

ceo

The magazine for decision makers.

Dossier values

What are values? How are they defined and lived? Executives from Cartier, Läderach, PSP, the Paraplegics Foundation and other Swiss organisations reflect on what they perceive to be most valuable.



Dr Markus R. Neuhaus,
CEO PwC Switzerland



“In times of change and turmoil it can help to revisit our core values and take guidance from them.”

The Swiss economy is growing, Swiss companies are doing good business again, and people in the Swiss employment market are once more feeling like they're in demand. But despite all this, and for all the positive signals coming out of Switzerland, there's no real sign of enthusiasm. The things happening around us are simply too confusing, disconcerting and worrying.

On one side, in the wake of the financial and economic crisis we have European countries where it's hard to tell how close they are to economic ruin, and what problems this might yet cause for the European monetary union. On the other side we have Arab states with structures teetering on the verge of collapse, and the bloodshed these changes entail. And then there's nature, encroaching on the fates of so many people in the form of earthquakes and floods, and giving us a stark reminder of just how vulnerable a highly developed economic power like Japan really is.

In the wake of Fukushima things are no longer the same – not only for those directly affected, but for the whole planet. The energy supply is crucial to our lives on earth, and it has to be fundamentally rethought.

We live in extraordinary times, and however varied the causes may be, they're all highly significant in terms of our future and our economic development – in Switzerland as well.

In times of change and turmoil it can help to revisit our core values and take guidance from them. You might get the impression that current events in North Africa are shaped by the fact that humanitarian values have been suppressed there for too long. The individual freedom and basic values embodied in our Western enlightenment world view are becoming more important. With the shift in the political and economic balance of power the question arises as to whether a fundamental shift in values is also taking place – values which are difficult for us, with our historical and cultural background, to accept.

Values, value, valuable: few words have so many different or weighty meanings and interpretations. For this reason we thought it would be worthwhile to look into the whole constellation of meanings and points of view surrounding the word “value”.

The scope of this magazine is very broad indeed. But that tends to be how life is. At least that's how we regularly experience it in our work as advisors and consultants. We've decided to concentrate on the things that are of value to our clients. And because we realised long ago that you're usually way off the mark if you project your own ideas and beliefs onto other people, we've tried very hard to understand what each of the people we talk to sees as valuable. Being a good listener helps, as does asking the right questions. You've just got to do it.

I hope you'll find this issue a source of valuable insights and thought-provoking ideas, and wish you interesting reading.

Markus R. Neuhaus

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Peter Siegenthaler: “When you get too close to one side, it reduces trust on the other.”

As a top-level civil servant, I was entrusted by four different Federal Councils with finding solutions for a whole range of problems. For me, the two most impressive ones were the aviation and banking crises. The collapse of Swissair triggered a multitude of emotions. At the time, many people were directly and personally affected, which created a great deal of proximity in addition to the material problems. Proximity does not necessarily make the task of finding a solution easier. Back then, it was a permanent balancing act between the perspective of those affected and attempts to gain distance and define a common direction. At the time, I felt that being too close to one party made it difficult to be seen as a fair mediator. When you get too close to one side, it reduces trust on the other. Extreme pressure can generate strong identification with the task at hand. Many people then give up. Proximity is created among those who stay, which makes it very difficult to say, OK, let's stop this; let's start all over again. But sometimes it is precisely this hardness and distance that is required to bring a development under control. I experienced the financial crisis from an entirely different perspective. The Banking Commission, Financial Administration and National Bank had already been in contact with one another since 2002 for talks about a possible crisis among major banks. There were sand table exercises on the possible impact, measures and legal bases. This was an intellectual process, and at the same time the discussions among the parties involved created a good deal of trust, trust which was very important in the crisis. When the crisis actually happened, the risk was great but not as imminent as with the collapse of Swissair. Everything was handled in a very cool and objective manner, although some of the people we were negotiating with – and this is a historical footnote – were the same ones as during the aviation crisis. This general tenor was continued in the “too big to fail” discussion, where all the affected parties sat round one table with the aim of plotting a course between the various concerns that was acceptable to everyone. I tried to remain a fair mediator in this situation. To solve problems, you need a certain proximity to the parties involved. But

when that proximity becomes too intense, it prevents a solution from being found. It is not like in physics where a resultant can be reliably determined. During negotiations, the impact of various influences cannot be calculated. You listen, assess the conflicting interests and derive a possible solution. Of course, we feel ourselves closer to people who have views and beliefs similar to our own. But in crises, you also get to better know the people from whom you previously kept your distance. Crises offer great freedom for personal development. You quickly realise that reliability and trust are essential to finding a solution. It only becomes really difficult when you discover that one of the parties involved is trying to feather his own nest using unfair methods. As the president of the Association of Swiss Cantonal Banks, too, one of my tasks is to find common denominators. With 24 autonomous institutes, that is no walk in the park. Finding new ways of collaborating is a long and rocky road. Here as well it is all about steering the various concerns into one common direction. Everyone has to forego something to enable us to win together. —

Economist Peter Siegenthaler joined the Swiss Federal Finance Administration in 1982 and was its director between 2000 and 2010. He managed numerous projects of national importance and on behalf of the Federal Council took on the operational management of the state interventions in the crises at Swissair and UBS, as well as the presidency of the Expert Commission on “Too Big to Fail”. Since 2010, Siegenthaler has held the office of president of the executive committee of the Association of Swiss Cantonal Banks.

Photo: Helmut Wachter



Anna Gamma:

“I am very honest in my relationships to others. I am open towards them and allow them to be open towards me.”

Everything starts with us. We can only be as close to other people as we are to ourselves. But how do we really get close to ourselves? How do we find out the real meaning of our lives, what makes us unique, what makes us happy deep down? Quite simply, by turning inwards and experiencing what Meister Eckhart, a famous German mystic, formulated in the following question: “Why do you not draw on your own powers? You carry all truth in you.”

A simple and effective means to do so is Zen meditation. Seclusion starts with silence. It is indeed a challenge to sit for a longish period of time in a straight, upright position with your legs crossed on a meditation cushion, without moving and with your eyes open. The actual and very easy exercise of Zen means directing awareness to observing your breathing.

I came into contact with the practice and philosophy of Zen more than 30 years ago. I have been fascinated by it ever since. Zen Buddhism, founded in the sixth century in China, opens a way to experience the unity of all life directly.

A multitude of thoughts race through our minds every day, continually going over what we do. Ignoring the fact that they often focus unproductively on the same topics, they narrow our perspective and cloud our vision.

The first goal of Zen is thus to bring calm to this flow of thoughts. If this exercise is continued, Zen can bring about a radical form of self-encounter. For many of us who are frequently exposed to external constraints and barely have any breaks for “me time”, this process can be a painful one. At the same time, it is liberating and enables us to recognise what is really important.

Those who seek seclusion in Bad Schönbrunn are looking for the meaning of life and for their true being. In the room of silence, course participants can learn about their unique potential. This self-examination gives rise to the strength to develop a code of ethics from holistic consciousness. By ethics, we mean a culture of values, i.e. we learn to perceive life in all its forms and to make intelligent appraisals based on this and act accordingly.

We wish to enable people saddled with responsibility to dig down deep within themselves and to ask questions such as: what is essential for me and how do I shape my life based on this? The problem of our times is that many people have lost their intrinsic trust and contentment.

How do I maintain the balance between proximity and distance in my dealings with others? In my innermost self, I ensure that I am receptive to contact with other people. I seek both proximity and a harmonious distance. I am very honest in my relationships to others. I am open towards them and allow them to be open towards me.

The proximity that develops is a respectful form of psychological and spiritual contact. And this also includes a certain distance – a distance that respects and appreciates the other person in his or her own dignity and uniqueness. You could say that proximity and distance belong together like two halves of a whole. Here it is about “both ... and” rather than “either ... or”. —

Dr Anna Gamma has been director of the Lassalle Institute in Bad Schönbrunn since the autumn of 2003. Together with the institute's founders, Niklaus Brantschen and Pia Gyger, the psychologist developed the course “SPIRIT & Leadership”. The Zen teacher (“sensei”) is the author of the book “Ruhig im Sturm, Zen-Weisheiten für Menschen, die Verantwortung tragen” (“Calm in a storm: Zen wisdom for managers”).

Photo: Andri Pol



Martin E. Kessler:

“The closer the target, the greater the risk of wasting shots.”

Keeping a balance between proximity and distance is important in every area of life. At work, it is often a tightrope walk. As professional risk and insurance consultants, we help our customers to appraise risks and negotiate tailor-made insurance solutions for them. Our customers are medium-sized and large companies from industry, services and retail as well as the public sector. As a fundamental principle, we generate trust through proximity to our clients. Too much proximity, however, can also be seen as currying favour. Certain clients have an ambivalent relationship with insurance. They keep their distance as it normally means something unpleasant for them, i.e. an expensive premium or costly claim. However, when major damage or loss occurs, they want us to be there.

There are many analogies between work and golf. Golf is a good school for every situation in life. It requires stamina, willpower, concentration, consistency and fitness. You learn that things cannot always go your way. There is probably no other sport that demands such humility. Even with top golfers, outstanding rounds can be followed by inexplicably poor performance. Whereas for a 100-metre sprinter, “slower” or “faster” comes down to just a few hundredths of a second, on a bad day, a golfer might need to make 15 shots more than on the previous day. Golfers know what losing means.

Golf is frequently overestimated as a means of networking. People who spend more time on the golf course than in their office will not be successful. In today’s world, service quality and price are what count. Golfing, however, can promote customer loyalty and open doors. During the four hours a game typically lasts, you can get to know your golfing partner better as a person. How does he react when, for instance, a putt is totally wide of the mark? You soon get closer to one another.

With regard to proximity and distance, the most important insight in golf is that long putts are primarily about direction and that precise distance is only of secondary importance. With approach shots to the hole of between 75 and 10 metres, what matters is the correct length

of a shot. On the green, both the direction and the distance have to be right. The closer the target, the greater the risk of wasting shots. You need maximum concentration for the tee-off and close-up shots, although a feel for the ball around the green is just as important as a technically clean shot. A shot is a good one if the ball flies in the right direction and is hit with the centre of the club.

Although I have played golf since school, I have to train regularly to maintain my handicap. Otherwise, I don’t enjoy it. It is the same in my job. The competition is strong; I literally have to stay on the ball all the time. —

Martin E. Kessler is managing partner of the insurance broker Kessler & Co AG. The family-run company employs 240 staff, and its clients include a good third of the 100 largest Swiss companies. Kessler is a passionate golfer (handicap 4.1) and the honorary president of the Swiss Golf Association.

Photo: Cédric Widmer



Dossier values

According to the standard business dictionary definition, values are “important and enduring beliefs or ideals shared by the members of a culture about what is good or desirable and what is not. Values exert major influence on the behaviour of an individual and serve as broad guidelines in all situations.” But how do values play out in practice? How are they lived? In our dossier, Swiss business executives reflect on what they perceive to be valuable in their personal lives and their organisations.

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“Today the possibilities for integrating disabled persons into working life are much greater than in the past.”

Dr Daniel Joggi on the value of modern technological aids

“We are a community.”

Ralph Siegl on the value of loyalty

“Demand for real estate is increasing.”

Dr Luciano Gabriel on the value of property

“Managers are fundamentally lonely. We provide them a setting among peers.”

Martin Naville on the value of CEO Luncheons

“Unique possibilities to learn something about the world.”

Martin Heller on the value of culture

“A nice piece of jewellery may cost a million, or even ten. But one is buying something of real value. That is a safe investment.”

Bernard Fornas on the value of haute joaillerie

dossier values
Daniel Joggi



The goal of the Swiss Paraplegics Foundation is the holistic rehabilitation of paraplegics and tetraplegics. The foundation supports a comprehensive network of services for paraplegics.

“You develop a different perspective on things”

Anyone can make something of themselves, no matter their physical disability or situation, says Daniel Joggi, president of the Swiss Paraplegics Foundation and himself a tetraplegic.



A test that included a jump was planned for the last day of the ski camp. Daniel Joggi, the organiser, prepared the small jump with a shovel and was then the first person to ski down the slope. He mastered the jump with ease, but then lost control of his skis. Joggi had a catastrophic fall, breaking several vertebrae in his neck and suffering paralysis of his legs as well as parts of his arms and hands. He lost all movement in his fingers. The accident happened on 30 December 1977.

Thirty-three years later, Joggi is sitting in a wheelchair in his office at the Swiss Paraplegics Foundation in Nottwil. He is a slender man with snow-white hair and gentle eyes. His hand-shake is limp, and his hand seems to only brush against a visitor's. He wears leather cuffs around his wrists to aid his grip, and to enable him to better manoeuvre the wheelchair.

Mr Joggi, how often do you find yourself recounting the story of your accident?

Not as frequently as I used to. Things were different in the first few years. Shortly before the accident, I had completed my degree in agricultural science at the Swiss Federal Institute of Technology in Zurich and already written my dissertation. I then started my first job in Nyon. But I grew up in Neuchâtel. When I returned there every now and then and met someone I knew, of course they wanted to hear the whole story.

Does that bother you?

No. I think I've come to terms with the whole thing now, so I'm able to talk about it. But when I do, it still stirs emotions.

How has the accident changed your life?

In the first few weeks, you think your life has come to an end. With time, however, after your stay in hospital and rehabilitation therapy, you realise what you can do with the function that remains. Still, many things are no longer possible. Back then, I played the guitar. Because I could no longer move my fingers, I was unable to continue. That hit me very hard.

Does life seem more precious to you?

Yes, definitely. It's obvious. You develop a different perspective. You learn to appreciate

other things. I have also met many interesting people, nursing staff, occupational therapists and physiotherapists. And I had a great deal of support.

In what way?

Specifically, from my former work colleagues at the Agroscope agricultural research institute in Changins. They visited me, and organised weekly plans for who came to visit me when or who collected me. Soon afterwards, the director also came to see me and told me that I would always have a place at the institute. That motivated me very much and gave me tremendous encouragement.

What do you believe is the value of life?

The value of life is...

... that we are alive?

Yes. But not just alive, that we are also able to contribute something. And not just be a burden. No matter how severe their disability or how difficult their situation, everyone can make something of themselves. Severely paralysed people are often better able to do this than people with lesser degrees of paralysis.

How independent are you?

Although I am quite severely paralysed, I can drive a car. This gives me a certain degree of independence. I can live an independent life for one or two days. I can, for example, come to Nottwil for two days and then return home. But then I need the help of my wife or other assistance because I am no longer able to do many things for myself.

Many physically disabled people emphasise how normal their life is. Is that how you see it too?

Yes and no. You never lose the desire to stand up on your own two feet again, even if it is just for one day – to be able to jump around and run again.

Joggi had been a member of the board of directors of the Swiss Paraplegics Association since 1989 and its president from 2001 to 2009. In 2000, he was elected a member of the board of trustees of the Swiss Paraplegics Foundation (SPF), and has been its president since December 2009. As president, he replaced the Schwyz State Councillor Bruno Frick, who had come under fire after two years in office. Frick had replaced Guido Zäch, the founder, chief physician and director of the Swiss

“You never lose the desire to stand up on your own two feet again, even if it is just for one day – to be able to jump around and run again.”

Paraplegic Centre in Nottwil, as the president of the SPF. After a period of turbulence, peace has been restored to the group of paraplegics organisations under Joggi, who has broad support both internally and externally.

Mr Joggi, what are your responsibilities as the president of the board of trustees?

Somebody once said that I am the DJ of the paraplegics foundation – the person who mixes everything together and ensures that people in the various groups work as one. The board of trustees is responsible for the general strategy: Where do we want to go? How can we achieve it? How do we collect the funds for all the activities needed to strengthen our service network?

More than half of the members of the board of trustees are themselves disabled. Does that mean that disabled people tend to be better at understanding the problems of similarly affected people? Or is that just a coincidence?

No, it is no coincidence. Before I became president, 3 out of the 10 people on the board of trustees were in a wheelchair; today, that figure is 6. There is a group of wheelchair users who wanted to form their own advisory council to better promote the concerns of wheelchair users. But I prefer to integrate them directly in the board of trustees; I don't want too many additional committees or groups. We already have a complex organisation as it is.

In Switzerland, around 10 per cent of the population, i.e. around 700,000 people, have a mental or physical disability. Does the country do enough for these people?

That is a very difficult question. The country does a lot, but it could undoubtedly do more. I do not know whether society is sufficiently sensitised to the problems of disabled people. This in turn would shape people's willingness to make society a better place for everyone. But you always need two sides to bring about change.

So disabled people have an obligation too?

Yes. They have to approach others proactively and be open and do something. They cannot simply assume that society will look after them. That message is not always well received by disabled people. But they, too, must play their part in social integration and participation.

Are you in favour of a disabled quota in companies?

There are countries that have introduced such a quota. But it doesn't really work that well. When is a disability relevant for the quota? In many companies, there are disabled people who are not designated or perceived as such, for instance either because they only have a slight limp or are not covered by disability insurance. To a certain extent, quotas also create ghettos. Within an administrative limit, people are disabled, and outside of that boundary they are not.

What do you campaign for?

I believe that everyone has a talent for something. You just have to find out what

motivates someone and in what area he or she can contribute and achieve something. That is of course not easy. I see no point in isolating people who are unable to keep up, leaving them to the social security institutions to look after, and then complaining that they cost too much for doing nothing.

How difficult is it for a paraplegic to find a job?

It is, of course, always a bit more difficult than for someone who is not disabled. But as paraplegics, we can be just as productive. And with modern technology such as the computer, the possibilities for integrating disabled persons into working life are much greater than in the past. The requirement, however, is that disabled persons, too, ensure that they have a first-class education and undergo further training. Disabled persons also need to be proactive here.

What does the Swiss Paraplegic Centre do for the occupational reintegration of its patients?

We have developed a very good network with a whole variety of companies. This means that more than 90 per cent of the people who are given care here are able to reintegrate into working life. —

Dr Daniel Joggi

has been president of the Swiss Paraplegics Foundation (SPF) since December 2009. The board of trustees is responsible for the strategy of the Swiss Paraplegics Group in Nottwil (which includes the SPF).* The 61-year-old graduate in agricultural science from the Swiss Federal Institute of Technology in Zurich has been a tetraplegic since a skiing accident in 1977.

* The SPF aims to bring about the holistic rehabilitation of paraplegics and tetraplegics and supports an integral service network for paraplegics, offering seamless linked services from the scene of the accident and medical care and rehabilitation, to life-long support and advice. With their membership in the Benefactors' Association of the SPF, 1.5 million people ensure a sustainable financial basis for the foundation's activities.

90%
are able
to reintegrate
into
working life.



“We are strongly attached to our roots”

Acquiring the Merkur chain of confectioners and developing a brand under its own name heralded a new era at the chocolatier Läderach. Now the question is how to communicate the values and products of the family-run company to consumers and businesses.



Since 2006, former Nestlé manager Ralph Siegl has served as managing director. One of his tasks is to involve the new generation in the running of the company.

Turnover of
120
million

Läderach

The confectioner Läderach AG has its registered office in Ennenda in the canton of Glarus and production facilities in Switzerland, Germany and Romania. The company employs just under 800 people and generated a turnover of CHF 120 million in 2010. Läderach products are hand-crafted solely in Switzerland. They are sold on the domestic market through 30 Merkur speciality shops, which Läderach acquired in 2004, and worldwide through B2B sales partners and the company's own stores. Company owner Jürg Läderach is the Group CEO and president of the board of directors. Since 2006, former Nestlé manager Ralph Siegl has served as managing director. Siegl studied political science at the University of St Gallen and economics at the London School of Economics. He then worked at the former Swiss Federal Office of Economic Affairs (now the Federal Department of Economic Affairs) and was a member of the executive management at Nestlé Australia and Nestlé Switzerland.

The furniture seems too rustic for Ralph Siegl, who is in his mid-forties and hails from the lowlands around Zurich. Walls, desk and a conference table – the whole office is made of solid, darkened wood. “If I were to install designer furniture in here, it would probably raise a few eyebrows in Ennenda straight away,” laughs Siegl. For Ennenda is synonymous with Läderach. The chocolate factory is not only the largest employer in Glarus; its emotional ties with the valley are also very strong.

“We are strongly attached to our roots, and that is one factor in our success,” says Siegl. He took over the managing director’s office exactly as company founder Rudolf Läderach had furnished it, and he has no plans for redecorating. Such changes would not sit well with the owners, the Läderach family, who until a few years ago worked and even lived in the building. In line with their Protestant work ethic, the Läderachs do not attach any importance to ostentatious presentation.

Communicating worlds of enjoyment

Siegl is the first managing director outside of the family in the almost 50 years of the company's history. He is just a few years younger than Jürg Läderach, a member of the second generation who owns and presides over the firm. But as a graduate from the University of St Gallen and former Nestlé manager, Siegl has skills that complement those of the owner, who is a certified confectioner.

The new addition to the management team at Läderach became necessary after the acquisition of the Merkur chain of confectioners in 2004 and the development of a retail brand as a second pillar of business. The company has expanded and made a name for itself in the industry as a supplier to cake shops, confectioners, hotels and restaurants; it was not, however, well known among the general public. Consequently, when the company entered the retail market, suddenly end

consumers had to be addressed alongside traditional specialist retailers. For consumers, however, chocolate is not only a matter of taste – it is also about emotions. One of Siegl's tasks is to convey Läderach's world of quality and enjoyment to the discerning urban target public. “The fundamental values of the company must be supported by the family but not necessarily communicated by it,” says the managing director. Siegl's appointment enabled Läderach to come up with its first brand message, incorporating the core values of the company such as freshness, craftsmanship, Switzerland and individuality. “The challenge was to apply the craftsman's mentality at Läderach to a modern lifestyle,” says Siegl.

Freshness as a value

Parallel to these considerations, fresh chocolate was launched as a concept idea. “Up to then, many consumers had not been aware that freshness is also a criterion for chocolate,” says Siegl. An industrially produced bar of chocolate does not appear on the sales shelf until three months after it is produced and will keep for over a year. In contrast, Läderach fresh chocolate arrives in the sales outlet just a few days after it is produced and will keep for six weeks. “And has more taste because of it!” says Siegl. “As traditional and professional confectioners, we can offer consumers genuine added value when it comes to freshness thanks to our short distribution channels and freshness recipes. Not to mention clearly differentiating ourselves on the market.”

To enable consumers to experience this freshness, Läderach opened the first confectionery-making demonstrations at the beginning of 2008 in the main Merkur store on the Bahnhofstrasse in Zurich and the Spitalgasse in Berne, as a supplement to the shop windows full of sweet delights – including around 24 different types of fresh chocolate, which has since boomed, and is exported by air to places as far away as Tokyo. Läderach is currently expanding the brand business and B2B sales further in Japan, Taiwan, South Korea, the Middle East, the USA and Germany. According to Siegl,



The 2,500 Läderach products are manufactured largely by hand; only the processes have been standardised over time.



Expansion is approached cautiously. Nothing should be forced; quarterly plans are not part of the essential tools of the family-run business.



Traditional fundamental values such as cordiality, integrity and respect were defined and provided the basis for management guidelines.



the plan is also to create other stores as “centres of excellence for Swiss chocolate culture”, in which around three quarters of the range consist of Läderach products. It was beneficial in this new strategic orientation that the Glarus-based company is not new to the countries it exports to; it has long-standing business partners and experience there as a supplier. Läderach took its first step abroad as early as 1981.

Nevertheless, expansion is approached cautiously. Nothing should be forced; quarterly plans are not part of the essential tools of the family-run business. In Ennenda, time is counted in years or decades rather than months. Projects are also based on gut feeling instead of on a calculated business plan. “It is good if an idea falls on fertile ground and develops into something; if it doesn’t, then there will be a new opportunity again elsewhere. Ensuring our financial and operational capability is important for us,” says Siegl, describing the company’s credo. In 1994, Läderach wanted to enter the retail business with a shop in a top location in Paris. The project proved to be too ambitious and was cancelled after three years. Ten years later, the attempt with Merkur was a resounding success: the consumer business is posting two-digit growth.

The organic approach to business runs through the entire corporate structure. Even today, the 2,500 Läderach products are manufactured largely by hand; only the processes have been standardised over time. At the factory in Ennenda, copper vats are not only decorative; they are also used. Eggs are beaten by hand, Easter bunnies painted, and hazelnuts roasted and caramelised in-house. Many workers have been with the company for decades; recently, one employee celebrated 43 years of service. “We are a close-knit community,” says Siegl. “Our employees are very committed to the company.” When demand slumped in the summer of 2009, Läderach did not reduce working hours. In return, the company was able to count on the “full support” of the employees in 2010, when

multi-shift production was reintroduced. When Siegl joined the company five years ago, there were 170 employees in Ennenda – today, there are more than 250. Increasingly, long-serving confectioners were coming into contact with new staff from outside the company, a process that took some getting used to. For the first time in the company’s history, the agenda included executive management courses to promote the integration of old and new. “We had to find new ways for a dialogue that in the past had been taken for granted,” says Siegl. In seminars, formative and traditional fundamental values such as cordiality, integrity and respect for collaboration were jointly defined and provided the basis for management guidelines. They hang on the walls like recipes for chocolate delicacies and also apply in dealings with business partners.

Controlling the value creation chain

In Bilten, in the canton of Glarus, Läderach is currently building a factory for the production of couverture (special-quality chocolate used for dipping and molding). “It represents the largest investment in the company’s history,” says Siegl. The motivation is a desire for greater independence from major suppliers. “From the cocoa bean to the counter” expresses a new solution to directly ensure quality along the entire length of the value creation chain and to support the brand in the long term. “By producing the couverture ourselves, we can include raw material suppliers in the production process and commit them to social and ecological standards.”

A blueprint already exists: two Swiss émigrés to Brazil created an organic cocoa plantation in the middle of the rainforest in Bahia as a source of cocoa for the couverture for Läderach. The Glarus-based company turns the couverture into a special product line of wafer-thin carrés, truffles, pralines and fresh chocolate. That the delicacies carry no declaration of their sustainable nature is no oversight; it goes without saying: “We do not need to certify our integrity in our dealings with people and the environment,” says Siegl, seconding company owner Jürg Läderach. “It is simply part of who we are.” —

Founded in
1962

Succession planning

Läderach is a family-run company, and long-term plans are in place for a handover from the second to the third generation. The sole owner, Jürg Läderach, is one of four children of Rudolf Läderach, who founded the company in 1962. Jürg Läderach himself has six children, some of whom are already involved in the family business. His oldest son is studying at the University of St Gallen and has completed various internships at Läderach; another son is a confectioner in the development department; and one daughter apprenticed at the company. Ralph Siegl has been appointed managing director until the children are ready to take over operational responsibilities. One of his tasks is to involve the new generation in the running of the company.

“Every relationship has a purpose”

The Swiss-American Chamber of Commerce (Amcham) is the highest-ranking commercial network in Switzerland. CEO Martin Naville reflects on his role as the Chamber’s point of contact, the art of cultivating relationships and the importance of virtual networks.

2,500
members

Amcham

With more than 2,500 members, the Swiss-American Chamber of Commerce (Amcham) is one of the most important business networks in the country. Its trademark is the high status of its members. Corporation directors participate personally in the organisation. The board, headed by Syngenta CEO Michael Mack, includes 40 CEOs or European directors of the largest Swiss and American companies. In addition to maintaining economic ties and providing information and services for its members, the Chamber of Commerce has also developed into a major forum for current topics. The Zurich office, which employs seven staff, is managed by Martin Naville.

Mr Naville, 40 CEOs and European directors of major companies are represented on the Amcham board. What kind of relationship do you have with the members?

Relationships open doors and therefore serve as a means to an end. I can send members a message and know that it will be read. Having an open door is extremely important for me. It means that, if the topic is right, with most members I can start a dialogue.

When is the topic right?

When it contributes to the matter at hand, i.e. the promotion of Swiss-American economic ties and conditions that encourage international companies to settle in Switzerland.

That sounds very rational.

It is. Every relationship has a purpose and that purpose must be respected. If your dentist tries to sell you a car, he is misusing his relationship with you. In the same way, I cannot suddenly start to collect money for Africa from the board members. As long as I make objective and efficient use of a relationship, it will remain open – if not, it will shut down. With friends, you can sometimes talk about anything; that's not possible in business relationships.

Are you not friends with members of the Chamber?

There are grey areas. With some, the purpose of the relationship is defined very narrowly; with others, it is broader, and that can result in a friendship. Based on my network of contacts, people have often suggested to me that I set up on my own and sell something.

That wouldn't work, of course. My contacts have a relationship with the Chamber of Commerce, not with me.

In other words, your relationships depend on your position and not on you as an individual. Isn't that rather impersonal?

No. After all, I have family and friends who stay with me when I change jobs. I was once a management consultant, and I know what it means to have to get past the secretary to sell something that the boss perhaps doesn't want at all. What I sell in my present position is something that is supported by everyone: the vision of a collaborative economic relationship between Switzerland and the USA, and Switzerland as an ideal location for international companies. I am still the same person, but today I have direct access to the CEO.

The CEO Luncheons you organised have become one of the most popular platforms for current topics. Aside from the issue of the day, how important is a social gathering for networking?

The social part of events is valuable because managers are fundamentally very lonely. You spend the whole day with people who want something from you: customers, employees, directors, analysts, unions, media representatives. We provide them a setting among peers.

Is there a place for small talk? If so, what is the art of small talk?

If I knew the answer to that, I would be a happy man. Talking about the weather is undoubtedly rather boring. A good starting point for a conversation is a professional question, interest in the company, travel, sport. You try to exchange knowledge and find a common denominator.

What value do such conversations hold for you?

Their value is in the nuggets of information that you get and which can be useful to you someday. Frequently, there is not enough time to discuss a topic in full, but you still discover a few interesting details.

Do you have a systematic approach to developing relationships?

Not particularly. I sort through my business cards and scan the most interesting ones into my PDA. The others, I throw away. I have around 3,000 names in my collection. I am not one of those people who constantly update contacts with new information.

You frequently attend events that have nothing to do with the Amcham. How do you choose the events?

If the event interests me and I have the time, I will attend it. Networks are like neuronal connections that are constantly changing. Every year around 50 per cent break off and need to be renewed. I primarily do that by attending events. That is how you see and hear a lot.

You have to be cut out for that.

And of course you have to enjoy it! I do not consider it a duty at all. I like swapping ideas with people, picking up topics and examining them. Other people collect their ideas while reading or walking; I attend events.

How important is gossip in all of this?

It plays a role but it has to be relevant. It is about who has a new job and not about who is currently going through a divorce. I am in a business environment and stay within those boundaries.

So you are unaware of what people do in their private lives?

I often know how many children a person has or where someone lives; you could say that is part of the business card. But private matters are none of my business, nor are they a topic at our meetings. If we talk about a private

topic, then it is on a non-emotional level. We talk about fine wines or skiing, but not about relationship-related problems.

The Swiss are seen as reticent and therefore not necessarily as model networkers. Americans find it much easier to make contacts. What do they do better?

The circumstances are different. In the USA, people frequently change their place of residence as children and consequently know what it is like to join a new class or group. The relationships are more changeable and permeable than with us in Switzerland, where most people grow up in one place. But even if the initial contact among Americans is more open and uncomplicated than with us, it does not mean in any way that a friendship will develop out of it. People in Switzerland frequently find that hard to understand.

What role do the new social networks like Facebook and others play in your web of connections?

Not a major one. I am a member of several platforms and use them primarily to look for people. E-mail or the telephone is the easiest means of direct communication.

As a result of virtual networks, the number of contacts escalates. But at the same time they become more fleeting. What influence does this have on cultivating relationships?

Virtual networks make it possible to cultivate an external group of relationships that it would otherwise be impossible to maintain. You have a bit of contact with more people. But the real relationships are still played out live. People predicted the end of personal relationships when the telephone was invented, but nothing of the sort happened. People who are important to one another will still continue to meet up for dinner on a Saturday evening. —

“The real relationships are still played out live.”

Martin Naville

Lawyer Martin Naville took over the management of the Swiss-American Chamber of Commerce in the autumn of 2004. Previously, he spent 16 years at The Boston Consulting Group (BCG) in Munich, Zurich and New York, specialising in wealth management and telecommunications. He is president of the board of directors of the Zurich Zoo and a member of the board of directors of Swiss-quote and Lombard. He is also a member of the Rotary Club, Savoy Club, “Zunft zur Meisen” (the largest of the guilds in Zurich) and “Welt-offenes Zürich” (“Cosmopolitan Zurich”), among others. He is married with two sons.

“What I sell is the vision of a collaborative economic relationship between Switzerland and the USA.”

ceo 1/2011

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Clive Bellingham,
Life Sciences



Healthcare

Radical changes in healthcare are opening up entrepreneurial opportunities

The healthcare system of the future will be geared to the individual, with each person managing their own health profile. Healthcare providers will have to get used to new relationships, with customers and with each other.

The healthcare system is unwell. In all industrialised countries the cost of funding healthcare is high on the political agenda. The financial crisis led to a huge increase in government debt, making the need for healthcare reform even more urgent than before. In 2008, health spending in OECD nations averaged 9 per cent of gross domestic product (GDP). In Switzerland the figure was as high as 10.8 per cent, and is on the increase. The KOF Swiss Economic Institute at the Swiss Federal Institute of Technology (ETH) Zurich forecasts 11.5 per cent for 2009 and 2010. As well as these financial ailments, the healthcare system is suffering from high blood pres-

sure brought on by the competing expectations it has to manage. The public expects easy and immediate access to high-quality medical care, personal attention from doctors and hospitals, and up-to-the-minute information on how treatments are progressing, all delivered at low cost. This is a situation that cannot be sustained by the current business model.

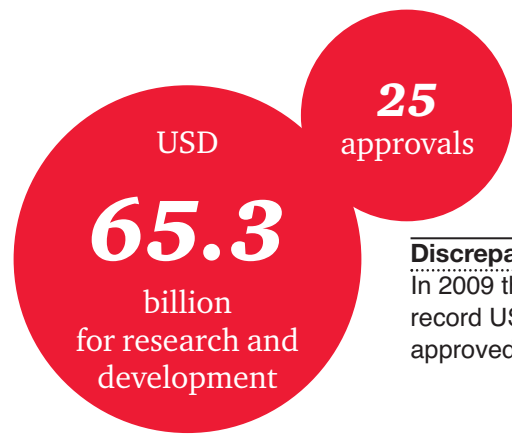
Dubious prevention campaigns

But what exactly is the healthcare system, and who is involved in providing healthcare? The health sector is extremely broad and diverse. Being dominated by the public sector, it is highly regulated and socially very sensitive. This is because it deals with a very special commodity: life. The many participants in the industry may have contrasting interests and priorities, but they have this

in common: they want to assure good medical care and preserve life. Simply speaking, the healthcare industry can be divided into three groups, the so-called three Ps:

- Payers who fund healthcare: governments, insurance companies and their policy-holders, taxpayers and patients
- Providers, such as hospitals, clinics, doctors and pharmacies
- Pharmaceuticals companies, including biotech and medtech companies

Other participants include academic institutions conducting medical research, and, more recently and to a growing extent, those operating at the point where healthcare meets the food and wellness industries. These niche players are gaining in importance as awareness of the need for healthier lifestyles grows. Prevention of disease through nutrition and exercise sounds good in theory, but in practice it's only a small, privileged class of



Discrepancy between investment and return in one year

In 2009 the pharmaceuticals industry in the United States invested a record USD 65.3 billion in research and development. The FDA approved just 25 new molecular entities and biologics that year.

prosperous and well-educated people who are willing and able to manage their lifestyles in this way. Costly prevention campaigns by governments, public broadcasters and health insurers have achieved little impact with the rest of the population. Even so, policy studies indicate that individual patients will be expected to bear a greater personal responsibility for their health in the healthcare system of the future.

The greying effect takes hold

Two developments in particular are making healthcare reform unavoidable: growing life expectancy and rising levels of chronic illness. Demographics are a key driver of costs. There are two reasons for this. As with the pension system, the healthcare costs of older people, often with lower incomes, are increasingly funded by a dwindling number of young, healthy people through their healthcare insurance premiums and social security contributions. Four-fifths of people over age 75 take at least one prescription drug. This so-called grey factor is driving up the cost of medical care. Possibly even more serious, however, is the growing preva-

lence of chronic and incurable diseases. Lifelong care for chronically ill patients is leading to an astronomical increase in healthcare costs.

Cost pressure meets the pressure of expectations

Growing demand could mean a prosperous future for the pharmaceuticals industry. But this shouldn't be taken for granted. It's not just healthcare as a whole that is confronted with rising costs, but drug companies as well. Most of these costs are incurred not during the research phase, but in drug development later on. The approval journey for a drug is a long march involving countless regulatory hurdles. As global businesses, pharmaceuticals companies push the limits of national healthcare systems. A drug approved by the FDA (US Food and Drug Administration) can be marketed in the United States, the biggest market in the

world, but not in other countries. In the EU most drugs are not covered by the Cassis de Dijon principle, because public health takes precedent over reducing barriers to trade.

Nobody disputes the necessity of approval, but the need for every country to have its own separate procedure consumes valuable resources. From the patient's point of view, it might make more sense if pharmaceuticals companies were to put the money swallowed up by multiple approvals into basic research. This is one area where the pressure of costs and the pressure of expectations collide: patients want effective, safe drugs, and they want them today. Rules, regulations and procedures take this interest into account, but they all slow down the process and add additional costs. The problem is, there is no such thing as a safe drug. Side effects can be minimised, but not eliminated. And clinical tests are not allowed to take into account external factors such as the effects of taking other medication simultaneously. It's also the case that many patients would be prepared to live with certain side

effects if the drug relieved their main problem.

The solution lies with the patient

There are many reasons why more money will have to be invested in drug research. One is that funding has to be made available for research into rare diseases. Another lies in the need to do differentiated research taking account of different patient populations. Not all organisms respond to a drug in the same way. For this reason scientists divide patients into populations with similar genetic, behavioural and socioeconomic profiles. It's also why diagnostics and therapeutics are being combined. This approach is an important step in terms of providing "customer-" or patient-focused medical care. Many experts see this personalised form of healthcare as the way forward. The key to achieving this lies in the willingness of the payers, providers and pharmaceuticals companies to redefine their respective roles in the process.

Patients will have to play a greater role in their own healthcare in future.

This includes managing their own health through diet and lifestyle choices that aid prevention. Individual patients will be expected to monitor their risk profile, adhere strictly to medication schedules (something to which far too little attention is paid at present), and use tools such as the Internet to stay in touch with

their care providers. Personalised funding, along the lines of pension funds, is also conceivable: each person would build up an individual healthcare account during their working life to cover their own healthcare costs later on. However, a model of this sort would break a big taboo, because it would spell the end of solidarity and mutuality in healthcare. Mixed forms of funding are another possibility.

Governments have to do a balancing act between the requirements of society, the realities of the market, and the need to control healthcare costs.

What is needed now is partnership and cooperation between the public and private sectors with the aim of ensuring an efficient and transparent healthcare supply chain. Precisely because the healthcare sector is so multifaceted, it's vital to look at the system in its entirety. It will have to be made easier to cross national and regional borders, and for effective cooperation to take place. While industrial and academic research is done on a worldwide basis, healthcare is still a national domain. Take hospitals. The hospital is still a symbol of locally provided healthcare. The trouble is that today's hospitals are unsuited to dealing with the growing number of chronic diseases. The trend is therefore towards specialisation. For reasons of costs and resources, we can no longer expect every hospital to be able to treat every illness.

The pharmaceuticals industry faces dwindling margins. In 2009 the pharmaceuticals industry in the United States invested a record USD 65.3 billion in research and development (PhRMA). For such a huge

investment, however, the number of new drugs completing the process was very small. The FDA approved just 25 new molecular entities and biologics that year. These figures make two things clear. First, the pharmaceuticals industry generates most of its revenues from products that have been on the market for some time, but which will eventually lose their patent protection. Second, the discrepancy between R&D spend and new approvals suggests that the approval process is getting tighter and tighter due to safety concerns. The figures also indicate that pharmaceuticals companies could be taking a more efficient approach to research, with sharing base data an obvious area of joint opportunity.

Communications and information technology have a key role to play in the healthcare system of the future. Patients are becoming well-informed consumers. As in any other industry, healthcare will have to segment its customers, know their preferences and offer them products and services accordingly. Information technology provides the platform for educating and informing people about health. There are also growing possibilities in telemedicine, for example monitoring adherence to medication schedules or a patient's progress at home. Creative entrepreneurs will be able to harness the winds of change in healthcare.

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Summary

Better communication between doctors, hospitals and the pharmaceuticals industry on diagnoses and therapies will make it easier to find customised solutions for individual patient populations, and could even accelerate the development of new drugs. And what applies to other sectors also applies to healthcare in today's changing world: spending on virtual access points, networks and telemedicine could turn out to be more important than investments in bricks and mortar.



Charles Donkor and Stefan Linde,
Human Resource Consulting

Global employment market

HR strategy and talent management is a C-suite responsibility

Any company seeking to implement a growth strategy will have problems if it doesn't have enough qualified staff. New modes of collaboration are needed if this situation is to be avoided. Efficient organisational structures for human resources (HR) can help make this happen across the entire enterprise.

The War for Talent was declared more than a decade ago, but few companies can claim victory. This is one of the findings of the latest Annual Global CEO Survey published by PwC on the basis of interviews with around 1,200 chief executives in 70 countries. Talent is right at the top of the executive agenda. Of the CEOs polled, 56% see the lack of talent as a significant business risk. The shortfall is particularly acute in growth markets. So it's no surprise that more than half of the CEOs plan to hire new people in 2011, with more than 80% (92% in Asia) intending to

realign the way they manage talent. But this is an area where long-term differentiation will require creative and innovative approaches.

Old patterns no longer hold Many organisations in industrialised countries, and more and more in emerging markets as well, face a significant challenge: demographic developments mean that the number of young people joining the company isn't

sufficient to make up for the older employees who are leaving. These older people are taking their knowledge with them – knowledge gathered over years of personal experience that in most cases hasn't been fully documented by the organisation. In the long run a development like this can undermine the productivity of entire economies. So companies should be doing everything in their power to retain experienced employees as long as possible. And they should also be taking steps to ensure knowledge transfer within the organisation. There are a number of ways of doing this, including new technologies such as wikis and webcasts, and bringing back retired staff in a consulting capacity. The 18- to 30-year-olds just starting out on their careers, what is known as Generation Y, have different values and expectations than previous generations. For many, sustainability and social engagement are now one of the key factors in their choice of

CEOs plan new HR strategies

PwC's 14th Annual Global CEO Survey:

For 14 years, PwC has been asking CEOs all over the world for their views on the economic situation. The latest Annual Global CEO Survey shows what growth strategies business leaders are adopting in the wake of the financial and economic crisis. More than 1,200 CEOs in 70 countries were interviewed. The findings give grounds for optimism: CEOs are almost as confident as during the pre-crisis boom years. They are making innovation and talent management the focus of their growth strategies.

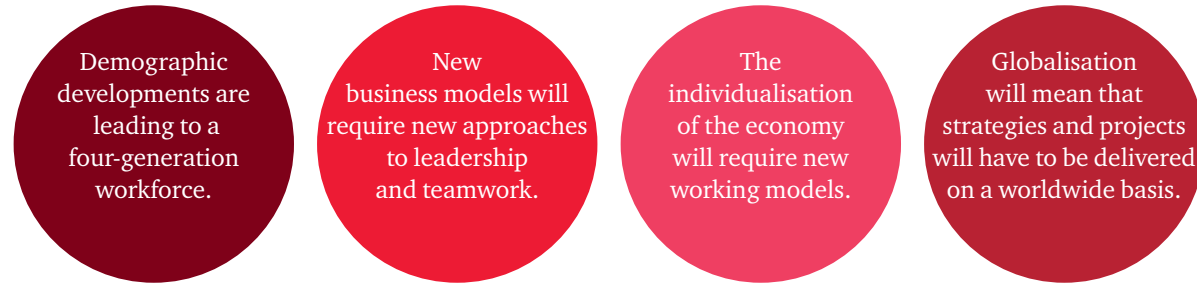
The findings of the Annual Global CEO Survey are also revealing in terms of what companies are not planning:

71% of those polled do not plan to relocate operations to countries where a greater pool of talent is available. More than half of the CEOs do not intend to incentivise young workers differently than others. And it's a similar picture when it comes to changing policies to attract and retain more women and older workers.

The most important findings in terms of human resource management:

- The CEOs believe that their current HR strategies are no longer adequate. 83% are planning to change their HR strategy.
- The CEOs see a danger that they will not have the right staff for a sustained upswing. They are concerned that the skills available in their organisation might not be sufficient. 66% are worried that a lack of talent could slow growth.
- More than half of the CEOs polled plan to deploy more staff on international assignments. There they will play an important role in the development of local people. CEOs expect significant changes in terms of staff mobility: many well-trained people in emerging economies are seeking career opportunities outside their own country. Organisations want to exploit this potential.
- The CEOs are embarking on plans to boost the engagement of their people and retain them for longer. 65% of those polled are developing new, non-financial rewards to motivate staff.

Organisations should be managing their talent supply chain just as professionally as other areas of value creation. The survey reveals that far-sighted CEOs are aware of this, and are doing everything to use talent management to achieve real competitive advantage.



Attracting talent
What skills do we need, and how do we attract them?

Honing talent
How do we develop our people to get the most out of them?

Programmes
How do we optimise our working procedures?

employer. Even young people are keen to achieve a good work-life balance. Success and recognition in their jobs are still certainly important, but these days many also want to leave room for their own personal projects, sports, travel and lifestyle. Research shows that many people, especially if they're well qualified, are starting out on their career with the intention of changing their employer after only two or three years. To attract and retain talent, organisations are being forced to address the individual needs and expectations of these young people. The market is increasingly evolving into an employees' market – a development that can already be observed in a number of industries (for example private banking). To get more agile and innovative, in future companies will have to have flatter hierarchies, come up with new business models, and operate on a worldwide basis via ecosystems and open innovation

networks. This will enable fundamental changes in the way employees and managers collaborate. Successful organisations will increasingly be those that manage to foster a collaborative management style, where the boss becomes a coach or even a player-manager. Collaboration platforms and social networks will be an integral component of knowledge management and team leadership. This raises new questions. How, for example, do you measure the performance of staff working in open networks? How do you create effective and meaningful incentives? And how can an organisation use new working models to encourage innovation? Another trend is the individualisation of the workplace. These days people are less and less content with standard HR programmes in areas such as career planning. They want to be looked after individually and enjoy a wide range of choices at the workplace. A new attitude is taking hold: rather than adapting to HR programmes, people expect these programmes to

adapt to their requirements. But many companies have invested a great deal of time and money in standardising processes in the past, and risk and compliance considerations mean they still have to limit people's individual room for manoeuvre. The key to walking the tightrope between individualisation and standardisation is to be creative.

The optimum workforce
What's the ideal employee mix for an organisation? Finding the answer to this question is one of the core tasks of management, especially in a knowledge-driven environment. An optimum workforce is one that:

- enables the organisation to operate flexibly and respond rapidly to changes in the market;
- combines different talents and skills that are important to the organisation;

- gives employees an incentive to identify with the organisation and motivates them to deliver.

The key to business success is to have enough people and network partners with the right qualifications, values and attitudes available at the right time. This means that HR strategy has to be firmly embedded in overall business strategy. Organisations have to make sure their talent strategy and planning are geared to the same time frame as their overall strategic planning – a horizon of around three to five years. An important part of HR management is being able to segment the workforce along meaningful lines. Not all employees are equally crucial to the success of the business, not all have the same needs, and not all respond the same way to HR programmes (for example incentive schemes). For this reason, any successful talent strategy must be built on strategic HR planning combined with intelligent segmenting. Here HR management has a key role to play.

Rethink and restructure HR
Companies that want their HR strategy and talent management to run as described need to organise their HR function accordingly. HR should be able to operate successfully across national, divisional and departmental boundaries, and even globally if business demands. Here HR transformations have an

important role to play. An HR transformation involves dividing roles within the organisation into strategic (centres of expertise), administrative (shared services) and consultative (business partners) functions. A transformation like this requires far-sighted planning, and can entail comprehensive changes in the organisation, processes, information technology and, not least, in the way people work and collaborate. It involves reallocating responsibilities and redesigning power structures. Far-reaching changes of this sort require a rethink from both HR and line management, and should be accompanied by intensive change management support. The overarching objective of any change management process is to assure the long-term success of the project.

Transformation has to be fully supported

Any innovation involves changes in the relationships between the organisation and the individual employees. Complex transformations, either in HR or other areas of the business, can only succeed if staff are actively engaged in the process of change. This way any uncertainties, fear and resistance can be discussed early on and avoided in the long term. A purely top-down approach to change management is doomed to failure. So the role of management has to include making sure people are informed early on, communicating any changes transparently, explaining the goals of the project, and if necessary talking openly about any aspects of the process that might be perceived in a negative light.

Depending on the circumstances it may also be advisable to appoint a sponsor who stands behind the project and can strengthen its credibility. Change management is important, especially in the case of complex projects that result in long-term changes. Many tools and processes are available to address the needs and concerns of the employees involved, ranging from clear communication and coaching to comprehensive training. It's often difficult to accurately assess the change management work involved in a project. A rule of thumb is that 10 to 15% of the total investment in a project fall to change management and communication. This has to be included in the budget. Ensuring that change is supported is the key to successful efforts to restructure HR, which in turn are key to growth. The CEO faces challenges at all three levels.

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Of further interest:

- www.pwc.ch/hrs
- 14th Annual Global CEO Survey, 2011 www.pwc.ch/ceosurvey
- PwC study "Managing People in a Changing World", 2010
- PwC study "Managing tomorrow's people. The future of work to 2020", 2007 www.pwc.ch/publications

Summary
"Our most important resource is our people" is a favourite line in many companies' annual report. It might sound like a cliché, but it's true. But to have a credible impact, the specifics of this claim have to be elaborated and explained, otherwise it can easily come over negatively. In a knowledge-based economy, the success of a business is primarily down to people. The much-cited War for Talent really is being fought, and given demographic developments and the individualisation of the workplace it will only get even more intense. This means that HR management is increasingly a matter for the boss.



Peter Schmid and
Dr Marcel Widrig,
Family businesses

Getting to grips with conflict Governance makes family businesses more able to act

In family businesses there's an overlap between the interests of the company and those of the family. To balance these interests, family businesses need not just corporate governance, but family governance as well.

More than three quarters of Swiss family businesses don't have any institutionalised mechanism for resolving conflict. This means they're less well prepared for dispute than family-run enterprises in other places – although most other countries also have major shortcomings when it comes to systematically dealing with conflict. These are the findings of the most recent global survey of family businesses conducted by PwC. More than 1,600 companies in 35 countries were interviewed, including 108 in Germany, 21 in Austria and 52 in Switzerland. Institutionalised rules are important in terms of resolving and avoiding dispute. But beyond

that, it's also important for family businesses to have principles, procedures and rules governing how they're managed and controlled. In other words, they need governance. When people call for good governance, they're usually referring to large exchange-listed companies. Here the desire to strengthen shareholder rights and avoid conflict between the people who own and manage companies is very understandable. Corporate governance involves making sure that appropriate checks and balances are in place, laying down responsibilities, and limiting powers.

Corporate governance and family governance

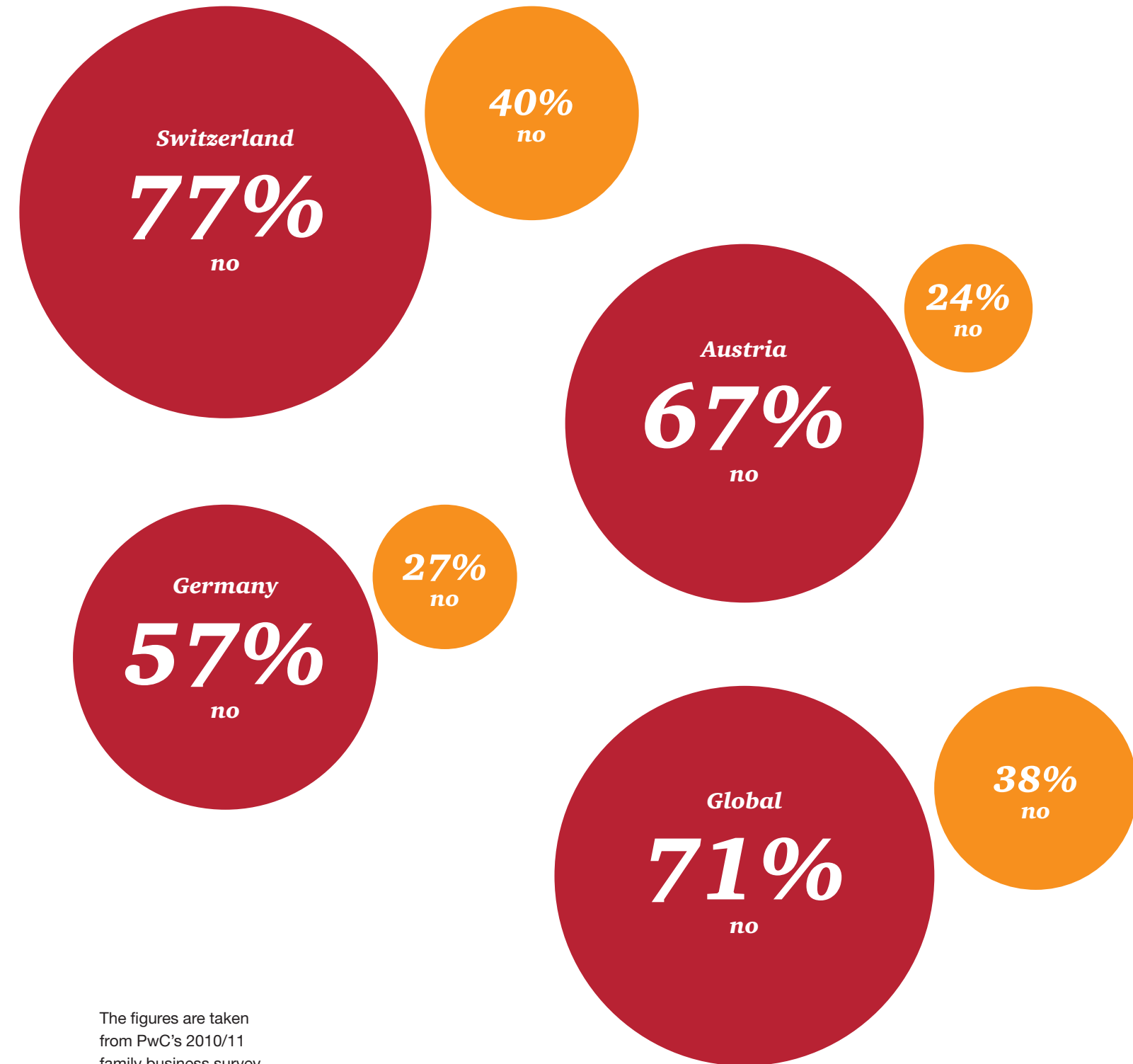
But in the case of family businesses it's not the power of management that has to be limited. The challenge here is to

ensure that the family's influence doesn't restrict the company's room for manoeuvre. The mechanisms by which family enterprises function differ from those at management-led businesses. But they do have one thing in common: there are claims to power that have to be balanced. At a family business, these checks and balances are twofold: they're a matter not just of corporate governance, but of family governance as well.

The situation at family-controlled businesses is complex, with business and personal interests overlaid, and rational and emotional considerations often hard to tell apart. A family business is much more than an investment – it's the family silver. It's bound up with a tradition that has been nurtured over generations, and relationships with the company and its employees that often go back to childhood. In an environment where people may well be

Is an institutionalised framework in place for managing conflict between the family members who own the business?

Are there rules governing succession or transition if key decision makers die or fall ill?



The figures are taken from PwC's 2010/11 family business survey "Fels in der Brandung?". www.pwc.ch/kmu

emotionally attached and thinking in terms of dynasties, you need governance rules.

A proper company charter, which should also include a family charter, brings a greater degree of objectivity to the decision-making process. A charter like this can help separate the interests of the business – at least to a certain extent – from those of the family. This eases the day-to-day running of the business and ensures that roles, for example management and oversight functions, are clearly demarcated. But governance rules are particularly important when it comes to important decisions on the future of the business.

More objective decisions

One of these situations is the question of succession planning. What role will the next generation play? Experience shows that parents tend to either over- or underrate the talents and achievements of their children. For its part, the younger generation may see attractive career opportunities outside the family firm. A governance code lays down procedures for selecting potential candidates to take over the business on an objective rather than a subjective basis, for example by stipulating a professional assessment process. Succession is a pressing issue for many family companies. The survey found that around 40% of the businesses in Germany, Austria and Switzerland that face an imminent change of ownership in the next five years plan to hand over the reins to another member of the family. Rules are also needed for valuing the business. While family busi-

nesses don't have to be valued on a regular basis, a valuation is likely to be necessary in the case of extraordinary events such as moves to increase the capital of the company, corporate transactions, or a change of ownership – regardless of whether a family member or an outsider takes over. An objective valuation by an independent party strengthens the negotiating position, shows professionalism, avoids conflict within the family, and is especially important given that most business owners considerably overestimate the value of "their" business. Here too, clear governance rules can help remove emotion from the equation. The study raises an interesting question: how many companies have sufficient liquid assets to temporarily assume the interest of a family member who leaves the business at short notice? While around half the family businesses polled worldwide say they are in a position to bridge a gap of this sort temporarily, only 29% of Swiss companies can. This low figure primarily has to do with the fact that Swiss family businesses often accumulate their profits and thus have a high self-financing ratio. This pushes up the valuation of the business. However, building up an additional cushion of cash for emergencies such as the sudden withdrawal of a family shareholder doesn't make financial sense. On the other hand this situation makes it difficult for any family members who do want to sell up to find a buyer for their (considerable) share of the business. Who wants to invest in an expensive family business when they get practically no rights of co-determination for an interest of, say, 15% of the capital? By the same token, if a troublesome family member acquires an interest and voting rights, for example through inheritance, the firm

needs good governance rules to keep their influence within limits.

Strategy as a source of conflict

Differences of opinion at family firms are rarely about money. In most cases, compensation is not a matter of dispute. When conflict arises, it mostly has to do with matters of strategy. Of the businesses polled in Germany, Austria and Switzerland, 31% see decisions on strategy as a source of conflict. This conflict can run along two lines: either between members of the family working in the business who have conflicting ideas on strategy, or between active family members and those who depend on regular dividends for their living. Investing heavily in new markets might be the right thing for the business, but it can undermine the finances of certain members of the family. Clear powers, responsibilities and decision-making structures can help prevent arguments over strategy.

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Summary

Family businesses are rightly seen as the backbone of the economy. In Germany, Austria and Switzerland they account for more than half of total economic output, and provide six out of ten jobs. Clear corporate and family governance rules can help strengthen what is a very important area of the economy.

“It’s a matter of finding the right path”

Max Manuel Vögele, CEO and chairman of the board of directors of Karl Vögele AG, on succession planning and governance in family businesses.



Karl Vögele AG was established in 1960. Its roots go back to 1922, when master shoemaker Karl Vögele opened a shoemaker's shop in Uznach. Since then the company has been family owned. With 400 outlets and sales of CHF 380 million, Vögele is one of the biggest shoe companies in Switzerland and Austria. Alongside Vögele Shoes, the group also includes the Bingo Schuh-Discount chain and lifestyle brand MAX Shoes. This year the company centralised its entire logistics in Uznach, firmly opting for a location in Switzerland despite the fact that more and more shoes will in future be exported to the EU from the Canton St Gallen distribution centre. Max Manuel Vögele, grandson of the company's founder, has been CEO and member of the board of directors of Karl Vögele AG since 1987. This year he succeeded his father Max Vögele as chairman of the board of directors.

Max Manuel Vögele, when did your family start planning the succession?

The handover took place step by step. I took over the operational management of Karl Vögele years ago. Now that my father is retiring, I'm also taking over the chair of the board of directors. You

have to realise I have four siblings. That meant that as well as planning the handover from one generation to the next, we had to find a satisfactory arrangement among the siblings.

How did you manage to do this?

The family's interests are held in a holding company, of which Karl Vögele AG is a substantial part.

Alongside this there are shareholdings and property interests. It was important to lay down rules governing powers and responsibilities within the holding company. But one point in particular is crucial: at Karl Vögele AG there is never more than one family member involved

“As a family shareholder you also have to be prepared to make sacrifices to make sure that value remains in the business.”

on the operational side. My father’s hard and fast rule has always been that there’s one person who takes responsibility for the business. He’s always been aware that any other arrangement can lead to conflict.

Why were you chosen rather than one of your siblings?

The choice was made along very traditional lines: I’m the first-born. I wasn’t chosen on the basis of my qualifications. It was more like an inheritance. But I had enough freedom to make my own decision. We children were encouraged to share responsibility early on. This way the whole family has also been able to identify with the business. My father also transferred shares to us at an early age, which meant we identified even more strongly.

Has this helped avoid conflict on the strategic orientation of the business?

We have a firm rule within the family that powers and responsibilities have to be clearly demarcated. There are no interlocking interests within our holding company. My siblings don’t sit on the board of directors of Karl Vögele AG, and I’m not a director of any other subsidiary of the holding company. With us the business always has priority. That’s no cliché. In concrete terms it means that a) investments always have to be financed by our own cash flow and b) we have a clear target dividend. It’s never been about maximising

the personal benefit; it’s always about optimising the structure of the business.

Is it an advantage not to be reliant on the capital markets?

It’s the key advantage of a family business. You’re under less pressure to generate returns. For us it’s important for the company to do well in the medium and long term. As a family shareholder you also have to be prepared to make sacrifices to make sure that value remains in the business.

What governance principles have your business and family adopted?

So far we haven’t laid down any governance rules in writing. Our governance consists of a number of different elements, for example our guiding principles and management guidelines. For many years we’ve had a shareholders’ agreement governing the interrelations between the shareholders. But we will be introducing family governance rules once my father has retired and the ownership structure has changed. This is important, because however much we might argue, there is a good understanding between us. We must – we want to – keep it that way.

Will the structure of the business also change?

Yes, the structures are going to get more professional. Until now we’ve had family meetings several times a year. This was a good arrangement: people were kept openly informed about individual items of business, and they knew more and had greater understanding. But a family council of this sort is a fairly old-fashioned arrangement. In future

Karl Vögele AG will have a professional board of directors, probably including two external members who bring additional know-how from our industry or finance. What we’re seeking is a balance of power between the meeting of shareholders, the board of directors, and the management.

Who will make the strategic decisions?

Basically strategic decisions concerning the business are down to me. But we do have a corporate and an ownership strategy. When it comes to important decisions such as withdrawing from a particular market, the ownership strategy comes into play. To be equipped for the future we’ll be adapting the powers and responsibilities to the new circumstances in a shareholders’ agreement. This will clearly lay down when the owners decide, and when the person who manages the company decides.

How will you decide on compensation?

The board of directors will decide on compensation, with the exception of my salary, which will be decided by the shareholders meeting.

What, for you, is the attraction of running a family business?

I grew up in the realisation that a company outlasts a single generation, and is then handed on to the next generation. But I’ve also seen how difficult it is to plan for the long term. The

market changes. Developments we predicted ten years ago have turned out quite differently. You can’t stubbornly insist on keeping the business in family hands at any price. You have to get emotional distance. The family can’t just let the business run its own course. It’s more a matter of finding the right path for it. After all, it’s not just about the family; it’s about more than 2,500 people who work for the company. Maybe that’s what’s so special about a family firm: you give these things a bit more thought.

Could you imagine selling the business?

There’s a time and a place for everything. If some day we were to see a better option for the business, we’d keep an open mind. The important thing is that we’re able to take the business forward. If we were to find another ownership structure that could propel the business forward much faster, we certainly wouldn’t say no on principle. For me running a family business isn’t some kind of religion. On the other hand, family businesses certainly aren’t on their way out either.

Publications and further information



E7 overtaking G7: the future of the world economy

The global financial crisis has accelerated the shift of economic power in favour of the emerging nations, with the rapidly growing E7 economies set to overtake the G7 industrialised nations. This development is driven by China and India. By 2050, both of these countries will have knocked the United States off its pedestal as the world’s largest economic power. These are some of the findings of a PwC study entitled “The World in 2050”.

You can download a PDF of the report in English at www.pwc.ch/publications.



Swiss energy industry: unaddressed customer needs

Swiss energy companies are too optimistic when it comes to gauging the satisfaction of their customers. The greatest discrepancies arise on pricing, flexibility and customer-specific services. The report “Offene Kundenwünsche – Schweizer Energiemarkt 2011” involved evaluating statements from 118 Swiss energy industry executives. For the first time it presented the views of both utilities and large energy consumers.

You can download a PDF of the report in German at www.pwc.ch/publications.



Economic growth: CEOs see potential

After two years of recession, CEO confidence in economic growth has almost returned to pre-downturn levels. This is one of the findings of PwC’s 14th Annual Global CEO Survey. According to the survey, 88% of CEOs worldwide are positive about economic developments. Of those polled, 51% plan to hire new people. Two-thirds see slower economic growth resulting from the search for qualified staff, tax hikes, or cuts in public spending. CEOs believe China is the market with the greatest potential. The markets remain volatile and unpredictable, and according to three-quarters of CEOs polled still represent the greatest source of uncertainty.

You can download a PDF of the report in English at www.pwc.ch/ceosurvey.

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*“Luxury is the art
of being unique”*

Cartier CEO Bernard Fornas weighs in on the difference between the transient and the permanent. And about investments that outlast time and crises.



“The jeweller of kings and king of jewellers”

Bernard Fornas

Frenchman Bernard Fornas is CEO and president of the board of directors of Cartier International. He is also a member of the board of directors of the luxury goods group Richemont, the parent company of Cartier. After completing his MBA at the Kellogg School of Management in Chicago, Fornas started his career at Procter & Gamble. He then worked at the International Gold Corporation and at the perfume manufacturer Guerlain. In 1994, he became international marketing director at Cartier, where, after an interlude at the Geneva-based watch-making company Baume et Mercier, he was promoted to CEO in 2002.

A temple of luxury and of lasting values: Cartier, Rue de la Paix, Paris. Individual pieces of jewellery are finished in an atelier located above the showroom, protected by numerous security checkpoints. We had the privilege of watching the jewellers at work – see the following pages.

“Many bought a beautiful item of jewellery from us because they wanted to diversify their investment portfolio.”

Mr Fornas, there are many attractive brands. Why do customers buy from Cartier?

They choose our products because they know that Cartier is a reputable company, that we supply quality and are admired the world over for our creativity. Because they get something of real value for their money! All these elements combined ensure that people come to us – and even more so in times of crisis. Over the past few years, we have once again seen that in a crisis people prefer companies that are credible and have an established place in the market. Those who do not have this credibility, who do not have any legacy or history, lose market share.

In other words, you gained new customers during the crisis?

Many bought a beautiful item of jewellery from us because they wanted to diversify their investment portfolio. Perhaps they had lost money with shares and said to themselves: “We prefer to buy a nice piece from Cartier. It might cost a million, or even ten, but we are buying something of real value. That is a safe investment.”

Is jewellery really an investment in the long term? Isn't it a matter of contemporary taste?

At the auctions held by Christie's, Sotheby's or Phillips, Cartier creations from bygone days sell at top prices. For these are unique pieces, of great quality and creativity – works of art. And there is only this one piece – and no other like it.

You speak of haute joaillerie. What is the base price for this segment?

It is a question of definition. At our company, it is EUR 200,000. That is a lot of money. But you can also buy a wonderful necklace at Cartier for EUR 20 million.

Is it possible to earn money with haute joaillerie today, or is it more like with haute couture, where ultimately it is the sales of perfume that generate the profits of the fashion houses?

Our business has nothing to do with haute couture! Fashion is transient, but watches and jewellery are made for eternity. Your suit and mine, in two to three years, will be thrown away. But one day my watch will be passed on to my son, my daughter, my girlfriend or whomever. You have to differentiate between the transient and the permanent. This difference is very important in the way in which something is designed, developed and produced. When you make something to last forever, you have to be uncompromising in your approach. And that is precisely what we are. Ephemeral products such as fashion or perfume must never be confused with things that are made to endure.

But Cartier also sells perfumes...

We sell perfumes to ensure nobody else does so under our name. We decided on this step to protect our brand from forgers and copycats.

Do jewellery and watches account for the biggest proportion of your turnover?

Yes, of course. We created perfumes or fouldards more out of necessity than passion. By making these products, which represent a very small part of our business, we protected the rights to our name for the entire cosmetics and textile sector.

Cartier has sold luxury products for more than 150 years. What values does luxury symbolise today?

Everybody has their own personal level of luxury. But real, ultimate luxury is something that only one person can call their own: a special item of jewellery that was designed and produced for him or her specifically, that nobody else in the world will possess, no matter how rich they are. True luxury is the art of being unique.

Does luxury also have something to do with showing off? Do people buy a Cartier watch to put it on show?

Yes, definitely. In countries like China or the former Soviet Union, people want to demonstrate their commercial success. A man might buy his wife some Cartier jewellery or a watch from Cartier as a symbol of that success. In other countries, people buy Cartier products too, but less to show them off. The interesting thing is that we cater to the full range of tastes: the penchant for bling – “Look at me, I’ve made it!” – and the more reserved appetite – “I have money and admire the craftsmanship.”

A balance between aspirations and expectations...

That is precisely the interesting thing about it. At Cartier, these facets complement one another and are not a contradiction in themselves. That is a great and unusual combination.

Can this combination be managed by values?

We control it very deliberately. For that, we have to be very cautious in everything we do. We have to put our savoir-faire and our culture to the test on a continual basis. Which is why, for instance, we maintain our one-of-a-kind collection of 1,700 haute joaillerie items and exhibit them in museums all over the world. In the Palace Museum of the Forbidden City in Peking, half a million people saw the Cartier collection. It helps to show the creative importance that Cartier has, and always has had.

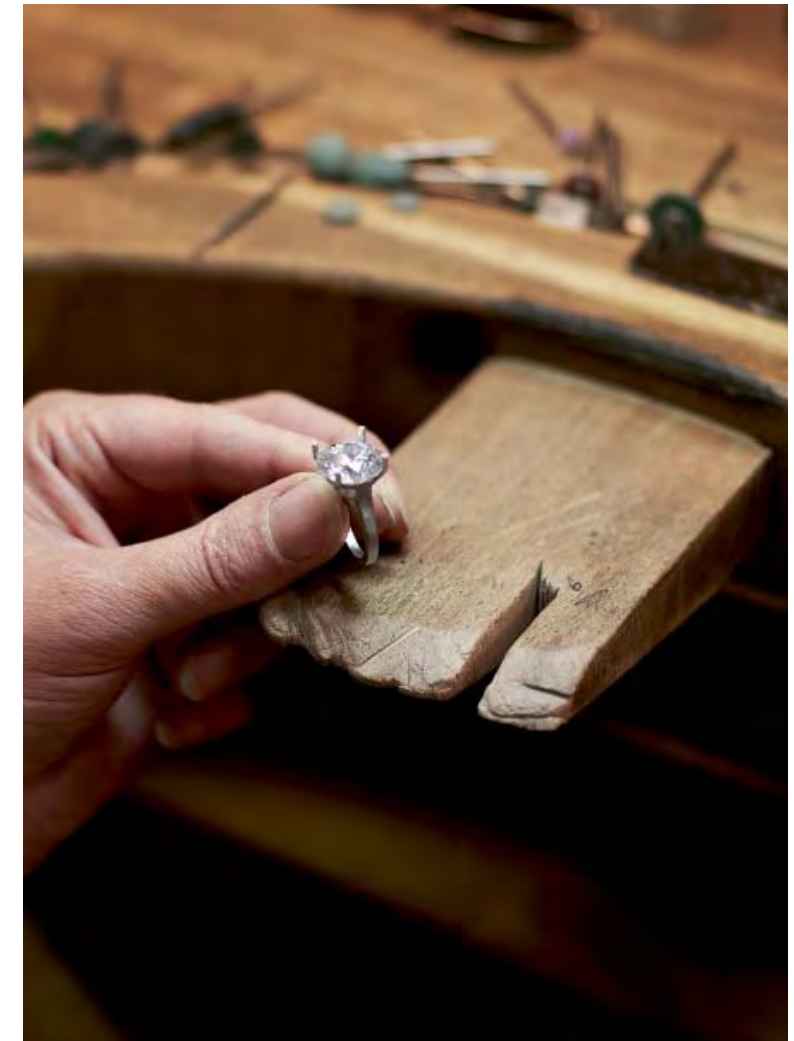
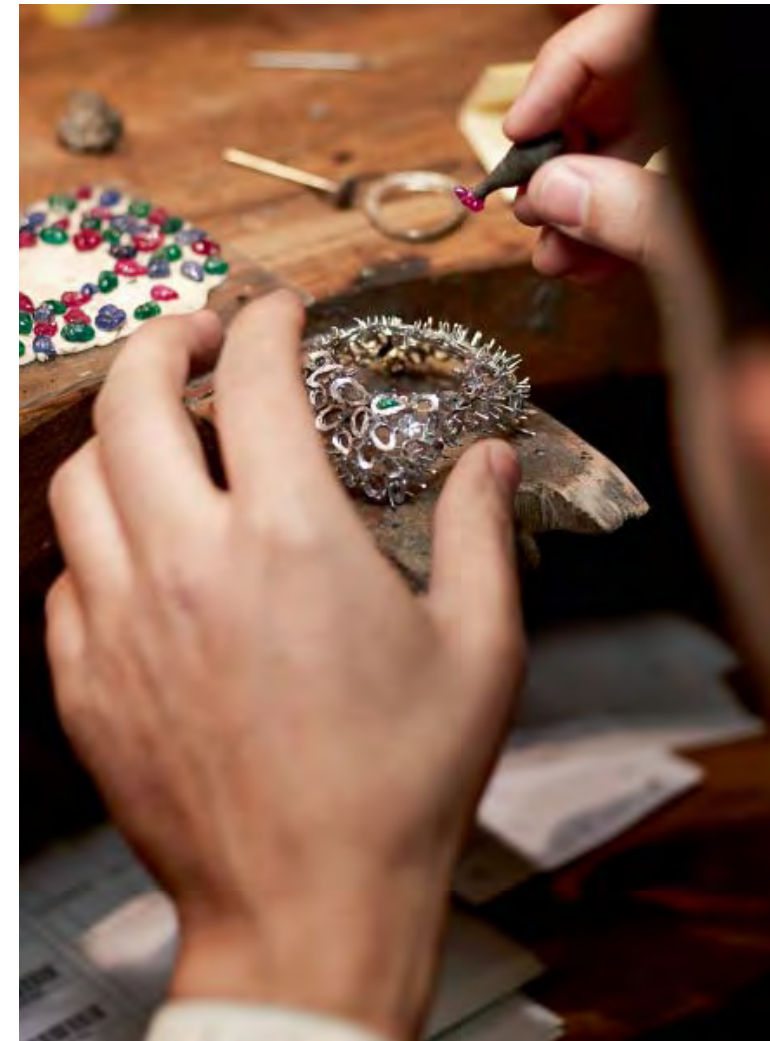
Isn't the focus a little too much on the past?

The great tradition and the fantastic craftsmanship are just the one side of the coin! On the other, there is our commitment to contemporary art. We set up the Fondation Cartier in Paris 27 years ago; since then, the most important young talents of our time have held exhibitions there. Other companies are just in the process of discovering contemporary art – with its commercial aspect in mind. I can only laugh at that. With our foundation, we never wanted to do anything apart from promoting young artists. And we will continue to do so.

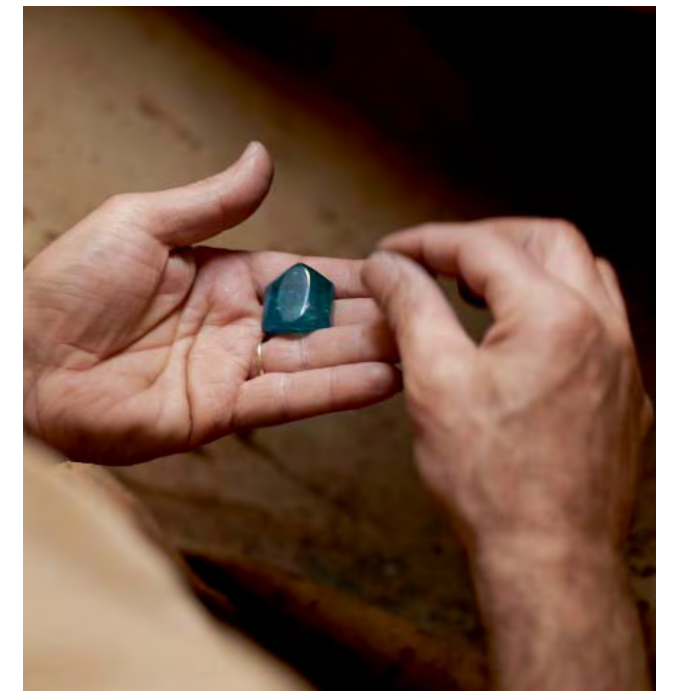
Celebrating uniqueness

One name, one success story – Cartier is the undisputed world leader in haute joaillerie. And not coincidentally. For more than 164 years, the company has stood for style and quality.

Luxury can also be political. At any rate, Bernard Fornas, CEO of Cartier, was sure of his political impact when he declared in a TV interview in 2008 that his company would not be buying any more of the legendary Burmese rubies until the human rights situation in the country changed. Two weeks later, other major jewellery manufacturers followed suit and joined the boycott. A few years previously, Cartier had initiated the founding of the Responsible Jewellery Council, an international industry federation that campaigns for ethical values and, among others, combats child labour and the trade in blood diamonds. “As a global leader, you are a role model and you have to set a good example,” says Fornas, explaining his commitment. “Everyone is looking over our shoulder.” Indeed, what Cartier does – and does not do – matters. The company, which is headquartered in Geneva, is the largest buyer of diamonds in the world. Not only that. Cartier is the undisputed number one on the jewellery market and is also one of the lead-



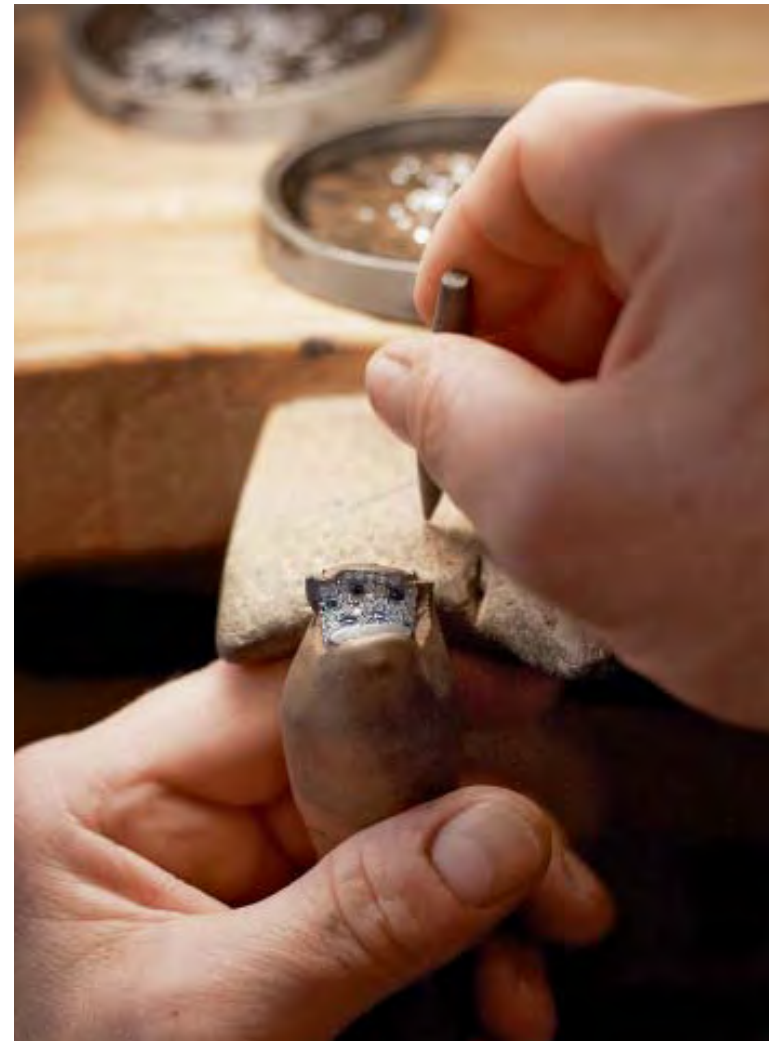
Precision, guided by an unerring eye: highly specialised professionals cut, set and polish gemstones, sometimes using tools over 100 years old. Each finished piece of jewellery is crafted by hand in an atmosphere of supreme quiet and concentration.



A Cartier product must always be recognisable as such. Its essence? Quite simply, “très Cartier!”.



In the watch-making atelier, there are photos of unique jewellery watches hanging on the walls; their price is not disclosed.



Xavier Gargat has worked for many notable jewellery producers in the Place Vendôme in Paris. He has directed the Cartier atelier for twelve years. “What we do here is unparalleled anywhere in the world,” he says.

ing manufacturers of other luxury goods, from watches, writing instruments and leather goods to cigarette lighters and spectacles. Cartier has been part of the Richemont Group since 1997 and contributes around half of its turnover, which is growing at an excellent pace. In the first nine months of 2010, total sales increased by 33 per cent to EUR 2.1 billion.

Cartier owes its success to a perfect blend of innovation and tradition. The company’s own history is elaborately celebrated, for it is very closely associated with the personal history of film divas and crowned heads of state. For instance, the engagement ring that Prince Rainier of Monaco presented to Grace Kelly was from Cartier – a platinum-set 10.47-carat diamond with an emerald finish. However, Cartier made its biggest PR coup with King Edward VII of England, who called his

purveyor by royal appointment “the jeweller of kings and king of jewellers”. This priceless slogan is frequently and proudly cited.

A price segment with no upper limit

The jewellery company was founded in 1847 by Louis-François Cartier, but it was mainly his grandsons Louis, Pierre and Jacques who at the beginning of the 20th century made Cartier one of the most desirable brands in the world. In search of inspiration, they travelled to India, Russia and the Persian Gulf, and opened stores in the epicentres of luxury and style: Paris, Rue de la Paix; London, Bond Street; and New York, 5th Avenue.

Today, Cartier still produces the basis for the brand’s reputation: jewellery items of superb craftsmanship in a price segment with no upper limit. Its second pillar of business is watches. Cartier was one of the first clock-makers to make wristwatches at the end of the 19th century. Under Bernard Fornas, this segment has grown substantially in importance – the timepieces are manufactured in a

brand-new factory in La Chaux-de-Fonds, Switzerland. The prize items, however, are jewellery watches produced in very small series, decorated with hundreds of diamonds for the price of a luxury limousine – or unique items, the price of which is not revealed.

Up to 10,000 hours of work

All unique Cartier items and special items to order are made at the company’s atelier on the Rue de la Paix. Sixty highly specialised professionals, including 40 jewellers and a watchmaker, work behind numerous security checkpoints around an atrium in Zen-like quiet and concentration. Up to 10,000 hours of work are invested here in complex items of jewellery. “This is unparalleled anywhere in the world,” says Xavier Gargat, director of the Cartier atelier for the last twelve years. Every piece – from diamond rings and complex colliers to sophisticated jewellery watches – is

elaborately handcrafted. The three-dimensional, movable animal shapes, beset with hundreds of different-sized diamonds and gemstones typical of the Cartier style, are particularly demanding. They are created using old techniques and traditions and with precision tools, some of which are 100 years old. Each stone is set by hand, fitted and fixated with microscopically small metal elements. An artistically ambitious jeweller needs 10 to 15 years of experience until he or she has mastered this exacting work. From a style perspective, the precious items symbolise timeless elegance with a strong link to art deco design. The company’s own aspiration is that a piece from Cartier should “travel through the decades in eternal youth”. Above all, a Cartier product must always be recognisable as such. Its essence? Quite simply, “très Cartier!”.

CEO Fornas himself ensures that Cartier never strays from this course of quality and style: “Among the thousands of new products

that are manufactured at our company every year, there is not a single one that I do not sign off on personally,” says Fornas. “First in the design and then as a prototype or individual finished piece.” Fornas reserves two hours every week for assessing the new designs and jewellery items. He thus ensures that everything that is launched on the market has the “Cartier touch” and carries on the “Cartier legacy”. Pieces have been known to be sent back to the Paris atelier – irrespective of the many thousands of hours they took to make. Why is this ultimate quality check given top priority? Fornas answers immediately: “The CEO must have the last word. Without question. Here, it is the strategic alignment of the company that is at stake.” —



“People don’t need culture; they have it”
Culture lets you discover something about yourself and the world, says Martin Heller. He runs his own company specialising in cultural projects and aims to strike a chord with people in Switzerland and abroad and inspire them.

“It is about new things, but also about creating new things with what is available.”

Mr Heller, according to your company’s mission statement, you develop a wide range of cultural projects. What is culture?

At the 1982 World Conference on Cultural Policies in Mexico City, UNESCO famously defined culture as virtually anything – i.e. our living conditions per se. And in addition to this definition there is also the accepted interpretation by those who work in the cultural sector that culture is everything associated with art in the broadest sense of the word. The term “culture” is vague, but we have to live with this vagueness.

Do people need culture?

If culture in the broadest sense is our living conditions, i.e. the way and manner in which we organise our coexistence with one another, then culture in its various forms is all around us. People don’t need culture; they have it.

What is the value of the culture that you offer with your projects?

We do experiments with festivals, exhibitions and also towns. For us, these projects are not just outpourings of beauty; they also offer an opportunity to discover something about ourselves and the conditions in which we live, or about an era or what artists thought about their time. In short, culture offers unique possibilities to learn about the world.

How important are these experiences?

It varies considerably. I worked with the city of Linz over a period of five years; the city had set itself the goal of becoming the European Capital of Culture in 2009. This project was pivotal to the city; to a large extent it determined politics and how the city was perceived internally and externally for many years. It generated high expectations and enabled many citizens to have defining experiences. Another example: we designed an exhibition on urban development in Berlin last autumn. You can either visit an exhibition, or stay at

home. Thirty thousand people came. For many of them, the visit to the exhibition was an enduring experience.

The public sector invests a lot of money in culture, for instance in museums or in theatres. Is it one of the state’s tasks to support culture?

Yes, of course. But the state needs to think long and hard about which cultural expenditures are necessary and vital for the common good. I am referring, for instance, to the protection of ancient monuments, the preservation of traditions that explain to the next generation where we come from or the upkeep of museums as a kind of artistic archive. There are many rational reasons for state support of culture. But there are also idealistic and political ones: a culturally educated citizen is more politically mature than someone who has nothing to do with culture.

Should people in the cultural sector be responsible for success or failure, like business people are?

I think they are anyway. Just as everybody is responsible for what he or she does or does not do, and whether he or she does it well or not. Nobody can shirk responsibility. Unlike people in the business sector, however, people in the cultural sector should not be measured primarily by economic goals. The really good artists are at their best when they are given the opportunity to tackle and reflect on issues freely. In the cultural sector, not everything has to break even – on the contrary, in a country as wealthy as Switzerland, there also needs to be space for the experimental, for room to manoeuvre, and for the qualities that only art and culture can offer.

You work at the interfaces between politics, business and culture. How do politics and business affect your projects?

I am interested in these interfaces, not least because of my experiences as artistic director of Expo.02. When I took on that job in 1999, I became closely involved in politics and business. Our business plan at the time envisaged a target of 10.5 million visitors; with regard to revenues, this was a must. We met our goal – and we also struck a chord with people and

inspired them. That is a decisive factor. Having to live within a budget and to account for every penny is an inescapable reality of the work that I do, but it is not what matters most. And there is also another aspect. When politicians and businesspeople get involved in cultural projects, it is my task and delight to explain the adventure of invention to them. It is about new things, but also about creating new things with what is available.

How well do you reconcile your own ideas with the clients’ interests?

It works best when clients approach me in the belief that I can implement what they have in mind in my own independent way. When we then discuss the mandate, I normally want a formulation that gives me the freedom to create the invention in the way that I want to.

Can you give an example?

I mentioned the exhibition on urban development in Berlin. In the discussions with representatives of the client, the Federal Ministry for Transport, Building and Urban Affairs, the issue was what a current exhibition on cities in Germany should be like. “The goal is that it should inspire people to live and work in towns and cities” was the rather unusual formulation that we agreed on. I then made the suggestion that the exhibition consist only of models. These were exhibited in a marvelous factory building in Berlin, a former power plant – which was fascinating for both us and the public! We then sent photographers through the world of the models on a kind of multi-city tour, thus creating an impressive book in addition to the exhibition.

You had a staff contract as the director of the Museum of Design in Zurich and at Expo.02. Now you have your own company. How do you like your role as the CEO of Heller Enterprises?

Having your own business brings additional freedom, as well as additional burdens. Managing your own small company is of course a great challenge. Many difficulties are only experienced over time. After the Expo there were no really convincing job offers. So I struck out on my own because that is the way I can best satisfy my requirements with regard to risk, variety and different forms of working.

You are working on another major project in Berlin.

The Berlin City Palace is being restored. Since the 15th century, it had been used as a residence by electors, margraves, kings and emperors. In 1950, the government of the German Democratic Republic had the building demolished; the Palace of the Republic was erected in its place. In 2007, the German Bundestag and the state of Berlin decided to rebuild the palace. Construction work is scheduled to start in 2013. This new Berlin City Palace is dominated entirely by non-European cultures, and I have been commissioned to develop a concept for the content of the large event area. The client is the state minister for culture and media in Germany.

This is a highly political project in which many people want to have their say.

Yes, very much so. There are political stances, commercial interests and the expectations of the public – all of which is a minefield to negotiate. For me, working there means developing my own ideas about what might be good for such a cultural venue, based on my experience, as well as finding out what others want. The result is important for me. We intend it to be meaningful and not just a collection of compromises.

How will you tackle this project?

I have one overarching principle: I try to take the time at the beginning to collect information from those involved directly or indirectly. Last autumn, I didn’t know anything about Berlin City Palace. But since then, I must have had 40 conversations with people who are involved. In addition to the standard approach of researching and developing my own ideas on the topic, being privy to all these expectations, information, requests and aspirations is very important to me.

Are you going to move to Berlin?

I will be spending a lot of time in Berlin, just as I did in Linz at various times. Since the Expo I have always lived in at least two places – and now I live in three. —

“In the cultural sector, not everything has to break even.”

Martin Heller

is CEO of the company Heller Enterprises. He sees himself as a cultural entrepreneur, implements cultural projects, gives presentations, holds seminars and writes for magazines, catalogues and books. The 59-year-old Basle native was the director of the Museum of Design in Zurich from 1990 until 1998. He came to national prominence as the artistic director of Expo.02.

“The result should be meaningful and not just a collection of compromises.”



“We invest in increasing value”
PSP Swiss Property AG is one of the largest real estate companies in Switzerland and is aiming for further profitable growth. CEO Luciano Gabriel discusses real values, cycles in the real estate market, speculating on the stock exchange and dynamic locations.

Mr Gabriel, you said at the beginning of 2007 that people could sleep well at night with real estate shares in their portfolio.

That statement still holds true today – although nobody knew from mid-2007 onwards what would really happen in the financial markets. I remained confident. After all, the assets of a real estate company are its properties and they remain real even in a crisis, provided they are managed properly. Those who think long-term will always do well with real estate in Switzerland.

Nevertheless, the share price of PSP was halved in the crisis. Weren't you concerned?

Yes, I was because we didn't know when the decline in the share price would stop and what it could trigger in a worst-case scenario. There were many financial market players who made the whole thing worse by speculating that share prices would fall even further. The decline in the share price was entirely unjustified.

How do you cope with the market value of your company fluctuating by several hundred million francs in the space of just a few weeks?

It is best not to check the share price every day. We have to live with fluctuations, as others do. And there are movements that cannot be rationally explained. Shares in PSP were hugely undervalued; the internal value of the share was substantially higher than the share price on the stock exchange. The company has an excellent strategic alignment, it is professionally managed and its revenue drivers are long-term – those things are important. In the medium and long term, share prices do find their correct level, as current developments show.

You have to increase value for your shareholders and profit per share. Is that a curse or blessing?

It is a good thing for us never to lose sight of this mandate. We consider very carefully how we can generate added value. If we only

wanted to increase in size, we would have been more aggressive over the last few years in our acquisition policy. But that does not pay off in the long term. To answer your question, it is nothing but a blessing.

How did you become the head of a real estate company?

PSP was created when Zurich Insurance carved out its real estate division and floated PSP on the stock exchange in March 2000. At the time, I was working at Zurich Financial Services in the Corporate Finance division and was responsible for preparing the IPO (initial public offering). In 2002, I moved to PSP, initially as its CFO. Five years later, I was appointed its CEO.

PSP is the second-largest real estate company in Switzerland...

If real estate investment funds are also taken into account, we are further down the list. Positioning according to size is not important. The profit and the internal value per share are relevant for us. As a company listed on the stock exchange with real estate worth a good CHF 5 billion, PSP is big enough and has the required visibility. We only invest in increasing value. We want to grow externally, but the price has to be right. Otherwise, we hold back and concentrate on optimising our existing portfolio.

Do you believe that excessive prices are being paid for commercial real estate today?

I do not believe that there is already a bubble. In individual cases, you get the feeling that the price is very high. But nobody knows exactly which price level is the "right" one – every buyer has to decide for himself how far he wants to go. They all want to buy the same properties in the dynamic commercial centres.

As a recent bank study revealed, the rental prices for commercial properties are also stagnating.

A differentiation has to be made here. For instance, 250,000 or so additional square metres will be offered to the market over the next few years in the Zurich region, and these first have to be absorbed. What will suffer is not real estate in or near the centre but poorly maintained properties on the outskirts.

Specifically, this means there would be major differences in the rental yield with an office in a good location in Zurich and the same office in a less dynamic region.

In Zurich, the rent for good locations is between CHF 700 and 900 per square metre; in Geneva, prices are similar and can even reach more than CHF 1,000 in particularly good locations. In towns and cities with less growth, the rental prices have often stagnated at between CHF 200 and 300 for years. Although building prices have increased there, too, there is no movement because the demand for office space is not strong enough. It is often difficult to find a new tenant. There is no proper market outside of the main centres. Even if the rent falls, nobody wants to move there because the infrastructure, for example, is not ideal.

PSP has office and commercial buildings, but no residential real estate. Don't you want to diversify into this segment?

No. We see little upward potential there in the long term. With commercial real estate, we can participate directly in the economic upturn and generate correspondingly higher rental revenues with investments that improve the quality of our portfolio. The real estate business is of a long-term nature. As already stated, the value of a property depends on its location and its quality. We ask ourselves where new jobs will be created over the next 20 or 30 years and where the demand for office space will rise. This dynamism exists primarily in Zurich, Geneva and Basle. The NRLA rail link (through the Alps) could offer new perspectives. It will mean that Ticino, for instance, will move closer to the main centres.

Your company focuses on the Swiss market.

That will definitely remain the case. Why should a shareholder invest in France through our company? He would do better to invest via a French real estate company. We would not have any comparative benefits with investments abroad. Real estate is a local business. You have to be familiar with the legal and fiscal systems and know the local market well.

A key ratio for real estate companies is the vacancy level. This is just under 9% for PSP. You want to get it down to 5%. By when?

That will take a few years at our company. Five per cent equate to the natural or structural vacancy rate. A large part of our vacancy rate is in Zurich West, where we see great potential over the next few years. The entire area is currently a building site, which is why many prospective tenants are still rather reticent. Patience is needed, but we are in the right place. Office space is a scarce resource of increasing value in densely populated Switzerland.

Analysts compare the difference between the net return on the properties and the average interest rate of external financing. This is currently 1.8% for PSP. Are you satisfied with that?

This comparison is constantly being made and does not say all that much. Let us assume that the rental yield of a property doubles. In this case, the market value of the property would increase accordingly and the net return would stay the same. The comparison therefore only makes sense when you buy a property. We have our financing situation under control.

With more than 50% equity, PSP is indeed comfortably financed and could afford acquisitions of some CHF 1.5 billion without having to increase its capital. Are there no suitable properties available?

Our financial leeway is an advantage. In the short term, however, I do not see why we should need this flexibility. What's more, a low level of indebtedness helps a company to ease through cycles that are inherent in the real estate business.

At what stage do you see Switzerland at the current time?

I am not euphoric, but generally the situation is a good one. The Swiss economy has come through the global crisis well and is now in a position of renewed strength. The demand for real estate is increasing, not least due to immigration in Switzerland. If we extrapolate the current economic development, we have cause for confidence. A major economic crisis in Europe would undoubtedly also have a negative impact on Switzerland. But that is not our scenario. —

CHF
5.4
billion
real estate
portfolio

PSP Swiss Property AG

is the second-largest Swiss real estate company and has been listed on the stock exchange since 2000. The company has office and commercial buildings worth CHF 5.4 billion in the most important commercial centres in Switzerland. It employs a total of some 80 staff at offices in Geneva, Olten, Zug and Zurich. Since the sale of its Property Management for Third Parties unit, PSP has concentrated on optimising and further developing its own real estate portfolio.

"I do not believe that there is already a bubble."

Setting yourself goals

What it takes to reach the top.

Who hasn't seen the pictures of Kilimanjaro, that impressive mountain with its snow-white peak, rising up from a never-ending plateau? At 5,895 metres, it is the highest mountain in Africa, the highest free-standing mountain in the world and one of the largest dormant volcanoes on the planet. All that, and the word "Welcome" written on the wooden signpost marking "Kili's" summit at Uhuru Peak. The Swahili "uhuru" means "freedom" in English. It is an apt description of Africa's highest point, as Thomas Brüderlin, an auditor at PwC, discovered. For Brüderlin, sitting at the summit and watching the sun rise over the equator was "an overwhelming feeling"; the pleasure in recalling that moment is written all over his face.

PwC's Thomas Brüderlin and Josef Bachmann on climbing Mount Kilimanjaro: "You can do some solid groundwork beforehand, but you ultimately also need a bit of luck to be successful."

Powerful emotions were the last thing on his mind when he decided to climb Kilimanjaro. "I had just celebrated my 40th birthday and wanted the challenge," says Brüderlin. He prepared intensively for six months, went climbing three times on Switzerland's Mount Titlis and a countless number of times on the Sonnenberg ("our 'local' mountain") in the Frick Valley. He also went for long hikes. When he started his trip, he was in peak condition – in the truest sense of the word – and eight kilograms lighter. Both were a blessing for the strenuous tour, which requires climbers to negotiate 1,000 metres of altitude every day. Brüderlin managed the test of stamina without having to push himself through any pain barrier: "I really

was able to enjoy it," he says, "even the summit push, which is the toughest and worst section of the route. I thought it was simply amazing."

The climb was also unbelievable for Josef Bachmann, the managing director of the pension fund at PwC, but in a different way. He treated himself to the tour on Kilimanjaro last autumn as a 60th birthday present. "I wanted to feel what it was like to stretch myself to the very limit," says Bachmann, a passionate runner of half-marathons. His doctor had confirmed that he was fit enough to climb the "roof of Africa". But things took a different turn: "At around 5,400 metres up, the guide advised me to turn back as I was very unsteady on my feet," says Bachmann. "First I refused; I wanted to get to the top, come what may. But then I accepted that I had to give up. However, before I could tell him my decision, I fell into a sort of altitude intoxication." He was astounded by what happened next: "I felt a surge of energy and made it to the top without any problems." However, the descent, which most people manage with ease, was sheer torture for him. He had to battle his way down, step by step. The highlight for Brüderlin on the five-day tour was reaching the top; for Bachmann, it was making it down again in one piece. Both draw similar conclusions from their expedition: "You cannot control how your body will react," says Bachmann. "You can do some solid groundwork beforehand, but you ultimately also need a bit of luck to be successful," says Brüderlin. As to what the Kilimanjaro tour has bequeathed them for their everyday working life at PwC, both say "equanimity". —

Photo: Vera Hartmann



For Brüderlin (left), the highlight of the five-day expedition was reaching the top; for Bachmann, it was making it down again in one piece.