

ceo*

The magazine for decision makers. February 2010

Rethinking. Robert Deillon on the new buzz around Geneva airport.
Looking ahead. Jörg Wolle on the art of reinventing a company.
Orientation. Prof. Gerhard Schmidtchen on how to motivate employees.



Change creates new opportunities. The future belongs to those who are first to set a clear course.



Dr Markus R. Neuhaus
CEO PricewaterhouseCoopers Switzerland

It's encouraging to see the economic numbers giving such positive signals again. And while it would be wrong to spread pessimism, we'd do well to remember the old adage that "one swallow does not a summer make". There is no real reason to herald the end of the crisis. We can't even say for sure whether it is a crisis. A crisis has a beginning and an end. But whether there will be an end, some kind of "return to normality", is very doubtful indeed. The last few months have seen an irrevocable change in the environment in which Switzerland has to compete and prove itself. So it's high time to take a look at where we stand, and work out where our strengths lie. In his article in this issue of ceo* magazine, Urs Landolf analyses the business environment in this country and shows the strengths Switzerland can play to as a location for doing business. Assessing strengths and weaknesses is the first priority in an environment of constant change and uncertainty. The second is to reorient so that we can deal with this

change. In all areas of business, cultural and social life, we currently see people and institutions in a process of reorientation. For companies, reorienting also means trying to find new areas of growth. Change creates new opportunities, and the future belongs to those who are first to set a clear course. But how does this work? How can we find new landmarks to navigate change? In our dossier on "reorientation", six business leaders describe the very different ways organisations can go about reorienting, and how the process can unfold. Prof. Gerhard Schmidchen also explains the notion of orientation in light of the findings of social psychology, and goes on to describe the implications for managers.

You need both roots and wings

All the articles by our own experts in this issue are also concerned with reorientation. In this period of recession, economic crime is suddenly emerging as a more pressing issue with different facets; family offices are having to meet the professional requirements of large companies; and companies are being forced to change perspective in the way they communicate their contribution to public finances, reporting on total financial contributions rather than just corporate income taxes. This approach is called the total tax contribution framework. We have

joined forces with economiessuisse to research and develop this framework, and now we are able to work with first movers to implement the new approach. It will be exciting to watch how the pioneers use the framework to gain a competitive edge, and how in time it will evolve into the standard. Crises create risks and opportunities, and reorienting requires both taking a look at where you stand and trying to find new perspectives. In other words, you need both roots and wings. In an attempt to find out how people have mastered the art of flying high while keeping their feet on the ground, we invited some exciting and fascinating personalities to share their thoughts with us.

I hope you will find this issue of ceo* magazine inspiring.

Markus R. Neuhaus

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Copyright: ceo magazine PricewaterhouseCoopers.

The opinions and views expressed by the authors do not necessarily reflect those of the publisher.

ceo magazine appears three times a year in English, German and French. Circulation: 26,000

Free subscriptions and changes of address: sonja.jau@ch.pwc.com

Lithography/Printing: ud-print AG, Lucerne. Paper: Magno Satin FSC, wood-free, two side coated, silk, bright white





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forum1. staying grounded/scaling the heights

Claude Nobs: We have dreamed a lot and achieved a great deal. Yet even when things are going well, I always think about what I could do better.

Claude Nobs is the co-founder and, for the last 43 years, director of the Montreux Jazz Festival. The rock band Deep Purple immortalised him as “Funky Claude” in their global hit “Smoke on the Water”.

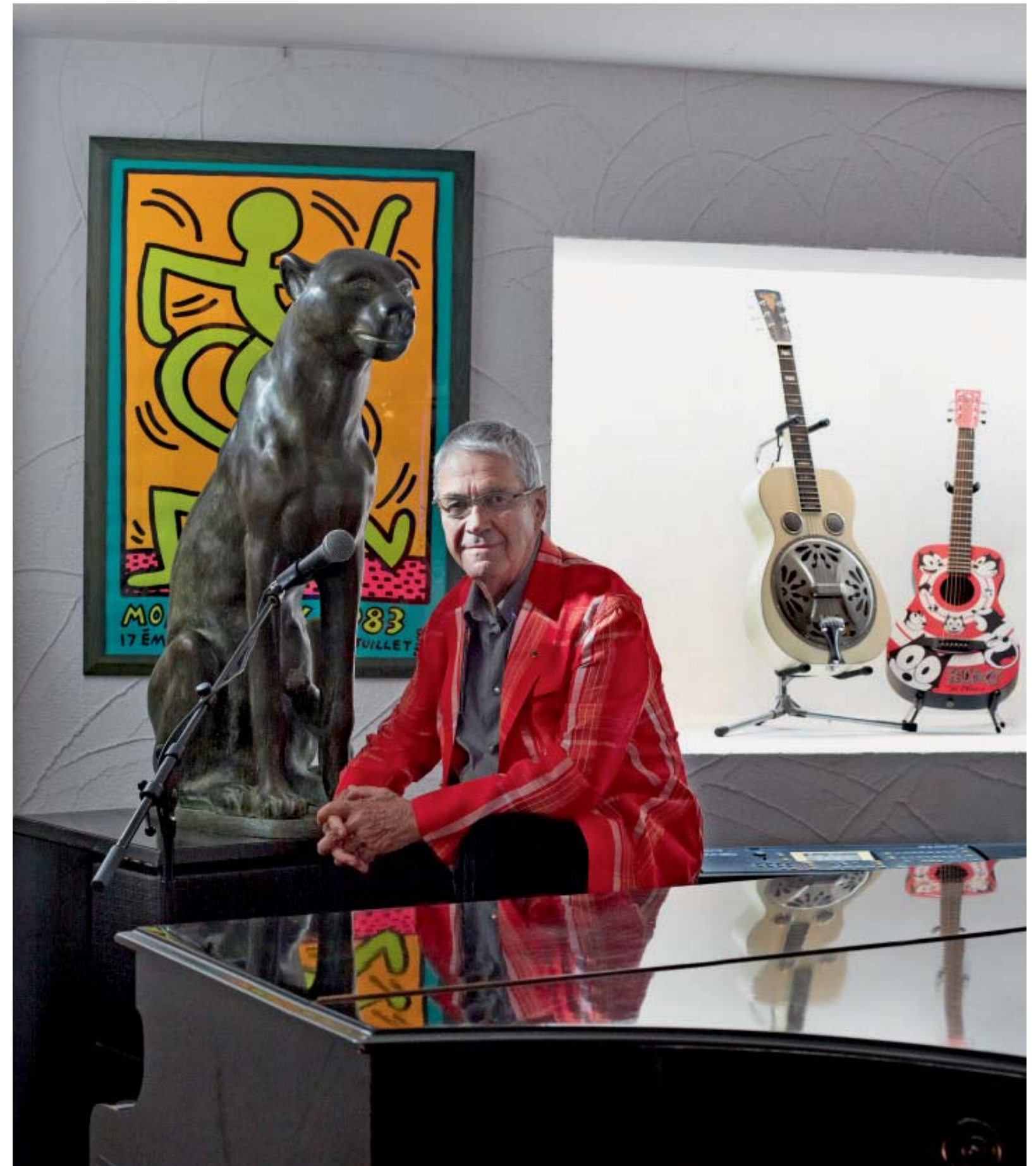
We printed 1,200 admission tickets for the first festival we organised in 1967. Today, the Montreux Jazz Festival employs 1,200 staff. This development fills me with pride. Above all, however, it gives me satisfaction. We have dreamed a lot and achieved a great deal. Yet even when things are going well, I always think about what I could do better. My aims were to encourage musicians and offer them an artistic platform – it was never about me personally. It is the Montreux Jazz Festival, not the “Claude Nobs Festival”. Nor was it ever about money either. Parallel to my responsibilities as the festival director, I was also managing director of Warner Music Switzerland, and that was a well-paid job.

The money that we earned with one festival was invested in the next. This meant we were able to expand the infrastructure and meet our contractual agreements with the musicians. We started with a budget of CHF 8,000; today, that figure is 18 million. This year, I signed a crazy contract with

Prince. Yet the 8,000 tickets for the two concerts arranged at short notice and held on 18 July 2009 sold out within seven minutes. Prince is a genius. When he was 18, I organised his first three European concerts in London, Amsterdam and Paris. There was never any risk of me getting carried away; I kept my feet firmly on the ground at all times. I come from a modest background, and that has always shaped my life. All that I have are my two chalets in Caux, above Montreux. I actually tend to be rather reserved. I am always to be found backstage at festival concerts. My father came from Berne, my mother from Zurich. I grew up in Territet, which is part of Montreux. I moved to Basle in 1953 when I was 17 to take up an apprenticeship as a chef. I shared a room with another apprentice who was frequently drunk. I was lonely; it was a difficult time. I then worked as a chef at the Zurich Congress House for a year. Back in Montreux, I worked for the tourist office. I went on a business trip to New York and made a snap visit to the president of Atlantic Records. That was where I met the jazz singer Roberta Flack. And that’s how it all started. I have retained my passion for cooking from my time as a chef. I have an open house, guests are welcome, and the chalet is full of musicians during the festival. Bringing people together, that’s something I like doing. It was the trumpeter Miles Davis who impressed me most over all the years. I am also close friends with Quincy Jones, the music producer; between 1991 and 1993,

we organised the festival together, and last year singers and musicians from all over the world celebrated his 75th birthday with a big concert. There were also lows – as well as a catastrophe. In 1971, a fire broke out in the casino during a concert by Frank Zappa and destroyed the building. The rock band Deep Purple, who had come to Montreux to record an album, witnessed the event, and it subsequently inspired their global hit “Smoke on the Water”. There were some in Montreux who said that the fire was my fault and that I should stop organising the festival. I don’t know what people in Montreux think of me today. I prefer being on the mountain; I love going for long walks with my dogs up here. Three years ago, I was given a second chance at life after a complicated heart operation. Since then, I have been trying to slow down a bit. I’m not managing it very well, though. I still like to travel the world. When I die, the festival will live on, thanks to my team, the audio and film archives – and not least to Thierry Amsellem, my partner in life and business for more than 20 years, and the administrator of the festival archives. //

Photo: Cédric Widmer



forum2. staying grounded/scaling the heights

Monique Bourquin: You can't afford to lean back and enjoy the heights. If you rest on your laurels, you'll be overtaken in no time at all.

Monique Bourquin, lic. oec. HSG, started her career in 1990 at former Price Waterhouse Management Consultants, worked for STG-Coopers & Lybrand in the Corporate Finance sector and, in 1994, switched to the nutrition industry. After working for Knorr, Rivella and Mövenpick, she changed to Unilever Switzerland, where she is country managing director since 2008.

Staying grounded whilst scaling the heights – a difficult balance? Not for me. I've already scaled many a height without getting carried away. First, it's not in my nature to do so. And second, I have always worked hard for my success: good marks, licentiate, a new personal best in sport, a successful negotiation, gains in market share – all these make me happy, and I celebrate my success accordingly. Yet always with my feet firmly planted on the ground, knowing that nothing comes automatically.

In the consumer goods industry, it's all about facts and figures. The market is very transparent; we always know how our turnover and our market shares are developing; we are also measured by them. Every day, we get the figures for every brand that we sell in Switzerland and know every evening where things are going well and where things are moving slowly. If

things are sluggish, we look for causes and solutions. If things are going well, we think about how we can continue the success. The recipe for this sounds simple, but it is a major, ongoing challenge. We need to be one step ahead of the competition at all times. We are managing that very well at the present time. Our turnover is increasing, and we are also acquiring market share. We celebrate both – and do so on the day the positive development becomes known. We then tick off these successes and move on to the next topic on the agenda. We can't afford to lean back and enjoy the heights. Ultimately, there is a competitor out there who realises that it has lost turnover and market share to us. It will now make enormous efforts to catch up with us. If you rest on your laurels instead of hurrying on ahead, you'll be overtaken in no time at all. It is not in the nature of our business to let things run, and it's not in mine either. I like the constant movement and consequently look forward to my work every day, with all that it entails.

I love working, but my life does not consist of just work. I am also needed as a mother, wife, sister and friend. And rightly so: my private life puts things into perspective. It offers a counterbalance – to myself, and my business highs and lows – and gives me a good dose of pragmatism. Success does not swell my head, and failures don't make me despair. If something goes wrong, I want to know why; after all, I do not want to make the same mistake twice. Analysis is important, irrespective of whether it concerns me or other people. I see it as one of my most

important tasks to ensure that we have a correspondingly open culture here. I don't like it when I don't get any response when I ask for opinions. I don't like lukewarm employees who lack passion; I prefer people who say what they think and back that up with solid arguments, even or particularly when they are of a different opinion. This facilitates decisions that are drawn up and supported by a team of intelligent people. In the end, and I'm convinced of this, the quality of a decision is thus also higher.

With regard to staying grounded whilst scaling the heights: I receive a substantial number of invitations for a whole variety of events, including some very flattering ones at that. I'm delighted but I also know very well that in most cases this has little to do with me as an individual. Should I ever no longer hold this position, this "favour" will be transferred to my successor. Another aspect associated with my position is a certain material prosperity. I do of course appreciate this but am also aware that this can change very quickly – due to an illness, a restructuring or also because I no longer enjoy my job. In the latter case, I would be prepared to forego a great deal. The feeling of staying loyal to myself comes before everything else. //

Photo: Andri Pol



forum3. staying grounded/scaling the heights

Frank Brinken: In times of great uncertainty, the presence of a superior is important – in such times, managers need to be the guiding light for their employees and customers.

Dr Frank Brinken has been the CEO of StarragHeckert since 2005. The stock-exchange-listed manufacturer of high-quality toolmaking machines supplies customers worldwide in the aviation, transport, energy generation and precision mechanical engineering sectors. The company employs around 800 people and generates a turnover of CHF 300 million.

Cycles are part and parcel of toolmaking engineering. These alternating highs and lows normally also ensure the necessary grounding for companies. Boosted by cheap money, however, enormous excess capacities were built up over the last few years that corresponded to approximately one and a half times the global consumption of toolmaking machines. Nobody could have predicted the speed and extent of the collapse: orders fell by an average of 70 per cent within the space of four months. With a loss of 45 per cent, StarragHeckert has come through the storm relatively well. In boom times, errors are made that then come to light when things take a turn for the worse. We were very cautious, strengthened our equity base, improved our internal processes and were barely in debt. We were able to meet the peaks in demand in the boom years with contract staff – these agreements were not extended in the

economic downturn. We now have to make use of the whole spectrum of opportunities, from shortened working hours, mandatory holidays, flexible working models, reduced employment levels, to lay-offs. I am convinced that the crisis will last longer than many think. Although the situation has bottomed out, there will probably be no change to today's level in 2010. Our industry should have an entirely different look in three years' time, for 30 per cent of the market participants are struggling for survival. State-of-the-art toolmaking machines are cheaper than ever before; margins are coming under extreme pressure. Every order is hotly contested. If you're up in the clouds as a manager, you'll lose sight of the ground beneath you. Particularly in times of great uncertainty, the presence of a superior is important – in such times, managers need to be a guiding light for their employees and customers. This requires even more commitment in the company and outside on the market. We mustn't leave our employees in the lurch now and should inform them as early as possible and without putting a gloss on the facts. Employees can live with anything apart from uncertainty. As a company listed on the stock exchange we have to comply with certain rules. StarragHeckert has major customers who want to learn first-hand what our economic situation is. You have to justify everything to them. Staying grounded means preserving a certain sense of modesty. Managers should not pile it on too thick. Arrogance and a lack of cultural sensitivity are unprofessional. If you put your foot in it with clients from the Far East, you can forget the contract.

StarragHeckert is currently building a production plant in India, and we have to accept that things are indeed done differently there. Companies should not get too euphoric either. Many of the self-portraits in company brochures are full of hackneyed phrases and interchangeable. It is decisive for the CEO to feel the pulse of the market himself. What will the aviation industry, for instance, want in 2020? We assume that aeroplanes will become lighter, cause less noise and fewer emissions, and use less fuel. Our challenge is to recognise today which products will be in demand the day after tomorrow. So that we can supply the toolmaking machines for them to our customers tomorrow. My family and the group of friends that I consciously make an effort to see on a regular basis are important to me personally – despite the considerable time I have to spend doing my job. You need serious relationships with people outside of the company so as not to lose yourself. What also helps me here and regularly gives me ideas is my lecturing position at the Technical University in Chemnitz. My discussions with the students are extremely stimulating. //

Photo: Markus Bärtschi



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Economic crime: Is the downturn making life easier for fraudsters? Page 19

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Total tax contribution: How much tax do Swiss companies pay?

Total tax contribution, TTC for short, is a socially relevant issue. Companies repeatedly face allegations that they do not contribute enough to the common good. An analysis of the total tax contribution paid by corporations shows that the opposite is in fact the case.

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These days transparency and good corporate governance are writ large. This also applies to the taxes paid by a company. The tendency is still to concentrate any analysis of a company's contribution on one type of tax: corporate income tax. One of the main reasons is that this is the only tax stated separately by most companies in their financial statements. The fact is, however, that a corporation's tax contribution consists of a whole range of different taxes. Openly disclosing taxes in the form of what we call the "total tax contribution" is the best way of showing what contribution the business makes to public finances. Only with this kind of insight into all the taxes paid by a company, directly and indirectly, can stakeholders form an adequate view of its total tax contribution. The comprehensive insights provided by information on the total tax contribution also facilitate internal

monitoring of tax strategy, processes and risk profile.

PricewaterhouseCoopers has already conducted studies of the total tax contribution in eight countries: Australia, Belgium, Canada, India, the Netherlands, South Africa, the UK and the United States. Now, this year, PwC has joined forces with economiesuisse to investigate the total tax contribution of Swiss corporations. Fifty-eight of the 500 largest companies in the country, together employing a total of 146,000 people, took part in the survey. The participants include eleven companies contained in the Swiss Market Index (SMI) and representing 71 per cent of its market capitalisation. The data relate to 2007; however, for corporate income taxes the

survey also included payments in 2008 to make the impact of the financial and economic crisis on tax contributions visible.

The findings of the survey are impressive:

- The biggest Swiss companies contribute around CHF 140,000 per employee to Switzerland's public finances. This figure includes taxes that the company pays itself, taxes passed on to third parties, and the income tax on salaries and bonuses paid to its employees. These payments come to a total of CHF 21.7 billion, one-ninth of Switzerland's total tax revenues at federal, cantonal and municipal level in 2007.

- Particularly when the economy is in a downturn and companies are posting losses, the consistently high tax contributions of the largest Swiss companies help stabilise Swiss public sector finances. The total of all taxes generated by the 58 companies (in other words taxes borne plus taxes generated by their economic activity) fell only 15 per cent from 2007 to 2008. A stability of 85 per cent in such a major crisis is impressive.

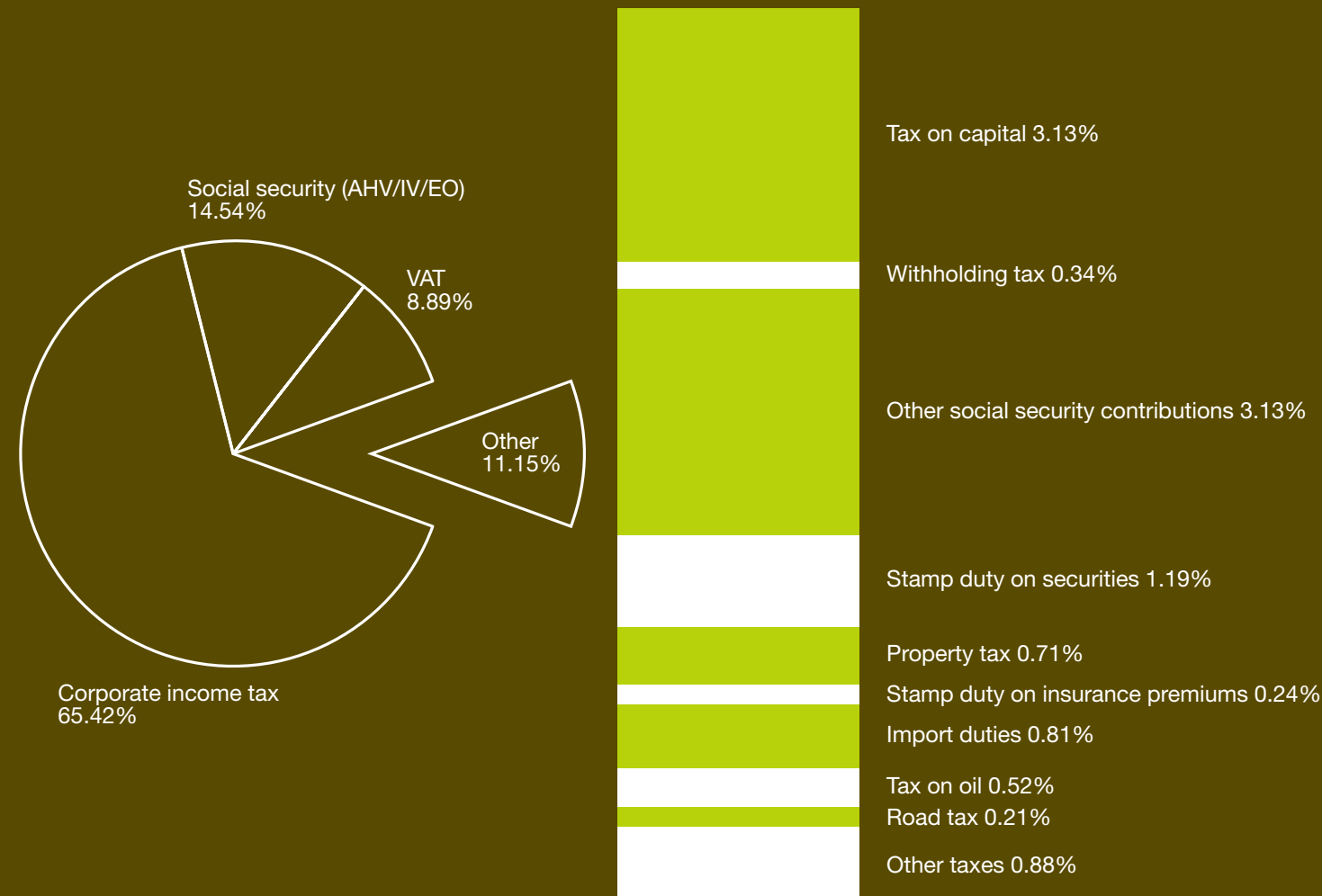
- It is becoming increasingly important for companies to understand, monitor and communicate their total tax contribution.

Show the contribution businesses make to public finances



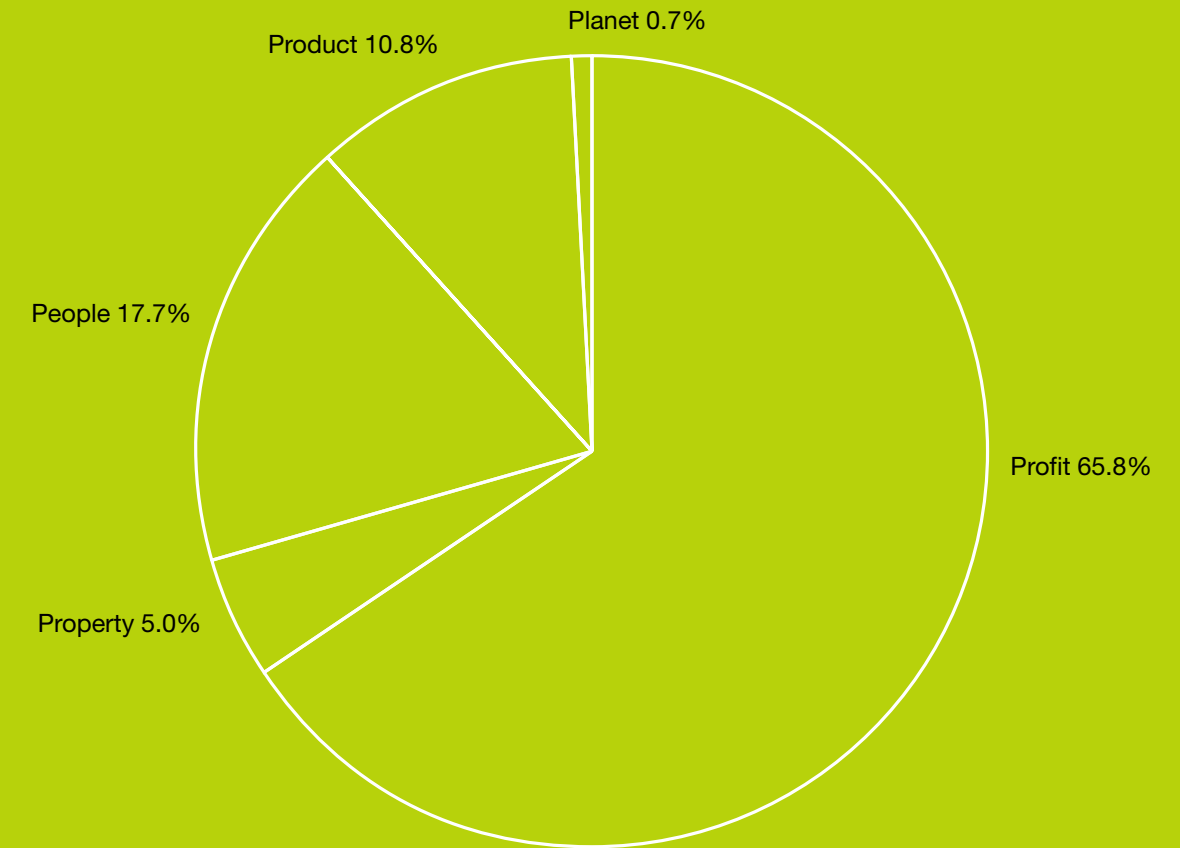
Armin Marti, Leader International Tax Services Switzerland

Taxes borne by type of tax



On average, a company in Switzerland is subject to 18 different types of taxes borne. In 2007, the most prominent of these was corporate income tax, which accounted for 65.4 per cent. However, for every franc of corporate income tax, companies also paid more than 50 cents in additional taxes borne.

Taxes borne by category



The TTC framework also differentiates between categories of tax, which it calls the five Ps: profit, property, people, product and planet. The share of the "people" category doubles if employer pension fund contributions are also counted.

Companies perform an important collection function

A look at the details reveals some valuable insights. The total tax contribution framework (cf. page 15) distinguishes between taxes borne and taxes collected. Taxes borne constitute the taxes paid or borne by the company itself. Besides corporate income taxes, these include taxes on capital, non-refundable components of VAT, and employer contributions to social security schemes (see graphic above). Taxes collected are those gathered by the

company from third parties, in most cases customers or employees, and remitted to the state. While these taxes only constitute a type of transitory item, they do in fact depend on the company's business performance, without which these taxes would not be collected in the first place. This type of tax also involves administrative work, not to mention the financial risks of a failure to handle them properly. The "taxes collected" category includes employee social security contributions, VAT and withholding tax, stamp duty, pay-as-you-earn income tax for foreign employees without permanent residency, and the EU tax on interest. Ensuring compliance in connection

with this tax on interest is something that costs paying agents in the financial industry a considerable amount of effort and money. In 2007 the companies that took part in the study contributed taxes totalling CHF 18.2 billion. This breaks down into CHF 6.5 billion in taxes borne and CHF 11.7 billion in taxes collected. In other words, for every franc in tax paid by Swiss companies themselves, they also act as a kind of "tax collector" to gather an additional CHF 1.78 on behalf of the state. This means that the

The total tax contribution framework

PricewaterhouseCoopers developed the total tax contribution (TTC) framework in 2005 with the aim of making corporate taxes more transparent. Regardless of the complexity of the applicable tax legislation, the TTC framework allows a company's entire tax contributions to be recorded and presented. The framework covers all types of tax relevant to corporate entities, and is done on a purely cash flow basis to enable direct comparisons with published public revenues.

The TTC framework covers both the taxes borne that flow as expense into the company's income statement, and the taxes collected by the company from third parties and remitted to the state. The framework also covers the costs of tax compliance. An important figure in terms of the TTC framework is the total tax rate (TTR), which sets the sum of taxes borne in relation to profits before total taxes borne, as a measure of a company's total effective tax burden. The TTR is generally substantially higher than the corporate income tax rate usually used as a measure.

To ensure comparability between different countries, it is crucial to define precisely what is meant by "tax". Applied to Switzerland, the following criteria form the basis of the TTC framework. Taxes are deemed to be payments

- that are to be paid to the state (confederation, cantons and municipalities), state organisations or authorities reporting direct to the state; in particular this includes social security schemes.
 - that are obligatory.
 - for which there is no directly attributable consideration in return, and which are used to finance public services.
- One particularity of Switzerland is pension fund contributions. While they are mandatory, in most cases they are paid to private organisations rather than to the state. Under a strict interpretation of the TTC framework they therefore do not count as taxes; on the other hand, for some international comparisons it makes sense to include pension fund contributions.

companies investigated contributed 10 per cent of total Swiss tax revenues in 2007. This contribution increases to 11.9 per cent if you also include income tax paid by employees. The latter is the correct approach, particularly for the purposes of international comparison, since many countries – unlike Switzerland – collect employees' income tax directly at source from their employer on a pay-as-you-earn basis. But the tax contribution is not borne evenly by the companies taking part in the study. Some companies – and this is a surprising finding – contribute a great deal more than others. The ten largest taxpayers account for almost 80 per cent of taxes borne, and 84 per cent of taxes collected. The remainder is spread over the other 48 companies investigated, all among the 500 largest companies in Switzerland.

Stabilising influence, also in times of crisis

Public interest is usually restricted to corporate income tax and its volatility. The corporate income taxes paid by study participants fell nearly 70 per cent from 2007 to 2008. However, the total tax contribution of the companies investigated (the sum of taxes borne, taxes collected and income tax levied on employees' income) fell by a much lower 15 per cent, as many of the other taxes contributed such as VAT, social security contributions, withholding tax, stamp duty and taxes on capital are not dependent on profits and are therefore hardly affected by the economic downturn, or only affected after a delay. Against this backdrop, two things become clear. Firstly, companies make a considerable contribution to public finances, even in a downturn. Secondly, the widespread focus on corporate income taxes gives a highly distorted picture of the total taxes actually contributed by corporations.

High employee-related contribution

Employee-related taxes are a particularly substantial component of the total tax contribution. This primarily boils down to social security contributions. In 2007 this category accounted for 17.7 per cent; counting pension fund contributions as well (sometimes necessary when making international comparisons), the figure comes to a whole 35.6 per cent. This is a good two-thirds of 2007 corporate income taxes. These figures obviously reflect the high level of incomes and well-developed social security system in Switzerland. "Planet" or environment-related taxes, by contract, (still) play only a minor role (see graphic page 15).

Tax system boosts local competitiveness

The TTC framework allows a cross-border comparison of the tax burden borne by companies, which is also one indicator of locational attractiveness. Tax considerations remain one of the most important criteria for companies when choosing locations. A comparison of the findings of the Swiss TTC study with other countries that have been investigated shows that Switzerland is positioned very well indeed in this respect. Including all taxes borne, a total tax rate (TTR) of 30.2 per cent puts Switzerland in second place behind Canada; taking only corporate income tax into account, Switzerland even tops the rankings. Two further findings are also worthy of mention. Like all states organised along federal lines, Switzerland has many different types of tax: 49 different varieties of taxes borne and taxes collected. But not all companies are affected by all these types of tax. The companies investigated in the study have to deal with 18 different taxes borne and 10 different taxes collected. While this constitutes a record in international terms, the figure looks less daunting when you consider that those companies that record the costs of tax compliance report that the investment is relatively low in this country. This advantage of the tax system is another convincing argument in favour of doing business in Switzerland.

SUMMARY

The total tax contribution framework enables companies to understand, monitor and adequately communicate their entire tax contribution. Corporate reporting and transparency requirements are getting tighter all the time, especially for listed companies. This also applies to corporate taxes. By publishing information on their total tax contribution, companies can demonstrate their contribution to public finances at all the different levels clearly, transparently and comprehensively. Inside the organisation, the TTC framework is an invaluable tool that allows the company to monitor its tax strategy, processes and risk profile, and adapt them if necessary.

Family offices: Same advisory needs as large companies.

Family offices are set up to protect the wealth of families. The more intricate the family tree and the more complex the structure of its assets, the more difficult this task becomes. In an ever-more international and highly regulated environment, family offices increasingly need independent, professional advice.

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A family office is a company whose purpose is to manage the wealth of a family – as discreetly as possible, and taking account of the special interests and preferences of its members. There is no precise definition of the term "family office" or the duties involved. Family offices go back to the 19th-century United States, where some families had amassed such wealth in the wake of industrialisation that they no longer wanted to entrust it to "normal" banks or asset managers.

Protecting wealth in times of globalisation

Since then the basic principle has not changed: the main priority of any family office – at least in the West – is family wealth protection. What has changed is the environment in which family offices have to operate. With families and their portfolios scattered all over the world, nowadays managing a family office is a much more complex affair. Different legal systems and national regulations are as relevant to a large family office as they are to any international company; the same applies to tax rules governing areas such as transfer

pricing, withholding taxes and VAT, and double taxation agreements. Family offices are also increasingly having to deal with questions like risk management, consolidation, audits and reporting. Currently there are estimated to be around 300 to 400 family offices of varying sizes and structures in Switzerland. Roughly speaking they can be divided into three categories. First are family offices, mostly in the form of asset managers and lawyers, who generally look after a family with relatively simple structures. Alongside these are so-called multi-family offices run by the big banks and many private banks, who do asset management and other related services on behalf of a number of different wealthy families. Lastly there are family offices that operate as legally independent entities, companies in their own right. These companies generally work for families with a highly intricate network of branches and complex asset structures. Examples include Thomas Schmidheiny's Spectrum Value Management Ltd, and Cofra Holding, which manages the wealth of the Brenninkmeyer

family (C&A). Russian entrepreneur Viktor Vekselberg's Renova Holding also has the salient features of a family office. The sheer dimensions of this third category demonstrate very clearly that, in many cases, the widespread belief that a family office only has to look after a handful of financial investments plus an art collection and a few philanthropic activities falls wide of the mark. More often than not the duties of this type of family office include coordinating internationally diversified business interests, and managing complex financial portfolios and investments in property and commodities – all while endeavouring to balance the interests of family members and maintaining the utmost discretion.

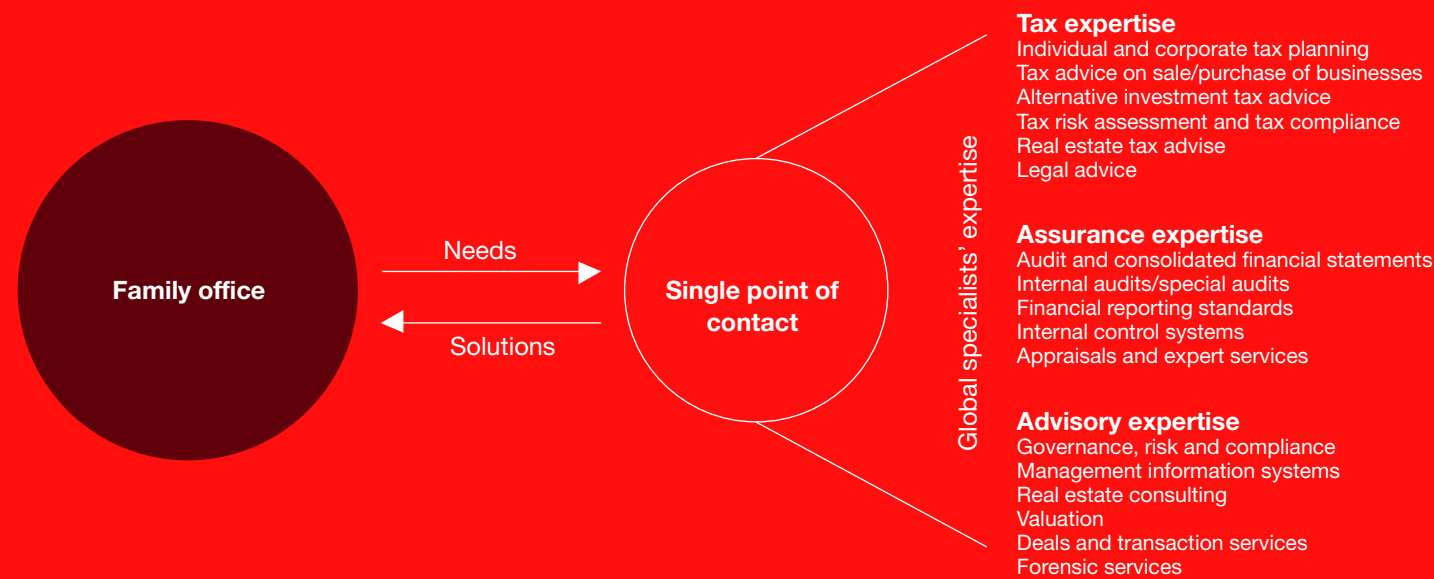
Dangers of the classic advisory approach

The organisational structure of a large family office is often more complex than that of an industrial or financial group. In most cases, however, family offices have far fewer internal management resources at their disposal than large companies. This means that family offices are very much in need of the services of advisors. Traditionally they draw on a large selection of external service providers. The advantage here is that each individual advisor only has access to carefully selected information, ensuring that the wealthy family's need for confidentiality is maintained.



Dr Marcel Widrig, Leader Private Clients Switzerland

Business model family offices



In terms of advice, the needs of family offices are more or less the same as those of international companies. Ideally the family office's personal contact will have access to a global network of proven experts in a wide range of specialist areas.

However, this type of approach is anything but efficient. The risk is that services will be duplicated, overlap, or be insufficiently coordinated. Even more important than this lack of efficiency, however, are the systemic risks that can arise from the resulting lack of transparency. Financial investments are a good example of where this risk potentially exists: each portfolio on its own might be balanced and match the family's risk profile, but looked at in their entirety there might well be individual positions that constitute a concentration of risk.

Add a portfolio of interests, which is something most large family offices have, and it becomes clear just how important it is to have advice that considers all the different

facets and is backed by a worldwide network. A global network is vital when it comes to setting up and maintaining tax-efficient and organisationally optimum structures that are also compliant with all the relevant laws and regulations. To do this requires a combination of different competencies: expertise in accounting, auditing and reporting must be coupled with valuation and corporate finance know-how and an in-depth understanding of tax law. Depending on the particular issue, experts in deals, reorganisations and real estate management might also be needed. Building all these competencies in-house is not usually a viable option for a family office, and certainly not if the family office

wants to cover all the relevant facets. While using a combination of services from a single external company requires a greater degree of transparency and the disclosure of more information, it does ensure that the advice the family office gets is professional and independent. For the family itself this means more secure management of its assets, and the comfort that its wealth will be protected for generations to come.

SUMMARY

Large family offices are confronted with the same issues as international companies. Their challenge is to optimise existing and planned structures while at the same time minimising the associated risks. This requires a cross-border view that also encompasses compliance, risk management, accounting and tax planning. To make their business more efficient and minimise the risks, family offices need multidisciplinary, coordinated and internationally networked advice. This type of advice also helps ensure the long-term protection of family wealth.

Famous family offices

Probably the first family office was founded in 1868 by Pittsburgh lawyer and entrepreneur Thomas Mellon. At the start of the 20th century the result of this move, T. Mellon & Sons' Bank, was the largest private bank between New York and Chicago. Hot on Mellon's heels, other prominent figures including John D. Rockefeller, Junius S. Morgan and Alexander Hamilton established their own family offices, all of which were subsequently to evolve into global operations. In the meantime these family offices, or rather the financial institutions that emerged from them, have mixed and combined. For example the Bank of New York Mellon traces its roots to both Thomas Mellon and Alexander Hamilton (who achieved fame not just as a banker, but also as a statesman and economist).

Economic crime: Is the downturn making life easier for fraudsters?

These days many companies are saving costs wherever they can, including cutting back on measures to prevent and control economic crime. This can create fertile ground for fraud, and make it harder to detect.

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Has the economic crisis made companies more susceptible to fraud? This question is at the core of the "Global Economic Crime Survey 2009" published by PricewaterhouseCoopers. It is the fifth survey of its type that PwC has conducted on a global basis. This time 129 companies in Switzerland were involved.

The findings for Switzerland are surprising, at least at first glance, with only 17 per cent of Swiss companies polled admitting to having detected at least one case of fraud in the last twelve months. This is below the figure published in the last survey, which appeared in 2007; however, the comparability of the findings is limited by the fact that the 2007 report covered a period of two years, while the latest survey draws on observations over only one year. On the other hand, 32 per cent of Swiss companies that report fraud also report that the number of cases has risen.

Few opportunities for accounting fraud

The main explanation for the relatively low incidence of fraud at Swiss businesses – on average, 30 per cent of companies worldwide reported cases of economic crime – is probably that this country has escaped the global recession relatively unscathed compared with other economies. So Swiss

companies have fewer problems than those in other countries when it comes to raising external capital from banks. Even though the banks have tightened up their lending policies, the situation in Switzerland hardly constitutes a credit crunch. For this reason there is little temptation for Swiss companies to cook the books in order to present a rosier picture to lenders. And indeed, the incidence of accounting frauds in Switzerland is well below the global average (see table page 20). Another reason is probably that awareness of governance and compliance is relatively high in Switzerland, as is the case in other countries with a low incidence of fraud. This is evidenced by the comparatively low number of bribery and corruption cases reported. There is clearly a link between a nation's prosperity and its susceptibility to corruption.

However, it is too early to sound the all-clear. We are not out of the downturn yet, and companies still find themselves having to tread the fine line between cutting costs and improving processes. Many of the negative side effects of comprehensive cost-cutting will only become apparent once we have embarked on the next

upswing. Many Swiss companies are well aware of this, with 29 per cent of those polled believing that the current environment of economic uncertainty is creating a greater risk of fraud.

Getting to grips with undetected cases

Interpreting the findings of the study correctly requires making an important distinction: the data gathered represent cases that have been detected and which companies have actually reported. The actual number of cases may be much higher than this, either because fraud has gone undetected or because companies are unwilling to report it. There are good reasons for suspecting that the detected and reported figures fall a long way short of the actual incidence of economic crime.

- 56 per cent of the Swiss companies polled report that their financial performance has deteriorated. These are often companies trying to enhance their performance by cutting costs. These cuts affect budgets for compliance and internal controls as well, and more and more companies are also reducing the financial and personnel resources available for internal audit. This means that there is less systematic internal detection of fraud.

- Companies that conduct an assessment of fraud-related risks detect more cases than companies that do not do such an assessment. There is a correlation between the frequency of risk controls and the detection rate. But only 17 per cent of the companies polled carry out such assessments on a semi-annual or more frequent basis.

Now's the time to protect staff from misconduct



Gianfranco Mautone, Leader Forensic Services

Resistance to disclosing fraud should also not be underestimated. This aversion to publicity is understandable, as the criminal activity of individuals often reflects badly on the organisation's entire culture. This results in lasting damage to the brand, which in turn has a negative impact on business performance. Not least for this reason, a culture of openness and honesty is also the best preventive measure.

Perpetrators at management level

An analysis of the perpetrators – and this is surely one of the most astonishing findings of the survey – points to the same thing: of all cases of internal fraud in Switzerland, which account for 46 per cent of all cases, the companies included in the study reported that 70 per cent are committed by people at middle or upper management level. The main reason for the high incidence of fraud among managers is probably that these are the people who know and are able to circumvent the controls. In times of crisis there is another possible explanation: it becomes more difficult for managers to achieve what are often ambitious performance objectives. But achieving them is crucial if a manager is to advance within the company and earn a bonus linked to these very objectives. To maintain their reputation and standard of living, managers may be tempted to resort to criminal activity.

Collateral damage underestimated

The average cost of a single detected case of fraud is around CHF 1.5 million, and in

18 per cent of cases even amounts to more than CHF 5 million. However, this figure only covers the direct damage. It does not reflect the indirect costs involved in investigating the fraud and creating and installing new control mechanisms and processes. And the intangible collateral damage in terms of loss of reputation, morale and confidence in business relationships is almost impossible to quantify. Experience shows that organisations underestimate these indirect costs, particularly when it comes to the management resources tied up in dealing with fraud.

Best prevention lies in corporate culture

So what can organisations do? Economic crime is not some kind of inevitable “force majeure” which companies are powerless to deal with. Preventing it is primarily a matter of corporate culture. Corporate culture is shaped by the tone at the top – which has to express unequivocally zero tolerance for violations of external and internal rules. The

seriousness of this approach must also be underscored by measures at an operational and process level, particularly:

- Regular, systematic assessments of risk. Not only do these increase the likelihood of detection, but their mere existence serves as a deterrent.
- A willingness to make sufficient resources available for control and prevention. Attempts to save in this area can lead to much higher costs in the medium term.
- A clearly defined and consistently applied system of sanctions. Failure to comply with the rules must be judged, and sanctions must be imposed, in accordance with uniform guidelines, regardless of the person and their position. The organisation should apply these guidelines consistently and without any appearance of arbitrariness, and it should announce the sanctions it imposes. Experience shows that disclosing violations and the sanctions imposed has a preventive effect. Companies that do not shy away from this will find that their culture of zero tolerance enjoys greater credibility, both inside and outside the organisation.

SUMMARY

Preventing economic crime requires a culture of zero tolerance. Even during a downturn, companies should make sufficient resources available for compliance and controls. Regular and systematic risk assessments increase the likelihood of detection. Sanctions should be stringent and applied without prejudice.

Switzerland: How to make it even more attractive for multinationals.

Many international companies manage part or all of their operations from headquarters in Switzerland. This country has a great deal going for it, but with locations all over the world competing for business, it has to go on proving its attractiveness on a permanent basis.

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Multinational companies are more crucial to the Swiss economy than people often realise. In 2004 they generated 34 per cent of Switzerland's gross domestic product, with 10 percentage points of this falling to foreign companies. But global competition to attract businesses has intensified, and experience shows that multinationals rethink their locational policy every five years. So besides attracting new businesses, it's important to keep the ones already headquartered in this country.

At present there are many arguments in Switzerland's favour, as the trends of recent years show:

- Large European companies are increasingly choosing Switzerland as a hub for their European operations, or even as their global headquarters. Swiss multinationals are also choosing to stay in this country, even though they generate the lion's share of their revenues abroad.
- US companies are increasingly opting to shift the management of operations outside their home market away from the United States. The decisive reason is the principle of global taxation. As part of this strategy, it is a valid option for US companies to relocate at least their European headquarters to Switzerland.

- Recently there have been signs that Asian and South American companies – the BRIC countries Brazil, Russia, India and China – are also interested in setting up operations in Switzerland. So although Switzerland has no natural resources of its own apart from water, thanks not least to Russian commodities companies, this country is the biggest commodities trader in the world. An example of just how attractive Switzerland remains as a place for doing financial business is the Bank of China. In November 2008 it established an office in Geneva, and in September 2009 made a substantial sortie into the European fund business from its Geneva base. The reason cited for this move was Switzerland's neutrality, stability and expertise.

Transparent, straightforward system of taxation

There are many good reasons for businesses to be in Switzerland: its location at the heart of Europe, a culture open to international influences, a high degree of stability and consistency in the law, reliable and efficient authorities, an outstanding infra-

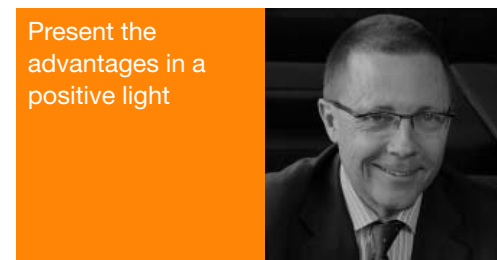
structure, a highly qualified workforce, high standard of living, and, last but not least, stable and competitive taxation. On the other hand, tax rates are really not that low by international standards. Corporate income tax paid to the federal authorities comes to 8.5 per cent, with the city and canton of Zurich levying another 18.6 per cent. When comparing these rates with other countries, however, it should be remembered that taxes in Switzerland count as a deductible expense. The net result is a total tax burden of 21.3 per cent of pre-tax profits in Zurich. The comparable figure for Frankfurt is around 32 per cent. You also have to remember that certain types of cross-border business are subject to a lower rate of tax in Switzerland, making this country an attractive location for global and European headquarters.

There is another important respect in which Switzerland differs from many other countries: the tax climate. The authorities, and large parts of the population, are business friendly. This is also manifest in a straightforward and transparent tax system, which helps give Switzerland a comparative locational advantage. Take the United States, for example. The principle of global taxation results in a situation where a large part of the value created outside the United States is subject to tax again in the USA. While other countries have geared their taxation to the “territorial principle”, at the same time they have also introduced the concept of taxation of controlled foreign operations. This means that while earnings are in principle subject to tax in the country in which

Types of economic crimes in per cent of companies affected

	Switzerland	Worldwide
Asset misappropriation	64	67
Accounting fraud	27	38
IP (intellectual property) infringement	27	15
Money laundering	14	12
Bribery and corruption	9	27
Illegal insider trading	5	4
Espionage	5	3

Asset misappropriation is by far the most commonly reported type of economic crime. In Switzerland there is an above-average incidence of intellectual property infringements. This is due to the large number of patents held by groups based in Switzerland. One reason for the relatively high figures for other types of economic crime is that cases are detected more effectively and efficiently in Switzerland than in other countries.



Dr Urs Landolf, Leader Market Switzerland

Examples of multinational companies with headquarters in Switzerland

Company	Place/canton	Type of headquarters	Sales in Europe	Headcount in Europe	Annual report
Cadbury	Rolle/VD	European headquarters	GBP 1,097 m	10,700	2008
Caterpillar	Geneva	European headquarters	USD 16,121 m	26,983	2008
DuPont	Geneva	European headquarters	USD 9,500 m	60,000 (global)	2008
Japan Tobacco International (JTI)	Geneva	European headquarters	USD 20,748 m	47,977 (global) (380 Switzerland)	2009
Parker Hannifin	Etoy/VD	European headquarters	USD 4,219 m (international, without North America)	51,639 (global) (21 Switzerland)	2009
Pepsi	Bern	European headquarters	USD 6,435 m (UK & Europe)	198,000 (global), 5,500 (UK & Ireland)	2008
Philip Morris International (PMI)	Lausanne/VD	Global headquarters	USD 30,265 m (European Union)	75,600 (global)	2008
Procter & Gamble (P&G)	Petit-Lancy/GE	European headquarters	USD 79,029 m (global)	2,560 (Europe, Middle and Far East and Africa)	2009
Amgen	Zug	European headquarters	USD 3,231 m (countries outside USA)	17,000 (global)	2008
Dow (Rohm & Haas)	Horgen/ZH	European headquarters	USD 21,850 m	16,000	2008
Kraft	Zurich	European headquarters	USD 11,259 m	>18,000 (approx. 1,000 Switzerland)	2008

they are generated, if the tax to which a subsidiary abroad is subject is supposedly too low, under certain circumstances it may have to pay its tax in the country where headquarters are located.

The Swiss tax system is also stable and predictable. Here the sluggishness of a direct democracy, often seen as a disadvantage, turns out to be an advantage: changes in the law take time. Tax competition between cantons, also something that is subject to frequent criticism, is also a proven way of raising general locational attractiveness, as it prevents tax rates from levelling out at a higher level.

Potential for making Switzerland more attractive

Once again, Switzerland takes first place in the World Economic Forum's latest "Global Competitive Report". Nevertheless, no country can afford to rest on its laurels in the current competition among countries to attract businesses. On the contrary, Switzerland has to constantly build on its strengths. In this connection it's worth looking at a 2007 study conducted on precisely this theme by the Swiss-American Chamber of Commerce entitled "Multinational Companies on the Move: How Switzerland Will Win the Battle!"

The authors identified five to-dos to improve Switzerland's attractiveness to multinationals:

1. Remain competitive on the tax front.
2. Make it easier for skilled foreign labour to work in Switzerland: while the bilateral accords have made it easier for people from EU and EFTA countries to work in Switzerland, this does not apply to highly qualified people from other countries.
3. Further develop collaboration and coordination between cantons and provide a consistent Swiss interface to the world.
4. Address critical amenities and infrastructure capabilities, including international airline connections and international schools.
5. Refocus communication activities about the business location Switzerland.

In another study conducted in 2008, the Chamber of Commerce also emphasises how Switzerland must build on its strengths as a centre of innovation and step up efforts to provide training and education in science and technology. Without doubt, education policy and providing the optimum framework for research, development and innovation are key when it comes to making Switzerland an even more attractive place to operate. Last year the global debate on the Swiss financial

industry overshadowed the question of the location in general. But we should not forget that Switzerland is far more than just a financial centre, but an attractive location for businesses in all industries.

SUMMARY
Multinational companies generate one-third of Swiss GDP. Many large companies from Europe, the United States and, increasingly, Asia and South America are choosing Switzerland as their European or even world headquarters. The most important, but by no means the only, point in favour of Switzerland is its transparent, stable tax system. But with competition between countries intensifying, and multinationals reviewing their locational policy on a regular basis, Switzerland must endeavour to build on its strengths on a permanent basis.

Events, publications and analyses.



Executive compensation.

Remuneration systems are directly dependent on a company's strategy and the environment in which it operates. For the third issue of its "Executive Compensation & Corporate Governance" report, PwC Switzerland analysed the annual reports of 48 exchange-listed Swiss companies. Thanks to the transparency rules that have applied since 2007, for the first time it is now possible to also make direct comparisons with the previous year.

You can order a free copy from sonja.jau@ch.pwc.com or download the report from www.pwc.ch/compensation.

Swiss energy industry.

The new Swiss Electricity Supply Act and the debate on tariff increases has made Swiss power providers the focus of public attention more than ever before. PwC has joined forces with 101 executives from Swiss power providers to analyse the current situation in the energy industry. Their findings are published in a report (German and French only) entitled "Wie hoch ist die Spannung im Schweizer Energiemarkt?" (How high is the tension in the Swiss energy business?).

You can order a free hard copy (of the German report only) from sonja.jau@ch.pwc.com or download the report (German and French) from www.pwc.ch/energie.



PwC Global Annual Review.

The PwC Global Annual Review looks at issues that impact PwC's clients and people around the world. It also examines PwC's performance and key network policies and standards, and its work in the global community during FY 2009.

You will find the annual review (in English) at www.pwc.com/gx/en/annual-review. There you will also find a link to order a printed copy.



Economic crime.

The "Global Economic Crime Survey 2009" was produced on the basis of an evaluation of 3,000 questionnaires from 55 countries worldwide. More than half of the respondents were at executive or board of directors level. The findings for Switzerland draw on the responses of 129 companies. In this country, 29 per cent of companies polled see a greater risk of fraud in the wake of the economic downturn (see page 19).

You can order a free copy from sonja.jau@ch.pwc.com or download the report from www.pwc.ch/crimesurvey.

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dossier reorientation

New horizons.

Geneva's Cointrin airport has managed to survive the crisis. CEO Robert Deillon on dealing creatively with change.

New ideas.

Sabine and Oliver Weisbrod-Steiner bring a breath of fresh air to the tradition-rich, family-run Weisbrod-Zürcher company.

New directions.

Management must not only be technically competent but also adhere to standards of professional conduct that are based on human social values, says Professor Dr Gerhard Schmidtchen.

New strategies.

Dr Jörg Wolle, CEO of DKSH, on curiosity as a driving force and the challenge of reinventing a company.

New strengths.

Gian A. Rossi, Bank Julius Bär CEO for German-speaking Switzerland, Central and Northern Europe, sees future global growth opportunities for asset management.

New trends.

The Alpenrhein Village Outlet offers brand-name products at bargain prices. An investment in contemporary purchasing behaviour.

New commitments.

Sika-CEO Ernst Bärtschi on ecological and social responsibility, and the risk of derailing the debate on sustainability.

Texts: Corinne Amacher, René Bortolani, Iris Kuhn-Spogat, Franziska Zydek
Photos: Roth und Schmid





“We are a competitive airport.”

The decision by Swissair in 1996 to remove Geneva from its long-distance network triggered a serious crisis at the airport. The tide has since turned: Geneva has the highest growth rate of all Swiss airports. Airport boss Robert Deillon describes the airport’s creative handling of change and problems that (sometimes) solve themselves.



Mr Deillon, before you became airport director you were a frequent flyer yourself. Which airports did you particularly like?

Robert Deillon: I believe I know all the major airports in Europe, America and Asia. Over the last ten years, I have flown six to seven times a week. I like the Scandinavian airports best. In Oslo, for instance, they have managed to find a good solution to the practical aspects and yet still preserve a certain Nordic charm. It feels more like a hotel than an airport.

What characterises a good airport?

What's important from the passengers' perspective is that all procedures such as check-in, baggage drop and safety checks are done as quickly as possible. The design and architecture may be interesting, but what really counts are the well-oiled procedures. No matter how great the design of an airport, people will be dissatisfied if there are long queues.

As an airport operator, you have a rather unusual business model. You hardly have any influence over the aspects that interest your customers most – destinations, flight times and frequencies.

Yes, that is precisely the difficulty in our business. You might wonder who our customers actually are. Up to 20 years ago, these were solely airlines for whom we provided an infrastructure. Today, we also see the passengers as our customers. After all, they pay airport fees. This is a contentious topic. We can, for instance, demand that passenger check-in be done in less than three minutes. But an airline can say: "Ten minutes is good enough for us!" It is not easy to solve this conflict – and the complaints of lengthy waiting times always land on our desks.

After completing his training at the Lausanne School of Hotel Management, Robert Deillon (57) underwent management training at the University of St Gallen, in Boston and at the Institute for Management Development in Lausanne. After various positions in the Swissair Group, he took over the operational management of Gate Gourmet in Europe in 2001. Since 2006, he has headed up Geneva-Cointrin airport as its CEO.

People do not only use an airport to take off from or land at, they also shop and dine there. What is more important for your company: the passenger fees or the rental prices for the shops and restaurants?

You need both. A financially well-balanced airport makes half its turnover with flight operations and the other with its commercial services. That is the ideal scenario and one that we fulfil rather precisely in Geneva.

Do you actively make efforts to attract additional airlines and new destinations?

Yes, absolutely. We approach airlines several times a year and show them where there is a market for which destination, based on passenger statistics. But establishing a new destination is hard work. First the airlines have to be convinced, and then the passengers. Old habits die hard. We noticed that when we recently opened up a direct flight to Montreal. There are, for instance, companies whose employees are only entitled to fly business class if they are travelling for more than eight hours. In cases like these, employees prefer a transfer and fly to Canada via London.

Ten years ago, the future of Geneva Airport looked very bleak indeed; today, it virtually exudes self-confidence. How was such a transformation possible?

When Swissair decided in 1996 to concentrate on one hub, the situation for Geneva was indeed precarious. In the past, the long-distance flights from and to Zurich all stopped in Geneva. Such a product would be unthinkable today. Geneva would therefore have lost its connection to the long-distance network anyway. What has helped us out of the crisis is the low-cost airline phenomenon. The market entry of easyJet has meant that we have found a replacement for the long-distance passengers that we lost. I am now trying to find an even balance between the low-cost airlines, for which there is great demand among the general population, and traditional airlines. For they are the only ones who can develop new long-distance connections.

easyJet accounts for a third of Geneva's passengers. Quite a cluster risk.

More than 50 per cent of passengers in Zurich are Swiss Air Lines passengers. The cluster risk is therefore lower with us. Airports such as Paris or Frankfurt all have a dominant airline that frequently accounts for more than half of the traffic. Whether it is a low-cost or traditional airline, makes no difference here – history has shown that national airlines can also disappear. What counts for the future of our airport is that there is an interesting market in Geneva. The proportion of the population in the region who fly regularly is extremely high. Actually, Geneva is a very small city; similar catchment areas would never reach the 12 million passengers a year that we have.

Although everything has become slightly more complicated, airports work. Aviation is an extremely crisis-resistant industry with great ability for innovation.

How do you explain this love of travel?

First, there are many multinationals located here. A company headquarters employs perhaps 200, 300 people. But because Geneva is the base for serving the European market or Asia, 200 of them are constantly travelling. Then there are the international organisations. What's more, the standard of living around Lake Geneva is generally high. Many people also have families abroad. In short, Geneva is a pretty unique market, something the airlines are aware of.

Your airport is seen as very good value. The passenger fees are around half of those in Zurich. How is that possible?

We are a competitive airport. The key to this are the comparatively low capacities and a rather modest infrastructure. It is relatively old, but has always been well maintained. Primarily, however, we make extremely good use of it. We only have one runway, but manage around half the flight movements of Zurich with its three runways. This eliminates the need for major investment and maintenance costs.

An above-average number of private aeroplanes land and take off in Geneva.

Yes, business aviation accounts for around a third of flight movements, a tidy percentage and a consequence of the special situation in Geneva. Many CEOs of the multinationals travel in business jets; numerous well-known personalities who have settled in the region own aeroplanes; and also many ministers travel with private aeroplanes to UN conferences. These many flight movements do not make our life any easier, but the business flights are important for Geneva as a location.

In contrast, the many private helicopter flights cause resentment.

In the winter, Geneva is the airport of skiers. This market is very important for us. Every weekend, around 70,000 skiers are out and about. Among them, you could find Russians or other wealthy people who had themselves flown by helicopter from the airport to the ski resorts. On certain Saturdays, we had up to 80 helicopter movements. Of course, the population was not that enthusiastic about this. But these flights have since all but disappeared.

Were they banned?

No, the problem solved itself. Owing to the economic crisis, the rich have now become less rich.

How will the aviation business develop further? Is the golden age over?

Air traffic needs to adapt, but up to now it has coped with every crisis. And our industry has had many crises. Solutions have always been found. For example, with regard to safety. Just imagine if the railways had to develop a safety system like the one we know. They simply would not be able to. Air traffic, however, was able to set up a functioning system very quickly after 9/11. Although everything has become slightly more complicated, airports work. Aviation is an extremely crisis-resistant industry with great ability for innovation. Moreover, air traffic is simply unavoidable. It is the only global transport system. If somebody said to me that in ten years' time people will no longer want to travel to Australia or China, I wouldn't believe them. On the contrary – we will be travelling more and more, and we will be going by plane.

But flying will become more expensive.

That is to be anticipated. But today, the price for flying is also ridiculously low. Flying is much too cheap. You pay less for a flight ticket than for a hotel. That doesn't make sense.

At Geneva airport, you are a CEO for the first time in your career. Has your professional life changed as a result of this new perspective?

Not really. But what I like compared to my previous positions is the good balance between the management of a company and other, non-financial aspects. I enjoy feeling that I have an influence on the economic development of an entire region with my work. Earlier in my career, shareholders would thank me for good financial results. Today, I receive recognition for the fact that the airport does a good job as an instrument in the region's development. To be honest, I find that substantially more satisfying. //

The operating company **Aéroport international de Genève (AIG)** is fully owned by the canton of Geneva. The company employs 700 people and generated a turnover of CHF 300 million with a profit of CHF 60 million in 2008. More than 8,000 people work at the airport. Today, Geneva offers the most flight destinations per inhabitant of any airport in Europe. In 2008, 11.5 million passengers passed through Geneva-Cointrin.



“To survive, we have to be innovative and stay innovative.”

Management of the silk-weaving company Weisbrod-Zürcher in Hausen am Albis is shared equally between Sabine and Oliver Weisbrod-Steiner. This husband-and-wife team intends to position the long-established, family-run silk-weaving business as a trendsetter in the market.



dossier reorientation

new ideas

Sabine and Oliver Weisbrod – both biologists – have been equal partners in the management of the silk-weaving company Weisbrod-Zürcher AG in Hausen am Albis since 2006. The two young entrepreneurs earned their spurs with the realignment of the declining tie business. Whereas up to then the company had produced tie fabrics for various suppliers, Sabine and Oliver Weisbrod decided to launch their own label under their own name and to offer the ties on the Internet. The idea took off. Weisbrod ties and scarves can be bought individually or on subscription at the click of a mouse or in the first Weisbrod shop in Zurich. “Further stores are planned,” says Oliver, “there is still a lot of potential in the Weisbrod brand. And we want to exploit that over the next few years.”

Developing and marketing new products

Their scientific background gave the two Weisbrods access to unusual innovations. Men sometimes spill their food, and this gave them the idea of integrating an innovative anti-stain agent in the manufacturing of the tie fabrics. Together with the Swiss Federal Laboratories for Material Testing and Research (Empa), they experimented for two years on fluorocarbon and other molecules. The goal was to develop a substance for treating the silk so that drops of any colour and consistency bounce off without leaving a stain. The new product is protected as a trademark under the name Coocontec®.

Together with the Academy of Art and Design at the University of Applied Sciences Northwestern Switzerland (FHNW), the Weisbrods are also developing “textile interfaces”. These are self-luminous fabrics that enable, for instance, windows and interior partitioning walls to be redesigned. “We want to launch these light textiles on the market in 2010, or at the latest in 2011,” says Oliver.

Weisbrod-Zürcher AG in Hausen am Albis produces quality fabrics for women's wear, decoration/interior design and ties. The company employs 120 staff and generates an annual turnover of CHF 25 million, selling more than a million metres of fabric every year. Eighty-five per cent of production is exported to more than 60 countries.

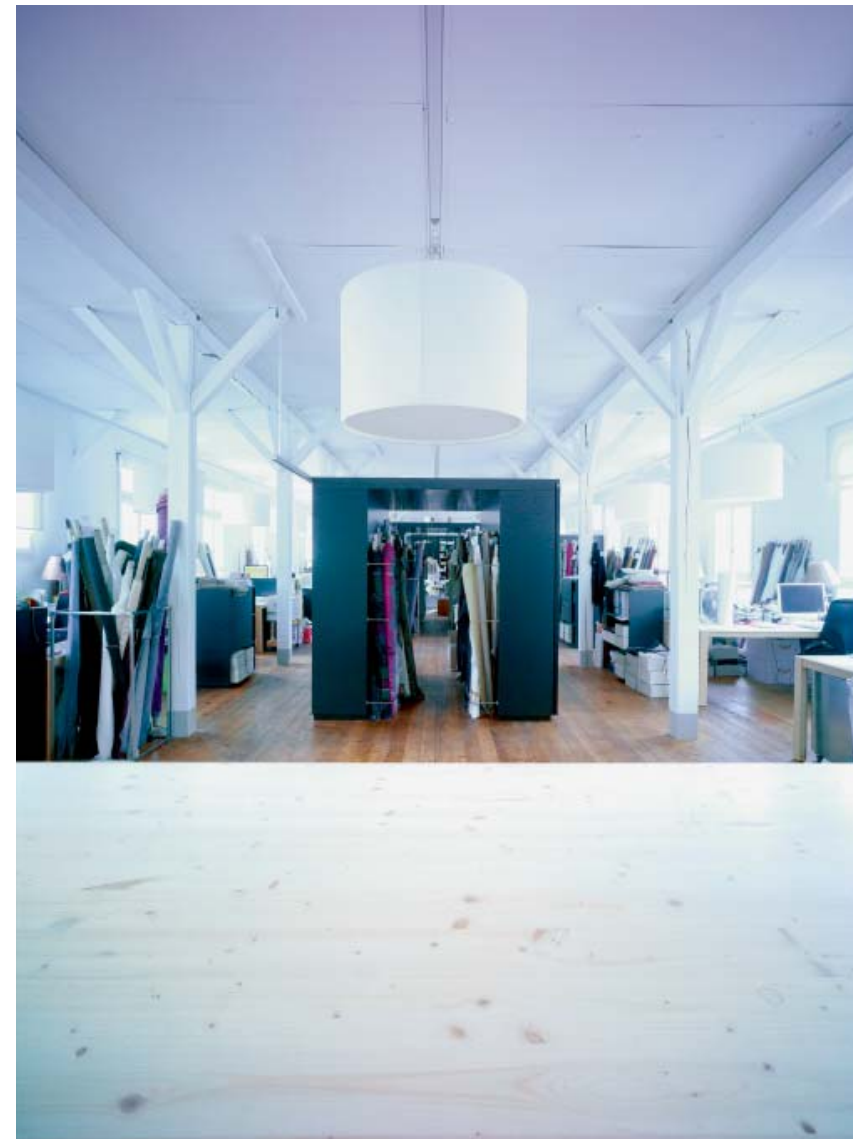
He hopes that architects and interior designers will use the atmospheric effect of the luminous fabrics for their customers.

Two CEOs in a job-sharing arrangement

Oliver had never planned to follow in his father's footsteps and be the sixth generation of his family to run the company. He studied biology, met his wife during his studies and completed his degree in anthropology. When the company was planning its 175-year anniversary in 2000, Sabine and Oliver assisted in the preparations. As they examined the company's history in more detail, they began to appreciate the achievements and passion of their father and father-in-law, respectively – and were hooked. The couple underwent further training in business administration to prepare them for their roles as CEOs. Ronald Weisbrod, who had been the boss of the family-run business for more than 30 years, was initially sceptical towards the succession mechanism; management in a job-sharing arrangement seemed rather risky to him. Now, however, he is convinced that he has found the best solution. Today, the two 35-year-olds strategise the development and continued existence of the company together. The core issues faced by the traditional family-run business: What are the next steps? What should we develop? Where should we invest? How do we compete with our rivals from the Far East? The Weisbrods' answer: “We have to be innovative and stay innovative externally to be successful and survive. Within the company too, we need to stay on the ball by modernising the IT, improving processes and streamlining the organisation.”

A company with a long tradition

Alongside the company Gessner AG in Wädenswil, the silk-weaving company Weisbrod is one of the last representatives of a once flourishing industry. In the 18th and 19th centuries, numerous textile companies producing silk and cottons were set up in the Knonauer Amt, Zürcher Oberland, Glarnerland and Basle regions. In 1825, 22-year-old Hans-Jakob Zürcher laid the foundation stone for the company Jakob Zürcher with a payment of 2,000 guilders; he was soon employing up to 700 home weavers. The weaving company grew through marriage, acquisitions, takeovers and the construction of factory buildings. In 1964, the company Jakob Zürcher changed its name to Weisbrod-Zürcher. Three years later, Ronald Weisbrod took over the helm of the company; today, he is the chairman of its board of directors.



The goal was to develop a substance for treating the silk so that drops of any colour and consistency bounce off without leaving a stain.

After graduating in biology, Sabine Weisbrod-Steiner and Oliver Weisbrod completed further training in integrated management and corporate management. In 2006, they took over the operational management of Weisbrod-Zürcher AG in a job-sharing arrangement. The couple have three children (aged 8, 5 and 3) and live in Hausen am Albis.

No visitor to the company premises – a collection of historic half-timber houses and production facilities on the edge of Hausen am Albis – could fail to see the extent of the Weisbrods' passion for the family-run business and not wish that the economic crisis had spared this rural idyll. However, the Swiss textile industry too has been affected: industry turnover fell by 3.2 per cent in 2008 to CHF 4.19 billion; and there are signs of an even greater slump for 2009. Beneficiaries of the crisis are low-wage countries such as China, Vietnam, Taiwan and Korea. Weisbrod, which employs 120 staff, has introduced reduced working hours in an attempt to avoid any lay-offs. “Things could be better; it's a bit of a struggle,” says Oliver.

One million metres of textiles each year

Today, Weisbrod-Zürcher AG incorporates three textile departments and a fabrics store. The decorative fabrics department accounts for 44 per cent of turnover; the women's wear department 36 per cent, ties 13 per cent and the fabrics store 7 per cent. Customers come from more than 60 countries; and Weisbrod has subsidiaries in 25 countries. Around 120 employees from 10 countries work for the silk-weaving company. The company's machinery includes 65 modern Jacquard and dobby looms. The machines produce around 1 million metres of textiles each year at an investment cost of about CHF 1 million.

In the implementation of new ideas, the company is now seeking a balance between the traditional and the modern. On the one hand, it is cultivating its image as a traditional company in conventional areas such as women's wear and curtain fabrics; on the other hand, it also wants to make a name for itself as a trendsetter. “For a long time now, it has no longer been sufficient only to offer high-quality products,” says Oliver. The company's success is sustained by the determination to maintain what has been achieved over the course of 184 years and also to continually invent and develop new products. “Being innovative,” says Oliver, “is our daily bread and butter.” //

“Orientation is made possible by social communication.”

Professor Dr Gerhard Schmidtchen, a former socio-psychologist at the University of Zurich, is convinced that encouraging their staff potential makes companies more successful.

Professor Schmidtchen, briefly, what is orientation?

Orientation means focusing on a fixed point in a certain direction. In the past, this point of alignment was to the east, in the direction of the Orient. This was the source of Christian teaching. Jesus proclaimed: “Be not afraid.” Being without fear was something totally new for people back then, for their world was full of demons and fears. The beacon of enlightenment came from the Orient; hence the word “orientation”.

And today?

Time has passed, but the situation is the same, even though it is perceived in a slightly more modern way. People have an inner compass; they want to optimise their lives. To be able to do this, they need

answers to the questions: Where am I? Who am I? Where are the others? Who are the others? By evaluating parameters such as proximity, distance, empathy and antipathy, they are able to orient themselves. The central issues have not changed over time – Who can I trust? Who can't I trust? Psychology talks of the self that is constantly interacting with others.

What is this interaction about?

Skills – any kind – are valued and rewarded. Ultimately, the self is nothing more than the sum of expected returns: recognition, love, material compensation and social status. You can do something and receive something for it. Your relationship with others is measured against the potential returns, which in turn determines your intention: that's what I want to achieve.

Who are these others? Who is responsible for expected returns being fulfilled? The companies, the state?

In actual fact, there are many areas today where the individual's environment is highly organised. In other words, political institutions, the law, families, schools, universities, churches, business enterprises, etc. – all affect an individual's orientation. It is not possible to develop a stable self if these organisations are chaotic or unreliable.

Does that mean people need to be able to rely on their environment in order for them to be productive?

Social critics are sceptical of self-development because the self can be influenced by others at a very early age. One example are totalitarian systems such as the Mafia, which offers a high degree of reliability for those who abide by the rules. Here, the mafia killer would be the manipulated self. The opposite is the ideal of the autonomous self. The person who says: I think, therefore I am. This difference offers great potential for change, but also for conflicts with the organisation.

What degree of reliability do thinking people need in our times in their day-to-day professional lives?

The dissemination of knowledge on the Internet and other media – and also within organisations themselves – has resulted in the individual working with fragments of knowledge. Even thinking is no longer a guarantee of independence. Scarcely anyone is involved in the manufacture of a

product from start to finish. Most supervisors “manage”, i.e. they organise work; they no longer do the work to be performed better than the people under them – as was the case in the past in skilled trade enterprises. In today's environment, it is hugely important for an individual to know that the work he or she does today needs to be done for a while longer. If this security does not exist, a person will wonder: What am I doing here? Is this still me?

Do you believe that, in times of uncertainty, an employee loses his or her identification with a company?

Creating a feeling of identity is seen as the supreme art of personnel management. Management's desire for identity suggests to the employees, in simple terms: if I say what my employer wants me to, I don't have to worry about losing my job. This form of identifying is a fear-inducing mechanism that has no place in a free society. It's the wrong way to go about things.

Could you explain this idea in more detail?

Company managers cannot demand almost irrational loyalty from employees when they themselves are disloyal, knowing full well that lay-offs are planned in the next round of cost-saving measures. This generates deep scepticism towards business – and uncertainty and lack of orientation within the company.

In your opinion, what would be the right approach to maintain employees' motivation, even in difficult times?

It is not the employees who have to identify with the company; instead, the company needs to make every effort to encourage its employees' professional and personal



Company managers cannot demand almost irrational loyalty from employees when they themselves are disloyal, knowing full well that lay-offs are planned in the next round of cost-saving measures.

development. It must enable them to get through the current and the next crisis without fear.

What form does that take in practice?

One way is to cease preaching flexibility and adaptability to employees in difficult times. That lacks credibility. Nowadays, everyone knows that these virtues are useless when labour market statistics indicate that an insufficient number of new jobs are available. Flexibility needs to be rewarded with new, interesting work, not with termination of an employment contract. If a company is serious about corporate culture, it should ensure that it strengthens its employees' resources in the long term. After all, it also benefits directly from this: highly satisfied, motivated employees indirectly reduce wage costs through fewer absences and errors. Ultimately, companies that ignore the human potential of their employees not only are less productive; they also put all of society at risk.

Apart from a secure job, what are today's incentives for motivating employees?

We carried out surveys among top managers in the 1970s. Back then, well-qualified

people primarily wanted adequate work, security for their families and their own home. Today, in comparable surveys, the factors are predominantly personality development and career progression. Around 80 per cent of interviewees mention a worthwhile life, even before the question of wage or salary. Personal development is currently the major topic across all layers of society.

Do you believe in reorientation in the working world – away from financial performance towards a more meaningful life?

In future, organisations will have to answer questions relating to the human consequences of their decisions. Successful production networks will be communities of autonomous individuals as well as technological and commercial partnerships. Management must not only be technically competent but also adhere to standards of professional conduct that are based on human social values.

What rules should guide management in these issues?

Orientation is made possible. It is hugely important that top managers not become blinkered in their outlook. That they think in the broader sense and seek dialogue with state organisations, social ethics groups, churches, etc. The aim is to integrate the creative and social basis of our culture in entrepreneurial thinking. Whether they wish it or not, companies are among the most prominent organisations in our culture, in both the positive and negative sense. Hopefully, the positive will increasingly prevail. //



“Those who do not reinvent themselves will go under.”

Dr Jörg Wolle, CEO of DKSH, the leading service provider for market expansion in Asia, explains the company’s reorientation and the importance of clear management structures and trust in international business.



dossier reorientation new strategies

Mr Wolle, you were a 31-year-old engineer when you fled from the former German Democratic Republic to the West. Since then, you've had the opportunity to do what you couldn't before, i.e. travel. What have you learnt from it?

I was always very curious – and still am. Otherwise, things would never progress. I am genuinely interested in people and what motivates them. In business, I ask myself: What are the challenges and requirements of other companies? What services could we support them with now and in the future? And how do we react to change? More precisely, how do we act before we are forced to react? For me, these are important points to consider when launching a service, a product or an entire package in specific countries.

Do you still travel a lot?

Normally, I spend between 40 and 50 per cent of my working time travelling – and it's not only me on the road; my management team is too. We consciously keep our group headquarters in Zurich very small, with a workforce of just 18 people. We have 22,000 staff in 35 countries, primarily in Asia. To be close to the business and the markets, you have to travel. You cannot manage from your headquarters alone.

How do you ensure that you are able to react, and stay that way?

If you reach the point of having to react, then you're already at a disadvantage. We safeguard our activities by keeping our fingers on the pulse of the market at all times, and that in turn necessitates travelling. We make efforts to predict developments that will affect our customers and our manufacturers so that we are able to offer them tailor-made concepts and proposals that already anticipate these challenges. It is therefore extremely important for us to manage "from the market", so to speak.

Predicting developments – how is that actually done?

We described one of our brand values as "proactive partners". We work with two types of business partners: first, with the manufacturers whose products we market in Asia; and second, with the

Dr Jörg Wolle studied engineering at the Technical University in Chemnitz. Between 1988 and 1990, he worked as a manager at SKF; in 1991, he joined SiberHegner Co. Ltd., and in 2000, he became CEO of the SiberHegner Group. He has been the CEO and president of the executive board of the DKSH Group since 2002. He is also an honorary professor of intercultural communication at Zwickau University, Germany. His book "Expedition in fernöstliche Märkte" (Expedition to Far East markets) was published at the end of 2009.

customers to whom we offer these products and services. For the manufacturers, we are also a trend scout, their extended arm to the markets, carrying out the marketing, sales and customer service of the products as well as ensuring detailed feedback from the markets to the manufacturers. Put simply, we are the window to the world for our customers. A retailer in Malaysia or Thailand does not come to Europe or America and take a look at the latest trends. He asks us: What products would you recommend? Which marketing programmes would help us to extend our market share?

That necessitates a particularly trusting relationship.

Absolutely. Trust is a very important component for us. What we are looking for are employees who are able both to establish a relationship of trust and to develop entrepreneurial self-initiative. Who don't wait for orders from headquarters but instead forge their own successful paths. A healthy blend of self-initiative and trust is of huge benefit to the company. In turn, maintaining a balance between these two traits is a challenge for management: How much control should and must there be?

How do you train your employees?

The most important thing is that superiors have a role model function. Every employee looks first to his or her manager for guidance. The second is our "brand", the service brand DKSH. We have spent a lot of energy, time and money on defining and implementing a clear brand strategy. I presented the brand strategy to our employees myself with our CEO Branding Roadshow in all countries and explained to them the new positioning of DKSH, what we want to symbolise and how we want to develop. I have thus personally reached more than 3,500 employees and demonstrated to them in the flesh what it means to be a brand ambassador for DKSH. Another important pillar is the Fantree Academy, our internal continuing-education facility for managers and young talents.

The two family-run businesses that merged to form DKSH have been active on the market for the last 150 years. How has the company changed over this long period, in which the world has also undergone dramatic transformation?

Originally, there were actually three companies. Wilhelm Heinrich Diethelm, Eduard Anton Keller and Hermann Siber expanded to the Far East, independently of one another, in the 1860s: Diethelm to Singapore, Keller to the Philippines and Siber to Japan. They set up three trading firms, all of which were successful. Most trading firms disappeared over the course of time because they were unable to reinvent their business model. Others such as Jardines or

Over the next few decades, Asia will be the market with by far the highest growth rates, and is thus an interesting region of expansion for many companies. We will continue to benefit significantly from this trend.

Swire developed into major conglomerates that today own airlines, banks and real estate. Some have become manufacturers that produce and market their own products. And then there are companies like DKSH that have very consciously made the decision to focus solely on services.

For that, you had to develop a new strategy.

We had to completely reinvent the business model. In the summer of 2002, after our merger created the largest Asian trading firm, I told journalists: "The trading firm is dead." They looked at me in shock and said: "Hold on a minute, you've just set up the largest one of its kind." But the trading firm in its old form, when things were purchased cheaply and sold expensively, no longer exists. We first developed away from a trading firm to a highly specialised marketing, sales and distribution company, and have since become the leading service provider for all issues relating to market expansion in Asia. With market expansion services, we have created a new business segment – even a new industry.

What qualities are needed to implement the right strategy in practice?

Above all, you need a very clear management structure. You have to be able to manage – and want to manage. You also have to cope in difficult times and make tough decisions.

Since the merger you have increased turnover by 80 per cent to CHF 8.4 billion, recruited 8,500 additional employees and increased profits by 160 per cent. Where do you still see potential for expansion?

Every day, CEOs and boards of directors all over the world are expecting their managers to expand business, acquire market share and develop new markets. As soon as companies, irrespective of their size, have taken the strategic decision to expand to Asia, we support and accompany them actively in their successful entry on foreign markets, and offer our market knowledge, consulting know-how and experience, our local contacts and comprehensive logistics services. We accompany companies that want to export to Asia in the development of market shares or the procurement of resources in Asian countries. We support companies in their market entry and expansion. Over the next few decades, Asia will be the market with by far the highest growth rates, and is thus an interesting region of expansion for many companies. We will continue to benefit significantly from this trend.

Aren't seven good years meant to be followed by seven bad ones? How have you managed to prove the exception to the rule?

Every year, we have set up a new record with regard to turnover and profits. As such, there is always a risk of some employees becoming complacent. My maxim is: Never rest on your laurels; constantly question and challenge.

Up until last year, you were on the board of directors at UBS and experienced the financial crisis first-hand. What lessons did you learn from it as a manager?

Never take anything for granted; constantly question yourself as a person and as a company. That is something that we are doing here at DKSH. For that, you don't need a crisis per se, but it helps when you yourself have mastered difficult situations more than once.

You were in one such situation in 2000.

When I became the CEO at SiberHegner, the company was in a precarious position. The board of directors believed not only that I could turn the company around but also that I could define what was virtually a new business model. I managed to do that. The executives I brought on board at the time and who are still at the company will never forget how difficult negotiations with banks are when the equity base has become so thin that it can all come down to one meeting requiring all your personal powers of persuasion to prevent the rug being pulled out from under you.

You are now 52 years old. Where will you be in ten years' time?

I like to set things in motion, and above all, I like to see them through. And as long as I am still enjoying my job and the playing field is big enough, there is no need to think about personnel changes. //

DKSH supports and accompanies other companies in expanding in new or already existing markets in Asia. With more than 22,000 employees in 35 countries, DKSH generated a turnover of CHF 8.4 billion in 2008. The company has a network of 440 branches in Asia and another 20 in Europe and North and South America.



“There is a spirit of revival at our company,”

says Gian A. Rossi, member of the executive board of Bank Julius Bär and CEO for German-speaking Switzerland, Central and Northern Europe.



dossier reorientation new strengths

Mr Rossi, what constitutes a good day for you?

A good day for me is when I start it well prepared and know what awaits me. My credo is to spend two-thirds of my working time with clients and employees. When I am also able to create space to work through outstanding issues, read specialist articles and analyse current events in politics and in the markets, I consider the day to have been successful.

Things are frequently hectic in the financial sector. How do you stay on top of things?

One of my strengths is that I always stay calm, even in hectic times.

Where do you get your composure?

Experiences in the first years of my life left their stamp on me and strengthened my personality. I spent my childhood abroad, first in Venezuela and then in Iran, where I learned to separate the more important from the less important. I consciously allow myself sufficient freedom for family and leisure, alongside my job. That is how I keep myself fit and flexible.

You have worked in the banking sector for more than 20 years and experienced many turbulent times. How do you cope?

To handle change and retain the ability to act in the long term, an individual or a company must have sufficient reserves – on a variety of levels – physically, structurally and financially. With crises, I do of course differentiate between panic reactions to a changed environment and existential crises involving the personal fortunes of an individual or the loss of a job.

How would you describe your experience of the current crisis?

There is no crisis at our company; there is a spirit of revival. We expect asset management to grow around the world. Individuals must provide for their own old age because the state lacks the funds to do so. With rising life expectancy, the pressure is also increasing to make provisions for retirement early on.

Gian A. Rossi began his career at Credit Suisse Private Banking in 1988 and moved to Bank Julius Bär in 2006. He is the CEO for German-speaking Switzerland, Central and Northern Europe as well as a member of the executive board.

Julius Bär Holding is in a phase of realignment. In the autumn, the asset management company GAM, which was acquired four years ago, was spun off. How do you explain the renewed reorganisation to clients and employees?

There are certain situations that require a realignment. In such cases, you have to act. We have never shied away from change and have always communicated this to our clients, employees and investors. It was important to us that they be made aware of our intentions and that they support them.

What has changed as a result of the split?

Not a lot with regard to the way we see ourselves. It goes without saying, however, that our business model is now easier to explain and manage because we are no longer conducting two businesses.

Why is focusing so important?

Many banks have not yet grasped that “me-too” strategies are a thing of the past and that clear positioning is of existential importance for success. For me, a bank’s attractiveness is not about size but rather about focusing. The concentration on asset management and asset planning is absolutely central, for it allows us to align our services and products precisely to the requirements of private clients. We want to align our activities to this core task.

It was long believed that the business field of GAM, with institutional clients, and that of private clients could benefit from one another. What changed?

This crisis has shown us that the requirements of private clients and institutional clients are different. Private clients invest strongly in cycles, and these depend on the respective phase of life. For instance, when clients retire from active working life, they frequently must minimise risks or compensate for their reduction in income with steady interest income.

The spin-off has meant that the company has become smaller; at the same time, it is expanding with the private bank. What will the new focal areas be?

With managed assets of CHF 142 billion, we are the leading private bank group in Switzerland, and the demand for services from an independent private bank is still very high. The takeover of the former private banks of UBS four years ago gave us a greater presence outside of Zurich for the first time, and we have since been represented in the important cities of Geneva, Lugano, Berne and Basle. The local link is also extremely important in the global

European clients still have the strong need to be served in Switzerland. At the same time, however, we want to export the benefits of “Swiss made”.

banking services business. To expand our business with international clients, we have also opened branches at holiday destinations such as St Moritz, Verbier and Crans-Montana.

These places have fine-sounding names, but what possible benefit do you derive from branches in towns such as Kreuzlingen, where a branch is shortly to be opened?

We are seeking proximity to our clients in the cantons of St Gallen and Thurgau, which do a lot to promote the location. Moreover, thanks to the sustainable fiscal policy and good transport links, these cantons are also attracting companies and private individuals from home and abroad. Today, we offer them a whole range of services that extends beyond classical investment consulting, including mortgages and pension solutions. We have the critical mass to develop this business there – and all the specialists required.

An advance into southern Germany is also envisaged with the opening of a branch in Munich. Is increasing support for foreign clients in their home country a consequence of the discussion on banking secrecy?

European clients still have the strong need to be served in Switzerland. At the same time, however, we want to export the benefits of “Swiss made” and use the open view of the investment universe in the composition of the portfolio. We want to promote this strength.

Julius Bär is taking over the Swiss business of the banking and insurance group ING. The acquisition will cost CHF 520 million and brings with it managed assets of CHF 15 billion. How does this acquisition in Switzerland fit in with the group’s growth strategy?

This transaction meets our strategic and financial criteria. We have specifically exploited current market conditions and are taking over a high-quality and profitable bank with a strong performance record. Our business in French-speaking Switzerland and in selected European core markets will thus be strengthened, and the business volume in Central and Eastern Europe, Russia and other growth markets substantially increased. This in turn forms an attractive basis for further growth.

What is the schedule for integrating ING Switzerland?

Various integration processes are lined up, such as rebranding the ING bank, merging the local business units of both companies in

Switzerland, and transferring the business activities of ING in Monaco and Jersey to the existing business units of Julius Bär. ING Switzerland does not only fit very well with Julius Bär with regard to client base and committed client orientation; the corporate culture also tallies with our own. Against this background and thanks to our successful performance record vis-à-vis integrations, we are looking forward to collaborating with our new colleagues and to a smooth process, which should be completed by mid-2010.

The consolidation in the banking sector continues. Are further acquisitions planned? And if so, specifically in what areas?

We would like to continue to play an active role in the consolidation of the banking sector, but not at any price. With future acquisitions too, the quality, price and brand must match those of Julius Bär. The number of high-quality target objects, however, is limited. We are constantly monitoring and evaluating the markets, in particular in Switzerland, Europe and Asia.

What is the status of the growth plans of Bank Julius Bär in Asia?

Asia still has the strongest dynamics of any region worldwide, and we want to establish our second domestic market there. Thomas Meier is the first executive board member in the bank’s history to have his office in Singapore – a clear commitment to this important growth region.

What do you see as your biggest challenge?

In addition to the ongoing, difficult task of finding qualified and highly efficient employees, information technology is one of the greatest challenges in the long term. We need to keep our computer systems up to date to comply with regulations and customer requirements, particularly those of younger customers who have grown up with the Internet. We are currently analysing every country for its investment requirements. //

The Julius Bär Group managed client assets worth CHF 234 billion at the end of October 2009 and employs more than 3,000 people at some 40 locations in more than 20 countries.

“People love brands.”

In Landquart, in the canton of Grisons, an entire village has been created for a sum in the three-digit millions – the Alpenrhein Village Outlet. Renowned brands are sold here at discounts of up to 70 per cent. An investment in the bargain trend, believes Bernd Hasse, CEO of ING Real Estate Germany.



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new trends

“It’s only two minutes,” replies Bernd Hasse to the question why he didn’t take a taxi from the station despite all the luggage he has with him, and instead arrived on foot. He is now standing at the entrance gate to the Alpenrhein Village Outlet in Landquart and looks around. “Mountains everywhere,” he says. “You feel like you are on holiday.”

Hasse himself is in Grisons for business. He is the CEO of ING Real Estate Germany and has come from Frankfurt to see first-hand what the place is like. He is visibly proud of what he finds. Two and a half years ago, the 90,000 square metres of land he bought between the A13 motorway and Landquart station was desolate wasteland. Now a factory outlet centre stands before him that is unique in Switzerland. The shops are not arrayed under one roof but rather located in buildings next to one another, in the “Dorfstrasse” (village street), which is 650 metres long and of varying width. Here, a bench or a restaurant or a street café invites you to sit awhile – it’s a genuinely elegant promenade for taking a stroll.

Typically Swiss atmosphere

Hasse likes the two-storey buildings with tiled roofs and white or pastel-coloured frontages, some of them painted in the Grisons style, others decorated with brick. Most have an arcade and wooden window shutters. In the summer, geraniums will be ablaze in the flower boxes. “As everywhere in the mountains here,” says the German Hasse, who has spent his skiing holidays in Switzerland for more than 20 years. “Authenticity is very important to us.” A path has to be cleared in the Alpenrhein Village Outlet in the winter too, and when it rains, visitors need an umbrella, “like in a real village,” says Hasse.

A real village? There are 1,200 parking spaces, 5 restaurants with well over 1,000 seats, 100 shops with a total of 21,000 square

In the Alpenrhein Village Outlet, manufacturers of international and Swiss branded products offer past collections discounted up to 70 per cent – seven days a week. The range incorporates womenswear and menswear, ski and sports clothing, leisurewear, lingerie, shoes, accessories, household goods and Swiss specialities.

metres of retail space and up to 350 newly created jobs. Hasse’s company made an investment in the three-digit-million range for this – with the intention of selling all of it again at some time in the future.

This is the business model: ING Real Estate, part of the Dutch financial corporation ING and one of the largest real estate owners in the world, is financing the village and will run it until it starts to yield a return on investment. The small houses along the “Dorfstrasse” are rented out as building shells to brand-name product manufacturers. The design of the stores and the store construction are the tenants’ responsibility.

Sights on a large catchment area

What made the company choose Landquart as its site? “The location,” says Hasse. The A13 runs along the one side of the village in the direction of the Engadine and San Bernardino; just under 14 million vehicles hurtle down the road each year. Also each year, at the station on the other side of the village, more than 4 million people change trains. From the motorway, a direct access road leads to the Outlet Village; from the station, two underpasses take visitors directly to the new shopping paradise. Hasse also has his sights on the many tourists who stay within a 30-minute radius by car from the Alpenrhein Village, including those who spend their holiday in Klosters/Davos, Flims, Arosa or the Engadine. “For them, we offer a good alternative on days when the weather is bad and as an intermediate stop on their way to or from their holiday destination.” Last but not least, Hasse is counting on the 4 million people who live a 90-minute car ride away – “experience shows that is the time people are willing to invest in getting to an outlet centre.”

To appeal to as many visitors as possible, there is something for everyone in Landquart: a playground and nursery for children, a lounge for bus drivers, restaurants for those who feel hungry – and, for the intended target group of shoppers, branded products discounted between 30 and 70 per cent. Manufacturers such as Nike, Bogner, Lacoste, Calvin Klein, Geox, Strenesse, Schlossberg and many more sell fashions from past seasons and goods produced especially for the outlet store ex factory here. “Outlets are a new sales channel for goods from renowned high-quality brands,” says Hasse, describing the bargain trend. “We wanted mainstream brands in the medium- to higher-price segment for our village.”

Potential even in the crisis

The multi-million-franc project was planned in good times but built in the middle of the biggest economic crisis of the post-war period. Is that good or bad for business? “The crisis hasn’t touched us that much,” says Hasse. “All over Europe, outlets have suffered less



Built on 90,000 square metres of floor space in Landquart between the station and the motorway: an outlet centre with 1,200 parking spaces, 5 restaurants, 100 stores with a total of 21,000 square metres of sales space along the “Dorfstrasse”, which stretches for 650 metres.

than other sales channels; some have even increased.” The large outlet centre Foxtown in Mendrisio, for instance, with its 160 shops, had more than 2.3 million visitors last year, and posted growth of almost 20 per cent over the previous year. “People love brands more than ever today,” explains Hasse. “If they also have to watch their money, they automatically go to an outlet. Here, they can buy what they wanted to buy anyway.”

The visitors to factory outlets are one of the success drivers; the other are the tenants. Although the crisis makes outlets more attractive to consumers, these days the major labels are thinking twice about every investment. The industry is depressed. Nevertheless, the Alpenrhein Village Outlet managed to reach the benchmark set at the start of construction: renting out up to 10,000 square metres of space by opening day. It was not easy: “There was considerable reticence,” says Hasse, “but virtually everyone who took a look at our project on site ultimately also signed an agreement with us. The Village is simply outstanding.”

Tourism as a success driver

The local authorities agree that the Alpenrhein Outlet Village is in a league of its own; the large-scale project has met with substantial goodwill. The German builder has also made an effort not to ruffle anyone’s feathers. Everything has been built according to the Minergie standard, using construction companies and skilled tradespeople from the local neighbourhood. Nevertheless, some discord broke out shortly before the opening over the issue of Sunday trading. After intensive negotiations, it was possible to reach a collective labour agreement with all the trade unions save Unia (an interprofessional trade union in Switzerland) at the beginning of October 2009 – just a few weeks before the curtain went up on the Outlet Village. “That was a milestone,” says Hasse. The concept of the Alpenrhein Outlet Village places particularly high importance on tourism; Sunday trading is therefore critical to its success, as Hasse points out. The Village was ultimately given the green light from the authorities because it sits in a tourist region. Hasse looks at his watch: “I’ve got to go,” he says. Does he also see risks as well as opportunities? Is there a worst-case scenario? “Of course,” he replies, and turns to leave: “That we won’t be able to get tenants for all the shops, that the marketing campaign will fail, that there will be no customers and thus no turnover.” He holds out his hand to say goodbye and hurries off, just as his train draws into Landquart station. He makes it easily; it really does take only two minutes. //

“We want to do our bit for global sustainability.”

The CEO of Sika, Ernst Bärtschi, on the importance of ecological and social responsibility, a corporate culture based on trust and the risk of derailing the debate on sustainability.



Mr Bärtschi, ten years ago, the UN secretary-general at the time, Kofi Annan, launched the UN Global Compact at the World Economic Forum (WEF) in Davos. Under this initiative, international companies undertake to comply with human and labour rights, environmental protection and anti-corruption guidelines in their areas. Sika has now also joined this initiative. Does this mean a realignment for the group?

Sustainability has long been practised at Sika. For instance, as a chemical company, we have been active for decades in replacing environmentally harmful substances with harmless ones and using limited resources sparingly. Sika managers have also fostered and strengthened correct dealings with employees with regard to social sustainability.

Why has Sika only just joined the UN Global Compact?

Up to a few years ago, Sika was poorly placed with regard to market positioning and profitability and first had to improve its manoeuvrability and speed. We still have potential for improvement today – but the forthcoming centenary now gives us an occasion to become more active with regard to sustainability.

Can a company the size of Sika have a long-term influence on the environment?

Every individual must strive to be at one with himself and his environment. This applies with regard to lifestyle, ethics and social sustainability. The Chinese philosopher Lao-tzu called for this 2,500 years ago. However, neither the UN Global Compact nor ISO 26000 will solve the forthcoming problems of this world. For that, global solutions from politicians are required. Nevertheless, it makes sense for entrepreneurs to know what is expected of them as “global citizens”.

How does Sika save energy?

We make substantial contributions to energy savings. Our “Roof to Basement” programme, for example, takes into account the insulation of the entire outer shell of a building with regard to water, heat,

Ernst Bärtschi, 58, studied business administration at the University of St Gallen. He began his management career at Nestlé. Between 1980 and 2001, he held various management positions at the elevator company Schindler. In 2002, he moved to Sika AG where he has been the CEO since 2005.

refrigeration and noise. The more expensive the energy becomes, the more our technologies pay off. In the mid-term, however, shortage of water will become the greater problem for mankind, not shortage of petroleum. We are preparing for this. One example: concrete which is produced with our new concrete admixtures requires much less water today than was the case when old technologies were used.

As a chemical company, you would have to massively substitute petroleum.

In the sector of petroleum-based products, we are making great efforts to reduce petroleum consumption proportionately. However, it is the task of the politicians to organise the rules of petroleum allocation in such a way, for instance via the price, so that raw material is only used by those who generate the greatest benefit from it, relatively speaking. Accordingly, the efforts of companies to reduce energy consumption will pay off more easily.

Is Sika benefiting from the sustainability movement?

It is our entrepreneurial task to monitor and exploit market development. We also want to make the contribution expected of us towards global sustainability. In light of the dwindling reserves, utopians tend to advocate reducing commercial activity – we are putting our faith in the development of solutions that facilitate a desirable lifestyle in harmony with the environment, despite limited resources.

What is Sika doing in the area of social sustainability?

Social sustainability is lived by people – in our case by the employees and managers of Sika. They influence the well-being in their environment, at their place of work and in their private sphere. They contribute to whether our company is assessed positively in Tokyo, Chengdu, Cairo, Bogotá or New York. We are therefore looking for employees who perceive integrity and commitment for sustainability topics as an obligation and not as a burden or as a bonus-dependent interim goal. For instance, at Sika we have developed a culture of trust that largely does without any central escalation of decisions and intensive control processes. The managers in particular appreciate the freedom and make their decisions quickly, with the risk, however, that occasionally errors are discovered at a later stage.

Can this culture of trust ensure that employees do not pay or accept any bribes?

No company can “ensure” that all its employees work without fault at all times. People make mistakes. But at our company, the instructions are clear and we unequivocally expect a prior exchange of information, if possible, in the event of anything being



We are a success-oriented company where a decision has to be taken regarding the strategy, the success factors and many other topics not primarily from a sustainability perspective but predominantly based on performance and in a timely manner. Only a company that has success in the long term can be in harmony with the environment.

Sika is an international company in the speciality chemicals sector. It offers its customers solutions in the application of high-quality concrete admixtures, sealants and adhesives, damping and reinforcement materials, industry floorings, foils, etc. Sika has its own companies in more than 70 countries, employing 12,900 staff and generating a turnover of CHF 4.6 billion in 2008.

unclear. Ethics thus becomes an issue of openness and integrity rather than one of conduct towards a customer or supplier.

Social sustainability does not only incorporate compliance with ethics rules.

Right. According to the stakeholder principle, a company should define its position towards all partners in its environment. Sika is not striving for a perfect world. However, we are developing high-quality jobs predominantly in growth markets on almost every continent, and these can massively improve the quality of life there. Sika thus also makes a contribution to combating poverty and aiding social development, primarily in countries of the Third and Fourth World.

What priority does sustainability have at Sika?

It may seem a contradiction: sustainability is a must – and yet there are more important goals. We cannot be credible for the next generation if we do not operate with ecological and economic sustainability. And we have a responsibility towards the poor countries of the world. However, sustainability must not become the sole purpose of the company. That would be giving it the wrong priority. We are a success-oriented company where a decision has to be taken regarding the strategy, the success factors, the financing and many other topics not primarily from a sustainability perspective but predominantly based on performance and in a timely manner. Only a company that has success in the long term can be in harmony with the environment.

Does that also apply for social sustainability?

There, the priorities are different: openness, care, respect and reliability are vital prerequisites for our company's efficiency and ability to change. This is where my greatest personal expectations lie: integrity and commitment are requirements for a society worth living in and a culture of trust that inspires the spirit of a company. We call that the “Sika spirit”. Even if it has been lived for decades – it has to be developed anew every day. //

Commitment: Marketplace for social entrepreneurs and investors.

Linus Gabrielsson, Senior Consultant at PwC, and former bank manager Patrik Elsa have created the association Socential, which brings investors and philanthropists together with social enterprises to work on selected projects.



Linus Gabrielsson and Patrik Elsa, founders of Socential.
Photo: Vera Hartmann

It began in Zurich's city centre in the winter of 2008. PwC consultant Linus Gabrielsson was working on a global banking project with Patrik Elsa. Both were in their early thirties, highly committed to their jobs, and began to meet up for a chat over a glass of wine after work every now and then. "There are charities asking for money on every corner of the Bahnhofstrasse in the run-up to Christmas," says Linus Gabriels-

son. "We quickly agreed that we would prefer to invest our knowledge and time in working on a reputable project instead of simply donating money." Their conversations increasingly centred on what could be done in the social sector – and gradually the idea emerged of becoming active themselves.

"We decided to capitalise on the know-how we had acquired in our two professions. We soon realised that a genuine marketplace was missing – a platform where organisa-

tions could present their projects, and potential investors and philanthropists could learn about the projects offered."

Transparency and efficiency

They asked specific questions: "In all areas of the market, a wealth of information is provided to enable you to distinguish yourself from competitors. What's the situation like in the social sector? How do you compare projects? How is transparency handled? What are the indicators of efficiency?" To keep things simple, Gabrielsson and Elsa decided to focus on social entrepreneurs, in other words, organisations and people that address problems in the social or environmental sector with an innovative business idea and that aim at least to be financially self-sustaining.

On 1 January 2009, they began to draw up a business plan for Socential; the name is a mix of the words "social", "entrepreneur" and "potential". PricewaterhouseCoopers backed the idea straight away – Gabrielsson now only works 50 per cent as a senior consultant; the other half of his working time he invests in the start-up, with assistance and financial support from PwC. Elsa gave notice and is now working full-time for Socential. A pilot version of the marketplace for social entrepreneurship has just gone online; the next step will be setting up their own offices in Zurich.

"With an innovative business model, you can often achieve more than with an approach that depends solely on donations," says Gabrielsson. "This applies to Socential and also to all social entrepreneurs who want to establish professional and reputable companies for a social impact." //

Further details at www.socential.org
Those interested in trying out the pilot marketplace can register at www.socential.net

Do families do better business?

Maire Walsh, PricewaterhouseCoopers Zug



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Claude Nobs:
“I come from a modest background, and that has always shaped my life.”

06



Monique Bourquin:
“Success does not swell my head, and failures don’t make me despair.”

08



Dr Frank Brinken:
“If you’re up in the clouds, you’ll lose sight of the ground beneath you.”

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