalt in 1856, almost as a sideline to the financing of a railroad network designed to cross the Alps – literally laid the foundations of a modern future with the innovations he pioneered. He recognised Switzerland's basic infrastructure needs, was able to pluck ideas out of thin air or pick up on those that had already been successfully implemented elsewhere, and make them a reality here too. Thus he threw his weight behind the founding of the Swiss Federal Polytechnic (now Zurich's FIT), created the first life insurance policy with Swiss Life, and ultimately built the Gotthard railroad – the crowning glory of his life's work. Escher was an extraordinary phenomenon, and a stroke of luck for Switzerland: through his desire to innovate, he also laid the foundation stone for the 150-year success story of Credit Suisse.

The Escher era was a time of optimism in Switzerland, and a period of change – just like the present age. Then, as now, change was driven by technical innovations. These days the change to our economic structures is primarily the result of innovation in information technology and telecommunications – and on a much greater scale than would have been thought possible until only recently. This globalisation of markets due to rapid technological development is transcending all existing economic borders. Despite coming from a small home nation, this gives us – as a bank with a global focus – the opportunity to work right around the globe with the widest variety of people from all countries – be it Asia, Europe, the Americas, or Africa.

Like Alfred Escher, we are constantly focused on identifying future market changes, interpreting them, and exploiting them for the benefit of our business. Like Escher, we seek to attract the best people, to constantly have our finger on the pulse of our markets and customers, and to respond to changing circumstances and needs with intelligent solutions. Thus Credit Suisse has repeatedly set new standards for the services and advice it provides, and continuously strives to build its expertise on behalf of clients. Since the bank was founded, we have systematically sought to combine the widest variety of specialist knowledge, cultures, and philosophies – all with the creation of a strong, integrated bank in mind. For 150 years, Credit Suisse has made innovative strength part and parcel of its tradition – by consistently driving innovation, but at the same time adhering to its unwavering fundamental principles. We see tradition as something that's very much alive, and should be passed on rather than discarded.

It takes courage to replace the old with the new – courage to innovate. Having that courage is vital for Credit Suisse, if it is to continue its longstanding tradition of innovation in the future. We shall be mobilising all our forces to ensure that happens. Businesses that know how to use innovation to achieve success also know not to be discouraged when they make a mistake, and instead know to focus on their next innovation. The key is to ensure changes are accompanied by creativity and innovativeness, and to show determination – just like Alfred Escher, in his day – so that tradition can be continued.

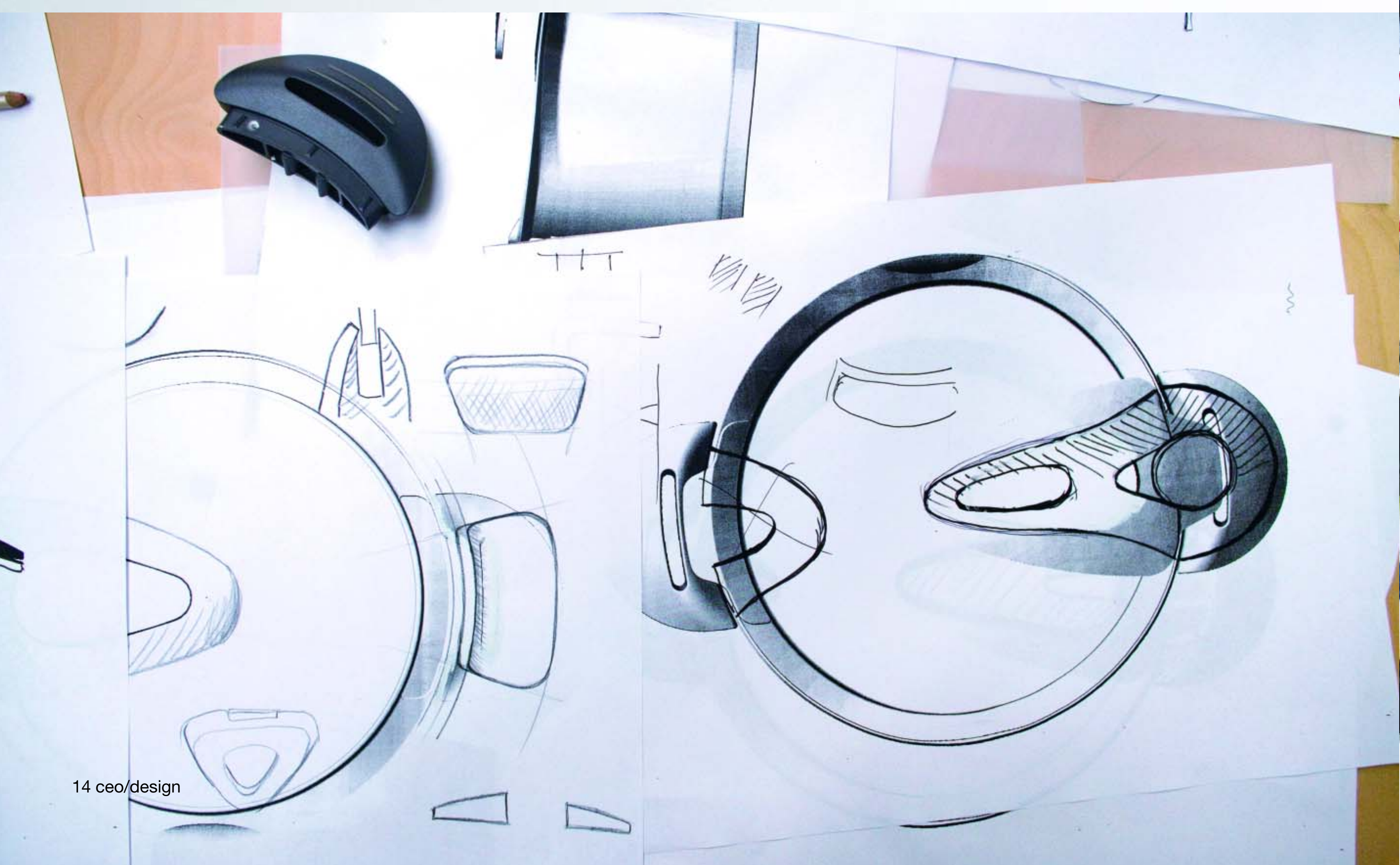
A tree that is always seeking to grow, and continually sprouting new branches and leaves, will need strong roots. Tradition and innovation are the fruitful synthesis that will take us forward. //

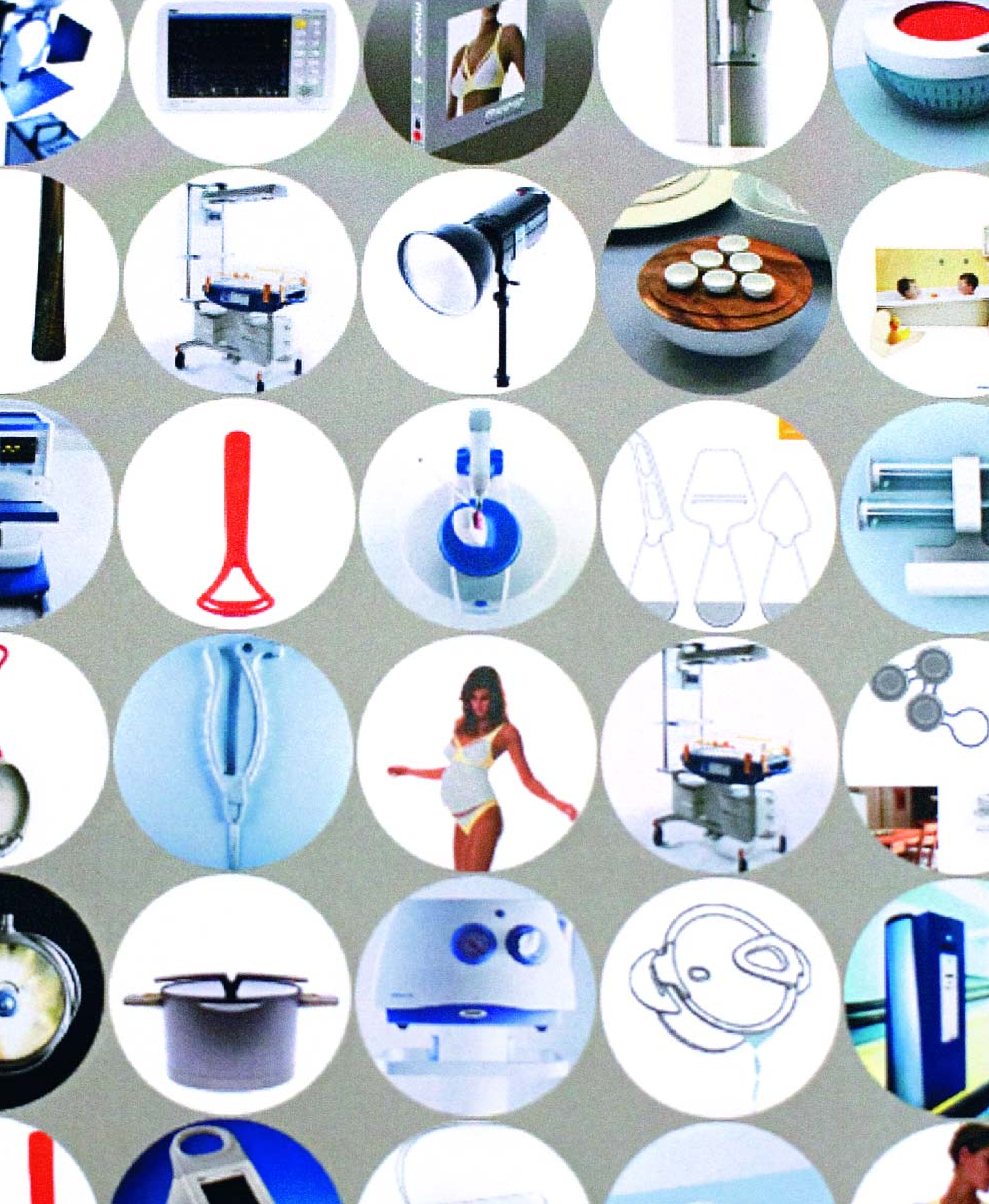
Photo: Thomas Eugster

Get the look!

Today, many products are technically mature and differ only minimally from those of the competition. Consequently, design plays an increasingly important role in the competition for market shares. The right form determines success. When it comes to creativity, Swiss companies are world-class.

Text: Corinne Amacher, Iris Kuhn-Spogar, Bernhard Raos
Photos: Roth und Schmid





At Milani Design, spontaneity is celebrated continuously. Today, in a former factory hall in Erlenbach ZH, a dozen designers are developing products tailored to perfection for major names in Swiss industry: analytical devices for Roche, for example, and hearing aids for Phonak. The owner, Britta Pukall, cultivates her style not only within her company but also in her dealings with customers. She helps them to discover the emotional side of their own enterprise. Together with her clients, the 40-year-old Pukall – who trained in industrial design and holds an executive MBA from the University of St Gallen – evaluates the current and desired image of the company and creates guidelines accordingly for the design of a product. “High-quality design is not only appealing from the vantage of form; it also conveys the messages and values of a company,” she says. “That is why design must be a part of the company’s strategy.”

Today, designers such as Pukall are no longer seen just as accomplices to industries that bring more and more needless products to market to achieve growth. Rather, they are recognised as genuinely creative entities “who open up new perspectives for business by helping to

Without creativity, a designer is doomed to imitation and repetition. And without technical know-how, ideas cannot be put into practice.

bring ideas to production maturity and to make innovations usable through design”. That is how the Swiss Design Network, an association of eight design schools, describes the profession. Scholars thus clearly distance themselves from the clichéd term that design has become, and from the associations that designer pans, designer jeans and designer toys evoke: expensive and pointless.

Helvetian design as a market factor

To illustrate the importance of the design industry to the Swiss economy, Christoph Weckerle at the School of Art and Design Zurich (HGKZ) cites some impressive figures. For example, within Switzerland, 4,900 firms earn their living from design contracts from Swiss – and increasingly foreign – companies. Sales for 2000 amounted to CHF 5.6 billion. “In international comparisons, Switzerland has a high design density,” says Weckerle, who last November received the Design Prize Switzerland for his study.

The high design density in Switzerland has resulted in Helvetian design gaining international renown. In the 1960s and 1970s, Switzerland was internationally important for its font designers and graphic artists. Classics such as the Maggi bottle, the Swiss army knife, the Toblerone chocolate bar and the riri zipper also became sought-after articles around the world. Today, with well-designed high-tech products, Swiss industry is showing that it, too, has entered the 21st century. Logitech, located in the French-speaking part of Switzerland, is a world leader with its peripheral devices for computers – mice, keyboards, Web cameras and controllers. More than 100 innovations are launched onto the market every year; 5 per cent of sales go into research and development of innovations. Lifts from Schindler, precision scales from Mettler-Toledo and the Nespresso coffee system from Nestlé are further examples of Swiss companies that have acquired a global reputation through innovative design.

How do you develop a product that reflects a particular zeitgeist? “The keys to success are culture, creativity and technical know-how,” says Pierre Keller, director of the Ecole cantonale d’art de Lausanne (Ecal). Without a cultural background, it is impossible to grasp the spirit of the times. Without creativity, a designer is doomed to imitation and repetition. And without technical know-how, ideas cannot be put into practice.

New products with a revolutionary look

A few years ago, Roche Diagnostics, the global leader in diagnostics devices, faced the problem that as the result of numerous takeovers, its product range had lost its identity. Workshops with Pukall defined the values “pioneering spirit”, “intelligence” and “sensitivity”, and the new laboratory devices were designed to embody these values. Today, the devices have user-

Britta Pukall, the owner of Milani Design: “The majority of purchasing decisions are made for emotional reasons.”

“Good design makes sense: formally, functionally and emotionally.”

Design pioneer Jörg Zintzmeyer[1] explains what makes a brand – and how corporate design can make the values of a company visible.

What makes a brand a brand?

Three simple principles: First, the brand has to reflect very clearly defined values, of which there should be a maximum of three. Second, the brand presence must be the same the world over so that the products and services are recognisable. Third, the world of experience that a brand and a company represent must be consistently and constantly refreshed and cultivated.

Where does the formula come from?

It is my entrepreneurial mission, so to speak. If design is to have an impact, I have to consider beforehand what impact it is intended to generate.

What is good design and what can it accomplish?

Good design makes sense: formally, functionally and emotionally. In my opinion, this also applies to corporate design. It provides good service: it makes a company’s offering recognisable, provides context and differentiation, reflects values and thereby creates identity.

Is it still possible for a globally active company to achieve identity through visual presence?

Yes, it’s possible. But it’s much more difficult than in the past. In a global company, communication varies in the individual markets, and so does some of the brand management. These centrifugal forces can cause a brand to lose its homogeneity, in terms both of content and of form. That’s why developing value-oriented brand management has always been a pivotal concern of mine. It is important to define values and rules and to orient all activities accordingly over the long term. This means that creativity will be organised and channelled in a meaningful way.

What can corporate design hope to achieve when public perception is focused on the behaviour of the CEO?

The CEO’s behaviour must not be in conflict with the brand. The brand should be so powerful that it attracts the right CEO and the right employees. Only in this way will the company attract people who identify with its values.

Can you give me an example?

BMW. They managed to recruit managers who identify totally with the company.

You created a new image for the construction group Implenia. The logo is a daisy on a black background. What did you want to achieve with this design?

Implenia is much more than a construction company; it is about planning, creating, using and managing property. A strategic requirement of the new image was to avoid evoking the idea of dirty work. We wanted to give the company a fundamentally different positioning from competitors, and so the focus was not on technocratic performance but on human relationships. You live as you have built. We were looking for a symbol for life. To convey that Implenia stands for solid craftsmanship, we set the flower against a black background.

Would you say that Implenia is an example of modern branding?

The brand is a pioneer for what the product is intended to be. It also makes clear to the employees that their company is no longer what it once was. In three years’ time, nobody will get excited about the little daisy anymore. And don’t forget: we generated a great deal of money-saving publicity in doing so. A lot of money. I see it as a part of my job to bring about such worthwhile changes.

[1] In 1972, Jörg Zintzmeyer founded his agency for corporate identity in Zurich and paved the way for an entire industry. Zintzmeyer created identities for companies such as BMW, Deutsche Telekom, Unaxis and Implenia. Although he sold his life’s work to Interbrand in 1996, he remained the brains behind Interbrand Zintzmeyer & Lux until his resignation at the end of March 2006. Today, at his new company, Originize, the 58-year-old specialises in brand protection.

friendly buttons, light instead of darkly tinted displays, and shimmering purple grip areas. "The design guidelines are an important strategic success factor for the future of our company," wrote then head of diagnostics, Heino von Prondzynski, when they were introduced.

Phonak is also contributing to the success story of Swiss design – with active support from Milani Design. For the second-largest hearing aid manufacturer in the world, Britta Pukall and her team developed the Savia series. Shortly after market introduction, it became the most successful hearing aid in the Phonak range. "Savia revolutionised the hearing aid industry," says Phonak boss Valentin Chapero. Whereas earlier models of Savia still looked like an implant, the new form and colour of the hearing aid give it the allure of an iPod accessory.

It is not only Swiss companies that are causing a stir abroad with design; Swiss designers are also highly sought after outside the country. The most famous of these is Martin Lotti, who as chief designer is responsible for the women's trainers collection at sports apparel manufacturer Nike in Portland. For example, the 31-year-old from Freiburg designed the yoga shoe "Kyoto" that was inspired by Japanese gardens, and the "Air Max 360", the first shoe with a full-length air-cushioned sole. Lotti's trademark is a small Swiss cross that he has inscribed somewhere on the sole.

Design vis-à-vis the success of a company

Numerous events add to Switzerland's image as a design stronghold. Since 2000, the St Moritz Design Summit of top European designers has taken place every year just before Christmas in St Moritz. And the Langenthal Design Centre, founded in 1987, has launched an event called Designers' Saturday whose reputation extends far beyond the country's borders.
The concept? Old established companies from Langenthal and the surrounding area, such as the textile company Création Baumann and the office chair manufacturer Girsberger (see company portraits), make their production halls available to furniture and textile companies from home and abroad for an exhibition. According to curator Sergio Cavero, Designers' Saturday aims to be an "information platform for trends and visions of design-oriented interior creation". The first time it was held, 19 years ago, 800 people attended.

Bringing ideas to production maturity: the Milani Design team at work.

The most recent event attracted 10,700. "Design is a phenomenon that has been constantly growing in importance since the beginning of the 21st century," says Pierre Keller, director of the Ecal. Design is omnipresent and has an increasing role to play in the competition for market share in a world in which many products are technically mature and very similar to one another. In a survey of several hundred Swiss companies conducted by the Swiss Design Network, 90 per cent of respondents stated that design would play an important role in the success of their company in the future. This increase in significance manifests itself not only in the growing number of design companies but also in the educational landscape in Switzerland. As in the past, when technical disciplines gave rise to engineering and medicine developed out of medical science, design is turning into a scientific discipline in Switzerland. This development is in part a reflection of the so-called Bologna educational process, which requires universities of applied science to place more emphasis on basic research. The process has already begun. At the end of it, Swiss designers will be academics, and the recipes for success from practical experience will become examination material for students. Proximity to the corporate world is already intensively sought and cultivated by the design schools today. "The transfer of ideas from theory to practice works very well," says university director Pierre Keller – and immediately supplies the proof of this himself. The customer list of his university includes companies such as Coca-Cola, B&B Italia, Nespresso and Swarovski. The School of Art and Design in Zurich, meanwhile, works for clients such as Novartis, Axpo and Glas Trösch.

Business needs designers and designers need business – and in light of the growing pressure from competitors, they are becoming increasingly reliant on one another. Designer Britta Pukall puts it this way: "The majority of purchasing decisions are made for emotional reasons. If two devices are technically the same, the difference that matters can be the design."

Business needs designers and designers need business.

Création Baumann:
A passion for materials.

“Between 200,000 and 250,000 tons of yarn every year are lucky enough to be made into material from Création Baumann.” The Langenthal-based family-run business advertises its products and services with confidence. “We are proud of our materials. And we have the drive to want to constantly improve,” explains Philippe Baumann, the company’s boss and the fourth generation of his family to hold this position.

The textiles company produces around half of its high-grade materials for furniture, wallpaper, blinds and shades itself. At the company’s headquarters, machines are still humming, and there’s a smell of dyes and yarn in the air. Despite high wage costs, this is an important competitive advantage for Baumann: “Innovation needs to be close to production. Otherwise a lot of know-how is lost.” The company fully exploits the potential offered by the materials and techniques it uses.

For example, it produces acoustic blinds that ensure noise insulation and attractive optics in the Zentrum Paul Klee in Berne. For Baumann, functionality and design must be a “harmonious fit”. An aesthetically attractive material is worthless if its splendour fades. The materials undergo extensive testing in the company’s own laboratory.

The company’s boss heads up the design team. This is important because the materials that are created also need to be sold. A change of colour and collection can soon run up several hundred thousand francs in costs. Création Baumann also continued to invest during the economically difficult years between 2001 and 2003. “We have positioned ourselves in the upper price segment where the customers justifiably have high expectations.”

Création Baumann in brief
Established: 1886
Headquarters: Langenthal, in the canton of Berne
Owners: the Baumann family
Employees: 270 (of which 210 in Switzerland)
Subsidiaries: 9 + 31 branches worldwide
Sales 2005: CHF 60.8 million, export share 73 per cent
www.creationbaumann.com

Girsberger:
Clever seating solutions.

"Nothing is like it was, nothing will stay as it is," says Michael Girsberger. "Thanks to the globalisation of markets, competition and sales channels have multiplied." As a pure seating manufacturer, Girsberger is competing against full-range suppliers that operate on a global scale, producing integrated office furnishings. Girsberger, the fourth-generation head of the eponymous company, has turned defence into attack and continues to push ahead as a specialist. The company is now taking quality, originality, effectiveness and aesthetics to new heights. "To give ourselves a profile, we need unmistakable authenticity." All the company's capital flows into the development and production of ever more sophisticated office chairs as well as chair and table suites for the living area. Girsberger develops and manufactures all its own products. One of these is called Folio and was launched in 2005. This model does not require any user instructions and can easily be customised. It is thus fully in line with the current trend of fewer and fewer major companies assigning their employees to fixed places of work. Even before starting production of a new series of swivel chair models, development and investment in machinery will have swallowed up to CHF 4 million. "The costs are increasing all the time," says Girsberger. "We need to keep sales going up too." To this end, he has recently launched into a new business segment called Customised Solutions. It produces furniture that is custom-made to architect specifications. For example, the furniture of the Center Bar at Zurich Airport comes from Girsberger, as do the 450 tables in the Champions Lounge of the newly opened Stade de Suisse in Berne.

Girsberger in brief
Established: 1889 as a turnery in Zurich
Headquarters: Bützberg, in the canton of Berne
Owners: the Girsberger family
Employees: 450
Company sites: 4 production and sales companies (Switzerland, Germany, Turkey, USA), 7 sales subsidiaries in Europe
www.girsberger.com

Christian Fischbacher:
Home textiles in vogue.

Do you set the trends, Mr Fischbacher? The 67-year-old company boss – the fifth generation of his family to head up the family-run business of the same name – gives an honest answer: "That is a big claim. We take a good look at what is in fashion and what is happening at the trade fairs that are important to us. Our designers allow themselves to be inspired by that." And they are regularly presented with awards for their work.

Above all, though, you have to have a feel for the market. Fischbacher spends three to four months a year visiting customers. The boss has a degree in business administration and history of art, and needs no introduction when it comes to home textiles.

The showroom at the company's headquarters in St Gallen has an impressive variety of curtain material in every colour, design and finish. Together with bed linen sets, it makes an opulent feast of textiles for the eyes. The company manufactures products for high-end, that is well-off, customers.

Although Fischbacher designs products, he does not produce them himself. Raw materials are purchased and dyed, finished and printed on a subcontractor basis by independent textile finishers. Some of the raw goods are traded directly. "Every generation has to reinvent itself," says Fischbacher. He is convinced that his company would no longer exist had it not had the courage to change. Time he spent in the USA also left its mark on Fischbacher. He views competition as a challenge. In three years' time, he intends to transfer the operational management of the company to his son, Michael, who currently manages the Japanese subsidiary.

Fischbacher in brief
Established: 1819
Headquarters: St Gallen
Owners: the Fischbacher family
Employees: 450 (of which 80 in Switzerland)
Subsidiaries: Germany, Holland, France, Italy, Japan, Thailand, USA
Sales 2005: CHF 80 million
www.fischbacher.ch

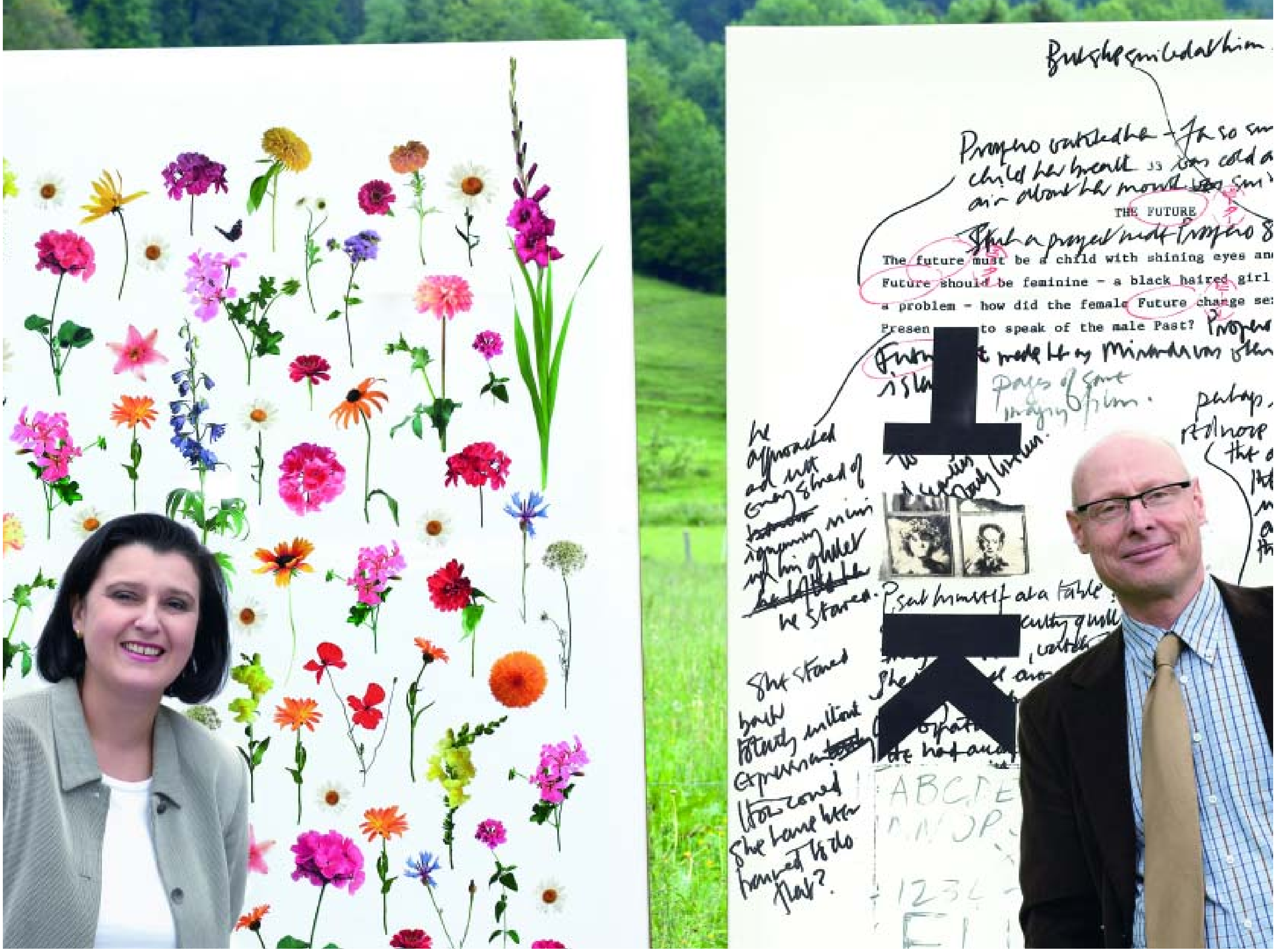
USM U. Schärer Söhne AG:
A model of longevity

An engineer, Paul Schärer, and an architect, Fritz Haller, meet up. First they create a factory and office building, and then the matching furniture for it. The system that they launch on the market in 1963 consists of balls, piping and metal elements. Today, more than 40 years later, the components look exactly the same. USM Möbelbausystem Haller is a model of longevity.

"Normally, furniture manufacturers reckon with life cycles of twelve years," says Alexander Schärer, the fourth-generation head of the family-run business. "I don't. Nor will I let myself be pressured into having to present something new at every furniture trade fair." For Schärer, in addition to its uncomplicated design, the success of the Haller system is due to its principle of "backward compatibility". Every new system part can be integrated into existing modules. In this way, it is still possible to upgrade the furniture decades later, using technically modernised elements.

Since a copyright trial in 1988, the system has even been recognised as a work of applied art and was honoured with inclusion in the design collection of the Museum of Modern Art (MoMA) in New York at the end of 2001. The event coincided with the launch of USM on the American market, a hurdle that was successfully cleared on a second attempt. "We intend to position USM as a brand name in the USA in small steps," says Alexander Schärer. In addition to the USA, the Berne-based company is currently expanding its activities in new markets in Eastern Europe and the Near East. This thrust is intended to help reduce the group's dependency on the Swiss and German markets. After being sluggish for several years, the important German market is now showing an upward trend. Schärer is satisfied: "All's well when Germany's well."

USM in brief
Established: 1885 as an ironmongery
Headquarters: Münsingen, in the canton of Berne
Owners: the Schärer family
Employees: 400
Subsidiaries: Switzerland, Germany, France, USA
www.usm.com



Schlossberg Textil AG:
Rolls-Royce for the bedroom.

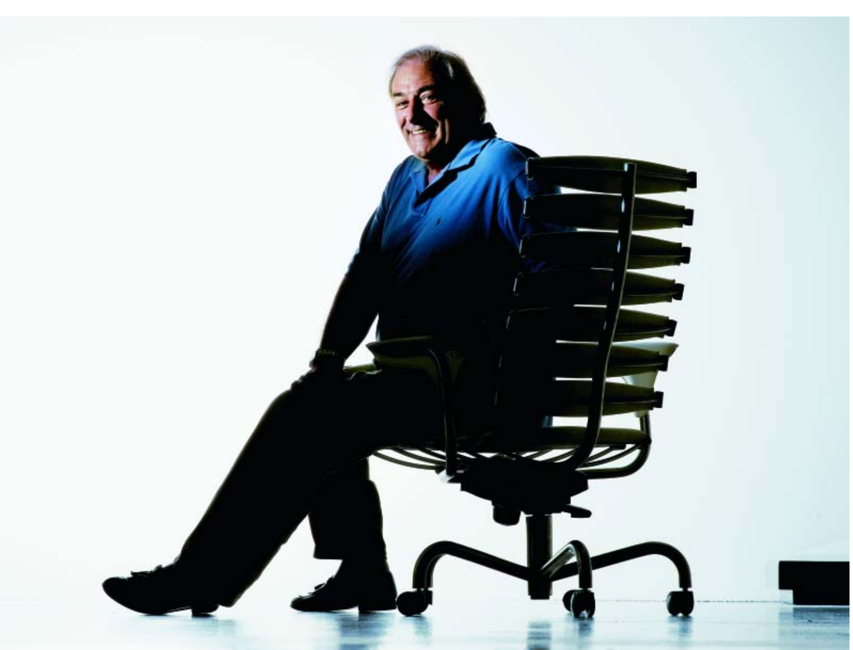
We spend almost a third of our life in bed – and the company Schlossberg in Turbenthal near Zurich makes sure that the bed linen is luxurious. “We play in the Rolls-Royce league,” says the Schlossberg boss, Beatrice Kleiner, without any false modesty. “Quality and fine design are appreciated all over the world. We’re delighted at the demand,” affirms Thomas Boller, the CEO of the Boller Winkler Group, which Schlossberg is part of.
All materials are of exquisite quality; high standards apply during production and finishing. Sometimes Schlossberg customers send in 15-year-old cushion covers to have the zipper replaced. It is done without any ado.
The collections are designed in Turbenthal; the current collection “Somerset” was inspired by rural life in England, with flower motifs in strong, lush colours. “When there’s a clear trend, we include it in our designs,” says Kleiner.
How do you stay successful in your market niche? By cleverly cultivating your brand, according to Boller and Kleiner. In addition to bed linen, Schlossberg also offers selected accessories – from dressing gowns, pyjamas, decorative cushions and a line of terrycloth products to room fragrances. Well-being for the wellness generation.

Schlossberg in brief
Established: 1959
Headquarters: Turbenthal, in the canton of Zurich
Owners: Boller Winkler AG
Employees: 50
Subsidiary: USA
www.schlossberg.ch

De Sede of Switzerland:
Reinventing leather furniture.

"What use is a beautifully designed washbasin when my shirt gets splashed with water every time I wash my hands?" asks Hans-Peter Fässler. He's not particularly keen on the word "design" because it says nothing about the quality and usability of an object. Fässler has a horror of design for design's sake. Thus his credo: "The form has to fit the function." The seating furniture that de Sede produces is functional, comfortable, durable (the life expectancy of de Sede sofas is between 20 and 25 years) and valuable, in the true sense of the word. As an example, only skins of cows and bulls from Swiss and southern German breeders are used to make a de Sede sofa. Production is carried out exclusively at the company's headquarters in Klingnau. 170,000 square metres of skins are processed into sofas, chairs and stools there every year. "The essential thing is to do your work with dedication and the dignity of a master craftsman," says the boss. Indeed, that was the attitude Fässler brought to the Swiss manufacturing plant when he took over in the 1980s. At the time, the company was close to collapse. He will soon mark twenty years at the helm, and in that time de Sede has become a synonym for traditional craftsmanship, quality and innovation in seating. His recipe for success is simple: "We are continually reinventing seating," he says. Technicians, mechanics, carpenters, electrical engineers, upholsterers, saddlers and designers work closely together in the development department. Fässler also regularly enlists the services of renowned designers such as Paolo Piva, Claudio Bellini and Santiago Calatrava. Between five and seven new models are created every year. The leather upholstered furniture is particularly well received abroad, and de Sede generates 85 per cent of its turnover outside Switzerland. Around 1,000 trading partners in 80 countries include products from de Sede of Switzerland in their catalogues.

De Sede in brief
Established: 1947 as a saddlery
Headquarters: Klingnau, in the canton of Aargau
Owners: Hans-Peter Fässler and Bernhard Schüler
Employees: 320
Subsidiary: Frank Sitzmöbel GmbH, Bielefeld
Sales 2005: CHF 100 million
Main markets: Near East, USA, Russia, Far East and Europe
www.desede.com



Wellis AG:
Designing rooms.

In the showroom of the furniture manufacturer Wellis, Egon Babst lets his hand glide over the edges and joints of the exhibits. "Our furniture is intended to fulfil every wish with regard to aesthetics, technology and comfort," says the CEO of this family-run business. Together with his brother Kurt, he has turned his father's firm into a modern, market-oriented company. The decisive thrust came when they took over the furniture makers Team in 1986, for the top designer Kurt Erni also moved to Willisau, along with Team.
Since then, Wellis has focused on room design, offering high-quality furniture for living, eating, sitting and sleeping – a harmonised range of products from bookshelves and sofas to wardrobes. The line of office furniture that was launched three years ago has also been consciously designed to create an impression of comfort. Chief designer Erni was spot on when he created a versatile container system, inspired by contemporary architecture, that has since won numerous international design prizes.
In addition to powerful visual effects, total commitment to functionality is also part of the company's philosophy. Furniture from Wellis is intended to satisfy a need. For example, consider the cupboard with the gondola door that saves much more space than revolving doors. It goes without saying that the doors can be opened very easily and almost soundlessly. Company boss Babst is convinced: "Quality has to be visible, palpable and (in!)audible." //

Wellis in brief
Established: 1931
Headquarters: Willisau, in the canton of Lucerne
Employees: 135
Sales 2005: CHF 28 million
Export share: 40 per cent
Info: www.teambywellis.com

ceo2/06. pwc expertise

Succession planning relies on experience: Change in the Management Board of PwC Switzerland.

The two new members of the Management Board are the partners Peter Ochsner and Peter Binz. Both of the former members, Stephan Bachmann and Kurt Jauslin, have left management owing to retirement. Accordingly, responsibility for major business areas has been transferred to proven PwC staff. A systematic development and selection process made it possible to fill the positions with experienced internal candidates.

The new management (from left to right)

Andrin Waldburger, Leader Tax & Legal

After completing his studies in economics and business and specialising in marketing, finance and accounting, Andrin Waldburger became a federally certified tax expert in 1990. He has been with the firm since 1987 and became a partner in 1995. From 1998 to 2003, he was leader of the Tax & Legal Department in Zurich. Today he leads the PricewaterhouseCoopers Tax & Legal practice in Switzerland. Waldburger has many years of taxation experience in national and international matters and in advising on business models for Swiss and foreign companies.

Prof. Dr Edgar Fluri, Chairman of the Board of Directors

Edgar Fluri studied economics and business administration at the University of Basle and obtained a doctoral degree in 1975. He joined the Swiss firm in 1977 and became a partner in 1986. In 1996, Fluri was elected chairman of the Management Committee by the Swiss partners. From 1998 to 2001, he was leader of Assurance for Europe, the Middle East and Africa, and from 2002 to 2005, he was a member of the Global Board of PricewaterhouseCoopers. Since 1987, he has been a part-time lecturer on public accounting and auditing at the University of Basle, where, in 1997, he was appointed titular professor. Fluri is a member of the board of the Swiss Institute of Certified Public Accountants and a member of various other councils.

Dr Markus R. Neuhaus, CEO

Markus R. Neuhaus studied law at the University of Zurich, where he received his doctorate in 1988 in fiscal law. In 1990, he completed additional training to become a federally certified tax expert. He also attended various management courses at international business schools. Neuhaus joined PwC in 1985, became a partner in 1992 and is member of the Global Board since 2005. From 1995 to 1998, he was leader Tax & Legal in Zurich, and in 1996 also took responsibility for Tax & Legal's mergers and acquisitions activities across Europe. From 1999 to 2003, he headed this business worldwide. Markus R. Neuhaus teaches corporate tax law at the University of St Gallen. He is a member of the board of economiesuisse and a member of various other councils.

Kurt Hausheer, Leader Advisory

Kurt Hausheer, a Swiss Certified Public Accountant, joined the Swiss firm in 1969 and spent two years at PwC in San Francisco and New York. He attended management programmes at IMD, Harvard and INSEAD. In 1979, he became a partner. Hausheer is leader of the PwC Advisory practice in Switzerland, member of the Management Board and the Board of Directors of the Swiss firm, as well as member of the Eurofirm Advisory Leadership Team and leader Corporate Finance Eurofirm. He has over twenty years of experience in serving global and local companies in M&A transactions and restructurings.

Peter Binz, new COO

Peter Binz is the successor to the CFO Kurt Jauslin – the function has been expanded to Chief Operations Officer (COO). After graduating in economics and business from the Zurich University of Applied Sciences, Binz joined the firm in 1982. From 1985 to 1988, he successfully completed training to become a Swiss Certified Auditor. In 1992, he spent six months at PwC in London. In 1993, he was made a partner, and from 1998 to his appointment as COO, he was partner in charge of PricewaterhouseCooper's head office in Zurich.

Peter Ochsner, new Leader Assurance

Peter Ochsner holds a degree in economics and business and a diploma in auditing, and has completed part-time training in banking and finance in Switzerland and the United States. He joined PricewaterhouseCoopers in 1982 after seven years at the Swiss National Bank. He was made a partner in 1992 following a secondment to PwC London. Since 2003, he is industry leader for Banking & Investment Management and a member of various European Leadership teams.

Corporate Governance: Tax planning – a moral question?

A company's tax approach is increasingly appraised more closely from the Corporate Governance aspect. For a company it is becoming ever more important to pursue a tax planning and compliance policy that is sustainable, structured and embedded in an overall risk management concept.

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Previously the expression Corporate Governance was used as a fashionable term for everything that had something to do with the modernisation of corporate law or the quality of corporate management. Today one understands by Corporate Governance responsible corporate leadership geared to long-term value creation and control as well as an open and reliable management. Sustainability and entrepreneurial responsibility are integral elements of "good" Corporate Governance. Expressions such as Corporate Social Responsibility (CSR) and Corporate Citizenship (CC) imply a social responsibility that companies have or adopt. In the mid-90s this meant mainly caring for the environment; since then it has been extended to taking responsibility for almost all areas of business.

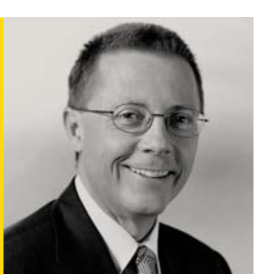
A company's tax attitude is today considered a relevant element of Corporate Social Responsibility. Now the expression "tax avoidance" is appearing in the context of the Corporate Governance discussion. Legal tax planning practices and activities of companies that aim exclusively for a minimisation of the cost factor taxation, without taking into account sustainability considerations and commercial plausibility, are subject to criticism. Headlines like "In 1997 company XY paid neither corporate income tax nor business tax despite substantial profits" or studies that find that $^2/_3$ of the companies operating in the USA paid no federal income tax between 1996 and 2000 spoil the feeling of social justice. A company violates the duties of the social citizen, because responsibility begins with paying the normal contributions to the society in which a company acts. Judge Oliver Wendell Holmes of the US Supreme Court: "Tax is the price we pay for living in a civilised society and in a fair society we expect to pay our fair share."

This discussion should – with the active involvement of companies – be held on a rational basis. The comparisons about the income tax that companies pay affect public opinion. But they are to a large extent misleading for judging whether a company is a Good Corporate Citizen. Crucial is rather the totality of the tax revenue that is generated by a company and its employees. This includes in addition to income taxes also capital taxes, value added taxes, sales taxes, income taxes on employees' remuneration and other official charges.

Tax planning as an unpatriotic act?

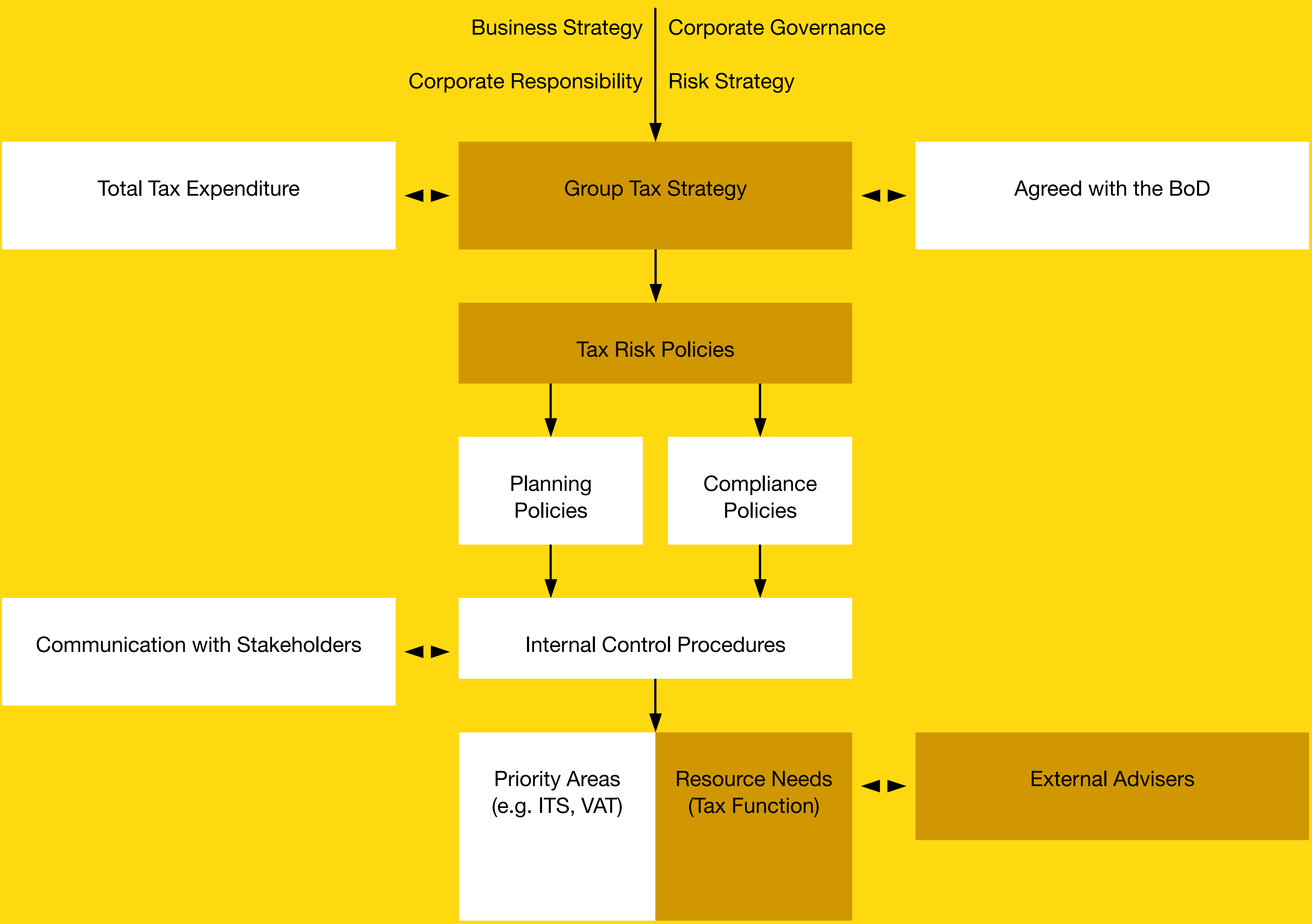
Tax authorities and legislators are also sharpening their tone. Tax avoidance is increasingly being regarded as immoral. Relocating company headquarters to offshore territories was described in the USA as "taking the un-American way out" and therefore as unpatriotic. In Great Britain the Inland Revenue compared tax minimalisation with "driving under the influence of alcohol". With the signature of a Memorandum of Understanding on 23 April 2004 the tax inspectorates of Australia, Canada, the UK and the USA decided to establish a Joint International Tax Shelter Information Center. The collaboration and exchange of information about tax constructions is to be accelerated. Groups such as the Tax Justice Network, Citizens for Tax Justice and other NGOs are increasing, with the above-

Risk
Management
Reputation



Dr Urs Landolf, Leader Tax & Legal Services Eurofirms, Zurich

A responsible tax strategy



mentioned so-called placative comparisons and reports, the pressure in the debate whether companies are paying their fair share of taxes. For multinational companies this creates a new challenge.

In the environment of company crises, of more restrictive legislation and of enhanced public awareness tax planning measures carry a negative message. The naming of companies with an overaggressive tax approach is becoming a reputation risk. The result can be an effect on the share price. The growing public sensitivity for the subject of taxation is therefore compelling company managements to take sustainable tax management more seriously.

Transparency is expected

In addition, the subject is also very relevant for investors in the capital market. The asset management firm Henderson Global Investors in Great Britain conducted a survey of 335 FTSE350 companies covering the subject “tax, risk and corporate governance”. For, in the opinion of Henderson Global Investors: “Arrangements that minimise the amount of tax paid in the short term may be detrimental in the longer term if they prejudice the company’s relationship with tax authorities and additional costs are incurred in complex dispute resolution, or if the company's wider reputation is harmed." Risk management is the responsibility of a company's Board of Directors – so wrote Henderson Global Investors directly to the chairmen of the companies involved – in order to obtain information about the Boards' treatment of tax matters. The results of this study were published in February 2005. The survey showed that it is expected of companies that in tax matters they become more transparent. The survey also shows that there are indications of a growing involvement of the Board of Directors in the company's tax strategy. However, it transpired that only about a third of the companies consider taxes strategically and have developed a concept or a formal tax policy for their companies.

As a result of this survey Henderson Global Investors intensified its discussions with the chairmen of those firms that already had tax risk management. Based on these discussions, in October 2005 a summary was published of "good practice principles applied by leading companies, suggesting a 'self-assessment framework' for responsible tax, and calling for improved reporting on tax to investors and others". Now a "self-assessment framework" for a tax policy is to be developed.

Taxation as responsibility of the Board of Directors

Because taxation no longer represents only a financial risk factor, but can also develop into a reputation risk, the Board of Directors must include tax strategy and tax policy within the overall risk management strategy of the company. The management should implement the tax strategy in relevant tax policies and delegate to the Finance Manager and the Tax Manager their implementation. The way to a responsible tax strategy is illustrated by means of a framework.

Sustainable tax planning in demand

Sustainable tax management is of great importance especially in companies operating across borders. The increasing complexity of fiscal laws and of the legal judgements in various countries, the multi-layered demands regarding accounting and disclosure of tax matters make tax risk management a challenge. Communication between those responsible for accounting and reporting and those responsible for taxation matters is indispensable, in order to achieve the most important objectives in risk minimisation: keeping within the legal framework, complete compliance in taxation matters and no surprises in reporting.

The Board of Directors has the task of approving the general conditions relating to a company's tax planning. Such a tax strategy is to be issued taking into account aspects of the sustainability of tax planning measures, alignment of the business activities and the tax structures, the compliance and the "Fair Share of Taxes" concept. Based on a formalised tax strategy tax policies can be issued for the individual areas of the company's tax functions and appropriate control systems realised. PricewaterhouseCoopers supports companies in the development of company-specific tax strategies and in drawing up and introducing enforcement measures (tax policies, control frameworks, support in tax planning and in compliance).

Conclusion

A company's sustainable tax policy – combined with implementation controls – permits on the one hand consistent, positive public relations and on the other minimises the risk of unexpected tax costs. Pursuit of sustainability in tax matters does not necessarily lead to a higher tax charge, but certainly to a tax situation in the group that can be more easily justified. This also increases in equal measure the credibility of the company with the appropriate tax authorities and the relevant stakeholders in the company.

5 minutes: Business information and research by PricewaterhouseCoopers.

Electronic invoices

Only 36 per cent of European companies invoice and archive electronically. However, companies that have already realised these solutions display greater efficiency, reduced costs and prompter payments. Both legislation and technology have advanced to the extent that they are no longer regarded as hindrances. The study "e-Invoicing and e-Archiving – Taking the Next Step" by PricewaterhouseCoopers shows that there is still a lack of detailed knowledge about the regulations and technical possibilities. This both in respect of internal procedures as well as of those with suppliers and customers. In Switzerland – where the legal requirements are comparable with the EU – currently a clear trend to electronic invoicing and archiving can be seen.

www.pwc.ch/press

Europe in stock exchange fever

Between January and March 2006, 126 companies took to the stock exchange floor for the first time. In the comparable prior-year period there were 101. The total volume of initial listings was at 9,075 million EUR in the first quarter of 2006 lower than in the fourth quarter of 2005 with 25,569 million EUR. It is, however, 46 per cent above the aggregate volume in the comparable period in 2005 with 6,236 million EUR. In Switzerland Partners Group ventured a stock exchange listing. These are the findings of the current issue of PricewaterhouseCoopers "IPO Watch Europe 2006, Q1", in which PwC examines quarterly the new issues on the 17 most important stock exchanges and market segments in Europe.

www.pwc.ch/press

Much sought-after media businesses

The mergers and takeovers in the media industry will also increase globally this year. This is reported in the most recent issue of PricewaterhouseCoopers' study "Media Insights". In 2005, the number of transactions was 156. This is an increase of 61 per cent compared with the 97 transactions in 2004. The aggregate total of these transactions also grew, namely by 52 per cent to 24.7 billion EUR against 16.3 billion EUR in 2004. The number of large transactions in the past year was, however, almost unchanged compared with the prior year. In 2005 there were ten transactions of at least 500 million EUR and eight in 2004.

www.pwc.ch/press

Global economy 2050

Developed OECD economies should consider the forecast relocation of economic power to developing countries, such as India and China, as growth opportunities for trade and not as an economic catastrophe. By the year 2050, the gross domestic product of the E7 countries, China, India, Brazil, Russia, Indonesia, Mexico and Turkey, will exceed by about 25 per cent that of the present G7 countries, USA, Japan, Germany, Great Britain, France, Italy and Canada, and that of Switzerland.

Today the E7 countries achieve only about 20 per cent of the economic performance of the leading industrial nations. Even if the rapid economic catching-up process of the E7 countries confronts the G7 countries in some respects with significant adjustment problems, overall the advantages predominate – and this is true for both economic groups. However, this is conditional on the G7 countries withstanding the temptation of protecting competitive industries by means of customs duties, subventions or other protectionist measures.

Only then can companies and consumers benefit from cheap imports from the E7 countries and in their turn realise the export opportunities in the new markets.

These findings are the result of PricewaterhouseCoopers' global study "World in 2050: How big will the emerging market economies get and how can the OECD compete?".

www.pwc.ch/press

Risk: Corporate fraud under the microscope.

Facing pressure from shareholders, regulators, analysts and the media, companies must take a more active role in fighting fraud. But doing so thoroughly requires an unflinching top-to-bottom strategy and in-depth training.

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The PricewaterhouseCoopers Economic Crime Survey 2005 reveals that 45 per cent of companies reported being victims of economic crime in the past two years, an increase of 8 percentage points over our 2003 survey. For years, organisations often viewed fraud as "someone else's problem". When it was discussed, fraud was something that occurred away from home in "emerging", "less-developed", "foreign" and "Third World" markets. Consistent with views on other risk factors – from terrorism to environmental damage to severe natural catastrophe – a sea change of thought and actions has been required in how organisations view such risks.

Public opinion, stakeholder expectations and even laws and regulations that for years had been myopic toward fraud and abuse have begun to regard corporate behaviour through an increasingly focused microscope. This experience has been cathartic for some and catastrophic for others. Whatever the outcome, one effect has been challenging organisations to consider the root causes of financial fraud, corporate improprieties and potential regulatory wrongdoing arising from the different risk environments in which they operate.

PwC Economic Crime Survey 2005
can be accessed at www.pwc.com/crimesurvey. The survey covered 3,634 companies selected from the Top 1,000 companies in 34 countries. You can obtain a summary of white collar crime in Switzerland in German, French or English in PDF format from sonja.jau@ch.pwc.com.

Internal Control
Internal Audit

John Wilkinson, Leader Forensic Services Switzerland and Eurofirms, Zurich

Countering fraud

Companies want robust procedures in place to manage fraud risk, and want to ensure that these procedures are kept up to date. But where to start? Economic crime is an elusive risk, even in simple businesses. The broad spectrum of risks confronting global enterprises means many old paradigms for risk management are outdated, "Western" centric, and may overlook fundamental risk factors within well-regulated markets – factors often just as harmful as those associated with unregulated and less-developed markets.

The question organisations are being required to answer is no longer just: "Where are our fraud risks?", but rather:

1 "How" are we ensuring that responsible people carry out management's objective?
2 "How" are we providing for adequate controls, such that inappropriate business practices are discovered on a timely basis?
3 "How" is access to capital obtained and maintained – is it understood and transparent?
4 "How" is access to customers obtained and maintained – is it ethical and do we monitor potential problem cases?
5 "How" is access to critical supplies and services obtained and assured – are our relationships transparent?
6 "How" do we maintain transparency of the underlying economics of transactions in financial reporting?
7 "How" do we monitor all layers of the company, from the CEO down through every level and location of corporate operations?

The challenge is made all the greater as certain market regulators, shareholders, analysts, and often also the media, are challenging corporations to provide answers to these questions. All too frequently the answers are vague, intransparent and sometimes dysfunctional.

Creating an anti-fraud environment

One means of addressing these challenges is to strive for an environment for reducing the opportunity and temptation to commit fraud. That environment requires several features to succeed, including:

The Causes of Fraud

Root Causes – Corporate Performance	Root Causes – Legal Concerns
- Meeting interim or annual financial targets - Maintaining growth or earnings trends - Hiding or deferring losses	- Obtaining favourable judgments, permits or approvals - Resolving violations - Influencing laws and regulations - Avoiding public scrutiny - Blocking competitors
Root Causes – Marketing Concerns - Achieving market access - Acquiring new customers or introducing new products - Restricting or displacing competitors - Controlling supply to the market - Establishing or maintaining favourable prices	**Root Causes – Personal Concerns** - Maintaining position or advancing in the company or community - Covering personal debts or excessive lifestyle needs - Realizing a sense of "entitlement" to additional benefits - Earning contingent compensation, bonuses or commissions
Root Causes – Financing Concerns - Servicing borrowings - Meeting debt covenants - Paying or receiving "the best price" in corporate transactions	

While the globalisation provides new circumstances that may motivate illegal acts, the root causes of business fraud have remained constant.

- Proper "Tone at the Top"
- Corporate Code of Conduct
- Public enforcement of policies on a "no exception" or "zero tolerance" basis
- An access channel for reporting suspected fraud
- Prompt and thorough investigations
- Punishment commensurate with the offence

Invariably, some or all of these features are missing in every significant fraud. In some instances, they are not missing entirely, but are unequally applied, giving the misimpression that customary and adequate steps have been taken. Never is this failing more egregiously felt than in companies that diligently apply standards to subsidiary operations and junior employees but not to headquarters staff and senior executives. Often in such cases criticism is levelled at those who seem to question the integrity or propriety of long-standing business leaders. But this is not "management bashing". Market expectations have changed and the new message is clear: "Trust, but verify."

Training against fraud

Fraud is generally a clever scheme, purposefully hidden, often conducted by trusted employees, making it difficult to predict and detect. Companies can attack this difficulty in two ways. Firstly, by conducting fraud awareness training seminars aimed at all who participate in the internal control structure. Most people have never been touched by fraud, and thus rarely doubt their co-workers without hard evidence. But by the time such evidence surfaces, it is usually too late. Thus, regardless of rank, participants must know their obligation to be diligent in performing their responsibilities and reporting suspected problems.

Further, companies should conduct fraud prevention and detection seminars for the company's internal audit staff, as most auditors have little or no training and experience in fraud detection and forensic accounting. Techniques such as conducting admission-seeking interviews, data mining for suspect transactions, and other legal discovery techniques are not their customary tools. Fortunately, training in detecting the common "red flags" to look out for and knowing correct corporate procedures can help offset that relative inexperience.

Conclusion

The bar has been raised. Corporations are expected to apply the same diligence to potential fraud and abuse as they would to their other legal and regulatory obligations. With more than four in ten companies reporting suffering serious fraud regularly, it is a topic worthy of every executive's reflection.

Attacking complexity: Leaders must now address the future.

Our global marketplace now allows nowhere to hide. CEOs are faced with exploding complexity, which they must conquer to secure companies' domestic and international growth. Now is the time for bold action.

clive.bellingham@ch.pwc.com

In the 9th Annual Global CEO Survey[1] – revealed in the spring edition of ceo* Magazine – PricewaterhouseCoopers focused on two predominant issues faced by organisations – globalisation and complexity. The survey of over 1,400 CEOs told a consistent message, that globalisation continues at pace, and that complexity follows.
A key challenge remains the expansion into emerging markets – such as Brazil, Russia, India and China (the BRICs). The acquisition of new customers and a continued desire to reduce costs is central to maintain international competitiveness. Current CEO action plans are varied; though most focus now appears to be on customer acquisition – either through opening new offices or forming alliances with partners (see chart).

[1]Global CEO Survey 2005
Our survey interviewed 1,410 CEOs across industries in 45 countries throughout the world in the last quarter of 2005. 463 interviews were conducted in Europe, 331 in Asia-Pac, 301 in South America, 187 in the United States and 56 in the Middle East and in Africa. 47% of the companies responding are privately owned. The survey can be found at www.pwc.com > publications.

Project management Performance improvement

Clive Bellingham, Leader Advisory
Performance Improvement, Zurich

Expansion and globalisation are not new themes. Historically, city states and empires were often founded on booms in commodities and services markets. Many were ruined over failures in communication, financing and overreach.

These lessons can be applied today. Whilst global markets provide clear opportunities, the development of new markets and products, leveraging acquisitions and alliances and streamlining business processes are huge challenges – as our CEOs from our survey. However, these activities may bring value, and so logically could be pursued.

The question then is not if to address complexity, but how. This article discusses a proposed response to these challenges – citing an overall belief in a positive, aggressive mindset, and three key success factors to attain, to overcome this increasing complexity and turn it into a source of competitive advantage.

A fundamental change in culture is demanded

Switzerland is a global leader in major markets, with world-class education and technology transfer, and an SME market with a history of industrial excellence. To maintain economic growth and prosperity, Swiss firms must accept the challenge of improving innovation and increasing competitiveness to offset the impact of new entrants into domestic markets, and fight for position in chosen territories abroad. In this situation, hesitation can be fatal.

Cross-border and cross-industry barriers to entry are fast disappearing. A lower cost base and expanding pool of intellectual capital in the emerging markets is rapidly eroding Europe's competitive position. The organisation should be put on alert. A new mindset must evolve – firms can no longer rest in the belief that domestic markets are secure, and that quality of product and service will win in international markets. The culture of the organisation must fundamentally adapt to the new global economy – and fast, before these opportunities are lost.

But how?

How this can be achieved will vary across different companies, and different markets – where, for example, current or historic organisational strategy, product and industry maturity can define the appropriate course of action. However, we believe there are three critical success factors to apply in all cases.

INCREASED COMPLEXITY
To what extent have the following increased the level of complexity in your organisation?

1 Strategic prioritisation

With a growth in complexity comes an increasing need to prioritise organisational goals, projects and objectives.
Within complex organisations, we see initiatives commonly running within silos, aimed at solving department-specific challenges. Our clients complain that too many projects are in progress across the business – leading to duplication of resources and activities and a lack of congruence towards organisational objectives. Too many projects and initiatives can increase complexity rather than reduce it.

The solution must then be viewed at a strategic level, “top down”. Senior management should take stock of all ongoing projects and initiatives – and gain a consensus on those of most strategic importance, ensuring they align with group goals. These should be driven to completion – providing adequate resource, and appropriate communication of progress across the business. These should be supported by incentive systems that encourage consistent goals across financial and non-financial metrics.

Going forward, analysis should be performed upfront on the timing and feasibility of all major new initiatives. Project approvals should be positioned at an appropriate level of management with strategic oversight. The right depth of resources should be made available to succeed within the timetable agreed. The lack of a realistic project route map and effective ongoing governance is consistently cited as a key reason for project failure.

2 A systematic approach to change management

Setting priorities is not enough. Projects must be actioned – and managing change is a tricky business, as it deals with the people and behaviours of an organisation. Management should develop principles and processes to guide the organisation from its current state to a new state, and the leadership team should model the required behav-

iours and develop the skills necessary to lead the change and maintain subsequent momentum.
A number of key programme and change management principles should be set, namely:

- establishing a transparent and consistent programme planning and an ongoing management process

- ensuring regular programme progress, risk, performance and benefits reporting

- enabling prioritised decision making at programme level

- periodically reviewing and realigning project portfolio around data standards, systems architectures, process models and internal organisation

- enabling information sharing across portfolios

The CEO's role in driving change has equally never been more important. CEOs must engage their organisations in dialogue, providing ongoing and timely communication on strategic priorities and progress. Communication is critical – and an appropriate escalation platform, such as enforced weekly physical meetings, is key to encourage ongoing motivation and interaction.

3 Act in the face of risk

Effective action requires an understanding of relative project risk and an appreciation of the organisation's current risk appetite. Do we fully understand the risks of entering this new market/product/partnership? Can we afford to take on more risk?

Companies should actively monitor and value relative risks facing the organisation – making a positive decision to accept a project whilst understanding all the risks involved. Make it simple – gain consensus on and then track the organisation's top twenty risks. Use information systems to capture and deliver information to support this risk-based decision making.

When companies understand all risks facing them within their environment, they anticipate opportunities and manage known risks – enabling an optimal response to events impacting the company and avoiding potential problems before they arise.
This is just one part of an integrated governance, risk and compliance model. In this context, our clients are increasingly attempting to manage the growth in complexity in regulations as a strategic opportunity. Since regulations apply equally to all peers and competitors, adopting a positive response to new requirements can become a source of competitive advantage. Implementing a strategic, "top down" approach to these combined challenges can turn compliance from a cost-absorbing function, into a value-adding function at the organisation's core.

Summary

The growth in complexity we observe has been caused by fundamental changes in the business landscape.
While organisations have grown, structures and underlying processes have often not converged. Local managers were given autonomy, but in optimising their responsible areas, there were mismatches with organisational objectives. Increased regulation and demands for transparency, have uncovered complexity that we did not know existed. Processes and policies were revealed to be incoherent, malfunctioning and inconsistent across the organisation. Opportunities and challenges brought by globalisation require firms to act. CEOs must prioritise projects and resources, commit over the long haul and manage the organisation proactively through change. Risks must be understood and embraced. Changing processes is not enough – the culture of the organisation must be fundamentally reoriented towards simplification and unification. Where complexity is valued or unavoidable it can remain, otherwise it should be addressed and eliminated. Leaders must now address the future. Complexity is here to stay.

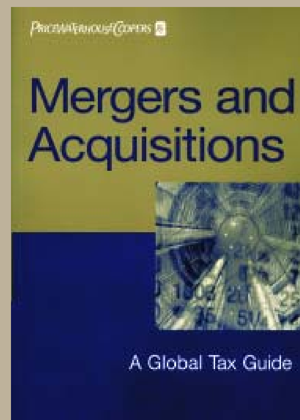
Events, publications and analyses.

Key Trends in Human Capital. A Global Perspective 2006

The 2006 edition of “Key Trends in Human Capital” is the latest report from Saratoga, the human capital measurement and benchmarking arm of PricewaterhouseCoopers’ Human Resource Services:

- the implications of increased outsourcing and offshoring
- the impact of effective human capital initiatives on productivity and performance
- the role of the HR function
- the assessment of current capabilities on talent management and leadership
- addressing the drivers of productivity with effective human resource strategies
- the impact of work-life balance initiatives and learning & education

This survey is available free of charge in electronic form and can be ordered at: sonja.jau@ch.pwc.com



Help in international transactions: Mergers and Acquisitions: A Global Tax Guide.

One of the major challenges in international M&A transactions is the right approach to varied and complicated tax regulations. PricewaterhouseCooper’s book “Mergers and Acquisitions: A Global Tax Guide” assists you in understanding the complexity of such unique international transactions. With fiscal information covering 31 individual countries this concise publication is an indispensable guide for companies planning an international merger or acquisition. The 565-page book is published in English and can be ordered free of charge from yolanda.steimen@ch.pwc.com
or under www.pwc.ch/publications

Reader service:

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.
For a comprehensive overview of PricewaterhouseCoopers publications, please visit www.pwc.com. You can order PwC publications and place subscriptions by e-mailing sonja.jau@ch.pwc.com or faxing 058 792 20 52.

PricewaterhouseCoopers Steuerforum 2006

PwC’s Steuerforum (Tax Forum) is already a tradition and this autumn will be held at a total of 14 locations in Switzerland. This event is attended by CEOs, CFOs, entrepreneurs and Tax Managers with the purpose of exchanging practical knowledge and discussing relevant tax questions. Attendance at the Steuerforum is free of charge. For further information and registration: www.pwc.ch/events

Technical Update Seminars Autumn 2006

These events, which take place twice a year, focus on the demands and challenges facing accounting and provide corporate CFOs and Controllers with up-to-date information on the capital goods sector. The seminars last half a day and are free of charge.

Dates/locations:
15 November 2006, Zurich
22 November 2006, Basle
23 November 2006, Geneva

For further information and registration:
flavia.marras@ch.pwc.com

Embracing Genuine Growth

PricewaterhouseCoopers offers this exclusive event as an opportunity to exchange ideas among CEOs, CFOs and Corporate Development Managers. Under the motto “Embracing Genuine Growth” three specific speeches will be given on the topic of growth – for example one speech deals with developments in India; in a second André Kudelski will speak about his company’s experiences.

Date/location:
25 October 2006, Hotel Widder, Zurich
The number of participants is limited.
For further information and registration:
frederic.schnell@ch.pwc.com

Subscriptions:
ceo, the magazine for decision makers, is published by PricewaterhouseCoopers. The 52-page magazine is published three times a year in English, German and French. To order a free subscription, please e-mail sonja.jau@ch.pwc.com specifying your desired language.
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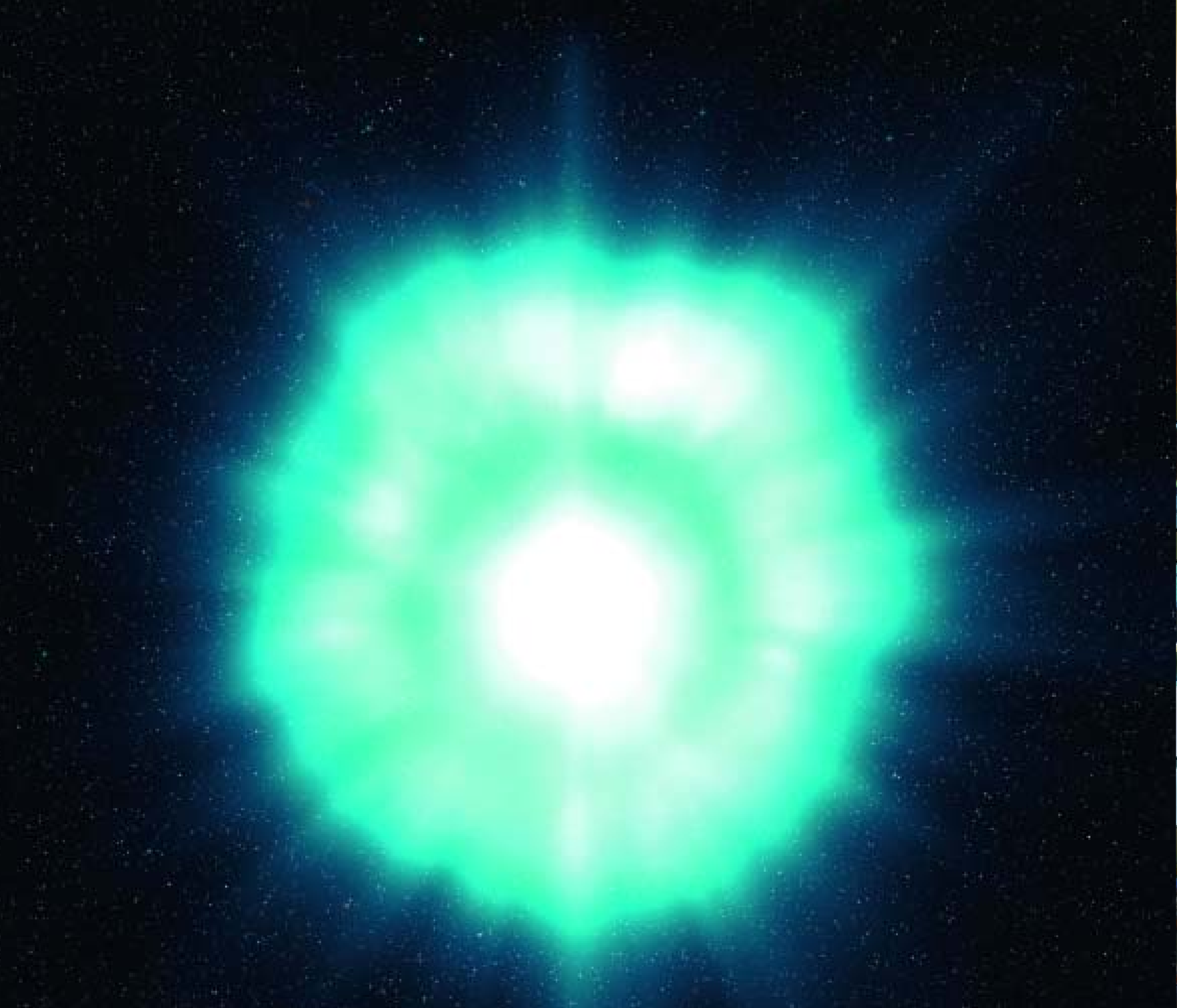


Probing the secrets of the universe.

At the Integral Science Data Centre (ISDC) in Versoix, a small team of scientists and engineers are gathering some of the most privileged information in space – and telling the whole world about it.


INTEGRAL
Data Flow

Text: Giselle Weiss
Photos: Thomas Eugster, ESA

On 17 October 2001, a Russian Proton rocket blasted off from Baikonur, in Kazakhstan, carrying a satellite telescope on its back. A project of the European Space Agency (ESA), of which Switzerland is a member, the telescope – named Integral – was the most advanced of its kind ever launched. Its mission was to explore some of the highest-energy objects in the universe and to transmit data about them back to earth. Integral looks for gamma rays, an extreme form of light. These rays provide information that we cannot get any other way about events such as the birth and death of stars in our galaxy.

At around 6:00 in the morning Geneva time, as the 4-ton satellite was getting off the ground, over a hundred people came through the pouring rain to the Integral Science Data Centre (ISDC), in Versoix, to wait for the first signal from space to confirm the mission was on track and communicating. When that signal came, says Thierry Courvoisier, head of the ISDC – handed to him on a piece of paper – everyone celebrated with champagne and croissants.

The Swiss listening post in space

The ISDC is a critical part of Integral's mission. ESA runs the satellite from Spain and Germany. The expertise for the instruments that make up Integral's payload is based in Paris, Toulouse, Munich, Rome, Copenhagen and Madrid. But it is here, in Versoix, that the raw data concerning little-understood objects such as neutron stars and black holes sent from the telescope are processed and made available to a thousand astrophysicists around the world.

The centre operates 24 hours a day, 365 days a year. Courvoisier, himself an astrophysicist, stresses that the ISDC is run by scientists, for scientists. How is that different from working for a corporation? For one thing, he says, the problems researchers have to solve are more fun and require more inventiveness. For another, in doing their job they are left more to their own devices than in a conventional business, with fewer constraints. Of course, deadlines imposed from outside – for example the launch date – have to be met. But people seem to understand instinctively that if they are late, everything is late. At launch, the centre was ready. “My view is that people give their best when they're happy,” says Courvoisier. “I can't do anything then except to make sure that the coffee machine runs reasonably well.”

The price tag for the Integral mission, not including the launch (which Russia provided for free in exchange for observing time) or instruments, was 517 million CHF in today's currency. At 3.5 million CHF, the annual budget of the ISDC is substantially smaller and largely goes towards supporting the salaries of the centre's 35 staff (mostly scientists and engineers). The budget is provided by a consortium of 12 European institutes and the United States. Initially, the idea was to put the money into a common pot. But the consortium could not agree, and as a result, people have “very different deals” in terms of schedules, vacations and so on. Surprisingly, says Courvoisier, it has worked out fine.

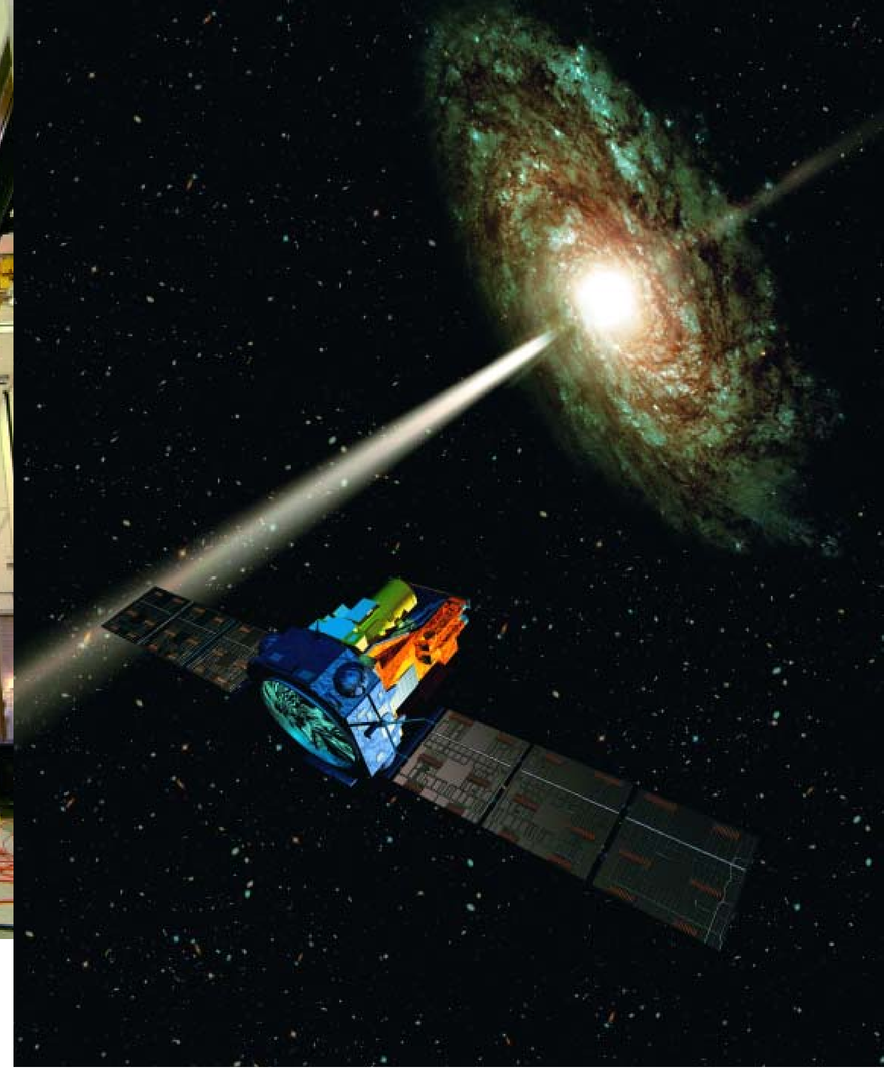
Courvoisier is not only the head of the ISDC; he was the prime driver behind the idea to create it. As he describes it, his motivation was purely practical. The science Courvoisier and others had been working on for a long time required the kind of data the Integral mission was designed to generate. The initial proposal for Integral was made in 1989 and approved by ESA in 1993. Already at the time, it was clear that the data would be no good raw and that a centre would be needed to process them in a way that scientists could use them. Courvoisier and his colleagues figured that establishing such a centre in Switzerland could be an advantage locally and also to the astrophysical community at large. In 1994, Courvoisier assembled a consortium that petitioned ESA to be part of the mission. In 1995, ESA said yes.

From vision to reality

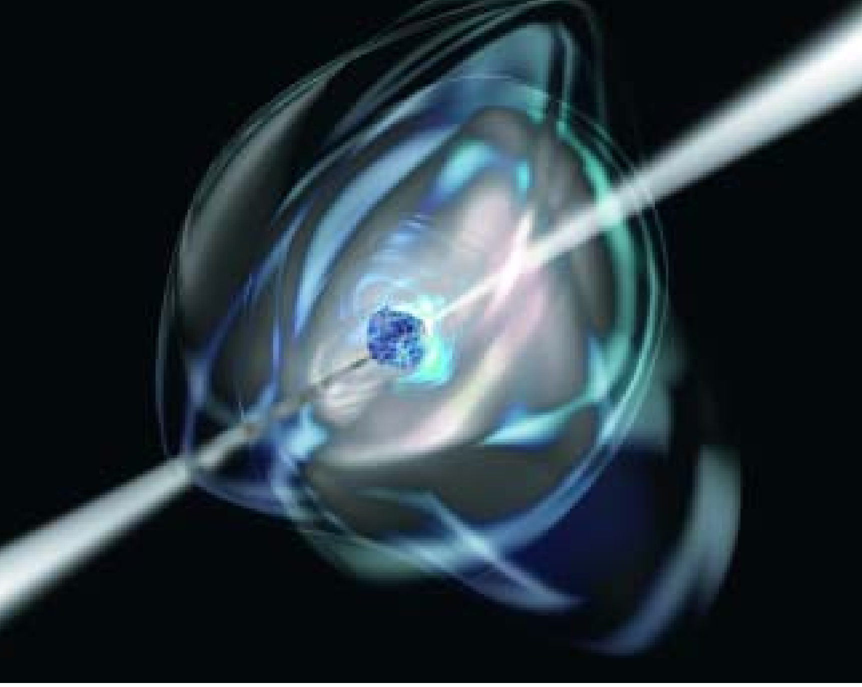
The value of Integral's findings is obvious to scientists. But getting the authorities to see the charm was another matter. For example, Courvoisier needed somewhere to put his data centre, but the University of Geneva had no space. He had already identified an estate at Versoix, owned by the commune of Versoix, as a possibility, but now he had to find a way to get the canton interested enough to pay for rental of the buildings.

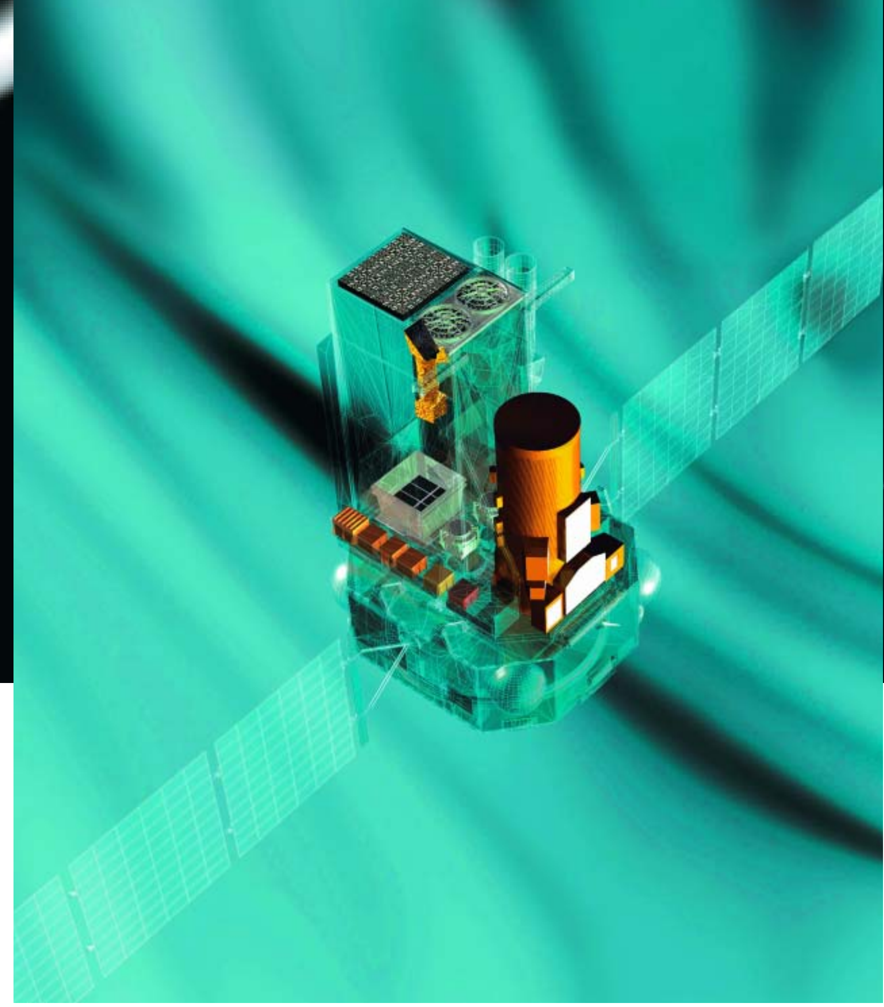
A meeting with an official at the cantonal department of education began with the official muttering about needing a law and having to go through the legislature and so

“My view is that people give their best when they're happy.”



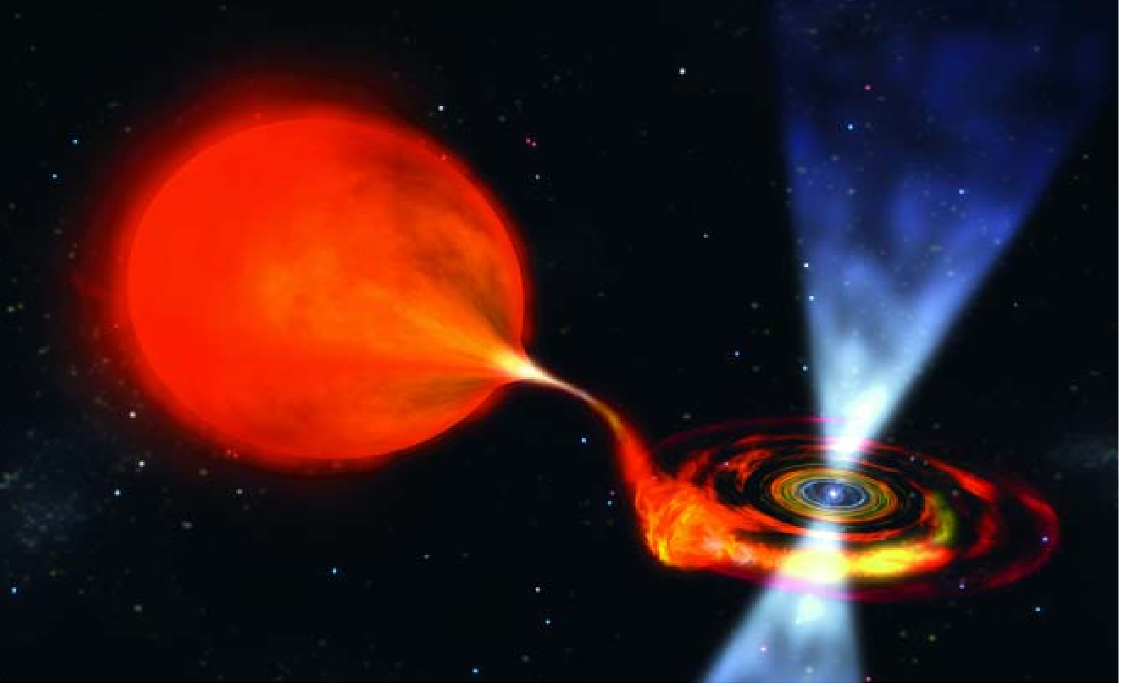
Above, an ESA photo of the Integral satellite telescope in Russia, prior to the launch, together with an artist's impression of the telescope making observations in space. Below, Thierry Courvoisier, head of the ISDC, in his office, and the delightful mix of old and new buildings at the data centre in Versoix.





ESA illustrations of happenings in space detected by Integral. Above, an unusual X-ray pulsar; far right, another, rapidly spinning pulsar "eating" its neighbour. In the centre is a model of Integral with its on-board instruments. These instruments all look at the same region of space simultaneously, which enables the researchers to identify and study high-energy objects.

"European independence will rely in a major way on the mastering of space infrastructure."



"The ISDC is full into the space business," says Courvoisier. In addition to the ISDC, and to participation in ESA, in Switzerland that "business" includes a number of other players, such as the International Space Science Institute, in Berne, where space scientists from all over the world can come and work together. It also includes a high-profile effort at the University of Berne to measure solar wind. The Swiss space industry, too, has several "excellent niches", including producing the small engines that propel the Mars rovers and the payload fairings that protect the Ariane rockets.

on. "It was a Friday afternoon," laughs Courvoisier, "and I just did not move." Eventually, the official said he would find a solution. Courvoisier was similarly successful with the federal government in Bern, which twisted existing structures to fit the unusual situation of Integral. The Swiss National Science Foundation also chipped in.

Once the site was assured, the actual construction of the project could start. As with any novel technology, there were a few bumps along the way. For example, one challenge was to find glues that could adhere in space. "I think we lost six months for glue problems," says Courvoisier. Some of the instruments that detect gamma rays are beryllium crystals the size of beer cans that had to be made to work under a range of temperatures spanning hundreds of degrees.

Another instrument consists of 16,000 little crystals, each containing electronics, made of a material – cadmium telluride – that is hard to handle. The scientists also just assumed they would create new software technologies. But developing and testing software for use is a big enough task in itself, and they abandoned the idea. "I think it was very important to realise that early enough in the project," says Courvoisier.

As the launch date approached, the team began running ever-bigger tests, and finally conducted a full "dress rehearsal" with the satellite still on the ground. Courvoisier's 19-year-old son went all the way to Kazakhstan to watch the lift-off first-hand. Courvoisier himself stayed at the ISDC, anxiously awaiting data. "A project like that is roughly 10,000 man years of effort," he says. "And you put that on a few hundred tons of fuel, and you ignite…!" He mimes apprehension, but he need not have worried. Integral has been a smashing success.

Competing in space

Indeed, the mission has been so productive, and so sparing of on-board resources, that the project has been extended to 2010. According to Courvoisier, once Integral closes down, a natural evolution for the ISDC then would be to become a sort of "multimission centre." But the current politics of the international space community make that unlikely. An ideal alternative would be to land another high-energy project from ESA. In the meantime, the ISDC has committed to a significant part of the data processing for ESA's GAIA mission, which will launch in 2012 and will precisely determine the position and movements of the stars.

Writing the history of the universe

In terms of science, finding money is a perennial problem. People's willingness to dig into their pockets faded once the satellite was up and out of sight. Courvoisier has been able to stay afloat by judicious appeals to the centre's various consortium members. But he worries about a certain lack of strategic thinking regarding space in Switzerland and in Europe generally.

"European independence will rely in a major way on the mastering of space infrastructure," he says. "And I think science is one of the best ways to get that. If not, others will dominate weather forecasting, communications and navigation." As it is, European efforts often bog down amid squabbles of "who leads and who doesn't".

The information obtained by Integral has clarified the origin of the Milky Way's glow, described a rotating neutron star "eat" a companion star, probed the secrets of antimatter, and recorded mysterious events known as gamma-ray bursts. Scientific papers reporting these and other discoveries are being published at a rate of one every three days. Eventually, the knowledge contained within them will make its way to the public.

That, says Courvoisier, is the real selling point of the ISDC: not just to be at the heart of a major European machine, but to learn something new about the universe. //

Women in management positions. A success factor.

The Milan-based gender researcher Maria Cristina Bombelli[1] talks about the invisible obstacles on the career ladder for women. And about how important it is for a company to eliminate those obstacles.

Interview: Franziska Zydek

On paper, women in Europe have the same rights and educational opportunities as men. So why are there so few women in top management and on executive boards?
In northern countries such as Sweden, Norway and Denmark, women are making major inroads into the ranks of top management. In contrast, in Italy and Switzerland, women with power are a rarity. In the current global gender gap rating list of the World Economic Forum, Switzerland occupies 34th position behind Russia, Uruguay and China, and Italy is even lower, in 45th position – the two lowest rankings among European countries. Although other factors play a part in this rating, these positions are not something to be particularly proud of!

[1] Maria Cristina Bombelli (53) is a lecturer at the SDA Bocconi School of Management in Milan and the coordinator of the “Laboratorio Armonia”. Her speciality is diversity in commercial enterprises; a subarea is scientific research into the cause and effect of gender-specific differences at every level of management.

Are companies deliberately blocking the promotion of women to top management positions?
Quite the opposite. An increasing number of companies would like to see women in management positions. This is demonstrated merely by the fact that a very large number of well-known multinational corporate groups now offer financial support for our research activities. Diversity is one of the most important management topics of the future. And women are part of diversity too.

Do you mean that a new way of thinking is taking root in the corridors of management and in executive boards?
First, there is a growing awareness that women broaden and supplement the perspective of a management team – and thus have a direct impact on the success of a company. Second, numerous organisational behaviour studies confirm that companies with mixed management teams function better and are more efficient than those without. There is a new American study that has also observed this in executive board committees.

Is political correctness behind the growing significance of integrating women at the top level?
Perhaps the larger companies are sensing increasing pressure from the general public here. But from a commercial perspective, one thing is clear: the topic of women in management positions is not a question of opportunity. And it’s also not about helping women. It’s about making companies more successful!

In Switzerland, women currently occupy around 15 per cent of all management positions in business. That is hardly an advertisement for diversity…
It is not easy to implement diversity. As long as the old boys’ networks within companies continue to seek top female employees who fit in perfectly with the rest of their team, it will be very difficult for them to find the right people. There’s a simple reason behind that. We champion people who share the same values, opinions and ideas as we do. It is difficult to accept anything that is different – but that is the very essence of diversity.

Can you give us an example?
We know from our surveys that strength, assertiveness, willingness to make decisions and authority are highly rated leadership qualities. If women want to hold high positions in the corporate hierarchy, they have to fit this mould. Although everybody is aware that most women have a different way of managing and communicating than men, when it comes to recruiting for a top position, top managers intuitively prefer people who are like themselves. What’s more, women are seen as unpredictable with regard to their time

"From a commercial perspective, one thing is clear: the topic of women in management positions is not a question of opportunity. And it's also not about helping women. It's about making companies more successful!"

management, even when that is not explicitly mentioned.

Are you referring to the situation that is peculiar to women, namely of being forced to combine both children and career?

Not only children and career, but also, for instance, responsibility for ageing parents – factors that are connected with our social and family environment and which are tasks that traditionally fall to women. In my view, it is almost schizophrenic how desperately our society is calling for more children – when, at the same time, it's a black mark against a woman if she leaves a meeting because her child is ill.

Do you believe that the factor "family" is an impediment to having a career?

Not from a woman's point of view! All our surveys clearly show that women – primarily those with good qualifications in high-level positions – do not have any problems managing both their career and their family. And problems like these are alien to women in top positions anyway because they are used to delegating. It is the male view of things that turns family commitments into a career barrier for women.

Please explain what you mean by that…

For example, in Italy and Switzerland, it's still the done thing to work as many hours as possible. People who are already at their desks at 7 in the morning and still there 12 hours later boost their image and are seen as motivated and reliable. In a company where the boss works 14 hours, the staff below him will do the same. A woman with family commitments and interests is not in a position to keep up with that, even if she wanted to.

Where do you see a solution?

There is sufficient proof from trials that the time employees spend at work says nothing about their efficiency or the quality of their work. Nordic companies such as IKEA have flexible working times, a high proportion of women in management and are extremely successful in the market. In our countries, people need to change their way of thinking. If a company understands the importance of women in management positions, it must also be prepared to develop new methods of measuring performance – instead of judging merely the time spent in the company. I know a lot of people who work very efficiently from home.

Are there any other factors that necessitate a new way of thinking?

One topic in our surveys among female professionals is reward systems in companies. Most reward systems today are oriented to male requirements, and include status symbols such as bonuses, cars, air miles, holidays, etc. Women want other things. To make positions in management more attractive for women, additional incentives need to be created. Time, for instance, would be an excellent way of rewarding performance. Or – forgive the cliché – a little red car rather than a big black one.

Do you think that there aren't any incentives for women to have a career?

Women have different priorities than men. For instance, they attach greater importance to the quality of life, and are less fascinated by power and status symbols. If a boss wants to make use of the resources of top female staff, he should create the requirements for it: by being aware of his own stereotypes with regard to the assessment of management qualities – and by changing them; introducing more reliable performance evaluation methods and more flexible working times; accepting family commitments and supporting them. And, by the way, taking steps like these would also provide additional motivation to many male employees. //

There has been a Raiffeisen bank in the village of Grengiols in the Valais since 1912. Although the village has a population of just 508, the cooperative bank has 376 members. One full-time and one part-time employee serve 900 customers.

Why the whole is greater than the sum of its parts.

The ancient Greeks knew that every system consists of elements that are related to one another. The Raiffeisen Group demonstrates how to make sure such a system is successful. A lesson in management.

With 1,100 jobs, 47 apartments, 103 parking spaces, shops, restaurants, art and a highly visible red carpet for customers, the new headquarters of the Raiffeisen Group in St Gallen has shaped an entire quarter of the city.

Text: Franziska Zydek
Photos: Tobias Madörin

Long white pennants flutter in the wind. On them, a single word reads proudly in red: Raiffeisen. The flags line the entrance to the new Raiffeisen centre in St Gallen. In the heart of the city, between the main station and the old town, a banking quarter has risen up that is unrivalled anywhere in Switzerland. It boasts 220,000 m³ of newly converted space, 1,100 jobs, 47 apartments, 103 public parking spaces, shops and restaurants. Raiffeisen Switzerland spent around 250 million CHF on this model, ultra-modern headquarters.

The whole area is designed as a walk-through work of art. On the streets and squares surrounding the four new buildings, the artists Pipilotti Rist and Carlos Martinez laid a bright red rubber granulate surface. This red carpet covers moulded chairs, tables and benches that can be used by the city's inhabitants just as if they were in a big public living room. Even on the top floor of the headquarters, in the office of CEO Pierin Vincenz, the windows reflect red-tinged light. The red glow is befitting the boss's place of work – for he has something positive to report.

"The Raiffeisen Group has posted top results for five years in a row," says Vincenz with satisfaction, "and I am confident that we will also have success in the future with our growth strategy." For six years, the Group has been growing more strongly than the market. In the last five years, profits have risen by 82 per cent – 20.2 per cent (to 608 million CHF) in the last year alone. The 2005 fiscal year will be recorded as the most successful in the 107-year history of the Swiss Raiffeisen Group.

The modern Raiffeisen centre of competence in Thun was completed in 2004. The bank has three banking outlets, a catchment area of 70,000 inhabitants, 7,500 members, 28 staff and 15,000 customers.

The Raiffeisen idea

In 1862, a German mayor, Friedrich Wilhelm Raiffeisen, decided to do something about ruinous interest rates. On the principle that capital should be used where it is generated, he collected money from the village community in the form of savings deposits and lent it out again in the village against securities under favourable terms. Following his lead, the first Raiffeisen bank in Switzerland was established in 1899 in Bichelsee TG on the initiative of a priest, Johann Traber. In 1902, a group of ten institutes founded the Swiss Raiffeisen Association. Today, the Raiffeisen system is firmly established in more than 100 countries with around 350 million cooperative members.

Planned growth strategy for the long term

Raiffeisen, the former "farmers' bank", has undergone an astonishing change. Over the last decade, the Group has consistently opted for growth and renewal – without once questioning the values that it developed over so many years. That is something of an entrepreneurial coup, because it has meant changing the entire management structure: "In 1998, we adopted a group strategy for the first time – up until then, there had been strategies only for the individual regional banks," recalls the CEO. Vincenz, who has a doctorate in business administration, joined Raiffeisen in 1996; previously he had worked for the Swiss Trust Company, for the BVS and for Hunter Douglas. "For me personally, this new group thinking was a huge incentive to move to Raiffeisen. At the time I realised what enor-

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The Raiffeisen bank in Gossau was established in 1935 and today has a catchment area of 17,000 inhabitants. At the bank's headquarters and in one banking outlet, 28 staff serve 11,000 customers, including 5,700 members of the cooperative.

Raiffeisen, the former "farmers' bank", has undergone an astonishing change: many small tills added up to a large company.

“There’s no time for long discussions here. We have decisions to make!”

CEO Pierin Vincenz on leadership, dynamism and traditional values – and on trends that bring no benefits for the customer.

The new image of your Group leans heavily on the name Raiffeisen – a name that does not roll trippingly off the tongue.

Because it has so much meaning! Mr Raiffeisen was a very powerful role model. The values that he dedicated himself to at the time are still valid today: cooperation, self-help, solidarity, entrepreneurship and risk management.

Do you believe that values are more important than products?

Products can be copied – so they do not determine who wins. Developing a brand is the decisive factor! We have a genetic code consisting of twelve factors. With every management decision, the question is: Does that fit with Raiffeisen values? We cannot say that customer access is important to us and then go and close a large number of our branches, or preach local competence if we then go and centralise credit decisions. Comparison against the code is the balance sheet of our values – that distinguishes us from our rivals.

Your Group consists of 421 independent banks united under one umbrella organisation. How do you manage such an organisation?

In a network as big as ours, you have to be able to think three-dimensionally. The first dimension is the local bank. The second dimension is the service centre, Raiffeisen Switzerland. The third dimension is the entire Group. All three dimensions need to be taken into account with every decision, and this policy has to be communicated to everyone. Group identity has to be lived; it is not something that comes automatically.

How difficult is it to make decisions within the Group?

The processes are clearly defined because not everyone can decide every situation. Nevertheless, there are diverse discussions with the individual banks via open platforms. Consolidation subsequently takes place – up to the consultation procedure, during which the result is submitted to the banks as input. This is a relatively time-consuming process for fundamental issues. However, afterwards we have an efficient organisation, and work starts quickly on implementation.

You have expanded the product portfolio in a very short time…

In the service industry, you have to keep moving. There’s no time for long discussions here. We have decisions to make!

Can all banks keep up with this pace?

Every Raiffeisen bank is an independent company whose goal is a positive balance sheet. Raiffeisen Switzerland provides products that help companies to achieve that goal. Yet the banks would not recommend a product to their customers if they didn’t think it was good themselves – just because it is being pushed by headquarters. In this case, the concerns of the local community take precedence.

Raiffeisen has the most dense banking outlet network in Switzerland. Is that still in line with the times?

Admittedly, some 1,200 banking outlets buck the trend of wanting to centralise everything. But who does that trend benefit? Certainly not customers! Customers feel comfortable when they’re at home. Our strategy is “local access to customers, local competence and fast, on-the-spot decisions”.

What is your strategy for the future?

Our market share in the Zurich region is one per cent and in Vaud six per cent – there’s still potential for growth in both areas! We will be extending our range of products, and in doing so we can benefit from our successful cooperation with Bank Vontobel and with Helvetia Patria. We want to support our customers in all phases of their lives. That is also why we will not be classifying our customers by segment – each customer is the most important customer for us, irrespective of his or her age or financial status.

The Swiss Raiffeisen Group in figures

Customer assets:	CHF 83.4 billion
Balance sheet total:	CHF 108.2 billion
Distribution:	421 banks with some 1,200 banking outlets
Customers:	more than 2.9 million
Members:	more than 1.3 million


3
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In 2003, the modern architecture of the Raiffeisen bank brought a new image to the community square in Domat/Ems. The Imboden district has a catchment area of 15,000 inhabitants. The Raiffeisen bank with its headquarters in Domat/Ems has seven banking outlets and 4,016 members; 22 staff serve 7,000 customers.

The vision is a new, integrated consulting concept that meets the requirements of customers in every phase of their lives.

mous scope there is when you pool the potential of more than a thousand individual banking outlets. Many small tills added up to a large company! This strength helped us to push through our growth strategy."

There are currently 421 Raiffeisen banks, and a total of some 1,200 banking outlets in Switzerland. Each individual bank is organised as a cooperative – the customers can be the owners of their bank, elect the board of directors and are co-responsible for business activities. The autonomous regional Raiffeisen banks and their branches are united under the umbrella of Raiffeisen Switzerland. This organisation coordinates the activities of the Group and creates the boundary conditions for the business activity of the local Raiffeisen banks. Today, the tasks of Raiffeisen Switzerland include overall strategy, risk management and supervision.

Furthermore, Raiffeisen Switzerland has opened its own subsidiaries in the last few years – and has done so in major Swiss cities where Raiffeisen has not been represented up to now. "Our expansion from the country to the towns and cities is a milestone in our growth strategy," says Vincenz. Today, Raiffeisen boasts solid acceptance in cities such as Basle, Berne and Zurich; new banking outlets are planned for the urban areas. The 50-year-old CEO is particularly delighted that this has paid off, for the city strategy was initially a hotly disputed topic. In the French-speaking part as well, the Group is stepping up its activities. "Some time ago, there were still areas without any Raiffeisen banks; now there are only areas where we are still underrepresented."

An expanding product and services portfolio

The most important cornerstone of the bank's profits is the interest-bearing business with a share of 1.715 billion CHF. In the mortgage sector, the growth rate in 2005 was 5.6 per cent, the same figure as the Swiss market overall. Today, almost a quarter of Swiss mortgages are provided by a Raiffeisen bank. With a mortgage volume of 83.9 billion CHF, Raiffeisen is in second place after UBS. "We finance owner-occupied property with innumerable small mortgages. Expensive properties in top locations are not our core competence," explains Vincenz – and seems highly content with this state of affairs. High-priced properties often entail high risk; the effective losses of Raiffeisen accounted for just 0.05 per cent of overall lending last year. In future, however, the focus on the mortgage and savings businesses will be reduced, and greater emphasis will be placed on pension and asset management.

Vincenz's vision is a new, integrated consulting concept that meets the requirements of customers in every phase of their lives. The mechanisms for realising this concept have already been put in place. In 2004, in an innovative step, a strategic partnership was concluded with Bank Vontobel, in which Raiffeisen holds a 12.5 per cent stake. Vontobel provides Raiffeisen with a range of investment funds that the Raiffeisen banks use under their own brand in their investment business. In return, Vontobel handles all transactions for the Raiffeisen banks. This partnership brought Raiffeisen a dividend of some 10 million CHF for the first time in 2005. In future, the cooperation is to be extended to other products and services of Vontobel.

Since 2005, PricewaterhouseCoopers has been the bank law auditor for the 421 Raiffeisen banks in Switzerland. PwC also audits the annual and Group financial statements of Raiffeisen Switzerland.

Raiffeisen also has a partner for insurance services. Helvetia Patria offers products and services in the pension and insurance business. A cooperative relationship that has existed since 2000 makes it possible for Raiffeisen to exploit this related market – there are plans to expand a range of integrated products and services for the home.

Corporate identity as a success factor

The successful development of business has increased the Group's equity by 54 per cent since 2001 to some 6 billion CHF. The cooperative structure of the Raiffeisen banks requires that profits not be distributed but remain in the company. A good equity basis makes further expansion of the core markets possible – and also offers greater security for customers. That is something customers appreciate. Since 2001, the number of cooperative members has grown by 30 per cent. A representative survey of Switzerland by the globally active Reputation Institute showed that Raiffeisen comes an honourable second where public image is concerned – right after the retailer Migros. In other surveys, too, cooperative members regularly rank high for their corporate identity, which emphasises self-responsibility, solidarity and customer access. Vincenz views the first official rating of Aa2 from the ratings agency Moody's as being particularly gratifying in this respect. "It shows that the Raiffeisen Group is seen as highly robust by independent business specialists too." //

A chance to put professional expertise to good use in a totally different environment: PwC partner Joergen Haglund in Uganda.

“Ulysses”: a network for the fight against HIV/AIDS in Uganda.

Joergen Haglund is partner and leader of the tax consultancy division at PricewaterhouseCoopers in Stockholm. As part of the PwC leadership programme “Ulysses”, he spent two months in Uganda working on a United-Nations-supported project to create a mechanism for coordinating the efforts of local groups and NGOs fighting HIV/AIDS.
Uganda was one of the first countries in Africa to admit that it had a serious HIV/AIDS problem. Up until a few years ago, the Central African state with a population of some 26 million still had an HIV infection rate of between 20 and 30 per cent; cautious estimates now put that figure at over 10 per cent of the overall population. AIDS is still the most common cause of death in Uganda.
The three PwC representatives who made up the “Ulysses” team spent the first few weeks meeting between 10 and 100 people a day in the catchment area around the town of Jinja on Lake Victoria to find out what the people were doing, how they were tackling problems and what kind of solutions they had found. “For example, in one place, there was a group of widows who were looking after orphaned children. Others were able to profit from the experiences of these women – when you made it possible for them to swap ideas, information and experiences.”
Reducing communication down to its simplest form – conversation – was a key experience for the 38-year-old Swede. “The only possibility for contacting people in Uganda is to visit them and speak to them,” says Haglund. Although it wasn’t the talking but the listening that left an impression on the Swede during his time in Uganda. “If you want to get different groups to work together,” he says, “you have to listen carefully to discover where the potential common areas lie.”

“Ulysses” is the leadership development programme of PricewaterhouseCoopers. The participating PwC partners have the potential for a global management career and are nominated by their country organisations. In multicultural teams comprising three to four people, they spend two months in Third World countries, working together with social entrepreneurs, NGOs and international organisations. The selected projects are a challenge and offer the chance for participants to put their professional expertise to good use in a totally different environment.

The PwC team established a platform for joint meetings and created a framework that set out the procedures for the meetings. The first successful meeting coincided with the end of their mission. The team also created other tools that will help the players to get the most from their combined efforts.
Today, Haglund is still drawing on the experiences he gained during that period. “I have learned how to set up a team from nothing, and to create structures without technical aids such as a telephone or e-mail,” he says, reflecting on his time in Uganda. In general, he has become more observant and developed more well-defined management skills – a statement that his 130 staff members would also agree with. However, it was something very personal that left a lasting impression on him: “the dignity of people suffering from the fatal immunodeficiency disease and the strength of a society that excludes no one”. //

* Choosing the right Accounting Standards

* Dealing with new Regulations

* Designing new Reporting Model

* Doing Deals

* Ensuring Effective Internal Audit Function

* Improving Business Performance

* Managing Assets

* Managing Complexity

* Managing People

* Managing Risk

* Operating Globally

* Realising e-Potential

* Reducing Cost

* Returning to Growth

* Strengthening Corporate Governance

ceo* forum/tradition/innovation

Caroline Gruosi-Scheufele:
"In the luxury goods industry, growth is not possible without courage and entrepreneurial spirit."
06

Werner Augsburger:
"In sport, you need to have the courage to regularly question traditional values."
08

Geneviève Morand:
"Innovation has a lot to do with your personal attitude towards new things and the unknown."
10

Dr. Ulrich Körner:
"Tradition and innovation are not polar opposites. They are two complementary qualities, on which the long-term success of a business is founded."
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