ceo*

The magazine for decision makers. April 2007

Energy market. Why the lights won't go out. And who stands to gain.
Futuristic material. Architects' and designers' love affair with Corian®.
Agriculture. How to manage the biggest farm in Switzerland.

PricewaterhouseCoopers

Publisher: PricewaterhouseCoopers AG ceo magazine, Birchstrasse 160, CH-8050 Zurich, Switzerland

Editors-in-chief: Alexander Fleischer, alexander.fleischer@ch.pwc.com, Franziska Zydek, zydek@purpurnet.com
Creative director: Dario Benassa, benassa@purpurnet.com

Contributers of this issue: Michael Craig, Iris Kuhn-Spogat, Ella Sarelli, Giselle Weiss
Concept, editing and design: purpur ag, publishing and communication, zurich, pwc@purpurnet.com
Photos: page 3: Andreas Teichmann, page 13: Astrofoto/W.T. Sullivan III, page 14: Christian Diehl, page 15: Bernd Hoff, page 20: Béatrice Denénes/Pixil, pages 21–27: Roth und Schmid, page 25: Keystone/Landov/Paul O’Driscoll, page 44: Markus Bertschi
Lithography/Printing: Sticher Printing, Lucerne

ceo magazine appears three times a year in English, German and French. Circulation: 30,000
Free subscriptions and changes of address: sonja.jau@ch.pwc.com

In the development and identification of sources of growth, the CEO is more than ever dependent on his or her team. At the same time, the task of a leader is to steer a path through the various options.

Dr Markus R. Neuhaus,
CEO PricewaterhouseCoopers, Switzerland

Our industry has already ridden one great wave of change. The name Enron marked the start of a global and comprehensive improvement in corporate governance that has helped shape every aspect of business ever since. Six years after Enron and five years after the Sarbanes-Oxley Act entered into force, Peter Ochsner, the head of our Assurance department, takes initial stock of the situation. Corporate Switzerland has already changed dramatically, yet still offers substantial opportunities for reform.
Major transformations are taking place, and not only at macroeconomic level. Individual industries are also in flux. The energy sector, for instance, has been undergoing tremendous changes for years. Yet the biggest upheaval of all would appear to be still ahead. Blackouts, the game of gas poker in Eastern Europe, fusions and company acquisitions have brought home to us that energy is finite and cannot be taken for granted. It is a product that is exposed to market strengths and weaknesses just like any other. Climate change – not a new topic but one that is now being taken seriously for its urgency – does the rest, forcing us to view the fundamental consumer product "energy" in a new light. Reason enough for us to take a closer look at the mechanisms, challenges and future options of this sector.

Change strengthens a company

Recently, the notion was put forward that change actually constitutes striving for stability at another, higher level. I don't agree – change is permanent, and only those who accept that fact and incorporate it into their day-to-day management tasks will be able to cope constructively with change in the long term. Crisis management is change in its exceptional form. Change as a constant is the systematic, permanent and inspirational strengthening of a company.
Ultimately, change is an everyday phenomenon in all sectors of industry. The news are currently dominated by reports of record profits. CEOs are increasingly expected to keep this positive trend going. Many companies have been restructured over the last few years with the aims of identifying potential savings, creating the conditions for value drivers to fully develop, and plugging cash and productivity gaps. A much bigger task now awaits many of these firms, namely developing answers to the question of where additional growth is to be generated over the next few years. Before the term became rather clichéd, this was called developing visions.
As early as the reorganisation phase, a decisive factor in success was how well the CEO managed to be both a leader and team player. In the development and identification of sources of growth, the CEO is more than ever dependent on his or her team. At the same time, the task of a leader is to steer a path through the various options. In this issue of ceo, four prominent figures in their respective fields explain how they cope with these two different roles.

I wish you a stimulating read.

Markus R. Neuhaus

ceo1/07. contents

pwc expertise

Cover picture: "Diode"-lamps made of Corian®, design by Marc Newson.

Dr Rudolf Stämpfli: The challenges are great, the tasks complex and the time-frame tight. A team is worth its weight in gold: it reduces complexity and raises the tempo.

Dr Rudolf Stämpfli has been president of the Swiss Employers' Association since 2003. He is also president of the board of directors and co-owner of Stämpfli AG and owner of the publishing company Stämpfli Verlags AG in Berne.

Today, there should be a plus sign between the terms "team player" and "leader". There are still sporadic cases of lone warriors. But I doubt whether they and their companies can survive successfully in the market in the long run. The challenges have become major ones, the tasks complex and the time-frame is always tight. A team is worth its weight in gold: it reduces complexity and raises the tempo.
If the intention is for a team to work towards a goal, then someone also has to take the responsibility for ensuring that that goal is reached. When the team consists entirely of alpha animals, time and energy are wasted on power struggles. If nobody assumes the leadership role, everyone runs the risk of getting bogged down in details. The tasks of the leader – who in business is normally the CEO – are coordinating the different management tasks, specifying the direction and providing information on a continuous basis about how far the team still has to go to reach its goal. A CEO also needs to ensure that appropriate means for reaching the goal are made available.
This starts with the composition of the management crew. A leader needs to be able to bring together the right team so that they complement one another not only with regard to skills, age and culture but also with regard to human factors. This last aspect, in particular, is the crux of the matter. The higher up people go in hierarchical systems, the bigger their ego normally gets. The challenge for the CEO lies in involving his colleagues in the company management in the team's performance. And in sensing when he himself can play a supporting role, or when he needs to adopt the role of leader and, where necessary, override a decision by the team.
Common values create a common basis for tasks and keep a team together. But only if they are actually lived, monitored and communicated – this is also one of the team leader's tasks. Too many values are ineffective because they ask too much of the team members. In my opinion, three or four is a good number. At our company, the values are respect, honesty, openness and decency. They apply absolutely; disregarding them is not an option. That is important: value definitions that people think are negotiable on a case-by-case basis are paper tigers.
Likewise, a leader is not a leader when the team does not trust him or her. A lieutenant who loses his way more than once with his troops must expect that his soldiers will start to read the map themselves. As is generally known, trust needs to be earned, and managing also means taking care of people. I notice time and time again the aversion many managers have to dealing with people, although they claim to be leaders.
I also expect a leader to look ahead to the future, and not only with regard to strategy and tactics. Leaders need to constantly check whether the team members are the best ones for the job – and whether they themselves are the right person in the right place. When the daily business is done, these are some of the most important questions that need to be asked. For it's all about the long-term existence of a company. An organisation will only survive if it manages to develop future decision makers within its own ranks.
But particularly with regard to personnel issues, many leaders are very slow to react. In his book "Only the Paranoid Survive", Andy Grove, the former CEO of Intel, maintains that in a successful company, the ones who end up together are the ones who harmonise well. And he stirs up the issue by stating that it is debatable whether such teams are the right ones in the long term. Harmony harbours the risk that you will end up in a group of like-minded people who lavish praise on one another but fail to keep pace with the market. It also carries the risk of sparing respected colleagues although they are no longer up to their tasks or they long ago fulfilled their tasks. Protecting people because you like them or reaching agreement to preserve the harmonious status quo are human characteristics. But they are highly dangerous for the company. A good remedy for too much self-satisfaction are "constructively dissatisfied people". Team leaders should be highly interested in attracting people like these. And they need to ensure an environment in their company in which uncomfortable people can also make themselves heard. //

Photo: Markus Bertschi

Mirjam Ott: The key factor is the composition of the team. Only the ideal combination of character traits and talents can bring success.

Mirjam Ott has won the Swiss Curling Championships three times as well as numerous medals at the European Championships, and is the only woman in the world to win two Olympic silvers in this discipline – most recently in 2006 in Turin.

Curling is a sport with many facets that necessitates a high degree of tactical thinking – a bit like chess, really. However, a stone is not a chess piece that you can simply position anywhere you like. Great experience, sporting ability and sound judgement are necessary to position a stone accurately. Precision and teamwork! Victory or defeat by millimetres is often decided not only by throwing the stone precisely but also by sweeping and giving the correct sweep command to influence the path of the stone.
The team captain – the skip – is responsible for the strategy. That's my function in the team. During the game, communication is essential, and I talk to my colleagues by calling to them. We can discuss complex situations in the game together, but we are restricted to two time-outs of one minute each. As there is a time limit to a curling game, I take most of the decisions alone as well as taking responsibility for the team's actions during the normal course of the game.

The most important factor is the right composition of the team. There are only four of us – and the wrong composition would be fatal. Four alpha animals are no more a team than the four best ones or the four most courageous. Only the ideal combination of different character traits and talents can bring medals. A team must play together harmoniously – in the truest sense of the word. The skip's task is to select "his" team and to properly assess the strengths and weaknesses of the individual players.
A pivotal factor in this is that we all have the same goals, want to reach them together and draw the corresponding conclusions from this mutual objective. There is no financial incentive in curling. We all have to work part-time to earn our living. On average, we invest 40 hours a week in the sport – and this requires the utmost in self-motivation and discipline. I place great emphasis on ensuring that the structures within the team are right. It needs to be clear who's the leader. Any ambiguity will lead sooner or later to conflicts – that's something to be avoided at all costs! We need our strengths for the competitions, so we can't afford to lose any energy in internal friction.
In the microclimate of the curling team, there are processes that I am familiar with from my studies in business administration and from my professional experience. But in the workplace, you can keep a professional distance from colleagues better. You are also compensated for your work with a salary. With us, there's no monetary appeal. Nevertheless, or perhaps for that reason, goal orientation, willingness to perform and a hunger for success constitute the magic formula that binds us together. Important decisions therefore need to be borne by the team – even if the skip takes the lead.
You have to want a management position. I took over the role of the skip at a very early age. There was an interval of two years that I spent playing in another team in the position of the vice-skip and had to learn to follow instructions. I very quickly had the urge to establish my own team and take over the lead again.
Today, I very much appreciate being able to get my work reviewed by coaches. It means that I get feedback and support in difficult situations. If, for instance, a player has to be substituted during a decisive match, I am very glad when the coach makes the decision for me. It enables me to put all my energy into the strategy and the game. //

Photo: Nik Hunger


Graubündner
Kantonalbank

Albert M. Baehny: A qualified manager's success is based on strength. Globally oriented corporations cannot afford weakness.

Albert M. Baehny has been CEO of Geberit since 2005. The graduate biologist began his career in 1979, in research, and has acquired more than 20 years' experience in marketing and sales, strategic planning and in divisional management. The Geberit Group employs some 5,300 employees worldwide, generating sales of approximately CHF 2.2 billion.

There is no single image of the ideal manager. People who are appointed to be the head of a successful and modern company nowadays are on a learning curve when it comes to the specific tasks associated with their position. Unfortunately, there are presently too many managers on the job who believe they already know all the secrets and can master any situation related to management. They forget and ignore that a healthy company in the wide-ranging network of global interrelationships resembles an organically grown body that is exposed to constant change in its complex structure. Reacting to this change not only promptly but also sensibly and correctly necessitates personality profiles that are suited to adapting to constant change and to facing up to new challenges with continually new approaches to solving problems. Dry theoretical knowledge soon leads nowhere in this environment.
If you want to influence the multi-layered levels and operations of a company with its different procedures in the sense of efficient process optimisation, you need to be able to react at all levels and at the right moment. To ensure that instructions that are devised at the top are sustainable and effective across the entire breadth of an organisation, top managers are required who see themselves in the role of leader as well as team player.
Sports trainers who only make decisions top-down will not go far in their league in the long run. They need to reach the soul, heart and mind of their players in order to fully exploit the diverse possibilities of the individual as well as the entire potential of the team. Similarly, managers in a commercial enterprise will fail if they do not embrace the team spirit and if they perceive their leadership position solely as having to make unilateral and lonely decisions. Seen from this perspective, it will prove to be difficult, if not impossible, for them to develop an authority that is based on a combination of knowledge and management expertise and that is respected at all levels and is the basis for ideal deployment of the team members. Wrongly interpreted hierarchical values lead to isolation.
What does this mean in practice? A qualified manager's success is based on strength. In keeping pace with their rivals, globally oriented corporations cannot afford weakness. To manage and optimise the complex structure of a company with all its multi-faceted structures – systems, processes, people – in the long term, a broad and diverse range of skills and characteristics is required. Credibility, creativity and passion are just as much a part of this as courage, resilience and self-confidence. These characteristics also need to be communicated and conveyed to the team in order to create and evoke this willingness to perform among its members. It is exactly here that we find the interface where skilled leaders need to prove that they are also capable of being team players. Being able to listen, fostering dialogue, involving oneself in the social climate are requirements for recognising and promoting the strength of the team. In order to find the right balance between the required decision-making authority and the interplay of all participants for the benefit of the company, the skills of a manager must be available on a permanent basis and be recognisable to everyone. Hidden talents as well as an overbearing style of management are of little use.
Strong leaders should have no problems in assuming the role of team players in the required interaction between management and team wherever the structure of the company, which is based on cooperation, requires their total commitment. Quite the opposite: true authority is the sum of all the skills available in the company.
A company's long-term success is based not simply on the charisma of a single leader but also on cultivating the art of management in the entire system. //

Photo: Mathias Braschler

Dr Ursula Renold: Credible leadership requires managers to communicate openly and to involve their staff. That is the only way to make good decisions.

Dr Ursula Renold is director of the Swiss Federal Office for Professional Education and Technology (OPET) in the Federal Department for Economic Affairs (FDEA).

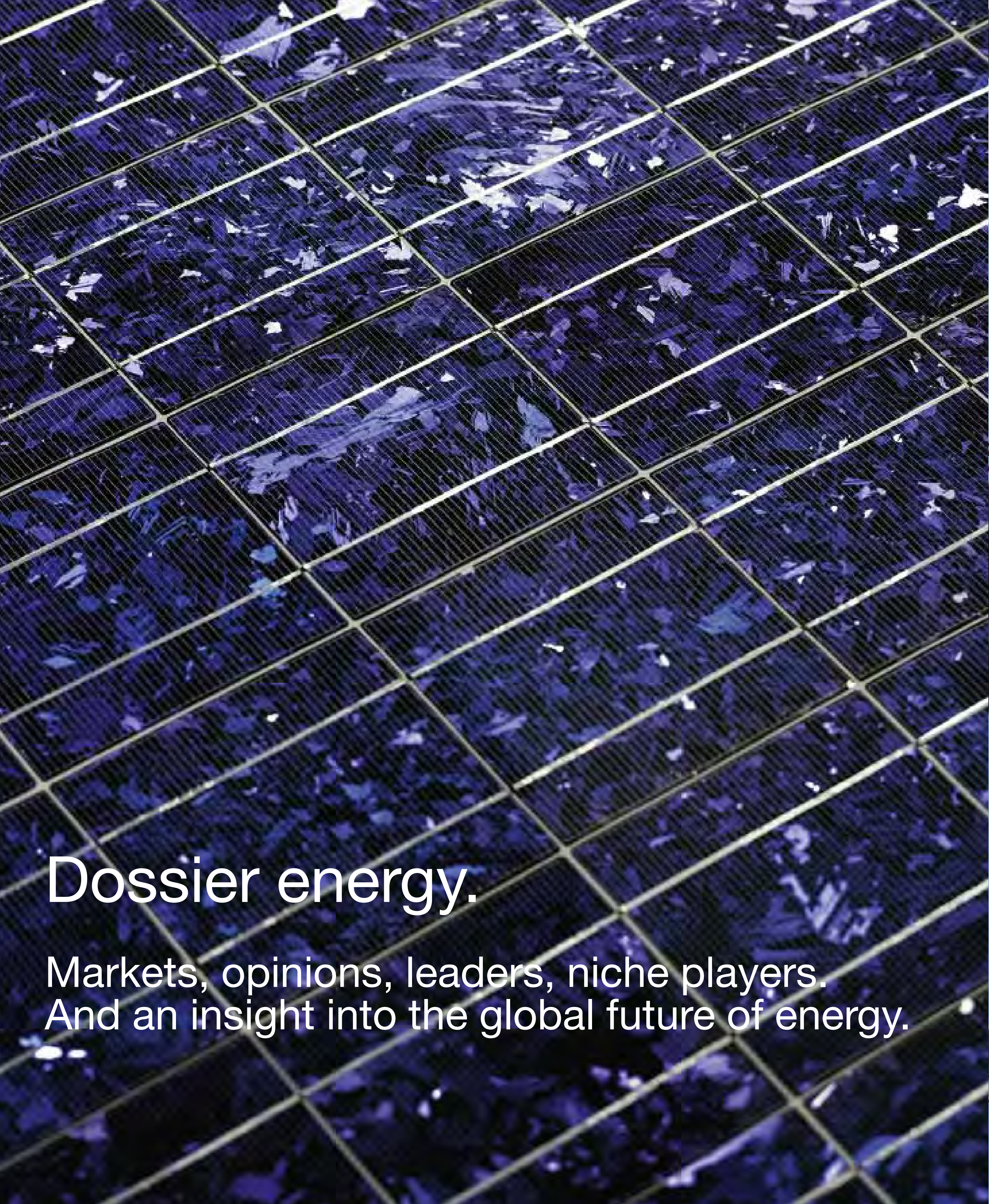
"Only sheep need a leader!" – Is that meant seriously? "Everyone's a team player, or can become one!" – Is that right? What's noticeable is that everybody has been singing the praises of teamwork over the last few years. Before, managers who had the sole say in matters were the rule; ideally, they were caring and patriarchal. The English concepts of "leader" and "team player" are now probably two of the most hackneyed terms used in business communication all over the world, and Switzerland is no exception. They are used by practically everybody, yet nobody stops to think how they are defined. In my opinion, a manager or a superior does not need to be called a "leader". And call me old-fashioned, but for me, teamwork still means "cooperation". Aside from these linguistic fine points, I am convinced that neither one nor the other style of management can generally and absolutely be viewed as ideal. Credible management that generates trust and is deserving of it is a situation-specific combination of both.

What do I mean by "management"? Very definitely not the exercise of power. But management also does not simply mean that someone knows their trade. It requires much more for a superior who claims to be a manager to be recognised as such. Primarily, employees must perceive him/her as credible. However, in order to be credible, he/she has to have a particular type of personality and a whole range of special personal characteristics. Ability to reflect, courage, self-management, self-confidence, passion for work, intuition, initiative, clarity and social skills are just a few of these. But that's not all: A credible manager seeks responsibility, anticipates, develops ideas, wants to learn and can cooperate with others. Social skills and an understanding of cooperation undoubtedly occupy a central position in the catalogue of what characterises a manager. The ability to approach people, take them seriously and deal with them distinguishes qualitatively high-class management. Or, put another way: A good manager assumes responsibility but still attaches great store to close, intensive cooperation. This is where the loops of the two management models intersect.

These features are supplemented by another aspect. Today's work environment is subject to rapid change that is accelerating in pace. Factors such as globalisation, deregulation, privatisation, technological change, to name but a few, make professional life increasingly multi-layered and volatile. A major challenge for managers is coping with this rapid change and growing complexity. There is often little time left for reflection and consideration. Consequently, managers need to be able to make decisions and to act on their own initiative and their own responsibility. This, however, does not mean that they do not need to win their staff over for core goals and for values that provide orientation. Quite the opposite: Credible leadership requires managers to communicate openly and to involve their staff; this is the only way to make good decisions. Even when the team cannot take the decision for their manager. Again, this is where the loops of the two management models intersect.

Particularly when individual performance or rapid solutions are required, teamwork cannot be a universal recipe. One of the myths is that teams are fundamentally more creative than individuals. So the key to success for managers is to possess some fundamental skills. They must be able to listen. They must be able to learn from experience. They must communicate their strategy and their goals. They must be tenacious. And they must have integrity. Leadership? Teamwork? It's all about the right blend! //

Photo: Andri Pol



Dossier energy.

Markets, opinions, leaders, niche players.
And an insight into the global future of energy.

Electricity market: The cards are being reshuffled.

Swiss electricity companies are commercially successful. The opening up of the market, impending electricity shortfalls and fervent political activity are now giving rise to high-stakes developments.

Text: Bernhard Raos

According to Walter Steinmann, director of the Swiss Federal Office of Energy (SFOE), "small, agile Swiss electricity companies will be able to maintain their competitive position in Europe". Over the last year, this was done most successfully by the two largest electricity and gas suppliers by far: Atel and Axpo each doubled their profits to more than CHF 1 billion. Even if we leave aside the higher-valued power plants as special factors, these are excellent figures.
Atel and Axpo are present across Europe. In 2006, they sold the equivalent of Switzerland's electricity requirements over a period of four years. Some 80 per cent of the total of 128 terawatt-hours are sold to foreign customers. However, the two market leaders are only small players in the Champions League of the energy suppliers, which is currently gripped by takeover fever. Although the German group E.ON (turnover EUR 68 billion) has failed in its attempt to take over the Spanish company Endesa, it is constantly making acquisitions to increase its market share. Atel and Axpo posted turnover equating to EUR 7 billion and EUR 5.8 billion for the last fiscal year.

The end of the monopolies is turning electricity into a commodity

The European takeover merry-go-round, which involves other energy suppliers, such as Enel in Italy and Electricité de France, is being triggered by the end of the state monopolies. In line with the wishes of the EU Commission, electricity is becoming a commodity, and the market will be fully liberalised by July 2007. For large companies, the advantages are positive economies of scale thanks to high volumes. Furthermore, investments worth billions of francs are needed in plants and grids. And this is also easier for the major players in the industry.
At first glance, Switzerland would appear to lack prerequisites in the energy market monopoly. As is well known, voters rejected a cautious opening of the electricity market five years ago. There are still 900 individual electricity suppliers – a protective measure for the domestic industry that is proving costly, as a study by the Swiss Federal Institute of Technology (ETH) in Zurich calculates. According to this study, between CHF 1.1 and 1.6 billion could be saved per year if there was only one end distributor per canton or region.
In addition, there is a sprawling jungle of different tariff systems and surcharges. The cantons and communes still hold an 80 per cent stake in the electricity providers. Cross-subsidising of public funds is widespread. The state-assisted energy boosts, however, have become scarcer since the Federal Court opened the door slightly in 2003, at least to major suppliers. Until then, buying electricity from a lower-cost supplier was not possible due to a lack of grid access: regional providers did not permit low-cost competitors to use their grids. The Federal Court has lifted the transit ban, but negotiations are still under way regarding the exact transit fees – up to 60 per cent of the electricity price.

The monopolies are phase-out models. And that's also something that Heinz Karrer, CEO of the Axpo Group, is all too aware of. "We can't barricade ourselves in. Every opening of the market boosts the innovativeness of the domestic economy. If we do it cleverly, this will strengthen Switzerland's competitiveness." Karrer believes that Swiss caution has the advantage that you can learn from examples abroad and avoid mistakes: "Grid-based industries have their own laws." Switzerland now intends to open up its electricity market in two stages by 2013, as stipulated by the new Electricity Supply Act.

The supply of energy is also always about politics

How can latecomer Switzerland maintain its position in the European market? The market opening at the borders requires the conclusion of a bilateral agreement with the European Union. Otherwise, there is the risk of discrimination and arbitrary retaliation measures. The negotiations will not be easy. "Energy is a fundamental resource for any economy. That is why the supply of energy is also always about politics," says Emanuel Höhener, CEO of Elektrizitäts-Gesellschaft Laufenburg. His company belongs to the Axpo Group and primarily carries out cross-border energy trading.

A good 20 per cent of the cross-border European electricity trade is done via Switzerland. For example, there are no direct grid links between France and Italy. With this hub, the Swiss companies earn more than CHF 100 million a year, and they intend to continue to profit from this advantageous position and secure free access to the EU for themselves with the opening up of the domestic market.

The EU, for its part, would like a technical harmonisation of the electricity grids. The unstable state of these grids became evident in September 2003, when the lights went out all over Italy. To avoid blackouts, the EU has already introduced an auction procedure. If there are bottlenecks in the grid, transit capacities must be auctioned. This is the real headache for Switzerland because the auctions affect long-term agreements with French nuclear power plants. These agreements were concluded after Swiss providers renounced nuclear power, and electricity volume and price were fixed in advance. So far, France has dispensed with implementing the auction procedure vis-à-vis Switzerland. How much longer that will be the case is now the subject of bilateral negotiations. The organisation of Swiss electricity grid companies, Swisselectric, is already taking a tough stance: adopting EU law is out of the question.

Transit fees for electricity highways

With the so-called unbundling of the electricity grids, it all comes down to the small print. Unbundling is the legal separation of trade and production from transport – a pivotal demand of the EU. Once the Swiss Electricity Supply Act is in force, the extra-high-voltage grid for international electricity transport must be transferred to a national grid company within five years.

Unwilling to lose out in this scenario, at the end of 2006 the seven Swiss grid companies – Atel, BKW FMB Energie, CKW, EGL, EOS, EWZ and NOK – set up the grid company Swissgrid. This organisation has since monitored and controlled the 6,700 kilometres of cross-border electricity highway. Swissgrid has thus virtually been established as the national grid company. For Axpo boss Karrer, it would "make no sense to separate the infrastructure from the operator company. After all, we have the greatest interest in our grids functioning in a stable manner."

The anti-monopoly authorities now fear that Swissgrid is receiving too much for the transfer and is discouraging competition. The tariffs are not yet transparent. That is why the Federal Council intends to create a regulatory authority – ElCom – to monitor usage fees.

The fact that corporations will actually have to sell their grids to an independent operator company is also a highly contentious topic in the EU. Although this is a demand of the EU Commission, a qualified majority of the member states still need to be reached for this to be agreed. But it doesn't look like a done deal. The grids will probably remain the property of the companies – under the control of an independent operator. And what about the "Swiss solution"? A stumbling block could be EU competition law, because the cantons hold a majority stake in the energy companies here.

Climate change is influencing the electricity business

The bilateral agreement is also intended to regulate trade in electricity from renewable energies. The high proportion of hydropower – 57 per cent of the Swiss electricity mix – is a competitive advantage here which

Great innovation but little investment

The Electricity Supply Act envisages support for renewable energies over the next few years to the tune of some CHF 320 million. Their share in the electricity supply should thus be increased to 10 per cent by 2030. Today, that figure is only just over 1 per cent.

What sounds like a lot of money is merely a drop in the bucket by international standards. Germany, for instance, is intending to invest some EUR 2 billion by 2009 in developing alternative energies under the Energy Innovation Initiative. In the USA, public authorities spent around USD 17 billion in 2005 alone on alternative energy projects. Venture capital companies also plan to make huge sums available.

There is no shortage of innovative projects in Switzerland, as testified impressively by the database of the Swiss Federal Office of Energy (SFOE). However, as SFOE director Walter Steinmann knows, the problem lies in the fact that "we get bogged down in too much detail. What we need is a pooling of ideas and more active support from one source." He cites heatpump manufacturers as a positive example. There, industry had agreed to strengthen their leader CTA for the European market.

"No investments mean no innovators" – Anil Sethi, CEO of the solar company Flisom (page 23), summarises succinctly. Above all, it is foreign financiers who are interested in the highly efficient solar foils of the spin-off of the Swiss Federal Institute of Technology (ETH) in Zurich. "Superb research is done here, but not enough developments actually make it to the market," says Sethi.

increases as concerns about climate change rise. For in contrast to energy from coal, gas and oil, hydropower does not produce any greenhouse emissions.
The EU has announced that it will reduce its CO_2 emissions by 20 per cent on the basis of its figures in the 1990s; in Switzerland, an environmental initiative is even calling for an ambitious 30 per cent. These are all drivers for the business of the Swiss energy groups, because every coal-fired power plant and every oil heating system that is replaced requires additional renewable energies. Improved efficiency on its own is not enough. And even the controversial subject of nuclear energy – 38 per cent of domestic electricity production – is becoming a wild card in the debate on climate change as a CO_2-neutral source of energy. Switzerland is also profiting from the EU emissions trading system. This instrument is intended to minimise the costs of reducing greenhouse emissions. CO_2-neutral Swiss electricity will be all the more competitive the higher the EU sets its benchmark for emission rights. For Rolf Linkohr, special advisor to the EU Commissioner for Energy, it is conceivable that electricity bills will have to indicate "how much CO_2 was released during electricity production".
However, climate change is also influencing the electricity business in Switzerland directly. An important key ratio here is hydraulicity, which measures the electricity produced from hydropower. If less rain and snow falls, less water is turbined. In 2005, the deficit was 6.7 per cent. Forecasts by the Swiss Federal Institute of Technology (ETH) assume that precipitation will decrease by an average of 7 to 8 per cent by 2050. With diminishing ice sheets, glacier water, too, is finite.
The large Swiss suppliers are therefore planning investments worth billions over the next few years in additional power plant capacity, greater efficiency and new energies, both at home and abroad. Atel, for instance, is building, among others, two wind-power farms in Italy and has stakes in small-scale hydropower plants in Switzerland; BKW FMB Energie AG intends to set up a new gas combined power plant with maximum efficiency in cooperation with partners in Germany; and Axpo has acquired a stake in, among others, the biomass recycler Kompogas. CEO Karrer is convinced: "In future, we'll have to look for every megawatt."

Entegra

The comeback of small-scale hydropower.

Since last autumn, the small hydropower plant in Buchholz in the canton of St. Gallen has been supplying electricity again. An inflow of public funds means that this renewable energy source is once more viable.

Small is relative. The concrete walls of the small power plant in Buchholz on the border between the communes of Gossau and Flawil rise up 15 metres. The River Glatt has cut a deep path through the cliffs at the waterfall and behind the weir stretches a landscape of water meadows, where one of the highlights is spotting a beaver.

Nature presented an imposing challenge here that Ivo Scherrer, managing director of Entegra Wasserkraft AG, was only too pleased to accept: “It was all about whether a plant that had been closed down for almost 100 years should be demolished or modernised. The biotope would have been destroyed during demolition.” Entegra, the operator of other small power plants, along with its parent company, Entec, gained the support of two neighbouring communes and the Swiss Federal Office of Energy (SFOE), persuaded more than 100 small shareholders to back the project, and got the plant running again.

Two propeller turbines have been producing electricity since last autumn. It is calculated that the plant will produce 700,000 kilowatt-hours per year, which roughly equates to the consumption of 135 households. The turbines, sporting five-vane rotors, were developed at Stuttgart University and manufactured in Indonesia. Not only for reasons of cost, says Scherrer, but also because “nobody builds small turbines like these in Switzerland anymore. What’s more, with the transfer of know-how, we are also establishing European environmental technology in South-East Asia.” Buchholz is becoming a reference project. During a climbing expedition inside the stone wall, Scherrer, a construction engineer with a master’s degree, shows the newly created fish sluice. Via a steep conduit that is periodically filled and emptied, fish and other aquatic creatures are lifted upwards. The small power plant thus fulfils all the requirements of ecological electricity production.

The start-up funds from public authorities and current fixed price of 15 cents per kilowatt-hour mean that small power plants are also a worthwhile investment for private individuals. There are around 1,000 plants like this one in Switzerland, and across the country they have been given a new lease on life. The major electricity companies, who for years were bitter opponents of compensation for the additional costs, are also playing their part in this development. For instance, Atel is a shareholder in Entegra. Scherrer expresses no reservations: “It means we can further the expansion of renewable energy more quickly.”

www.entegra.ch

The modernised small-scale hydropower plant in Buchholz near Gossau supplies ecological electricity while safeguarding a biotope at the same time. “Everybody wins,” says managing director Ivo Scherrer. Fotos: Roth und Schmid

"An electricity network and hydropower are strong aces."

Dr Walter Steinmann believes that Swiss electricity companies will continue to have good opportunities in the European market in the future. In the energy debate, the director of the Swiss Federal Office of Energy (SFOE) is putting his faith in Swiss strengths.

The European electricity market is on the move. Is Switzerland in danger of being left behind?
Walter Steinmann: Our hydropower continues to be in demand as a top source and reserve of energy. Moreover, 23 per cent of the cross-border power lines in Europe run through Switzerland. We need to play these ace cards in our negotiations with the EU. To do so, we need to develop an equivalent support system for renewable energies.

Aren't we EU-compatible in this respect?
Certain standards and certified proof of origin are also required, and we intend to start introducing these now. One of the subjects of the bilateral negotiations on the energy dossier will be the acceptance of this convergence.

Will Swiss electricity companies soon be swallowed up by their European rivals?
Small, agile Swiss electricity companies will be able to maintain their competitive position in Europe if they offer the right products. This also includes gas. I'm not afraid of domestic companies being sold off: our hydropower plants are practically like national treasures. And it is Parliament's will that the high-voltage electricity network also remain directly and indirectly in the hands of the cantons and communes.

But we will soon all be dependent on Russian gas supplies.
Energy providers in Switzerland and the EU will conclude agreements with several suppliers. Not only with Russian but also with suppliers in Norway, Algeria and Iran. In future, a market for liquid gas will also develop with producers such as Qatar and Australia.

Back to the state electricity network in Switzerland. The EU appears to understand something else by liberalisation.
So-called unbundling – the separation of trade and network ownership – is being carried out in Switzerland. Our network company solution is even being praised by EU experts as an example that could be adopted in the EU. The Swiss network operator Swissgrid must facilitate free access for all suppliers.

Your federal office is providing future scenarios for Swiss energy up until 2035. The parameters for this are constantly changing. Do you feel comfortable making your forecasts?
Yes. We base them on the overall economic boundary conditions as used by the Government in general. On this basis, we develop four political scenarios with objectives and measures. We have also discussed problem scenarios such as an oil price at 100 dollars.

The SFOE is forecasting that there could be winter blackouts in Switzerland from 2012 onwards. You were strongly criticised for this.
We are assuming that we could have the first problems with the electricity supply from 2012 onwards. All we are doing is putting the facts on the table; it's for the politicians to decide. And as we are in election year, rough-and-ready solutions are required, not the compromise that it takes three to four years to reach in Switzerland.

Is a shortfall in the electricity supply inevitable?
With improved energy efficiency, 20 per cent of our energy consumption can be saved. And we need to make massive investments in alternative energies. Because all fossil sources of energy are finite and aggravate the CO_2 problem. Here, too, attitudes are changing. CO_2 offenders will soon be banished to the sidelines like smokers.

Wouldn't it be better for us to leave the supply of electricity to the market economy? After all, the price of a product regulates supply and demand best.
The production of electricity is different from baking a loaf of bread. You can open up a new bakery overnight. But investments in power plants are made over a period of up to 90 years, and require considerable preparation. And then there's the electricity network that functions according to the laws of physics and not according to economic textbooks. Without priorities and a long-term perspective, blackouts are bound to occur.

Axpo

Electricity sales: Everything's in motion.

The Axpo Group supplies 3 million people in Switzerland with electricity. The energy group operates in a highly sensitive, constantly changing market.

Against the backdrop of huge circuit diagrams and dozens of computers, the grid control centre of the Axpo electricity group in Baden monitors and controls the production and distribution of electricity. Data from dozens of power plants, substations and transmission lines come together here. Supply and demand must balance one another out within a very short space of time. This is a real challenge, says CEO Heinz Karrer: "We cannot shift kilowatt-hours back and forth arbitrarily. Grid-based industries have their own laws. The economic principle, where supply and demand regulate everything, applies only to a limited extent here. It's like with the railways, where you cannot dispatch 1,000 trains all at once."

However, the electricity grid is not only a bottleneck for physical reasons but also with regard to supply beyond the Swiss borders. Thanks to its geographical location, Switzerland is an important hub in the European electricity grid and has to share limited capacities with foreign providers. What's more, grid enhancements frequently encounter resistance. "We have transmission line construction projects dating back to the year 1979 that are still blocked due to objections," explains Karrer.

The tall, athletic Axpo boss – a former handball player for the national team – appears unruffled by such facts. His company (see

Axpo intends to invest in the energy supply grid and in production systems. Its CEO, Heinz Karrer, believes that renewable sources of energy will become increasingly important in future.

box) is entirely owned by eight cantons in north-eastern Switzerland. People who are in the public eye as much as he is have to cope with juggling socio-political and economic tasks. The energy group needs to safeguard the supply of energy and the billions of francs it has invested in its power plants – fixed assets of CHF 8.6 billion – and also earn money. And do all that taking into account concerns about the environment, climate and dwindling resources.
Whereas electricity consumption in Switzerland is growing every year by 1 to 2 per cent, long-serving nuclear and coal-fired power plants will be decommissioned across Europe over the next few years. At the same time, supply agreements between Axpo and foreign electricity producers are reaching their expiry date. And these agreements have been on shaky ground since the European Court of Justice decided that, in the event of bottlenecks in the grid, electricity transit will be auctioned at market prices.
Since 2005, Axpo has been warning of an impending "electricity shortfall" from 2020 onwards at the latest. As is well known, however, there is opposition to nuclear power plant projects, irrespective of the energy supplier involved. "It is an unrealistic and idealistic notion that we can survive without energy and without using raw materials," says Karrer. Axpo intends to invest some

Electricity from hydropower is a lucrative business for Axpo. It is also a trump card on the European electricity market.

CHF 10 billion over the next few years – both in renewable energies and more efficient plants, as well as in new gas combined and nuclear power plants. It has no choice: "Otherwise, Switzerland's competitiveness will suffer." The Swiss Federal Council has now given the go-ahead for new large-scale power plants.
In the last fiscal year, the Axpo Group sold 112,240 million kilowatt-hours of electricity and gas; they produced just under a third of the electricity they sold themselves. By comparison, in 2005, Switzerland used 57,330 million kilowatt-hours of electricity. The Axpo Group supplies 3 million people in Switzerland with electricity.
Axpo buys a good two-thirds of the energy on the European market and sells a total of three-quarters of the electricity to customers outside Switzerland. Primarily trade activities with futures contracts and derivatives generated high profits over the past year. Energy exchanges work like the trade in raw materials. The prices in spot trading can make huge leaps. For instance, the price for 1,000 kilowatt-hours on the German energy exchange EEX fluctuates between EUR 7 and 100 more or less; in extreme cases, more than EUR 2,000 have been paid. In this regard, Karrer says: "We have made very good use of the opportunities despite a limited desire to take risks."
The Axpo boss is convinced that his company is large enough to be profitable in the long term as a small European player. He answers a question regarding a fusion, for example with Atel, diplomatically: "We should not rule out any option. But I cannot imagine that the Swiss Competition Commission would give the go-ahead for such a move."
There have also been developments in the price of electricity. For a long time, the isolated Swiss electricity sector received profits worth billions from its monopoly position. A cautious opening of the domestic market and public pressure put the skids on prices. However, not all 900 electricity suppliers were affected to the same degree.
Switzerland is now positioning itself "rather well in the European midfield", states the independent energy agency Enerprice. Karrer sees it even more positively: "Our comparatively low prices are strengthening Switzerland's position as an economic location." However, for the aforementioned reasons, he is anticipating that electricity will become more expensive again in the future.

The Axpo Group

The energy companies Nordostschweizerische Kraftwerke (NOK), Centralschweizerische Kraftwerke (CKW) and Elektrizitäts-Gesellschaft Laufenburg (EGL) are consolidated under the umbrella of the Axpo holding company. Their business segments are the production of electricity, transport grids, trade and services. In the fiscal year 2005/2006, 3,098 employees generated a turnover of CHF 9.3 billion and an operating profit of CHF 1.4 billion.

www.axpo.ch

Flisom

Photovoltaics on course for success.

The extremely lightweight solar cells of Flisom AG in Zurich have great potential, particularly on roofs and façades. The company is now planning to start industrial production of its flexible solar foils.

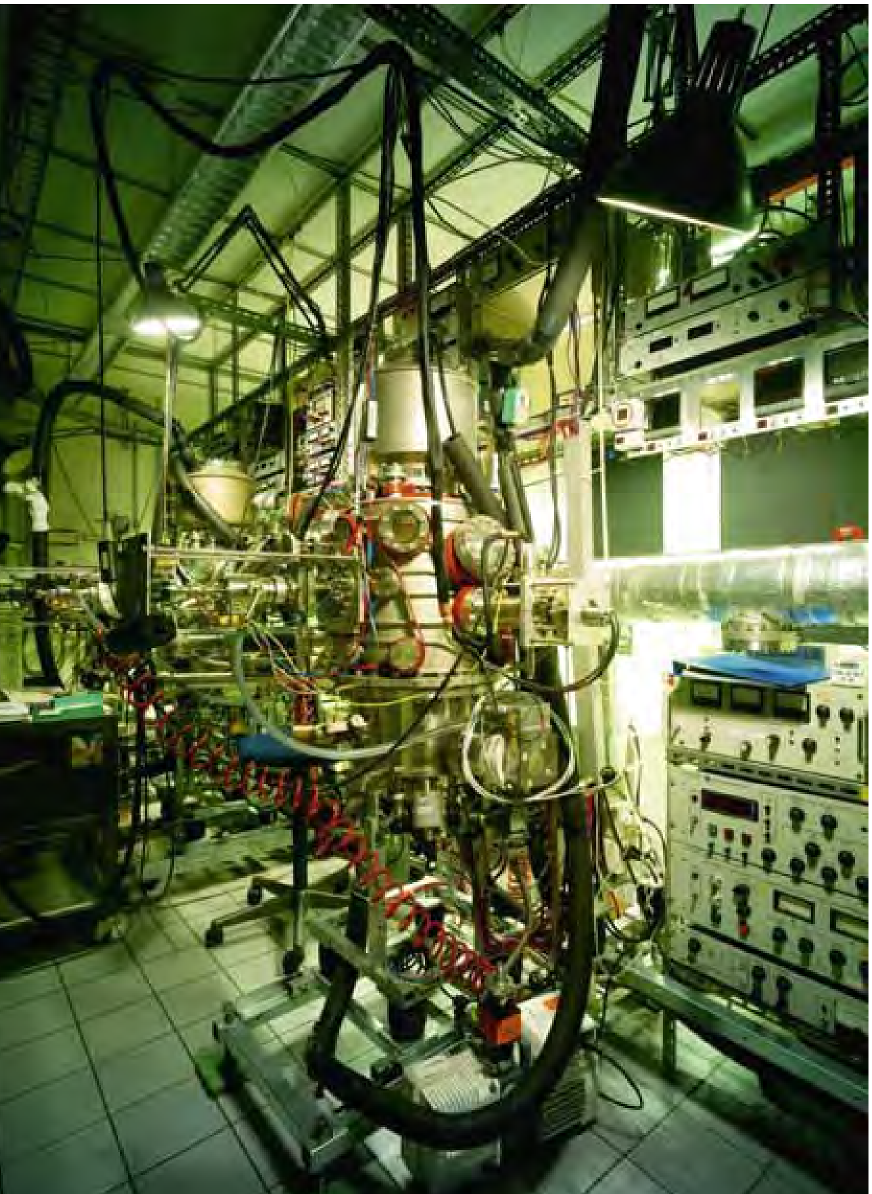
The address means the young company has a lot to live up to. Flisom – a spin-off of the Swiss Federal Institute of Technology (ETH) in Zurich – is housed in the "Einstein" wing of a building in the Zurich Technopark. The laboratory atmosphere in the two rooms where the prototypes of the Flisom equipment are located is a befitting one – for the layman, an impressive maze of cylinders, tubes, nozzles and lots of flashing electronic devices.
The company's CEO, Anil Sethi, explains what is being created here: "We steam ultrathin layers of photovoltaic material on plastic foils under vacuum and can thus convert a good 14 per cent of the incidental light energy into electricity." The Flisom researchers and company founders, Ayodhya N. Tiwari, Marc Kaelin, Dominik Rudmann, David Brémaud and Hans Zogg, are particularly proud of this level of efficiency. It is a world record for solar cells on plastic foil.
Solar cells on plastic are extremely lightweight, flexible and cheaper to produce than conventional panels made of silicon. Flisom coats with the four elements copper, indium, gallium and selenium. In industrial series production (roll to roll), Flisom intends to produce so cost-effectively that solar power becomes competitive. Today, other sources of energy are considerably cheaper. Flisom sees the biggest market opportunities in electricity

The flexible solar foils of Flisom AG supply electricity from roofs and house façades. The CEO of Flisom, Anil Sethi, expects the breakthrough to be made within the next four years.

from the roofs and façades of houses and also for mobile applications. A solar foil in A3 format, for instance, is sufficient to supply 100 mobiles or one laptop.
Concerns for the world's climate and dwindling resources are the drivers of the solar business. The expectations of Flisom, which has won several prizes and was invited to this year's World Economic Forum in Davos as a "Technology Pioneer", are high. And that's not lost on CEO Sethi: "We want to keep our promises." Otherwise, he believes, the investors who are now increasingly putting their money into alternative energies will soon be off again. Flisom is currently negotiating with financiers and intends to be producing solar cells in four years' time that supply electricity at competitive prices.
Sethi, who was born in India and has lived in Switzerland for more than six years, criticises Swiss deliberation: "Superb research is done here, but not enough developments manage to make it to the market." He would like more public support. Otherwise, in his opinion, the future technology of photovoltaics will move abroad: "When a child learns to walk, he or she needs a helping hand."

www.flisom.ch

Concerns for the climate and dwindling resources are the drivers of the solar business. The prototypes of the Flisom equipment in the Zurich Technopark.



"The lights won't go out."

We can have both: economic growth and a high quality of life. But for that to happen, we need to make the right political decisions, says Peter Voser[1], CFO of Royal Dutch Shell.

Interview: Franziska Zydek

ceo: Mr Voser, How much longer will the global energy reserves last?

Peter Voser: The chorus of a French folk song from the 15th century goes like this: "Je meurs de soif auprès de la fontaine" – "I die of thirst beside the fountain". I think that this phrase is a good description of the global energy situation. The world has ample energy supplies from both conventional and unconventional sources.

Which energy resources do you mean?

Petroleum, natural gas and coal. But before we can consume these energies, barriers need to be overcome. Some deposits are in distant and inhospitable regions; developing them requires money and time, and they are difficult to exploit. And with some deposits, such as oil shale, we will have to make particular efforts with regard to carbon dioxide management. The times when oil was "easy" are gradually coming to an end.

Are there countries where energy is not an issue?

Not even the most important energy-producing countries can say that they are not dependent on energy, because they also reimport a substantial part of their energy in the form of finished petroleum products, chemicals and consumer products. Today, it is no longer possible to talk about energy security on just a national or regional level.

So energy security can only be a global issue?

Yes. It is vital that global strategies take into account the entire international energy chain – from extraction, via production and distribution, to consumption. Interdependencies mean that it is pointless trying to solve individual, country-specific problems as isolated cases. I consider a global approach to be essential, particularly with regard to additional environmental and climate protection measures. These will enhance the energy interdependencies of nations further, as different forms of cleaner energy and measures to reduce carbon dioxide emissions necessitate cross-border cooperation.

How will global energy requirements develop?

With continued economic growth, it is possible that the energy requirements of the global economy will have doubled by 2050. Parallel to the growing demand, however, there is an urgent call for a substantial reduction in the carbon dioxide emissions caused by this energy consumption. We are therefore confronted with a paradox.

Can this problem be solved?

Yes. To meet the increase in energy requirements and the demand for fewer carbon dioxide emissions, we need to do three things: make optimum use of fossil energy resources, develop alternative forms of energy and improve energy efficiency so that the energy available lasts longer.

Does this mean that we will become less dependent on fossil resources?

The change is more likely to take place gradually. Fossil fuels currently meet around 85 per cent of the world's energy requirements. By 2025, that figure will still be more than 80 per cent.

So you will continue to put your faith in fossil fuels?

It is impossible to meet the world's energy requirements without them. But first we need to develop our technologies further in order to find more fossil resources and to exploit the deposits more efficiently. This applies primarily to crude oil deposits; on average, the world exploits just 35 per cent of these. And second, we need to use technologies that make the use of fossils fuels more environmentally benign.

[1]Peter Voser has been chief financial officer at Royal Dutch Shell plc in London since October 2004. From 2002 until he joined Shell, he was chief financial officer at Asea Brown Boveri (ABB) in Switzerland where, as a member of the Group Executive Committee, he was also responsible for IT and the oil, gas and petrochemicals business.

Can you give us some examples?

With increasingly refined seismic technology, it is possible for us to detect new oil and gas resources beneath the Earth's surface. Technical progress is making it possible for us also to develop them in areas that were previously completely inaccessible, for instance in the Arctic or deep under the sea. We can now also transport natural gas from remote areas in liquefied form. Or we process natural gas on site into high-grade, low-emission petroleum products – the buzzword here is synthetic diesel – and then ship these in normal tankers to the consumer countries.

What do you think about the development of alternative forms of energy?

Shell is one of the biggest distributors worldwide of biofuels such as ethanol and biodiesel. We are investing in new production processes that enable us to extract petrol and diesel from plant residue, for instance in Germany with the company Choren. These second-generation biofuels are of a very high quality, do not compete with the food chain and have a substantially improved carbon dioxide record over conventional first-generation biofuels.

How do you rate the future potential of wind power and solar energy?

Of all renewable energies, wind power is the most promising. Shell has already invested considerable sums in wind power systems. In the Netherlands, we recently started operations at our first offshore wind farm. And we are investing in the next generation of solar technology, such as copper indium diselenide, or CIS, thin-film technology to convert sunlight into electricity more efficiently.

Do you believe that hydrogen-powered vehicles have a future?

Yes. We anticipate that there will be between 5 and 10 million of these cars on the roads in 2020. As a means of promoting transfer to a hydrogen-powered economy, Shell is building so-called lighthouse projects, i.e. integrated petrol stations that are able to offer both traditional fuels and hydrogen.

What do you think of energy-saving measures?

They have my wholehearted support. Work begins at home, which is why we are saving energy in our production systems. And we help our customers to save energy – by providing them with advice and offering them highly developed lubricants, heating oils and fuels that contribute to saving energy. We have recognised that we can gain a competitive advantage by offering energy-saving products.

And what's your personal opinion?

Meeting the world's energy requirements with environment-friendly solutions is costly and presents us with profound technological challenges. But we can do it! The energy and economic policies of individual nations and international organisations can either accelerate or hamper this process. That is why the question remains as to whether the world's governments can develop solid economic, financial and ecological strategies that enable the energy industry to make investments and develop promising new technologies. I would like to play my part in ensuring that we ultimately have economic growth as well as an environment that offers quality of life and a high standard of living.

Kompogas

Alternative energy as a marketable commodity.

Kompogas AG produces electricity, gas and fertiliser from compost – and does so in a carbon-neutral way and at competitive prices. Kompogas licenses its technology worldwide.

Conventional clichés do not apply to Walter Schmid, builder, ex-racing car driver and ecological pioneer – and head of Kompogas AG with a registered office in Glattbrugg in the canton of Zurich. "What counts are the results," he says. With a lot of his own money and years of painstaking work, Schmid has developed a process that converts biogenic waste into biogas. The principle is simple:

"It's like farm horses in the past. They ate grass that gave them the energy to pull the plough. And what they didn't need, they excreted as fertiliser – a closed loop."

A visit to the Kompogas plant in Otelfingen unearths how the biological recycling works from a technical perspective. The green waste is delivered and raised by a powerful gripper onto a conveyer belt where it is shredded, sorted and pumped by the dosing system into the 30-metre-long concrete tank. Here, the brown paste ferments at a temperature of around 55 degrees centigrade into biogas. In the so-called aerobic post-treatment process, the rest is turned into liquid natural fertiliser and solid compost. The system is enclosed and almost odourless. An info centre illustrates the procedure.

In 2006, the nine Kompogas plants in Switzerland produced around 28 million kilowatt-hours of carbon-neutral electricity and fuel from 150,000 tonnes of organic waste. Half of this flows into the electricity network; the other half is converted into fuel for gas-powered vehicles. A medium-class vehicle can travel around 1,000 kilometres on the gas from a tonne of organic waste. And very economically too, for biogas is a good 30 per cent cheaper than petrol at today's prices.

Currently, only 10 per cent of organic waste is converted into clean energy. A large part of it rots in compost plants without its energy being used or is burnt in waste incineration at double the cost. "For that to change, political will is required," says Schmid. He puts his hopes in his partner Axpo, which currently holds 49 per cent of the shares in Kompogas and is now investing heavily in alternative energies. Kompogas also intends to expand abroad and has already awarded more than a dozen licences to companies in Japan, Germany, Austria, Spain and Martinique. Today, proven alternatives to fossil energy sources are in demand all over the world. //

www.kompogas.ch

The energy pioneer Walter Schmid has transformed his idea into marketable products. Today, Kompogas supplies fuel for gas-powered vehicles, electricity for the grid and liquid fertilisers for market gardening. On the go-kart track of the ex-racing driver, customers can test-drive miniature versions of the clean, gas-powered cars.

ceo1/07. pwc expertise

Corporate governance: The effective interplay of management and oversight adds value.

Corporate governance is at the core of efforts to modernise Swiss company law. But much more important than regulation itself is the question of how companies behave in practice: Five years after Enron, where does Switzerland actually stand in terms of corporate governance?

peter.ochsner@ch.pwc.com

Until the 1990s the concept of corporate governance was rarely talked about outside the English-speaking world. But this all changed in 2001, the year of spectacular corporate collapses when the names Enron and WorldCom became synonymous with accounting scandal.

Since then there has been a huge increase in awareness of the issue in the financial community and the public at large. In 2002, economiesuisse published its expert report "Corporate Governance in Switzerland and the Swiss Code of Best Practice for Corporate Governance". The same year, the SWX Swiss Exchange's Corporate Governance Directive came into force.

There is no shortage of rules and regulations. But how far has the rethinking process progressed in Swiss business? The "Study on the Practical Implementation of the Corporate Governance Directive" prepared by the Institute for Accounting and Control of the University of Zurich on behalf of the SWX Swiss Exchange gives Swiss business a very good report. The study evaluates the extent to which the Corporate Governance Directive has been implemented in practice. The average implementation level of the directive among the 265 companies is 85 per cent. 110 companies attained an implementation level of over 90 per cent.

Avoid further regulation

Implementation of directives is one thing, but is the added value generated by good interaction between management and oversight also recognised? In practice there is in this respect room for improvement.

We believe that in Switzerland and internationally we have enough regulation. Nonetheless, it is inevitable that Parliament will legislate further in the area of corporate governance (see box page 30).

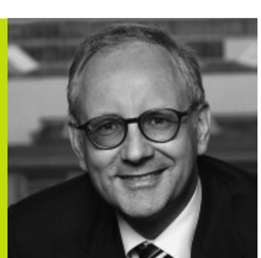
Experience from other areas shows that the best way to achieve an objective, in this case orderly management, is not merely to apply the letter of the law. Rather, it is attained by active and purposeful pursuit of the underlying principle. Moreover, the continuing and proactive search for optimal checks and balances and transparent reporting offer many Swiss enterprises great opportunities – and potential for generating additional value. Indeed, transparency is a strong driver of share price. And a good share price is the best protection against takeovers.

The need for good corporate governance is today in the majority of cases justified from the aspect of shareholder protection. But this is an aspect heavily influenced by legislators and other regulators.

Economically, the interest of the company should be in the foreground. And precisely from this viewpoint strong arguments support an actively pursued, ongoing optimisation of corporate governance: the minimisation of economic risks, the fostering of sustainable financial development and, not least, the enhancement of corporate reputation.

Good corporate governance therefore benefits not "only" the shareholders as stakeholders, but ultimately also management and the board of directors – i.e. the company itself. And that means the shareholders and other stakeholders.

Reputation
Transparency
Control



Peter Ochsner, Leader Assurance

Reputation also adds financial value

It might not sound like much when people say that good corporate governance is primarily a function of a matter of reputation, but in fact the opposite is the case: reputation is much more than what people think of a company; it is bound up with monetary benefits. When investors trust a company's management and oversight mechanisms, this has financial benefits on the capital markets, and having a "good name" gives a company the edge over its competitors when it comes to attracting and retaining the best staff and business partners. And a good reputation can also help earn the favour of the media and the public.

This is why companies should make efforts to ensure good corporate governance not merely as a response to regulatory pressure, but on their own initiative. There are three components to good corporate governance: management and oversight, and the balance between the two. There are three basic rules of thumb when it comes to management:

1. The cornerstone of good corporate governance is a management organisation which incorporates adequate checks and balances. In the literature this balance is illustrated by the inner and outer triangle of corporate governance. The inner triangle represents the balance between the management, oversight and auditing functions. The outer triangle describes the balance of power between the company, the financial markets and other stakeholders.

The tone at the top is key: top management must explain its principles and expectations clearly, and lead by example when it comes to implementing them.

2. The management organisation must be systematically rooted in all the operational processes throughout the business. An internal control system (ICS) is decisive when it comes to defining and monitoring processes. And here too it is vital that the board of directors take responsibility for the functionability of the ICS.

3. There must be a commitment to transparency. The best internal structures will not engender trust if they are not communicated to the world outside. Far from jeopardising the interests of a company, disclosure actually strengthens its position on the financial markets and in the public arena.

Alongside management, the second component of good corporate governance is corporate oversight. For oversight to function properly it is not so important whether the oversight body has only a supervisory function (like supervisory boards in countries such as Germany), or whether it is a board having a strategic responsibility too. The most important thing is how independent the body is: there must be no interdependency of interests between the members of the oversight body and the company. Members must also have the professional qualifications, the time and the strength of character to perform the duties of a body charged with directing or supervising a company. They must be able and willing to take a critical look at the way the company is managed and share their strategic vision with the management.

But corporate governance is not just a matter of good management and effective oversight; it requires a balance between these two functions.

The dual role of the auditor

The external auditor has a dual role in the context of corporate governance: his internal role is to support the board of directors in performing its oversight function, especially on the financial side; externally, the auditor is accountable to the shareholders

The legal framework for corporate governance in Switzerland

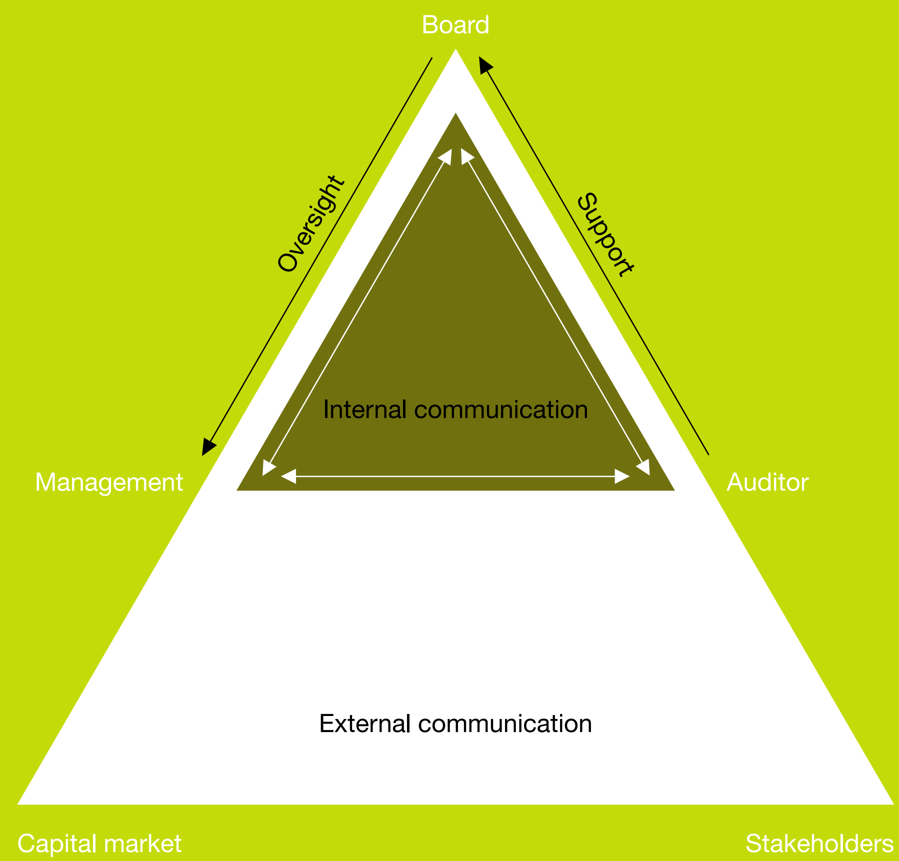
Until now the disclosure of information on management and control was not regulated by law, with the exception of companies whose shares are quoted on the SWX Swiss Exchange, which since 2002 have had to comply with the SWX Directive on Information Relating to Corporate Governance (DCG). However, the Swiss Federal Council is currently working on a comprehensive modernisation of company law, in which corporate governance will play a central role.

Certain new provisions of the Swiss Code of Obligations (CO) came into force on 1 January 2007 and already apply. These stipulate that payments from a company to members of its board of directors and management, and the interests these people hold in the company, must be disclosed. Since the duty to publish this information is now embodied in law (Art. 663b^{bis} CO), the SWX has revised the DCG and rescinded the corresponding sections of the directive. The amendments contained in the new directive, which entered into force on 1 January 2007, will apply for the first time to annual reports for the 2007 financial year.

The legislators are also laying the emphasis on corporate governance in the revision of Swiss company and accounting legislation. The consultation round on the preliminary draft of the planned legislation is complete, and the Federal Council should have issued a dispatch by the end of the year. The report accompanying the preliminary draft contains a detailed explanation of why the Federal Council believes it is necessary to improve corporate governance, including three specific objectives:

1. Efficient internal controls should be in place to avoid undesirable business developments as far as possible in the interests of the economy as a whole.
2. The content of the rights of shareholders should be better protected.
3. Shortcomings in terms of corporate governance can affect the decisions of investors, particularly institutional and foreign investors. Improved legislation thus works to the benefit of the financial markets and companies in their efforts to raise capital.

Inner and outer triangles of corporate governance



The inner triangle represents the balance between the management, oversight and audit functions. The outer triangle illustrates the balance of power between the company, the capital market and other stakeholders.

and creditors of the company it audits. In future the auditor will play an even more important role in corporate governance in Switzerland: when the revised Code of Obligations comes into force, probably in mid-2007, an audit of the existence of an ICS will be a compulsory part of the regular audit. In other words, the auditor will have to check whether the board and management have documented internal processes adequately and appropriately, and whether the ICS works effectively.

Inextricably bound up with good corporate governance is external transparency. But disclosure should go beyond the requirements of the law and the SWX directive. Good corporate governance means adopting the comprehensive definition of transparency used for the purposes of value reporting. Value reporting requires companies to describe their markets, their strategy and the value drivers of their business in clear and understandable terms, placing equal emphasis on both financial and non-financial value drivers. Financial reports are so detailed these days that most stakeholders need help in interpreting the information; a meaningful and critical presentation of financial figures helps boost understanding of a company.

A balanced management organisation, a management philosophy rooted in business processes and a commitment to transparency are key components of corporate culture. Reliability and openness, both important elements of good corporate governance, are the foundation on which companies can build confidence and trust both internally and externally.

Summary

Good corporate governance helps build stakeholder trust and enhances the company’s reputation. It creates and preserves value, and is thus in the interests of the business itself.

VAT reform: Above all, it's tax practice that has to change.

The latest VAT survey conducted by PricewaterhouseCoopers shows that companies still see serious practical and legal risks in relation to value added tax. And there is no guarantee that the situation will be very different after the planned changes to the law.

niklaus.honauer@ch.pwc.com

On 15 February, the Swiss Federal Council presented its draft VAT reform bill and initiated the consultation phase. The origins of the reform go back to 2005: 10 years after value added tax replaced the old Swiss turnover tax, it was clear that the situation had not become simpler as hoped. At the beginning of 2005, in its report to mark ten years of VAT[1], the Federal Council itself noted that the tax was too complex and time-consuming, and resolved to conduct a thoroughgoing revision. An expert report[2] published in May 2006 underscored the urgency of this matter.

The aim of the revision was to create an "ideal" form of VAT, with the emphasis on introducing a single VAT rate and abolishing as many exceptions as possible. The recently presented draft legislation focuses on simplifying VAT: of the 25 exceptions that currently apply, only five or six (depending on the variant chosen for healthcare) are to remain. However, the single VAT rate is still controversial, and the Federal Council is proposing alternatives for the consultation phase.

Risks
Compliance
Costs

Dr Niklaus Honauer, Leader VAT Consulting

PricewaterhouseCoopers used the current debate as an opportunity to conduct its second VAT survey[3] of Swiss companies. The resulting report – "QuoVATis: – Wohin entwickelt sich die MWST in der Schweiz?" (QuoVATis: where are we going with VAT in Switzerland?) was also published in mid-February. PwC wanted to investigate three main issues: 1. In what areas do businesses see the greatest need for changes in the VAT legislation? 2. Where do the greatest VAT-related risks arise (and how does the situation compare with the picture that emerged from the 2004 survey)? 3. What do businesses expect from the VAT reform, and what is the best way to achieve effective changes?

The new survey thus covers more ground than the one conducted in 2004. It gives an insight into what businesses, in concrete terms, expect from the legislators and authorities. It reveals that, above all, corporate Switzerland wants the reform to create greater legal certainty and simplify the process of levying VAT. In terms of their assessment of the risks, the findings do not differ a great deal from those of the previous survey, although the extreme values are less pronounced.

The greatest risks lie in the formal requirements

As before, the companies surveyed believe that change is most urgently needed in the formal requirements relating to input tax deductions. While the Federal Tax Administration has eased some of the rules in practical terms in recent years, companies in all industries still see the formal requirements, such as having to meet the voucher rules without exceptions and fulfilling archiving requirements, as the greatest VAT-related risk. Companies also want more legal certainty when it comes to differentiating between taxable and exempt revenues. Many tax-paying corporations have had unpleasant experiences in the past, with considerable financial implications. For example, if an input tax deduction is refused, a company has to pay 7.6 per cent VAT on the expenditure.

Businesses also see risks related to the statute of limitations and liability issues. But there are differences in the way different

[1] Federal Council report on improvements to VAT ("10 Jahre MWST"), January 2005
[2] Expert report by P. Spori on the issue of VAT reform, 12 May 2006
[3] PwC's first representative survey, "Wieviel ist die Mehrwertsteuer wert?" (How much is VAT worth?), published in April 2004, showed where companies saw the greatest VAT-related risks.

industries assess the risks. Manufacturing and industrial companies, for example, rate the VAT risks associated with cross-border transactions as particularly high. Banks and financial services companies, by contrast, tend to view the risks as less serious, an attitude due, at least in part, to the fact that there is a special input tax arrangement for this industry that makes the procedure relatively easy for banks.

Expectation gap remains in terms of auditor's role

There is also an indirect risk for businesses resulting from the expectation gap that exists with regard to the external auditor's role in reviewing a company's VAT position. Two-thirds of the companies polled – more or less the same figure as in the 2004 survey – erroneously believe that VAT is one of the things that has to be examined by the external auditor as a matter of course. In reality, however, the auditor looks at the VAT position in only 43 per cent of cases. VAT is only one of many areas the auditors consider when they are planning the audit. Generally their audit tests only cover VAT-related aspects if they have an impact on the proper presentation of the company's financial position and results of operations in the financial statements. The auditor will conduct detailed tests on VAT only if there are clear indicators of a specific risk – for example if a company has high input tax refunds but only low foreign sales. This means that companies seeking comfort on their VAT returns should not rely on their annual audit, but should seek advice from qualified tax specialists.

High expectations of the legislators

Companies have high expectations of the VAT reform, with around 80 per cent of those polled expecting it to result in a change for the better, at least in the medium term. But these expectations do not quite match reality: firstly, the new VAT legislation will not enter into force for another five years at the earliest; secondly, a new law alone will not fix the problems that exist. What is really required is more thorough-going changes in the tax administration's practice.

Above all, the companies surveyed hope for simpler procedures and greater legal certainty. On the other hand, they do not see the single VAT rate as a primary goal. The interviews conducted as part of the survey show that the problems related to differentiating between the different rates have largely been solved (and in any case most companies only generate revenues subject to the 7.6 per cent rate).

It is true that the abolition of exceptions will remedy the problem of differentiation to a certain extent. But given that the exceptions for banks, insurance, rented property, agriculture, state services and – depending on the variant chosen – health care will remain, the problem is not solved completely. Naturally, doing away with exceptions simplifies any tax system. On the other hand, abolishing exceptions increases the number of people and companies subject to tax and thus creates more administrative work, which is also not very desirable from an economic point of view.

QuoVATis: where are we going with VAT in Switzerland?

The written survey (available in German and French) was conducted in September and October 2006. Of the 6,040 questionnaires sent out, 417 could be processed for the purposes of the study. Alongside the written questionnaire, PwC also conducted personal interviews with CFOs and tax managers. With companies of all sizes in all industries surveyed, the structure of respondents more or less reflects the structure of the Swiss economy.

Summary

Even after the legislation has been revised, VAT will remain a complex issue – because it has to do with circumstances that are as complex as business itself. To really reduce uncertainty in the business world, the tax administration's practice would have to be simplified, and take an increasingly economic approach to VAT.

Opco/propco transactions: A response to demand for investment property.

Real estate has become established as an alternative asset class, and there is huge demand for new forms of transactions and investment vehicles. So-called opco/propco structures are a particularly popular option.

kurt.ritz@ch.pwc.com

The property market is also feeling the effects of globalisation. There has been a sharp increase in demand for Swiss real estate on the part of foreign investors, not least because the spread between risk-free Confederation bonds and real estate returns is 200 to 250 basis points: a considerable gap by European standards. This lively demand is also helped by favourable borrowing terms. The high prices paid by foreign investors in particular rest on what is very aggressive lending by Swiss standards. It is not unusual for deals of this sort to be 90 to 95 per cent debt financed, with the lending banks transferring the risk to the financial markets in the form of commercial mortgage-backed securities (CMBS).
The upswing got under way at the end of the 1990s when the Lex Koller legislation, which until then had prevented the sale of Swiss property to foreign investors, was relaxed on real estate used for commercial purposes. At the same time there was an increase in demand for alternative investment vehicles. The years that followed saw the first major transactions, with UBS, for example, selling off around 90 properties worth a total of CHF 1 billion, and Swisscom disposing of some 140 properties worth CHF 2.5 billion. Shortly after that there was a whole series of medium-sized deals worth between CHF 100 and 500 million. Around the same time various real estate companies (Allreal, SPS and PSP) went public, and trading in the real estate segment was introduced on the SWX Swiss Exchange.

Kurt Ritz, Leader Corporate Finance Real Estate

Owner/operator split

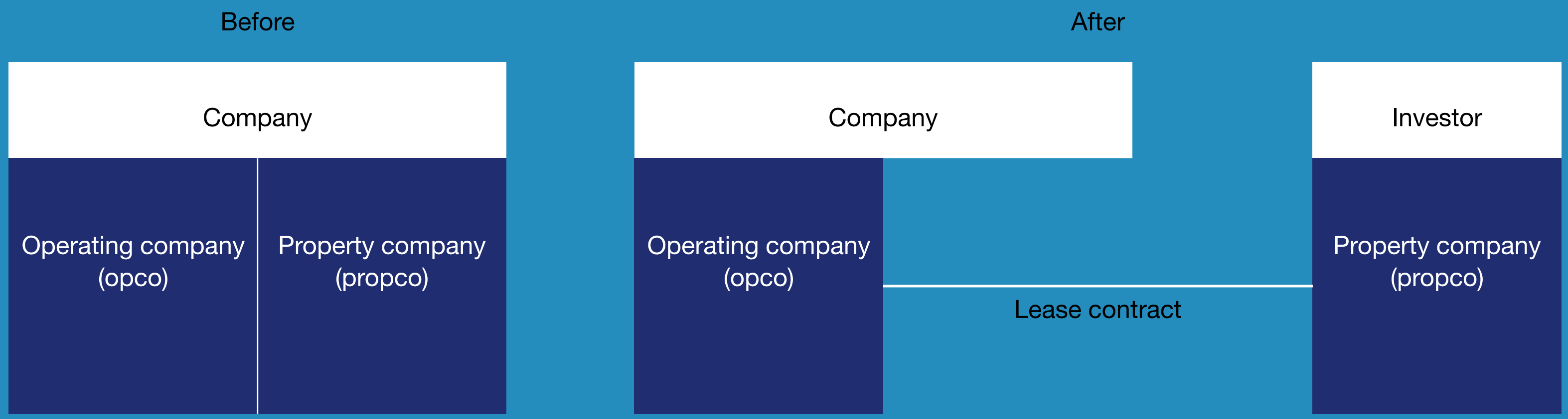
The financial industry's interest in the property market has been accompanied by the emergence of a whole new terminology. These days experts rarely talk of "sale and leaseback arrangements"; instead they talk of "opco/propco", a type of structure where the company that owns the property (the "propco") is separate from the operating company or "opco". The operating company sells the property to a property company, and simultaneously leases it back.

There are many reasons why owners of real estate required for operational purposes may be interested in opco/propco. For one thing, it makes managing assets easier in an environment where shareholders insist on capital efficiency and the efficient management of assets. Another reason is that this type of structure can free up liquidity for investment in the operational business, and help companies concentrate on their core competencies. The decision to sell property can also be prompted by a desire to lighten the balance sheet. Companies looking for this type of off-balance-sheet solution should pay particular attention to ensure that the lease and purchase contracts take account of the relevant accounting requirements (see box on page 36).

Reconciling seller and investor interests

Even though there are many arguments in favour of opco/propco structures, they must be planned and executed very carefully.
The terms of the leases, for example, are decisive: while it's true that sellers can basically tailor the contract to their own requirements, they shouldn't neglect to address the needs of potential buyers as well. Financial investors are more interested in stable, long-term cash flows than in the specific characteristics of the property. This means that the financial soundness of the seller (and future lessee) and the terms of the lease are key to a successful opco/propco deal. A sound financial basis combined with

The principle behind opco/propco structures: The company that owns the property is separate from the operating company. The operating company sells the property to a property company, and simultaneously leases it back.



long-term leases of 10 years or more goes a long way to getting a good price.
On the other hand, you can't afford to ignore the characteristics of the property itself, because every investor has to consider whether it will be possible to find new tenants or a buyer if the current tenant gives notice or does not renew the lease. Office and retail space in good locations is a particularly suitable candidate for opco/propco, since there will be no shortage of potential new tenants and the vacancy risk is correspondingly low. On the other hand, current high demand for real estate investments has meant that logistics facilities, hotels and even industrial premises have all been sold recently at attractive terms as part of opco/propco deals. It should be obvious that special properties of this sort only make an attractive investment if they have leases of up to 20 years; otherwise investors will be put off by the latent vacancy risk.

The deal from the owner's point of view

The seller should always look at the implications of transferring ownership of real estate required for operational purposes from two different angles: from the owner and the user point of view. From the owner's point of view, finance considerations are at the fore:

- Selling property frees up capital and cash that can be invested in operations (e.g. acquisitions or restructuring) or used to repay debt. At the same time it is a way for companies to lighten their balance sheets and optimise key profitability, liquidity and debt ratios.

- Outsourcing real estate also transfers the market risk to a third party, reducing the danger for shareholders and management that the company's operational performance will be diluted by property market developments.

- Since all future rental expense is tax-deductible, a sale usually makes good sense from a tax point of view as well.

Whereas depreciation is possible only on the buildings when the company owns the property itself, after the transaction it is also possible to write off the costs of the land, as these are contained in the rent.

A number of recent transactions have shown that an opco/propco deal can add considerable value. This value added benefits the former owner to the full. However, because the profit the seller makes on the disposal depends to a large extent on the market situation, it's vital to get the timing right.
From the shareholders' point of view the main disadvantages are future lease obligations – in other words higher fixed overheads. Not only this, but after the deal there will also be less scope for using major maintenance expenses or new investment to manage expenses and results.

The deal from the user's point of view

But since the seller also simultaneously becomes the tenant under an opco/propco deal, it's important to consider the tenant or user perspective as well. Nothing at all changes for the user in the short term. Provided the contract is set up correctly, users still retain full operational control over the premises. The lease should take account of a number of key points:

- The lease should be designed in such a way that there are as few points of contact as possible between the investor and the user. The advantage for the investor is that it keeps administrative costs low; the benefit for the user is that to a certain extent they still have a free hand in using the property. Another key advantage of long-term leases is that future expenses are both plannable and stable. This can be an important argument, especially in cost-intensive sectors such as retail.
- An opco/propco structure can also be an elegant way of reducing the cost of floor space. This is the case if less than 100 per cent of the floor space is leased back. On the other hand, a long-term lease also reduces the tenants' operational flexibility in the medium to long term, because it ties them to a property for a fixed period. This means that before embarking on the opco/propco route, management must give some strategic thought to the property in question, and carefully weigh the pros and cons of value (long leases) versus flexibility (short leases). A retailer, for example, has to decide whether the current location will still be attractive in 5, 10 or 15 years' time. A long-term lease on a property that may no longer meet your needs in the medium term may end up costing you dearly.

Tax and accounting aspects

Any opco/propco structure has tax and accounting implications that have to be considered from the outset if they are not to distort calculations or prevent the transaction from achieving its objective.

Tax: Alongside the usual real estate transfer and gains taxes, there are VAT issues to be given particular consideration. If the properties you are planning to sell are subject (by option) to VAT, you have to assess whether input tax deductions were claimed for investments made in previous years, and if so, what the amount of these deductions was. The transaction must be structured in such a way that either the new owner takes over the properties with option, or the buyer takes over any input tax deductions that have already been made.

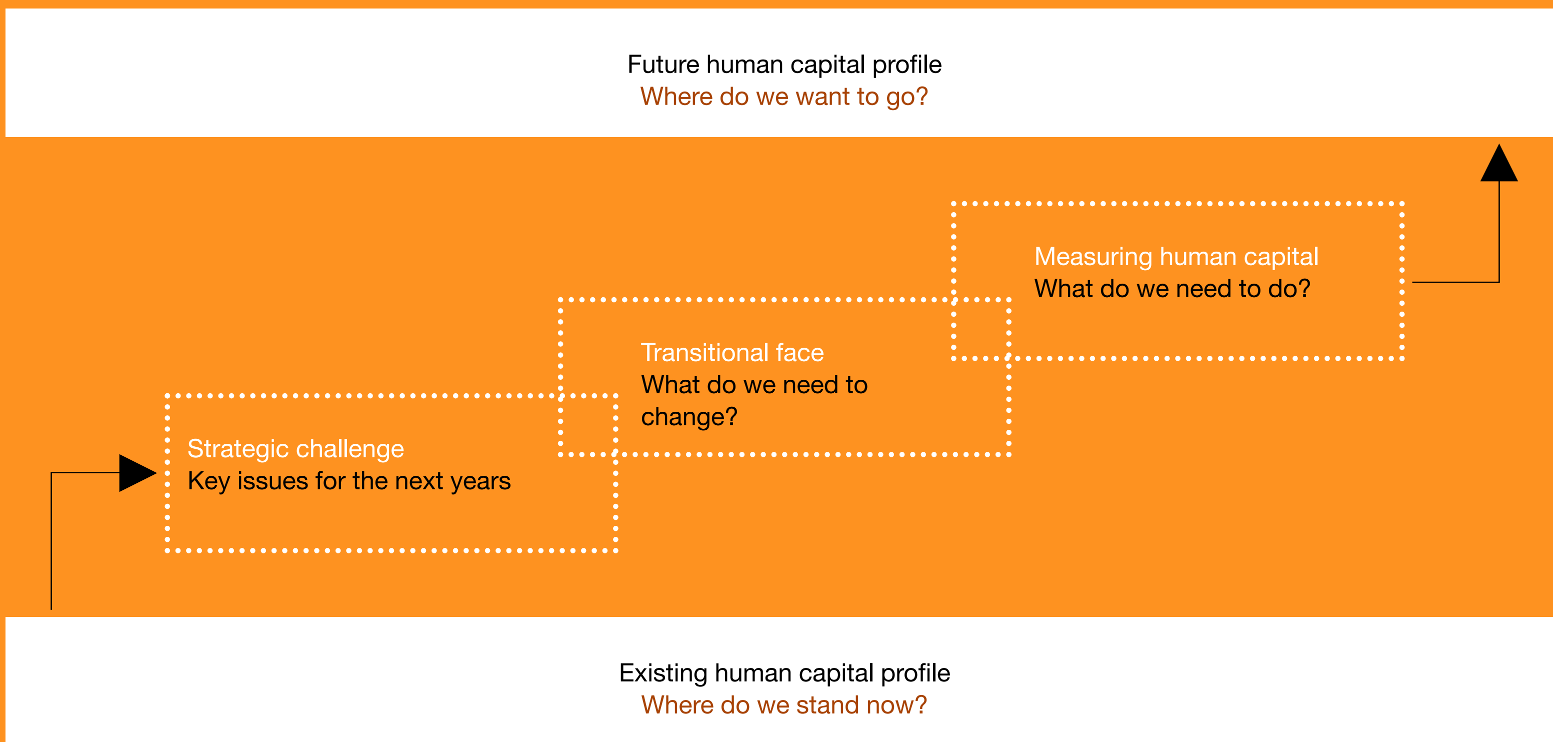
Accounting: An opco/propco structure does not automatically constitute an off-balance-sheet solution. If the company reports in line with IAS/IFRS, depending on the terms of the lease, it may be obliged to continue carrying the property on the balance sheet. Under the terms of IAS 17, a lease is classified as a finance lease if substantially all the risks and rewards of ownership are transferred to the lessee. In this case the property is carried as an asset, and the lease obligations as interest-bearing debts. Indicators of a finance lease are buy-back options in the purchase agreement or situations where the cash value of the future rent payments largely corresponds to the market value of the property. Such situations arise, for example, in cases of special use, long leases or when the term of the lease is approaching the remaining life of the property.

Since this interpretation has repeatedly given rise to discussion, a revision of IAS 17 is currently in preparation. Under one possible proposal, all multi-year rental arrangements will be classified as a finance lease and will therefore always have to be carried on the balance sheet. This would also apply to normal lease agreements outside the context of an opco-propco structure.

Summary

Property has become a real investment alternative. With foreign investors in particular paying unprecedented prices for investment property, for many companies the question arises whether they should separate the ownership and operation of their real estate by means of opco/propco structures. While these structures have significant advantages, there are many different aspects to consider when deciding on and carrying out such a transaction.

Successful human capital management begins with drawing up a profile.



Human capital metrics: A fitness test for personnel.

A company's economic performance depends to a crucial extent on the value added generated by its staff. Companies are using human capital metrics as a means of managing their competitiveness.

urs.klingler@ch.pwc.com

Companies use metrics as a matter of course to measure and manage the productivity of their financial capital. But it's quite a different matter for human capital. Particularly in Europe, companies tend to monitor only their personnel costs. Because often they have no figures to track the performance of staff in either financial or productivity terms, they have difficulties knowing whether these costs are high or low in relation to their economic performance. The term "human capital", while regarded with some ambivalence, expresses the economic value that a company's staff embody for the business, embracing the entire knowledge, skills and experience that are found within the organisation. Organisations invest in human capital, and realise that it is something that should be managed just as efficiently as financial capital.

Fitness test

It is in the fundamental interest of management to find out more about the relationship between commitment, productivity and customer loyalty within their organisation, the impact of investment in training on innovation and value creation, and the way salary structure affects business performance – to name but a few of the important aspects. But the business of monitoring and

quantifying these relationships is often seen as too complex or irrelevant, and is neglected as a result.
Even so, there are some companies that are endeavouring to find out the value actually generated by their staff, ask questions about shortfalls in performance and productivity, and identify their personnel risks. To do this they have a number of relatively simple metrics at their disposal, such as sales per employee, costs per employee, the ratio of sales to payroll, absence rates, and overtime costs per employee. Using a combination of these figures, it's possible to find out how a company stands in relation to its peers.

Human capital return on investment

But one figure more than any other captures the value added by human capital: human capital return on investment – or HCROI for short. This metric expresses earnings before interest and tax (EBIT) in relation to all staff compensation and benefits. In other words, HCROI captures how many francs of profit are generated for every franc invested in the company's personnel.
HCROI not only allows different companies to be compared, but different industries and countries as well. "Key trends in human capital: A global perspective – 2006", a PricewaterhouseCoopers report drawing on data collected from more than 15,000 organisations, comes to some astonishing conclusions: in Europe the HCROI ratio averages 1.14, while in the United States the average is 1.52.
The average remuneration paid in the USA (including benefits) is higher than in Europe, as are average profits per full-time employee. Within Europe, Switzerland holds a leading position in terms of personnel costs and profit per full-time employee.

These results show significant differences by industry and region. Yet overall they prove that higher investment in employees pays off. The figures also indicate that financially successful companies are in a better position to employ their financial and human capital profitably.

Impact on business performance

What is it that these companies are doing better? It's still difficult to prove the exist0ence of causal links, but the PwC report does reveal clear correlations:

- There is a clear and consistent relationship between investment in learning and development and business results. Organisations that want to hold their own in the global economy see innovation, flexibility and agility as key drivers of success. These are all attributes of people. Talent management and training help ensure competitiveness and better business results.

- Strong commitment among employees – the result of effective leadership – leads to better engagement, new ideas and suggestions, and improved productivity.

- The type of remuneration, absence and resignation levels – particularly among top employees – and costs per hire have a direct impact on financial performance.

- The stability of top management, management compensation, talent management, gender and age diversity, and work/life balance initiatives all influence a company's reputation.

For years, investors and other stakeholders have been calling for greater transparency. But soon this demand will no longer be restricted to financial information. The clearer the connection between human capital management and productivity and financial performance becomes, the louder the calls for transparency in respect of human capital will be. PwC's Saratoga™ methodology enables companies to find out where they stand in terms of human capital, providing relatively straightforward metrics that enable them to test the fitness of their staff for global competition.

Summary

Human capital return on investment (HCROI) is a metric that enables companies to track the impact of staff investment on their economic performance. These metrics are an outstanding management tool for companies seeking to boost their financial performance.

Productivity
Talent
management

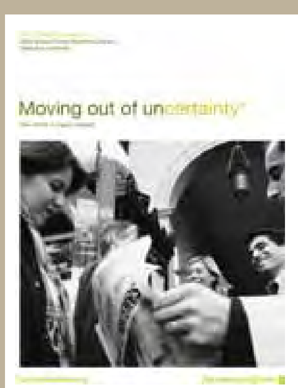
Urs Klingler, Leader HR-Management

Publications and analyses.

New Trends in Equity Rewards

In keeping with the significant developments in equity compensation during the course of 2005 and 2006, PricewaterhouseCoopers is pleased to provide “Moving out of uncertainty: New trends in equity rewards” – an executive summary of our 2006 Global Equity Incentives Survey Report. Our report includes data collected from participants across all industries, headquartered in over 16 countries and with employees in over 38 countries worldwide. The results of the 2006 survey show new trends, as well as some continuing trends, as multinational companies move out of uncertainty with their equity compensation plans.

Free copies of “Moving out of uncertainty: New trends in equity rewards” can be ordered from www.pwc.ch/publications



Managing Mobility

The mobility of workers in order to develop a business globally and remain competitive is an essential part of an organisation’s people strategy. Nevertheless, this latest PricewaterhouseCoopers report, “Managing Mobility Matters 2006”, reveals that with the exception of the Nordic countries, Ireland and the UK, mobility remains disappointingly low. Overall, only a third of the 445 employers surveyed across 14 countries received applications for senior management, professional and skilled manual positions from other EU countries in 2006, amounting to just 5 per cent of all applications.

Free copies of the report “Managing Mobility Matters 2006” can be ordered at sonja.jau@ch.pwc.com

Global CEO Survey 2006

The level of CEO business confidence is at an all-time high. The number of CEOs who predict revenue growth in the next 12 months has almost doubled compared with 2001. This is one of the findings of the 10th Global CEO Survey conducted by PricewaterhouseCoopers. More than 90 per cent of the 1,100 CEOs polled in 50 countries are confident about their growth prospects for the coming year. In geographic terms, CEOs predict steady growth in the BRIC countries (Brazil, Russia, India and China) as well as in other emerging and industrial economies. Despite the prevailing optimism, however, CEOs also fear possible obstacles to growth: for example 73 per cent (compared with 64 per cent in the previous survey) have serious concerns about overregulation, and in Asia-Pacific 88 per cent of CEOs (compared with 72 per cent worldwide) view the current lack of skilled workers as a serious problem.

Free copies of the “Global CEO Survey 2006” can be ordered at sonja.jau@ch.pwc.com

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.

Subscriptions:
ceo, the magazine for decision makers, is published by PricewaterhouseCoopers. The 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.
Address: PricewaterhouseCoopers, ceo Magazin, Birchstrasse 160, 8050 Zurich, Switzerland.

With his “Diode” lamps, the Australian designer Marc Newson (left) demonstrates how Corian® can be used to make luminous and sensuous sculptures. The material meets the most stringent hygiene requirements. A newly built operating theatre in the Beaulieu Clinic in Geneva recently had its walls lined entirely with Corian®.

Corian®. A material on the way up.

For almost 30 years, Corian® solid surface from US science and technology company DuPont has mostly enjoyed a luxurious application in kitchens and bathrooms. Today, the most renowned architects and designers swear by the qualities of this high-performance composite material. A lesson in marketing and public relations.

Zaha Hadid’s futuristic kitchen project “Z. Island by DuPont” (picture right) is made entirely of Corian®. The prototype not only rolls back existing boundaries in design, it is also loaded with innovations – from the integrated multimedia centre to the aromatherapy feature.

The collaboration with renowned architects and designers was intended to ensure attention among the discerning trendsetters of the construction and home living sectors. The direction of the offensive was clear right from the start. Away from a niche presence into the global spotlight of top design!

Text: Kaspar Meuli

Wherever the British star architect Zaha Hadid goes, she can be sure of the media's attention. In April 2006, for instance, at Milano Design Week, she was surrounded by a barrage of cameras when she presented the "Z. Island by DuPont™ Corian®" project: a futuristic kitchen entirely made with Corian®, created by DuPont Surfaces in collaboration with Ernestomeda, the Italian kitchen manufacturer. The prototype not only rolled back existing boundaries in design, it was also loaded with innovations – from an integrated multimedia centre to a built-in system for aromatherapy.

The streamlined cooking island was not the only installation or product made with Corian® to attract attention in Milan. DuPont Surfaces reported that 182 designers, companies and organisations at 63 events during Milano Design Week were showing a product, design or installation made with Corian®, which might well be a record for the most important international design event of the year. The slogan "Corian®: designed for designers" appears to have hit the nail right on the head.

The close association of the manufacturer of surface materials with the design scene is the result of a clear strategy. About 10 years ago, DuPont – which defines itself as a science-based company – decided to give a higher profile to its brand Corian®. Its cooperation with major names of the design scene – the first was with the Italian master, Ettore Sottsass, followed by Marc Newson, Ross Lovegrove, Ron Arad, Zaha Hadid, Ingo Maurer and Ora Ito – to mention just a few of the most important and best-known designers worldwide – was intended to ensure attention among the trendsetters of the global interior design and architecture sectors. The company's focus was primarily on the architects, whom it hoped to inspire with the functional and creative options offered by the material.

"Architects and designers are a key target group for us. We see them as influencers of a discerning and well-informed clientele that is responsive to the many properties of Corian®." The strategy seems to be paying off. The brand's level of recognition has grown substantially over the past few years – as surveys among design enthusiasts reveal. "Sales growth is currently in the double digits," explains Jean-Yves Bach, business director of DuPont Surfaces for the Europe, Middle East and Africa region.

Competing with marble and granite

Corian® was commercialised for the first time in the USA, in 1967. The material was created at the height of the plastics boom in the 1960s when scientists at DuPont were testing out a variety of processes and formulations in the search for new building materials. From this came a poreless composite material made from a blend of bauxite and acrylic polymer (combining the best of natural and man-made) which was given the name "Corian®" (shortening the word "Corinthian"). This innovative composite material was positioned in the premium price segment right from the start. It was intended to compete with fine coverings made of marble.

Corian® possesses an impressive range of positive qualities. It feels silky, is available in a hundred different hues, can easily be cleaned and is durable. The material is solid but can be worked like wood. When it is warmed, it can be shaped. And it can be glued without any visible joints. Despite all these qualities, Corian® was only moderately successful in the beginning. Up until a few years ago, the material's place in the construction world seemed clearly defined – and tightly restricted: custom-made baths and kitchens for private builders. That situation has since changed. Corian® has now been introduced into serial production at leading manufacturers of kitchens, baths and recently also furniture. Designers who collaborate with these companies have acquired a taste for it. "No doubt the successful result of our programs of marketing and public relations, in addition to our effectiveness in sales and research and development," says Bach. By continuing to expand the current marketing strategy in Europe, the Middle East and Africa, he is also anticipating growth in the years ahead. "Corian® is a jewel in the crown of DuPont. It is one of the strongest brands of the whole DuPont company," says Bach. The direction of the offensive in Europe, the Middle East and Africa was clear right from the start. Away from a niche presence into the global spotlight of top design. The mission is being implemented differently in accordance with individual market requirements. There is a whole variety of approaches. In Spain, for instance, Corian® awards a design prize. In France the company has recently joined forces with the design magazine "Intramuros". To celebrate the magazine's 20th birthday, they jointly launched the "Plaques sensibles" project. Well-known designers around the world were sent a piece of Corian the size of an A4 sheet with an invitation to design an object from it. The results were brought together to create an exhibition that went on tour with a whole series of stops along the way. In Germany, DuPont invited a handpicked group of architects to a workshop titled "Visions of Corian®" that was intended to demonstrate hitherto unknown uses for the material. The visionary designs could then be seen as part of a large-scale road show in seven cities from Berlin to Vienna. All around Europe, the Middle East and Africa, DuPont has organised an on-line design award, in collaboration with Designboom, leading independent website focused on design.

A game with many winners

The principle behind all these activities: trigger the creative ambition of exponents of the design scene, and then exhibit their results – with maximum publicity, of course. The presentation of Zaha Hadid's high-tech kitchen at Milano Design Week is a good

The engineer Moritz Waldemeyer combines electronics with design, opening up completely new markets for Corian®.

The presentation piece of the Milan industrial designer Matteo Ragni is "Strativari", an enormous vase that is milled out of a block of different-coloured layers of glued Corian®.

"Changing mentalities takes time."

Jean-Yves Bach[1], business manager of DuPont Surfaces for Europe, the Middle East and Africa, about the properties of Corian® and the 4,000-year success story of marble.

Mr Bach, by cooperating with architects, you are hoping to appeal to discerning, cultivated consumers. How are you going to manage that?

People who respond to the qualities of Corian® are frequently well-informed consumers who are used to checking more than one option before making a decision. They get information from the media or obtain advice from specialists. Where the new construction or modification of a house is concerned, they hire the services of an architect. We want to show them all what Corian®, which differs from any other material on the market, can do. The architects need to understand Corian®; they need to be familiar with it and to feel confident when they suggest something totally new to their clients.

But Corian® is not that new. The material has been on the market since 1967.

That's true, but conversely, you have to remember that glass, stone and ceramics have had a market and technological presence of hundreds or even thousands of years. Marble has been used for building purposes for 4,000 years. Compared with the USA and Asia, Europe tends to find working with new materials difficult. Wealthy Chinese, for instance, much prefer to surround themselves with artificially produced materials rather than with natural ones. There are substantial cultural differences compared with the rather traditionalist Europe. However, with young consumers and those interested in design and architecture, we are detecting a great openness for new materials. Changing mentalities takes time – and a long-term communication strategy.

Corian® has recently been seeking close links to the stars of the designer scene and has consequently been in the news a lot. Does this strategy really pay off commercially too?

The significantly higher awareness of the brand among architects, designers, companies and consumers, and the fact that we are associated with innovation and design, gives us a clear advantage on the market. This also has a positive effect on our sales, both in the building and private sectors.

Can you give any figures?

We don't publish any figures, but I can tell you that the regions for which I'm responsible have double-digit growth.

What do design professionals like about Corian®?

The material's special characteristics that make it possible to put innovative ideas into practice. Things that they could only have dreamt of in the past. Architects and designers appreciate this so much that Corian® has now become one of their favourite materials. Another reason they like working with us: DuPont is a world-class player in the material sciences and technology sector. And we, in turn, like working with world-class designers. We have learned a great deal from them – and hopefully they've been able to learn something from us.

[1] Frenchman Jean-Yves Bach (50) is head of DuPont Surfaces for Europe, the Middle East and Africa. DuPont Surfaces is a division of DuPont, a US science and technology company based in Wilmington, Delaware (other major products and brands of DuPont are Teflon®, Kevlar®, Nomex®, Tyvek® and Cromalin®). Bach holds a degree in business economics, specialising in finance. He has worked for DuPont in various positions in Europe and the USA for 25 years. He moved to DuPont Surfaces in 1999, becoming head of global finance. In 2001, he took over responsibility for global strategic planning. He has held his current position since 2003.

In his exhibition “The Electric Kid Show”, Moritz Waldemeyer from Germany displays tables made of Corian® with interactive game interfaces – the material is translucent and reacts to touch.

The versatility of Corian® opens up hitherto unknown scope for creativity. The trick was getting the designers and architects to try out the material.

example of this systematic approach. Here a question arises about the motivation of minor and major stars in participating. Do they get paid? “Each case is different. It’s never about the design fee. Mutual interests are what count when working together.” Specifically, Corian® holds the aces such as technical expertise and a well-oiled public relations machine; for their part the designers offer catchy names and ideas for innovative use of the material. “In this game, everyone’s a winner,” says Claudio Greco, marketing communication manager for DuPont Surfaces in Europe, the Middle East and Africa.
This is how the industrial designer Matteo Ragni sees it too. He runs his design studio in a Milan apartment block where many architects, fashion designers and other creative professionals work. You could say that Ragni and his team are specialists for objects made of Corian®. His prize exhibit is “Strativari”, a solid vase milled out of a block of different-coloured layers of glued Corian®. “A huge success,” says Matteo Ragni, enthusiastically, “not perhaps from a financial perspective, but definitely in terms of communication – the vase was pictured in design magazines all over the world!”

Inspiring creativity

Unusual interiors realised with Corian® as a pivotal element are nowadays all the rage – from the lobby of the Nordic Light hotel in Stockholm and the jewellery shop Jacob & Co. in New York to the ships restaurant of a Japanese luxury liner. The “monolithic look” of the material is particularly attractive for designers. Large-format pieces can be made from Corian®; they then look like they are made from one solid piece. This inspires creativity. Hadid, for example, used formal studies on melting ice and flowing glaciers for her kitchen. And she exploited two other advantages of the material: the translucency of certain colours and its capability to incorporate technology, like electronic circuits and components, into touch control devices. Interactive push buttons, for instance, can be directly integrated into an installation made with Corian®.
Another advantage of Corian® is that it meets the most stringent of hygiene requirements (it has been certified by the German organisation LGA Qualitest GmbH). This makes the material interesting not only for hotel bathrooms but also for the health sector. In the Beaulieu Clinic in Geneva, for example, a recently built operating theatre had its walls lined entirely with Corian®. Alfred Grazioli and Adolf Krischanitz, the architects of the newly reopened Rietberg Museum in Zurich, also like its many application options. They use white Corian® as a combining element that runs from the wet rooms and the bar counter to the lift cabin. “We wanted a sophisticated, joint-free construction, with a certain degree of weightiness,” says project manager Elke Eichmann.
The greater the number of experimental minds testing the limits of Corian®, the more qualities the material shows. At any rate, the employees at the DuPont laboratory working on the research programme “Building Products Venture” in the 1960s could scarcely have imagined the potential uses their development would one day offer.

The marketing top is spinning

Yet the company also seems to have had a lucky hand in its choice of marketing strategists. “Working with the DuPont Corian® teams is enjoyable; they are interested in the creative aspects of our work too,” says, for instance, Moritz Waldemeyer, a German graduate engineer who works in London. He has made a name for himself by combining electronics with design.
For his exhibition “The Electric Kid Show”, where he recently exhibited tables in Corian® with interactive game interfaces, he was provided with material and specialist designers. “Corian® is tremendously committed to making a name for itself in the design world,” says Waldemeyer. //

The cost of obesity. Or: Why counting calories is a matter for top management.

We need to face up to the fact that obesity is a problem in our affluent society, says Dr Fritz Horber[1]. The renowned obesity specialist challenges political and business leaders to actively address this phenomenon.

Interview: Franziska Zydek

Dr Horber, the World Health Organization refers to obesity as the "global epidemic of the 21st century". Do you see the situation just as dramatically?
In Switzerland, around 40 per cent of the population is overweight. Just under 8 per cent of people are obese, in other words substantially overweight. And that figure is on the rise. If that isn't a serious problem – what is?

What impact will this trend have on society?
Medical costs will continue to explode. Diabetes, heart attacks, strokes and so on will cause additional costs and losses in manpower for both society and the business world to a hitherto unknown extent. Not to mention the future – we are putting on weight unchecked; today, already one in five children is too fat.

[1]Dr Fritz Horber is the chief physician for internal medicine and head of the Obesity Centre at Lindberg Clinic in Winterthur.

So what's the cause of all this?
Put simply, the human body is not designed for today's lifestyle. Sedentary activities and leisure habits do not suit the original tasks of our musculoskeletal system. When our bodies have nothing to do, they become lethargic and adipose. And this is aggravated by a completely inappropriate and senseless attitude towards food. Most people do not know what they are eating.

Can you explain that in more detail?
Today, the food industry primarily produces foods with a high concentration of energy – in other words, low-volume products that contain a lot of calories: snacks, muesli bars, sandwiches, crisps, fast food and convenience food. However, our stomachs are volume- rather than energy-controlled. We are only full when we have eaten enough – not when we have reached our daily intake of calories. This means that we are blindly giving our bodies far too many calories. And we wash these down with litres of soft drinks – which are also packed full of calories. That can't be good for us.

What would constitute a proper diet?
Forego all liquid calories – including orange juice, which has just as many calories as a soft drink, do not exceed an intake of between 40 and 50 grams of fat per day, and eat only a few meals.

But that contradicts the theory that we should consume lots of small meals spread over the day...
It cannot be said clearly enough: It's not about theories or diets but about something more fundamental! If you eat six times a day, you run the risk of eating the wrong thing six times. We have to face up to the fact that diet is a problem in our affluent society. There's no information in the restaurant, canteen or takeaway about how many calories are hidden in the lunch or in the dinner, how fattening the sauce is or whether the meal was prepared with trans-fatty acids. The trend towards eating convenience or fast food at work and home is in itself alarming enough.

What needs to be done?
It's all about understanding the principle of nutrition and acting accordingly. The most important thing of all is reducing the concentration of energy – in other words, the calories per 100 grams of food. The ideal figure is less than 1 or at least below 2. A slice of raspberry tart has as many calories as six bowls of raspberries. After six bowls of raspberries, we are full up; after one slice of raspberry tart, we want a second helping. Vegetables have a lot of volume and a low concentration of energy.

“Every CEO should have the canteen checked according to the latest findings of nutritional science. He or she can decree that fried food, fatty sauces and sandwich lunches be stopped. After all, every company benefits from healthy, efficient employees.”

So we need more vegetables on our plates. We need to learn “as much as possible – but of the right kind of food”. We need to learn to eat so that we are efficient, happy and full.

How should professionals who eat out a lot solve this problem?

From a socio-political perspective, it is pointless delegating the problem to the individual. People who work a lot under pressure need support. In my opinion, nutrition is a matter for top management! Every CEO should have the canteen checked according to the latest findings of nutritional science. He or she can decree that fried food, fatty sauces and sandwich lunches be stopped and that sufficient quantities of food with an overall low concentration of energy be served during business meals in the restaurant. Managers are used to lending the necessary emphasis to their demands – they should do so here. After all, every company benefits from healthy, efficient employees.

Are there other principles that need to be observed?

Yes. First, as a general rule, heat offices less – in warm rooms, the body’s own heat production is reduced, and thus fewer calories are burned up. A room temperature of 17 or 18 degrees would be healthier, more environmentally friendly and at any rate more cost-efficient. Second, reduce the pressure to perform based on long working hours. I regularly hear that managers are expected to cope with a workload of 18 hours or more. These people are predestined to put on weight. We know that the hunger hormone ghrelin is released in greater quantities with insufficient or poor-quality sleep.

What about taking more exercise?

Here too, we now have objective data. Maintaining your weight means 11,000 steps per day; losing weight means 18,000 steps a day. If you want to treat your body properly, you should invest 200 minutes a week in physical exercise. Your pulse rate is not decisive here, but rather the duration of the exercise.

Isn’t obesity also genetic?

For thousands of years, the ability to store fat reserves was vital for people’s survival. The body had to cope with cold, hunger and overexertion. No provision was made for the fact that today we sit in overheated rooms well clothed and have food with an unnatural concentration of calories within easy reach at any time. That is why the tendency to be overweight is genetically based in around 60 per cent of people. In my opinion, this disposition should not be punished with higher medical insurance premiums or by overweight people being socially ostracised.

What do you suggest?

I think it is time for obesity to be taken seriously and recognised as an epidemic. Business and politics should join forces to form think-tanks and seek solutions together before the problem gets out of control, as it has done in the USA. If political, social and financial incentives were created for more exercise, lower room temperatures and the right diet, more people would tackle the problem.

Your message to our readers?

New concepts are urgently required. A company that forges new paths now can clearly differentiate itself from its rivals! //

The law of the land.

Or: The entrepreneurial challenge of agriculture and prison.

The largest farm in Switzerland is the Witzwil penal institution on Lake Neuchâtel. Its operations manager, Peter Trachsel, must deal with globalisation and involuntary workers – as well as having to survive without any direct payments from the state.

Text: Bernhard Raos, Photos: Nik Hunger

On foot, we would need half a day to do this route; even with Trachsel's 4-wheel drive, we still need two hours to do the full sightseeing tour. The 50-year-old from Berne is the operations manager for agriculture at the penal institution in Witzwil and has a lot to show for his work. Covering 612.3 hectares, the agricultural business is the biggest farm in Switzerland, some 38 times bigger than the Swiss average of 16 hectares.

The agronomist has a degree from the Swiss Federal Institute of Technology (ETH) in Zurich and has been operations manager in Witzwil for 18 years. When he took over the overall responsibility for the farm he was barely 30, and his leadership expertise was required in many ways. Although Trachsel grew up on a farm and had the necessary affinity for agriculture along with the theoretical knowledge from his degree, he was suddenly forced to head up a good two dozen employees without much preparation – many of them older and more experienced in dealing with prisoners than he was. In addition to its size, another special characteristic of the farm is that it is operated by prisoners as part of a so-called semi-open penal institution. Trachsel freely admits that "in the beginning, the challenges in dealing with these very special staff sometimes stretched me to the limit."

Up to 60 involuntary staff

With the exception of offenders who are a danger to the public, Witzwil houses up to 200 inmates who have committed a wide variety of crimes. The staff of the agricultural business currently comprises 27 employees and between 50 and 60 inmates. For a good third of his working day, Trachsel is a social worker – and for two-thirds of the day an agronomist. With his staff, the ratio is the other way around. "To meet the complex requirements of the inmates from a variety of cultural milieus and from a broad range of troubled backgrounds, we increasingly need to operate in networked structures," is how the last annual report of the penal institution for men formulates the way forward. Specifically, the core mandate is "treatment-oriented confinement" and not production.

Witzwil was the world's first penal institution to use working in the fields as a means of resocialisation. Standards such as equal treatment and respect apply here.

The agricultural staff is also trained in personnel management, social work and occupational pedagogy. In prison work, standards such as equal treatment and respect apply, and there is no room for racial prejudice.

This is a constant challenge. Although there are no heavyweight criminals doing time in Witzwil, the clientele have become more difficult over the years. Above all, there has been a dramatic decline in prisoners' resilience. Only one in three of the inmates is fully fit for work – in 1995, that figure was more than 70 per cent. The main reason is a poor state of health, primarily among drug offenders. "We are increasingly getting people with psychological problems," says Trachsel. Acts of aggression between the prisoners and towards wardens are also on the rise.

However, working outside has a calming effect on some prisoners, says Trachsel. This concept was invented, so to speak, in Witzwil. It is now 111 years since Witzwil became the world's first penal institution to use working in the fields as a means of social rehabilitation. At the time, when the working farm was set up in the penal institution, the motto was: "Only those who bow down to the earth will be able to right themselves again." In today's penal institutions, the tone is less authoritarian. There, the talk is of objectives that are realistic from an "occupational and pedagogical perspective so that inmates can be encouraged in their self-confidence and their life skills." Trachsel can confirm this: "As a contrast to the restrictions of the cell, physical work gets them thinking about other things. There are, and always have been, inmates who do very good work."

We meet some of them during the tour. They are sitting on tractors or forklift trucks, dealing with the livestock on their own, or busy at the till in the farm shop, in the kitchen or in the office.

Agriculture under global pressure

We drive past brown-and-white-spotted Simmental cows, past mother cows with calves and feed cattle – around 450 head of beef cattle in total. The average milk output of 8,090 kilos is nothing to be sniffed at. When they raise their heads, the animals can see the Chasseral mountain. Some of them will graze up there in the summer – on an Alpine pasture covering 129 hectares. Using milk as an example, Trachsel illustrates the economic yardstick which domestic agriculture must measure itself by. The future key figures – stipulated by the World Trade Organization, the planned free-trade agreement with the USA and the bilateral agreements with the European Union – are unequivocal: export subsidies, product-related support at home and customs protection are to disappear. Milk prices are already falling. For Witzwil, this is a doubly sensitive issue because the state-owned agricultural business has to calculate without direct payments: "With prices at around 50 cents per litre, it is indeed very difficult; at 40 cents we are burning money. At that level, we don't even cover our direct costs anymore."

The fields are spectacular to look at, particularly in the spring when the rape is blooming and the wheat stands tall and almost ready to harvest. From the perspective of economics, however, the wheat gives cause for concern: "When I started here, we were paid more than CHF 100 for 100 kilos of first-rate grain. Today, that figure is just CHF 52. At the same time, our production costs have increased enormously."

Witzwil: facts & figures

Height above sea level: 430–432 m
Staff: 27 employees, 60 inmates
Cultivated area: 612.31 hectares
Chasseral summer pasture: 129 hectares
Livestock: 450 head of beef cattle, 700 free-range pigs, 100 foals, 8 draught horses
Milk quota: 544,000 kg; average per cowshed: 8,090 kg
Mechanisation: 20 tractors, 720 hours per year and tractor
Net revenues: CHF 3,100,000

Peter Trachsel: “As a contrast to the restrictions of the cell, physical work gets them thinking about other things.”

The "Great Marsh" is the biggest market garden in Switzerland. In addition, ecological areas provide important living spaces for flora and fauna.

The figures in pig fattening are more heartening. A butcher from Basel pays a bit over the market price because his customers particularly appreciate the pork from Witzwil. It is marketed under the free-range label. Around 700 sows, piglets and feed pigs wallow in the mud here. Trachsel would like to make other areas of the farm more ecological too. Production under the Bud label of Bio Suisse, however, is not possible due to past contamination. Until 1953, the city of Berne used a large proportion of the farmland as a rubbish dump. Here and there, the ground sparkles where glass fragments from the city of Berne have come to the surface – next to black clumps of slag. Although the structure of the soil helps to bind heavy metals and the harvest is also regularly checked for residues, this inherited problem is simply not compatible with ecological notions.
Farmers are often said to be especially good at moaning. This is not the case with Trachsel: "There are few countries in the world where so much green fodder grows as in Switzerland. Nevertheless, we have the highest production costs," he says. In New Zealand, for instance, farmers produce their milk for 20 cents a litre. Although in Switzerland the production costs for agricultural products have sunk by a quarter since 1992, producer prices are still 50 per cent above the EU average. Trachsel appeals to his fellow professionals to face up to their responsibilities: "Up to now, we have produced for Switzerland as a country on its own in a protected environment. Globalisation means that this model will now collapse like a house of cards. Agriculture will have to adapt to the changed realities of the market."

Managing a piece of ecological heritage

The soil here in the western part of the "Great Marsh" (in German: "Grosses Moos") on the plain between Lake Neuchâtel, Lake Morat and Lake Biel is part of Swiss agricultural history. Until the first Jura water correction (1868–1878), the entire area was boggy, people lived in abject poverty, and the risk of epidemics was huge. The Great Marsh is now Switzerland's biggest market

Full-cost accounting of agriculture and penal institution could pay off: Every inmate who is rehabilitated saves society a lot of money.

garden. Before that could happen, however, a second great soil enrichment programme (1939–1973) was needed. In the early years, the learning curve was steep. For decades, inappropriate cultivation, lack of know-how as well as acid soils generated poor returns. The agricultural business of the penal correction institution was a pioneer in the cultivation of the Great Marsh. Drainage ditches were built and crops planted that were more suitable to the area.
As the journey continues, Trachsel points to two areas that are typical of his farm. On the right of the farm track is a biotope with ponds and small hillocks with dense undergrowth, part of the so-called ecological compensation area of some 72 hectares. Ecological areas such as hedges and colourful fallow land are important living spaces for flora and fauna. They encourage biological diversity.
On the other side of the track, a former peat-cutting site has been sanded over, in other words, covered with a 30-centimetre layer of sand. This means that the soil can be used for farming. "We are extensifying our production overall to ensure the fertility of the moss soil in the long term," explains the agronomist. We stop in front of a powerful machine that calls to mind a millipede. It is a blade cultivator for ploughless farming of the soil. Taking care of the soil is particularly important in the Great Marsh. Otherwise, the turf will disappear forever. Since the first Jura water correction at the end of the 19th century, the ground has already sunk by up to 2.5 metres. Ploughing accelerates the sinking of the turf by mixing oxygen with the soil.
Today, Witzwil has well-balanced plots of land with a good level of revenue. Trachsel is clear about one thing: "We need to take care of the soil and produce in a manner that is compatible with the location. Otherwise, we will only be able to grow a few extensive crops here." All the soils have been thoroughly analysed, meaning that there are data about where and in which direction there is humus, sand or clay. This forms the basis for the farming plan.

A complex cost-benefit analysis

Without direct payments, Witzwil's agricultural business is particularly exposed to the rougher winds of the market. So what does the bottom line look like? Only the ecological compensation areas and the three special cultivated areas for miscanthus, rape and protein peas are subsidised, to the overall tune of CHF 140,000. The net revenues from agriculture come to just over CHF 3 million; the production costs, including wages, amount to some CHF 5,1 million. If the costs of looking after the prisoners are set against this, the figures are just above the break-even mark.
The owner of this large-scale enterprise is the canton of Berne, whose financial situation is not particularly rosy. Trachsel has been kept constantly on his toes in matters of cost efficiency over the last few years. During the midday buffet in the staff canteen – cooked and served by inmates – he puts everything into context: "Until recently, I had to spend a fifth of my working day merely justifying our existence." Every couple of years, the farm was subjected to close scrutiny by the canton. In 1999, things got very tight. An investor wanted to set up aviaries for a rare breed of parrot from the Amazon region plus a fun park on the Witzwil site – the talk was of a sum in the double-digit million range.
The Witzwil farm was evaluated a second time, but then the canton made a long-term decision. Agriculture would remain at its present size but would be redefined. This means more ecological areas and less pressure to produce, in line with the motto: "Employment in and for nature". From the beginning of this year, four-fifths of the inmates have been working in the different areas of the agricultural business. The fact that the net revenues from agriculture will consequently be lower is accepted. Because from a full-cost accounting perspective, the situation could have a positive outcome: every inmate who is successfully rehabilitated saves society a lot of money. //

PwC partner Catherine Rückel (front right) in Ecuador: Respecting other people's opinions and finding feasible solutions in accordance with local conditions.

"Ulysses": Support of micro-companies in Ecuador.

With a per capita income of USD 2,700 (2005), Ecuador is one of the poorer countries in Latin America. More than 60 per cent of the rural population live below the poverty line.

Catherine Rückel (38) is a PwC partner in the audit department in Luxembourg.

For two months in 2004, she worked on a United Nations project in Ecuador alongside other "Ulysses" team members from Hong Kong and Canada. So-called Business Development Agencies support micro-companies in the different regions. For instance, they provide an infrastructure with telephone and Internet access, advise people wanting to set up their own company and help in the creation of a business plan. The task of the PwC team was to check whether the agencies should also become more involved in the microfinance sector.

"Just three dollars is enough to constitute a loan that helps a small company develop," says Rückel. "Perhaps the women in a family need material to produce handicrafts to sell at the market. Or a car mechanic needs a new tool. Often, these are the reasons why people become dependent on loan sharks."

For Rückel, it was a meaningful experience to see first-hand that her personal ideals cannot be transferred to Latin American conditions. "For us, it's obvious that you need to save to invest. In Ecuador, there is no cultural basis for this way of thinking – if you've got money, you invite your friends round and have a party." These differences may seem at first glance rather banal, but they proved to be a real challenge. They hadn't gone to Ecuador to transfer their own experiences – but rather to devise proposals that could be implemented in accordance with the local conditions.

"Ulysses" is a leadership development programme of PricewaterhouseCoopers. The participating PwC partners are nominated by their country organisations. In multicultural teams (comprising three to four people), they spend two months in developing countries, working together with social entrepreneurs, and non-governmental and international organisations. The selected projects offer the chance for participants to put their professional expertise to good use in a totally different environment.

"I am the sort of person who seeks solutions and pushes forward very quickly," says the PwC partner. "This philosophy proved to be totally useless in Ecuador. When you wrongly interpret a very simple situation, that is a very meaningful experience in the learning process." She said she understood how important it is to develop a genuine interest in the other person's situation. "'Ulysses' changed my attitude to my profession," says Rückel. "Today, I am more conscious of the fact that responsible leadership means not only finding the ideal solution as quickly as possible – but also understanding the wider context and really thinking in the long term. When I am confronted with a problem, I take a step back and try to look at it from different angles. A genuine analysis of the problem is more worthwhile than ticking off a checklist and moving on to the next task." //

* Choosing the right Accounting Standards
* Dealing with new Regulations
* Designing new Reporting Models
* 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/team player/leader

Dr Rudolf Stämpfli:
"A team is worth its weight in gold: it reduces complexity and raises the tempo."
06

Mirjam Ott: "The key factor is the composition of the team. Only the ideal combination of character traits and talents can bring success."
08

Albert M. Baehny:
"A qualified manager's success is based on strength. Globally oriented corporations cannot afford weakness."
10

Dr Ursula Renold:
"Credible leadership requires managers to communicate openly and to involve their staff."
12

*connectedthinking

CORP-0702-03045