

ceo

The magazine for decision makers

Taking values into the future

Properly assessing developments and acting accordingly: leaders such as Andreas Jacobs, Urs Rügsegger, Barbara Artmann and Elmar Weingarten share their strategies for successfully negotiating constant change.



Dr Markus R. Neuhaus,
CEO PwC Switzerland



The changing global economic landscape represents an opportunity for Switzerland.

The global economic situation is very precarious at the moment. The threat of renewed recession and the dreaded W-curve is mounting. Despite the great uncertainty, in private many business leaders are more optimistic about the prospects of their own business than the general economic outlook would lead you to expect. The fact that they are unwilling to express this confidence more firmly may have to do with a certain natural caution, or a feeling of vulnerability because of factors that lie beyond their control. After all, a CEO's job is all about concentrating on things you can influence to make your business as resistant to setbacks as possible. I believe this is precisely what the vast majority of company chairmen and CEOs have been doing over the last four years. They have managed to stay calm and do an outstanding job in terms of leading their business through what has been a very testing time for everyone.

But we all know that we need a return to sustained business growth to assure collective prosperity in the future. The environment is still tough, despite the fact that Switzerland managed to do the right thing at the right time by applying the brakes on debt years ago

(a decision that at the time was heavily criticised as a false economy) and is now better placed than those around it.

The so-called euro crisis is essentially a debt crisis, which extends from Greece to Italy, Ireland, Portugal, Spain and France. The United States and Japan also have enormous government debt to contend with. States are living on credit, governments have borrowed to buy re-election, and now the next generation has to deal with the consequences. In this magazine, philosopher Dieter Thomä explains this almost wanton failure to think of the future in terms of a contemporary malaise: people's obsession with the present.

This has consequences for the Swiss economy. With private consumption and private and public investment declining, Switzerland's trade with the EU is likely to contract for some time. This makes it all the more important to focus on emerging growth markets. In the years to come these markets will overtake Western countries in the global economic rankings. In terms of market exchange rates, the gross domestic product of the emerging E7 nations – China, India, Brazil, Russia, Mexico, Indonesia and Turkey – will surpass G7 GDP by 2032. Demographic developments alone will be enough to ensure powerful, sustained growth in these markets.

The changing global economic landscape represents an opportunity for Switzerland – provided, that is, that Swiss exporters manage to address the needs of these markets and a political framework is created to do business with these countries on a sustainable basis. Switzerland, and with it the Swiss economy, has every reason to look to the future with confidence. After all, so far we have repeatedly demonstrated our ability to lead the way into a future based on values. In this edition of ceo magazine you'll find a number of examples of this.

I hope you enjoy reading it!

Markus R. Neuhaus

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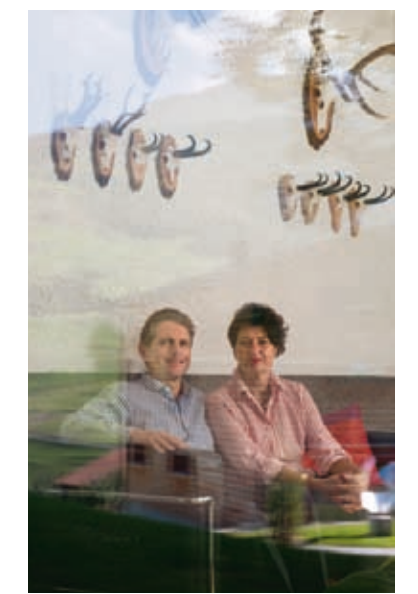
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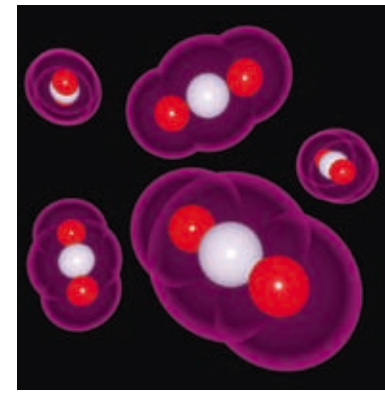
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Peter Weibel:

“The word ‘hunger’ in Switzerland – we had not expected that”

When I retired at 60, I was able to fulfil another of my professional goals. I am now able to spend half my time contributing my experience in a demanding commercial environment, and devote the other half to institutions that deal with education, culture and social issues. My parents were not well off. I first worked on a building site and then as an accountant to finance my degree. Back then, I used to count the hours until I could leave work. Today, I never look at the clock when I'm doing my volunteer work. The hours fly by; I enjoy giving. My work at the Pestalozzi Foundation is aimed primarily at improving equal opportunities. Some people find it easier to realise a career dream than others. Young people from the remote regions of our country in particular are at a disadvantage in some aspects. The long route to the next school or university, the high cost of living in our towns and cities, the difficult commute between education and home when it is all hands to the pump, for instance during the harvest. The Pestalozzi Foundation helps these young people to achieve their educational goals in a non-bureaucratic and often unconventional manner. Sometimes a scholarship is required; sometimes a good idea is all it takes. We recently financed a motorbike for a young man, thus solving his mobility problem.

We are in the process of realigning the Pestalozzi Foundation. In addition to basic and further training, we will also be addressing assistance at an early age in future. We are assisted in this work by persons of trust in the regions. Around 60 teachers, career advisors and social workers are available to the scholarship holders if they have any enquiries and requests, and they accompany them until they reach their training goals. At the same time, with the project “Pestalozzi in a Box”, an idea, incidentally, that was developed at PwC, we want to promote contact between the employees of major Swiss companies and people in the mountain regions. And of course we do want to generate donations to be able to help even more young people. For me, the principle of solidarity and cohesion is a Swiss one in the best sense of the word. It is not about giving handouts. It is about tackling and solving problems together. This includes making time for other people and listening to them. An exchange of ideas must take place between the generations, between givers and takers.

I consider this direct communication to be more effective than a blanket distribution of tax monies across the board. Our scholarship holders have to reapply every year in writing. This includes reporting on the progress of their training and informing us of whether they have reached the goals set. This dialogue is important and appropriate. The young people learn to assess themselves and to assess their performance. Sometimes, this report throws up a surprise. A large loaf of cheese once stood on our meeting table. We then kicked off the meeting with a traditional cheese tasting. Thanks to my activity at the Pestalozzi Foundation, I gain an insight into a Switzerland that would not have been accessible to me as a member of the board of directors at a major bank. Recently, a young woman told us that without the scholarship from the Pestalozzi Foundation, she would have had to go to bed hungry. The foundation board was shocked by this statement. The word ‘hunger’ in Switzerland – we had not expected that. It shows, however, that there is quite a bit to be done on our own doorstep. Personally, I have been able to more than reach the training and occupational goals that I set myself. This experience fills me with gratitude. Looking back, I realise how important it is to have a job that you like doing. I would like all young people today to have the same experience that I did. Helping them to achieve this is an important concern of mine. Everyone must be given the opportunity to learn the profession that they want to. If we succeed in achieving that, it would be a great return on our investment.

Dr Peter F. Weibel is a member of the board of directors of Credit Suisse and – in addition to other commitments – president of the Pestalozzi Foundation, an organisation that helps young people from mountainous and peripheral regions of Switzerland to reach their educational goals.

Photo: Cédric Widmer



Sonja Züblin:

“I seem to have a particular talent for time-consuming activities”

People who create top-notch silhouettes need regular training. The way I work is therefore very intensive. I have to cut silhouettes five to six times a week to ensure I keep my dexterity. Every time I come back off holiday, it takes a while until my fine motor skills are in motion again and my fingers obey me quickly and precisely. However, I cannot live from my hands alone. I am a medical practice assistant and have worked for the same GP for almost 30 years. Every day after finishing work, I go into my studio and cut silhouettes for several hours under great concentration. Silhouette trees are my trademark. They are very finely worked and lifelike – the depiction has depth; each tree appears in three-dimensional form to the beholder. All the trees that I portray grow somewhere in the area around me; sometimes I visit them and enjoy their beauty at all times of the year. Silhouette trees are winter trees. Each branch is a filigree cut. This requires patience and ability and, what many people do not know, drawing talent. I portray my trees in nature; in most cases I also photograph them so that I can continue my work at home when the weather is bad. I need many hours for one detailed drawing alone. When I attended an amateur silhouette cutting course out of curiosity almost 30 years ago, I soon noticed that I had talent. Since then, my enthusiasm for silhouette cutting has continued unabated. It makes me happy that I can use my special gift and my artistic potential to the full. Composing and executing large and complex silhouettes requires certain character traits: patience, purposefulness, precision, love of detail and probably also a touch of courage. Because if something goes wrong, countless hours of work are lost. Once, parts of a tree became stuck together when I applied it to the base paper. It took me a while to get over that. My work – my trees above all, of course – can be seen at many exhibitions. I notice that they impress people, not least because the trees are frequently mentioned and depicted in newspaper articles. This is undoubtedly down to the fact that trees have always been loved

as symbols of strength and constancy. Perhaps another factor is that I have continued the old tradition of silhouette cutting with my tree portraits and thus also reach urban-oriented people. I have found a new form of expression and at the same time developed my own style, although I also like to cut traditional motifs such as animals, farmhouses and mountain landscapes. I do indeed have a soft spot for the ideal world. However, my trees are the most time-consuming – I spend 300 hours and more cutting the large-format designs. If this investment were calculated at the hourly rates of managers, I could live very well from my art. But that is unfortunately not the case. All the same, I have a good job and I can afford to do and live as I please. I don't have to sell my trees. That is a wonderful feeling, for sometimes I have difficulty parting with a piece of my work. I seem to have a particular talent for time-consuming activities. To train my three-dimensional creativity – and because I enjoy it! – I cut cat sculptures from soapstone. And I look after twelve bee colonies. Two thousand and eleven was a good year, with up to 30 kilos of honey per colony. Nevertheless, even under such ideal conditions, the return is only slightly higher than the investment. I don't mind about that as long as I enjoy the work. I am a contented person.

Sonja Züblin is one of the most renowned silhouette artists in Switzerland. Her astonishingly lifelike large-scale tree portraits involve more than 300 hours of work.
www.schnitt-art.ch

Photo: Markus Bertschi



Viktor Röthlin: “Talent is the basic requirement; the rest is work”

In my profession, investment and return can be measured very precisely. The investment can be exactly quantified based on the training hours that you have completed for your next marathon run. The return is defined in terms of times, successes, fan mail, sponsor contracts and so forth.

I have been my own trainer since 2001 and thus carry the full responsibility. I run approximately 30 kilometres a day, spread over two training units. Every now and then, I run with training partners or with a companion on a bike. The profession “marathon runner” demands a seven-day week; I also train on Sundays. Just two top-class marathon runs are possible a year. That is why marathon running is often called a sport with 99 per cent training and 1 per cent competition. After a marathon run, I treat my body to three weeks without any running; you could say these are my holidays.

When I announced to my parents at the age of ten that I wanted to be a runner, they had little understanding for my decision. They believed that “those able to train in the evening have not worked hard enough during the day”, which is why I first had to learn a “proper” job. I chose a professional apprenticeship as an electrical draughtsman and subsequently also completed training as a physiotherapist. But I really always wanted to be a runner because running is my passion. At my company, VIKMOTION, I can now combine my two professions of physiotherapist and marathon runner and thus promote the importance of exercise to the general public. My partner, Thomas Mullis, and I offer companies, individuals and organisations products in the exercise and health promotion sector.

When I was young, in the group of my trainer, Robert Haas, we were five lads from the same year. That I am the only one to have made it to the Olympic Games is down to my perseverance: talent is the basic requirement; the rest is work.

Does the investment pay off? The return from my work is measured in money, rankings, medals, public appreciation and priceless emotions. When I ran into the Olympic Stadium at the Olympic Games in Beijing 2008 in front of 150,000 spectators, it was an indescribable feeling. A feeling that you could never buy with money. And when a young lad says to me: “I would like to be like you,” it makes me

happy. Then I know that I have done a lot of things right in my life. In the past, my sponsor contracts were largely performance based; today, the proportion of fixed contracts has risen markedly. As a result of the long-standing collaboration, a great basis of trust towards my partners has been developed. They know that I always give my all and that they do not have to motivate me more with bonuses. After my sixth place at the Olympic marathon in Beijing, I was a sought-after man at the major marathons in Europe, America and Japan. By way of contrast, in Switzerland the tone was more “not bad, but unfortunately no medal”. My European Championships title from last year in Barcelona was then praised to the skies, although it was worth less as a sporting achievement. It is not always possible for athletes to personally understand that. Yet it is important that they never identify themselves with their image in the media.

In the Olympic year 2008, I won the Tokyo marathon. With that achievement, I would have been set up for life if I was Japanese. As a Swiss national, I will have to continue to work after my active career as a sportsman. I have not become rich as a runner. But I have a financial cushion in order to be able to develop my company, VIKMOTION, at my own pace.

For the next few months, however, my life is oriented entirely to 12 August 2012. That is the day when the 2012 Olympic marathon will be held in London. I hope that I will be able to experience one of those races again that, when you cross the finishing line, you know that you have simply done everything right. Two hours full of fervour and passion and a big smile on your face at the finish! It is pretty certain that this will then have been one of my last great adventures as a runner.

Viktor Röthlin, 37, is the most successful Swiss marathon runner of all time. He is aiming to make the 2012 Olympic Games in London next August the crowning moment of his career. With his company, VIKMOTION, he is active in promoting exercise and health.

Photo: Helmut Wachter



Dossier: Taking values into the future

“The world is constantly changing, which means your work is never finished,” says entrepreneur Andreas Jacobs (interview p. 16). We are all subject to the process of change, which currently is causing a dramatic shift in the economic, social and environmental landscape. Now is the time to carefully assess developments and to react appropriately. Leaders from across Switzerland share their strategies for dealing with change and for taking values forward into the future.

Texts: Corinne Amacher, René Bortolani,
Iris Kuhn-Spogat, Bernhard Raos,
Franziska Zydek

Photos: Roth und Schmid



The exhibit “Universe of Particles” in CERN deals with the past and future of the universe. It also attempts to answer the questions: Where did we come from? Where are we going?

“The risks are the future!”

The philosopher Dieter Thomä believes that society is suffering from a disease that is typical of our times. He calls it an obsession with the present: acting today without thinking of the consequences for tomorrow.

You are a philosopher. One of the topics you are researching is an illness of civilisation that you say is widespread and yet still largely unexplored. You call this illness an obsession with the present. What do you mean by that?

An obsession with the present is not about personal moments of happiness and positive fulfilment in the present, but rather a form of malicious and wilful disregard for the future. People are fixated on the present and want nothing to do with the future.

What are the symptoms of an obsession with the present?

I differentiate between three phenomena that reinforce each other and make the obsession with the present a significant and dramatic sign of our times. These are firstly, a frenzy of comparison, secondly, an obsession with the synchronous, and thirdly, a fascination with material wealth.

Can you explain that in more detail? Let us start with the first phenomenon...

The frenzy of comparison says: “I am not interested where I am going but whether I am going there faster than the others.” You do not look ahead; you look to the side. What are others doing? Am I one step ahead of them? The frenzy of comparison has worsened since media networking has given us the means to know what is happening in the world and in business at all times.

Does this frenzy lead to an obsession with the synchronous?

They often occur together. We are so busy finding out what others are doing that we no longer have any time for anything else apart from adjusting our lives to keep pace with others. The new social media that enable users to exchange information with one another play an important role here. Many of the users are no longer left to their own initiative for a single moment; they always want to know what other users are doing. They, too, do not look forward; they look to the side.

And lastly the fascination with material wealth.

This third symptom of the obsession with the present is not only to be found in an individual’s lifestyle; it has now also acquired political dimensions. For decades, societies and nation states have been taking decisions in the present which could have dramatic consequences for the future. These consequences are either not taken into consideration or played down. This applies to our handling of the topic of energy regeneration, and nuclear power in particular, and the handling of state expenditure. It is also symptomatic of the social security systems, demographic development and the financial sector.

Are you talking about potential risks?

The risks are the future! And the way in which they are played down or distorted in such a way that they become almost unrecognisable is down to an obsession with the present. People want courses of action and scope for manoeuvre here and now – and everything that prevents this is pushed into the future and thus made invisible.

Is this a global phenomenon?

The obsession with the present has a lot to do with life in the Western world. But as our lifestyle has become globalised, these symptoms have started to occur worldwide.

Are men and women equally prone to it?

The differentiation between men and women made by Adam Smith, the Scottish philosopher and founder of classical political economy, is probably correct. He said that traits such as generosity and self-interest are typically male traits. He described the virtues of women as being humanity and tenderness. According to Smith, men are more likely to measure themselves by others and to compare themselves with others. But this could change as the roles of women and men converge further.

Is an obsession with the present not the same as egoism?

If we examine the frenzy of comparison and the obsession with the synchronous, the unbelievable dependence on the ideas of others is particularly noticeable. Egoism is a different kind of phenomenon.

Is there a link between the obsession with the present and the current financial crisis?

The link is a compelling one! By that I mean the way in which an action, with the aid of a computer, triggers countless parallel activities all over the planet, without anybody considering for one second what consequences this could have for the future.

Is this phenomenon more pronounced in certain industries than in others?

It is interesting that the behavioural patterns of an obsession with the present exist particularly in politics and the financial industry. Politicians, with an eye on the next election, develop rosy scenarios that will never materialise. Financiers appear to be particularly adept at pushing everything associated with responsibility and risks, and with obligations towards customers and colleagues, as far away as possible. The banks, those former bastions of foresightedness, are now full of proponents of short-term thinking again.

You say that social networks encourage a frenzy of comparison; however, they can also bring people together for a major societal goal, for instance the overthrow of dictators.

When you have a goal, you need allies, and they are easier to find nowadays than in the past thanks to social networks. Goals and dreams always have something to do with the future.

Do you believe that many people in the Western world do not have any goals or dreams and therefore only live in the here and now?

The younger generations are children of an age which will probably go down as the most prosperous time in the history of humankind. Prosperity deludes people into believing that everything is really great. We are well off so let’s leave everything as it is. It is then of course difficult to have a dream.

But there is still also a fear of the future.

In my opinion, there are two types of fear with regard to the future. The first type is the fear of what we have and could lose. The second type is the fear of what could happen – an earthquake, a plane crash, a nuclear power plant disaster and so forth. The latter has to do with the unknown – we cannot protect ourselves against it. However, I believe fear of personal loss is counterproductive – we should dispense with that.

How?

You could say the present now is not all that great. Soaring state debt over the last 30 years has not been ideal. That is just one of many examples.

What do you anticipate the future will bring you personally?

As a philosopher, I do not make any predictions. It is therefore not important whether I look to the future with optimism or pessimism; that only reflects my state of mind. But to give you an answer, I am a positive person and therefore an incorrigible optimist. —



Dr Dieter Thomä is a professor at the University of St Gallen. The 52-year-old philosopher’s main areas of research are social philosophy, ethics, cultural philosophy and political philosophy. In 2008, his book “Väter. Eine moderne Heldengeschichte” (Fathers. A modern heroic tale) was published by Carl Hanser Verlag.

“The world is constantly changing, which means your work is never finished”

The Jacobs family holding company has significant shareholdings in the Barry Callebaut chocolate group and the Adecco recruitment group. Andreas Jacobs, the company’s president, talks about social values and passion, indecent salary levels and credible role models.

What are you proud of as an entrepreneur?

That, as the representative of our family, I have successfully guided the company up to now into the next generation. And I am proud that we have grown in the time I have been at the helm.

In your family there is the guiding principle of “going the extra mile”.

“Going the extra mile” means exceeding the norm. We passionately try to embody this maxim – towards our children and as a way of motivating our employees.

What does that mean specifically?

We have a very lean organisation at our head office. We spend 80 per cent of our time locally in the companies, where we develop a feel for the people in their environment and discover how management deals with the workforce. We work on our corporate culture

in a decentralised manner. And we regularly discuss with our customers whether they are happy with our service. In strategy issues, I also swap experience and information with people outside of our companies. These include experienced owners of family-run companies, whose advice I benefit from “out of the box”, so to speak.

Your Jacobs holding company has posted an increase in value of CHF 299 million for the last financial year. This certainly helps when talking about values.

The CHF 299 million corresponds to the higher value of our shareholdings listed on the stock exchange in the last financial year. Generating profits is very important. Only then can we reinvest for the long term.

Were prices very volatile again in 2011?

It is not pleasant when prices fall. From an objective point of view, some fluctuations are not justified. But we have the advantage that the two companies in our portfolio have different profiles. Adecco reacts very sensitively to economic cycles, whereas Barry Callebaut remains relatively stable. The consumption of chocolate does not fluctuate that much, even in an economic downturn.



“Purely speculative trading should be restricted or prohibited”

“We see ourselves as a company of entrepreneurs”

Andreas Jacobs studied law, followed by an MBA at INSEAD in Fontainebleau, France. He then worked for the management consulting company Boston Consulting Group before setting up on his own. Today, he presides over the Jacobs family holding company and is president of the board of directors at Barry Callebaut and a member of the board of directors at Adecco. The 47-year-old has four children and lives in Hamburg.

Do you set a limit with regard to profit maximisation?

Yes. We pursue long-term goals and make investments that, although they cause greater costs in the short term, bring higher profits in the long term. We do not watch the daily share prices. It is undoubtedly a luxury that we can think like this and do not have to watch developments with trepidation every quarter.

When companies worth billions talk about values, many people today think of astronomical management wages rather than honourable motives. How do you see it?

A lot has gotten out of hand. Remuneration systems were created, primarily in the financial industry, based on short-term profit only. That was bad. But there are still companies with a high degree of social commitment towards the workforce and the environment. In most cases, they are private entrepreneurs, such as Michael Otto in Germany or Michael Hilti and Beat Curti in Switzerland, who think more long term. Many companies do not pay huge salaries, but there is little about that in the media.

What do you consider to be an indecent salary for a company executive?

An eight-digit salary is excessive and unnecessary.

Can you sleep at night when you think of your own income?

Absolutely, and the figures can be found in the annual report. At Adecco, it was some CHF 450,000 last year and at Barry Callebaut a good CHF 500,000.

You once said power and money alone do not make people happy...

Money definitely helps us to buy nice things and makes our life easier. But what makes us happy is making other people happy. I am happy when I manage to achieve that in my family and among my employees.

What do you need to manage a company successfully into the future – efficiency and cost leadership or passion and social values?

From our perspective, primarily social values are required. We trust in our employees; they are the centre of value creation. Only in this way can we have long-term success.

Today, every company says that its workforce is its most important capital.

We embody this principle! My father introduced the Chairman's Award years ago. With it, we pay tribute to employees who are active not only in their company but also in society – be it as support persons for their colleagues, as carers for old people or disabled children in their free time, or as volunteers in rebuilding Haiti. Winners of the Chairman's Award are invited to Switzerland for a week to receive the award in person at a special ceremony. We want to honour role models and show that it is worthwhile demonstrating personal commitment.

You also encourage your employees to be active and help shape the company. How do you achieve that?

We see ourselves as a company of entrepreneurs. It is not enough to simply hang it on the wall as a decree in the hope that it will work. At our company, the second and third levels of hierarchy also have budget responsibility or direct responsibility for a key performance indicator. We consistently live by this culture and also demand it in our annual feedback discussions. We do not have any matrix structure where people can hide behind others. We require individual responsibility, and responsibility leads to co-determination.

The raw materials for your chocolate production come from countries with sensitive political, social and ecological conditions. How do you ensure your values are adopted there?

Cocoa is grown in countries with difficult conditions. We have a code of conduct that is part of our employment contracts and also applies in the developing countries. When, at the beginning of 2011, the European Union imposed sanctions on Ivory Coast due to the political unrest there, it hit us hard.

But we continued to employ our people and to process the cocoa beans that we already had in stock, and we bought the beans from the farmers for as long as possible. Otherwise, they would not have had an income. Although our warehouses were then full to bursting, and this meant commercial losses, we demonstrated our social responsibility.

Cocoa farms are accused of using child labour...

We cannot shut our eyes to it, and we are cooperating on all levels to bring about improvements! We purchase directly from farmers' cooperatives with whom we define the rules such as a ban on child labour. We have built schools to bring the children in from the fields, and we are continually improving the training of the farmers. Those who produce better beans generate higher revenues and escape poverty. This, too, helps to combat child labour.

Today, commodity prices are often driven by speculation, which can aggravate the poverty of poor countries and also affect the buyers. Does that affect you?

Traders use this system without thinking about its harmful effect on others. That is wrong. In this case, I am in favour of regulatory intervention by the legislature. Purely speculative trading should be restricted or prohibited. So that farmers are less exposed to price fluctuations, some of which are huge, and companies as buyers have a more stable business model.

You are committed to a change in values for companies. Does that also apply in difficult times?

The world is constantly changing, which means our work is never finished. In times of recession, we also have to reduce costs and lay off staff. In phases like that, a company has to adapt to the situation but must never forget its values.

In contrast to your father, who still acted very much as the patriarch of the company, you are seen as team oriented...

After the war, my father developed the business as a sole proprietor and was successful



In Ivory Coast and Ghana, Barry Callebaut establishes schools in cocoa-producing areas: “We have built schools to bring the children in from the fields, and we are continually improving the training of the farmers.”

with it. Today, the world is more complex, and one person alone cannot deal with everything. It is more advisable to work in teams and delegate responsibility. For me, management is only good when I can go out the door and the company continues to function.

Your family foundation invests hundreds of millions of francs in educational establishments and training programmes.

Why do you do that?

My father set up the foundation out of gratitude that he had six healthy children. Our family is fully behind the foundation. My older brother manages it, and one sister is on the board of trustees. Ultimately, it is about giving young people all over the world an opportunity.

A personal question to finish: You are a self-confessed chocolate eater. But you wouldn't think so to look at you.

I am a disciplined eater and never eat a whole bar in one go. But I cannot do without my daily dose of chocolate. —

The Jacobs family holding company

Together with family members, the Jacobs company holds 67.8 per cent and thus the majority of the capital in the chocolate group Barry Callebaut. It is the main shareholder in the recruitment group Adecco, with an 18.97 per cent stake. The sports marketing company Infront was recently sold to the finance company Bridgepoint. The charitable family foundation, endowed with more than CHF 3 billion, is managed by Christian Jacobs.



Hard business, soft factors

Künzli shoes have always been manufactured in Windisch, in the canton of Aargau. And they have always had five stripes. The owner, Barbara Artmann, is committed to preserving tradition – but does a lot of new things too.



The values that had to be taken into the future were a long tradition, plenty of know-how and a strong brand.

A
flagship
store in Zurich
West

Barbara Artmann was born in Munich and has been the owner and managing director of the shoe manufacturer Künzli in Windisch since the end of 2004. She studied business administration and psychology and then had a career in marketing at Procter & Gamble, in the publishing industry and as a consultant at McKinsey. She came to Switzerland in 1996, working first at Zurich Financial Services and then at UBS. Her next challenge was to manage her own company. In January 2010, Artmann (50) received the 2009 Swiss Award in the Business category.

Sometimes it is absolutely fine for shoes to fly through the air. For instance, during this year's company outing at Künzli, which took employees to Engelberg on a day in late summer, when shoe boccia was on the agenda. The target shoe was a classic red shoe; the other models had to be placed as close as possible to it. The winner received a big Toblerone; everyone else got a small one. On the trip by scooter into the valley, Barbara Artmann looked at her 30 Künzli employees and said: "I am sooo proud of you!" The owner and managing director of the shoe manufacturer Künzli knows the value of such activities. For the employees, they mean fun and variety. For the CEO, the value also lies in promoting cohesion in a diverse team, from the young product manager to the long-time shoemaker. It also offers the opportunity to "give something back to the employees". The event is always held on a workday and finishes at 5 p.m. When Artmann took over the shoe manufacturer in 2004, the company was 77 years old and slightly old-fashioned. Company operations were slowed by routine, and the working atmosphere was characterised by a two-class mindset between the office and factory. As a graduate psychologist and business administrator, she realised that there was untapped know-how between last and leather that had developed over generations and offered a basis on which to build. She waited around a year and then invited all employees to call each other by their first names. "Today, everyone knows about the important issues for the company and is also consulted when major decisions have to be taken," says Artmann. She does not, however, publish any key figures externally. It was not possible to retain the entire workforce at the beginning. But at Windisch, in the canton of Aargau, everyone was ultimately pleased that the company was able to

survive at all. The strong woman at the helm of Künzli opted for a clear niche and quality strategy. She retained the production site and thus the label "Swiss made" out of conviction. At a time when most shoe manufacturers are relocating their production to Asia, the factory in Windisch seems like a relic from a bygone age. In a building with well-trodden linoleum flooring and yellowed walls, shoes of outstanding quality are produced with a high degree of craftsmanship and worn by the trend-conscious in towns and cities. "The challenge was to find a niche and make the product of such high quality that it can be fabricated in Switzerland," says Artmann. It took two years before she had proof that the concept worked.

Combining tradition with contemporary flair

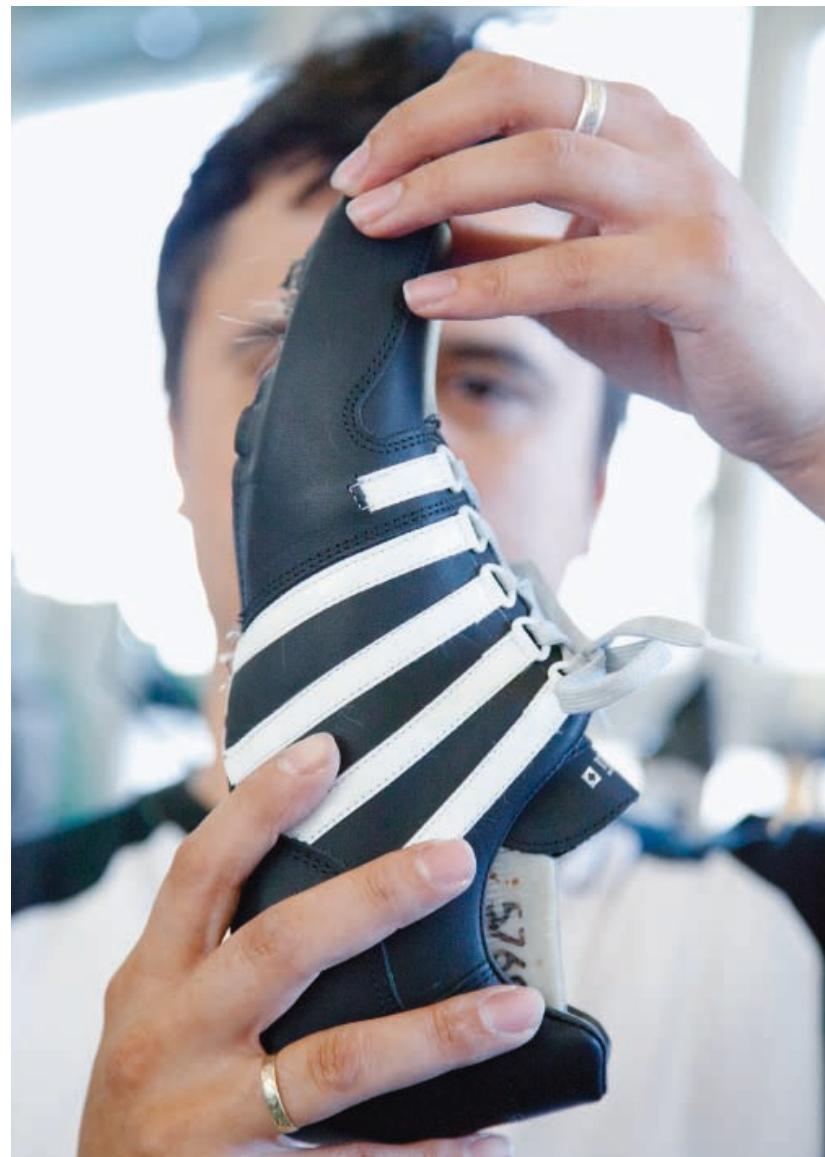
The values that had to be taken into the future were a long tradition, plenty of know-how and a strong brand. Brand ambassadors, the messiahs of modern marketing, were used by Künzli as early as 1934. Back then, the legendary ice hockey player Bibi Torriani lauded Künzli as the best ice skating shoe in the world. Today, the Swiss wrestler Kilian Wenger is the brand's ambassador. The fact that Wenger was wooed by industry giants such as Adidas did not prevent Artmann from contacting him. She wrote to him, saying that Künzli would be pleased to provide him with shoes and would even develop a shoe specifically for him, but that they would not



Shoes of outstanding quality are produced with a high degree of craftsmanship. Only Swiss and European cowhide, buffalo and calf leather are processed.



There is growing demand particularly among the urban clientele for the sneaker line, which comes out with two brightly coloured collections per year. This division is growing more strongly than the therapy shoe division.



But there have also been serious setbacks. The export business of the sneakers to Germany has had to be discontinued.

be able to pay him anything for wearing it. It was Künzli that the king of Swiss wrestling selected for his competitions. The sport, with its rapidly increasing popularity, epitomises more than any other the amalgamation of tradition and contemporary spirit – a combination that Artmann considers a decisive match for her company. Each shoe bears the patented lacing with the five stripes, irrespective of whether it is a therapy shoe or a trendy sneaker. Since the 1980s, the company has primarily been associated with health shoes. Artmann considers this to be a good and important pillar of business and persuades insurers and physicians that, depending on the injury, wearing a therapy shoe is considerably more cost-effective than a plaster cast. But she does not want Künzli to be visible uniquely to the medical sector – which is why she has helped the sports shoe, which started everything in 1927 and helped the company prosper until the 1970s, to make a comeback in a new fashionable version.

There is growing demand particularly among the urban clientele for the sneaker line, with its two brightly coloured collections per year. This division is growing more strongly than the therapy shoe. In light of the price situation – a pair costs CHF 300 or more – quality is paramount. At Künzli, “the leather is the crown jewel of the shoes.” Only Swiss and European cowhide, buffalo and calf leather are processed. The CEO also has a fundamental influence on the design of the collections in the choice of colour and pattern. She sees potential especially among women. The initial lines included ballet flats and models with fur trim; the range is to be extended. “Men have grown up with Künzli in Switzerland. But there are many women who do not even know that we produce feminine

shoes,” says Artmann. After all, this customer segment spends considerably more on shoes than men. New customers are to be acquired, among others, in the trendy Viadukt area of Zurich West, where Künzli opened a flagship store last spring. The label is also present at around 40 resellers in Switzerland.

Export business discontinued

But there have also been serious setbacks. The export business of the sneakers to Germany had to be discontinued since a sales ban was imposed on Künzli for the fashion line as a result of a decision by a court of the first instance in Germany. The American company K-Swiss, which developed out of the exports to the USA, is disputing Künzli’s brand rights in the most important export market. In the spring of 2011, Künzli failed in the first instance against K-Swiss and had to withdraw all sneakers from sale precisely at a time when the label was starting to establish itself. Artmann has hired a new lawyer to appeal against this decision. It will probably take until next year until a legally binding decision is reached. Since exports have not been possible to Germany, Künzli has been fully dependent on its domestic market in the fashion sector.

The further development of the company does not, however, depend only on the outcome of the legal proceedings. The export of the medical line is unaffected and is constantly growing. Since she joined the company seven years ago, production has doubled, Artmann says, without giving any figures, and in the long term she is aiming for it to double again. Sometimes, she takes a few minutes out to smoke a cigarette and let her thoughts wander. She imagines a modern and airy factory hall, with production arranged in a circular form, where she manufactures shoes with her Künzli employees. The new company would also be located in or near Windisch – according to Artmann, just “a few hundred yards further down the road”. —

The king of Swiss wrestling selected Künzli

Künzli Swiss Schuh AG, established in 1927 in Windisch, has two pillars of business: orthopaedic shoes for use after a torn ligament or broken ankle, for example, account for two thirds of sales. The rest is generated by the line of modern sneakers which has developed out of the traditional production of sports shoes. The company employs around 30 staff. No sales figures are published.

“Today a billion is hardly worth mentioning”

The Swiss stock exchange and infrastructure operator SIX Group benefits from high volumes of trade. CEO Urs Rügsegger talks about the substantial changes to the concept of value, high-speed trading, declining trust in the financial system and the future prospects of a company that is feeling pressure on its profit margins.

Dr Urs Rügsegger has been CEO of SIX Group since 2008. Prior to that, he spent 14 years at the Cantonal Bank of St Gallen, including 7 years as chairman of the management board. Rügsegger graduated in business economics at the University of St Gallen, where he also received his PhD. He is 48, married and has one daughter.

When investors start to panic, the volume of trade increases. Is the SIX Group among those who have profited from the most recent financial crisis?

In the short term we do benefit from turbulence in the markets because we get more income from transactions. But in the medium and long term we also make a living from portfolios – if the markets drop by 15 to 20 per cent, our portfolio commissions are also reduced. On the whole, our accounts are slightly positive.

Volatile markets can wipe out book values equating to billions. Does this affect you personally?

It affects me personally in my capacity as an investor. Our company does profit, as I said, but the turbulence is also an expression of dwindling trust in the financial systems and, to an extent, those involved in it. It is worrying that a substantial pillar of our economy

is fighting such a loss of trust, which isn't a good base to start from.

How can trust be built up again?

One essential issue is the huge debt of many countries. Politicians must succeed in moving away from this debt economy, and be seen to do so. Otherwise, the uncertainties in the financial market will continue and have an even worse effect.

If the state governments economise, consumption will return and there will be less trade on the stock exchanges. Wouldn't that be a bad thing for SIX Group?

That view is correct for the short term, but in the longer term the financial system will not be stabilised until the debt economy has been rectified. An expansive monetary policy

“We would like to expand more rapidly abroad, but there are some countries that protect their particular interests”

is no solution, either – there is not enough trust in the markets for states to escape from their dilemma in that way. We are still facing turbulent times.

Providers like SIX Group have systems in place which move billions around in microseconds. Has this changed your concept of values?

The shortening of trading times is a logical extension of technical innovation, which is, of course, a driver for change in all industrial sectors. It is not the speed but the sheer size. The financial crisis has substantially changed the perception of value – of what has worth. A million used to be a large amount, but nowadays single-figure billions are hardly worth mentioning. This has led to a complete imbalance, which troubles me.

Your company provides the “race courses” where dealers speed away full tilt while driving the Swiss franc exchange rate sky-high. How does it feel to have such an incendiary role?

Among other things, the exchange rate represents an assessment of the markets, and how trustworthy and stable the countries in question are considered to be. Currencies are not handled via our platforms, nor do we have any influence on the level of quotations. However, something I consider to be more problematic is trading activity that has distanced itself from actual values, such as when those involved in the markets seek only to use price differences to generate short-term gains. They are not interested in buying the products at all. There is nothing wrong with this in itself, provided the rules of the markets are complied with. If these rules are no longer respected, the gaps are closed by regulation, although we should hesitate before imposing such rules, as regulation itself can soon cause greater damage than benefits.

Can the turbo-charged rate of trading in the stock markets be brought under control at all?

Experience to date has shown that it is possible. The same rules apply to so-called high-

frequency trading as to trading in general. SIX Group is one of the best providers in the world in terms of security, stability and control of the market. Even in the turbulent summer months we did not experience an interruption to the system – a claim not all our competitors can make.

SIX Group is a company that is systemically relevant for the financial market, and as such has to have very high expectations of the conduct of its own employees.

This is a major challenge, and one we take very seriously. We have established an appropriate code of compliance and have an effective training and monitoring system in place. On top of this, integrity is a cornerstone of every employee’s self-image, with responsibility at its core. I don’t know of any case where an employee disregarded relevant requirements or acted in breach of our rules of conduct.

Many speculative derivatives, and even shares, are traded over the counter. Does this put the financial system at risk?

A substantial proportion of business is now over the counter, which makes it all the more important that these markets be secure and stable in the way they operate. Over-the-counter trading is hardly regulated; prices are established bilaterally. With regard to liquidity and counterparty risk, we believe that over-the-counter trade is associated with substantial risks. In the case of bankruptcy there could even be a threat of total loss. We had to make this clear during the financial crisis of 2008. Some of this risk is now addressed in the planned new regulations.

Only some?

In the interests of security and stability, the over-the-counter market needs better regulation, both of trading itself and in connection with settlement and default risks (clearing). At present there is an imbalance between the standards at the regulated stock exchanges and the over-the-counter trade, which is practically unregulated. This could soon turn dangerous; the market is drifting increasingly towards the unregulated sphere. The first steps have been introduced by the regulators. But seen against a background of the grave

consequences of the financial crisis two-and-a-half years ago, the results to date are disappointing.

The financial crisis has flared up again – will this have a cleansing effect here?

I’m sceptical. The state governments are now discussing other issues such as debt, its acceptability and protection measures. In Switzerland we are on the right track, for example with the “too big to fail” discussion. On the other hand, we have not come so far internationally in many other areas as we would have imagined – for instance, the progress of interoperability is very slow moving. This includes access to the free markets by infrastructure providers for clearing services. We would like to expand more rapidly abroad, but there are some countries that protect their particular interests, where we recognise a clear need for political action.

But in principle, new rules will have the effect of generating growth for SIX Group?

Yes and no. There are areas where we will benefit. Access to the clearing system means we will be connected, for instance, to the financial centre of London, where we can build up new business. The planned withholding tax for untaxed assets in Switzerland will also open up new areas of business for us. But because alternative trading platforms have also arisen, in the last three years we have lost around 20 per cent market share. At the end of the day, the negative effects of regulation have been greater than the business opportunities it generated.

Prices and yields are under pressure in your business. At the same time, banks which own SIX Group are competing with you in your own areas of business. A paradoxical situation.

It’s something we have to live with. The days of quasi monopolies are over for infrastructure providers. Our claims must be based on the fact that we satisfy our customers’ needs even better. It’s a challenge, but it helps us to become better.

Will SIX Group have to look for a strong partner in order to survive long-term?

We are in a good position, we have a robust business model and there is no direct need for action. We want to maintain the home financial centre with its independent infrastructure. But the margins are under pressure, and economies of scale are becoming more important. We must therefore reduce costs and become more efficient, whether by our own efforts or by cooperation with others, and we examine all the options that are compatible with our performance mandate. We want to expand abroad, in particular in the trade in credit, debit and prepaid cards as well as post-trading.

SIX Group is therefore facing some major challenges?

Pressure is coming from one side in the form of costs, from the other in the form of the difficult economic and regulatory environment – what will the regulations be, how will they be implemented and how will we be affected? This is the tense situation in which we operate. In the past we have been at the absolute forefront when it comes to system stability, and now we have to do the same for customer orientation. This is an area in which we still have room for improvement.

You yourself are no stranger to a challenge, having moved from being the head of a cantonal bank into much stormier waters. Why?

It does every business good to have a change at the top from time to time. There comes a time when the boss is no longer prepared to correct his own mistakes. I moved on before it reached that stage.

What are your personal wishes for the next few years?

I want to see the large investments of the last few years paying off – also on a personal level. And we in Switzerland should appreciate the good situation in which the country and its financial centre find themselves. We should project this to the outside world with self-confidence. Even if the strong Swiss franc is currently putting pressure on us, we remain an attractive location in the medium to long term. —

CHF
1.22
billion operating
income

SIX Group

The stock exchange and infrastructure operator SIX Group arose in 2008 from the merger of three companies, SWX Group, SIS Group and Telekurs Group. It is owned by around 150 banks in Switzerland and abroad. The SIX Group areas of business include securities trading, securities clearing and settlement, financial information and payment transfers. This includes the operation, regulation and monitoring of electronic exchange trading, the calculation of indexes, downstream settlement and custody processes for securities trading, the distribution of reference and market data, and operational processes relating to the issuance and acceptance of credit, debit and prepaid cards. The company also handles the settlement of cashless transactions and electronic bills and interbank payment transactions in Swiss francs and euros. SIX Group is represented in 22 countries outside Switzerland, and has around 3,800 full-time employees. In 2010 it generated an operating income of CHF 1.22 billion.



“Traditional values should be taken seriously”

Elmar Weingarten, executive director of the Tonhalle Society in Zurich, talks about balancing commercial success and his mission not only to preserve music but also develop it further.

You studied economics and sociology and then took a very different career path. How did that come about?

It had a lot to do with luck. After completing my first degree and doctorate, I worked in medical sociology at the University of Berlin. I liked that very much, and I would have loved to further my career there. However, there were only eleven chairs, and all of my colleagues there were a maximum of five years older than I was and were all in good health. One day, a friend of mine introduced me to the head of the Berliner Festspiele arts centre. Three months later, this brave man recruited me for the Festspiele.

You had no idea of classical music?

I loved it even back then! I grew up with classical music; it was my hobby. But naturally I did not have any idea whether that would be enough to create the programme of the

Berliner Festspiele. My first job was to persuade Vladimir Horowitz to perform his first concerts in Germany for 60 years. I then subsequently concluded my very first contract with him. That was an unexpected and spectacular start.

Today, you are the executive director of the Tonhalle Society in Zurich. What are your tasks?

I have the overall responsibility for this institute and manage it together with the managers from our four divisions of finance, communication and marketing, administration and artistic operations – the latter being responsible for planning the concerts.

What determines success or failure?

Good reviews. Here in Zurich, critics have a lot of influence. In stark contrast to Vienna, where they can write what they want; people go to the concert anyway.

“I am less interested in superstars such as Lang Lang”

What is most important to you during your work?

Making the orchestra happy with good conductors and good soloists and an interesting programme. If the orchestra finds its work exciting, it will work well and this will ultimately attract the audience.

That goes hand in hand?

No, it often becomes more of a balancing act – particularly with new music, which the public in Zurich does not show much interest in.

Nevertheless, you regularly include works by modern composers in the programme. Why?

An institution like the Tonhalle Society Zurich not only has the mandate to preserve music, it also has to develop it further. We take new music very seriously and now also have a great deal of experience with it. I see it as my task to regularly introduce special things. For that, too, there is an audience.

A full house on its own is not enough for you?

No. I don't just want to be commercially successful; I also want to achieve something for the music. This season, for example, we have included a violin concerto from the late Romantic period by Samuel Barber. Most people have never heard of him. It is then our job to communicate to the audience in a credible way that Barber will enhance rather than disrupt their concept of music.

How important are big names?

They are crowd pullers. We have close relationships with several major conductors and also with soloists such as Julia Fischer or Radu Lupu and András Schiff. However, I am less interested in superstars such as Lang Lang.

Why?

What Lang Lang can do on the piano is indeed impressive. However, for me, the way he plays has more to do with technique than music. Incidentally, that is also a trend at universities: technically, the young musicians are virtuosos. From a musical perspective, however, they are less informed and there is a lack of general knowledge. And that makes a difference! Music requires more than the knowledge of how something should be

played. Julia Fischer, for instance, is a technically utterly dependable musician who is also very musical. The orchestra plays particularly well for her. This makes me happier than any superstar could.

Stars are also expensive...

That is not the problem! The most expensive artists are always also the cheapest because they ensure the venue is sold out. But I am reluctant to recruit an artist who earns as much in one evening as an orchestra musician does in half a year, or even a whole year. I don't think that is justified.

How big is the commercial pressure?

When we play to full houses, this does not mean that we are also making a profit. After receiving approximately 50 per cent of our budget from the city of Zurich, we have to remain permanently in contact with sponsors, donors or members and convince them that their money is invested well and in a worthwhile manner with us. The cultural offering of a city the size of Zurich is huge. It is about maintaining your position and also being innovative every now and then.

Great importance is attached to the topic of new talent in the orchestra. What about the audience?

We have some interesting initiatives to attract young people to the Tonhalle Orchestra in Zurich. tonhalleLATE, for instance, is a project that works very well. It is a classical concert, followed by a party night with a DJ. Young people also get tickets from us for CHF 20.

Is that sufficient to take the Tonhalle Orchestra Zurich into the future?

It is not enough. But I am delighted at every young person who returns. A group that I deal a lot with is that of the 30- to 40-year-olds. We have to prevent them travelling to Salzburg for a week once a year to spend all of their budget on cultural events in one go. We want to attract these people to our venue!

Apart from Salzburg, who else is your competitor?

The Culture and Congress Centre in Lucerne (KKL). The Lucerne Festival has a strong impact on us in September. A lot of money is spent by the audience there.

Have you got a chance at all against the hip KKL?

If we manage to make the entire building more modern and hospitable with the renovation of the Tonhalle Zurich, I see a great future for us. We have one of the best concert halls in the world in Zurich. Unfortunately, not enough people here know this. Recently, the Berlin Philharmonic was here and really liked it. At the party after the concert, the principal conductor, Sir Simon Rattle, said in his address: “You have one of the best halls in the world,” which made the audience laugh as if this was an over-the-top compliment. That hurt.

The renovation of the Tonhalle has just been postponed again by a year...

Due to objections. The problem is that 70 per cent of our guests are not from the city of Zurich, but only residents of the city of Zurich can vote on the renovation project.

The future appears uncertain. The contract with your renowned principal conductor, David Zinman, also expires in 2014. How will the orchestra continue?

With his successor, whom we still have to find.

Your contract, too, expires in 2014. Looking back, what values would you like to be associated with? What do you stand for?

It is very important to me to convey to young people that a cultivated coexistence is not possible without culture. I am not speaking of dining culture or wellness culture, but of traditional values. They should be taken seriously, for they are the requirement for what Schiller called “aesthetic education”.

What don't you like about current times?

There is not enough reflection at leisure. People do not take the time to examine anything. There is noise and vibration everywhere. I think that is dreadful, and I am sure that it is not good in the long term either. —

“We have one of the best concert halls in the world in Zurich. Unfortunately, not enough people here know this”



Under principal conductor David Zinman the Tonhalle Orchestra has toured to great acclaim, and has recorded many award-winning CDs.

ceo 3/2011

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Holger Greif,
Leader Consulting



Transformation

How to get to the business model of the future

Many companies are asking what their future business model will be like. Does it make more sense to position yourself as a cost leader? Or innovation leader? What changes are we likely to face? Whatever strategy you choose, getting there will usually require a transformation.

If you want to play a lead role in the marketplace, from time to time you have to review your business model and come up with new strategies. This might entail adapting your product range to new customer needs, responding to regulatory changes, penetrating new markets, or making sure your value chain continues to work efficiently. Whatever strategy you choose, implementation always involves a process of transformation. The aim is sustainable change rather than short-term cost savings that evaporate as quickly as they occur. A transformation is the path from

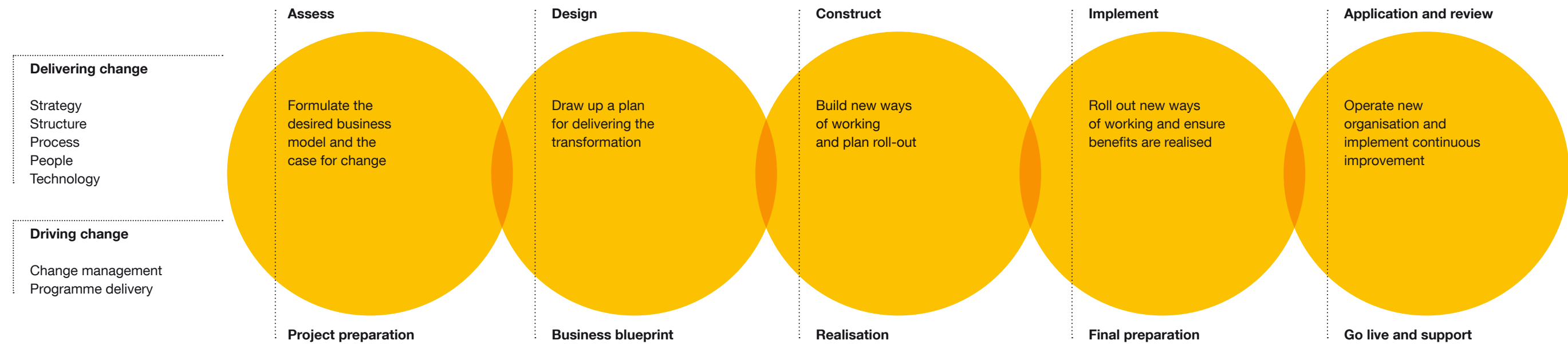
A to B that a company has to follow to make its desired business model a reality. Depending on your strategy and the market in which you operate, it may involve positioning yourself as cost or innovation leader. Or it may require strategic changes in areas like products, markets, customers, processes and infrastructure. Some good examples of this can be found in the financial industry. This is a sector that is heavily dependent on information technology. At many financial services providers, the IT environment has grown organically, and may still have systems and applications that go back 15 years or more. To find its way out of this dilemma, one insurance company opted for a transformation, optimising its IT by outsourcing its data centre and application development operations to an external provider. This is a real-life example of how a transformation can lead to greater effectiveness and innovation, all at lower cost.

Another topical example is Swiss private banking. Major changes in the operating environment have catapulted the sector into a phase of transformation. Its

business model, culture and the mindset of employees are all being put to the test. Many transformation projects will be necessary to bring about the required shifts in market focus, services and internal processes. Innovation can be strengthened by transformation. And conversely, innovation can also be a driver of transformation. This is what we have been seeing over the last few years in industries such as life sciences, with pharmaceutical and biotechnology companies establishing spin-offs to which they shift their research and development. Other companies are acquiring innovative research firms in an effort to make sure they have new drugs in the pipeline. Integrating this type of acquisition is again part of the transformation process.

Shared service centres
Shared services centres (SSCs) are an increasingly important component of internal transformation processes. SSCs bring together the processes involved

PwC's methodology for transformation projects



A transformation breaks down into five phases: assess, design, construct, implement, applicate and review. At all phases the focus is on strategy, structure, process, people and technology. Parallel to the actual delivery of change, the transformation has to be accompanied by change management and programme delivery driving the change.

in specific corporate functions, with resources that were previously spread over various units bundled and centrally managed. The SSC delivers its services to a defined level of quality at an agreed cost. Typical candidates for shared service centres are information technology, human resources and finance. Procurement, real estate management and legal services may also be housed in an SSC. Basically any corporate function involving substantial volumes and repetitive processes can potentially be centralised. Letting specialists take care of these tasks is a good way of boosting

efficiency, achieving economies of scale, and increasing user satisfaction. Standardisation also improves the quality of in-house services. But the functions an organisation chooses to combine and centralise ultimately depend on its strategic orientation and culture.

Cost savings of up to 40%

PwC has developed a transformation methodology, which it also uses in-house. It encompasses five steps. The focus is always on strategy, structure, process, people and technology. It all starts with an assessment: the desired business model is defined, arguments for the transformation are put together, and the case for change is formulated. The second step is to design a master

plan or blueprint. Then comes the construction phase where the various new ways of working are rolled out. The fourth step is implementation, accompanied by review of the benefits. Finally, after some time operating the new business model, the organisation does a review to see whether all the components of the case for change have been put into place and the full benefits are being exploited. The aim of all phases of the transformation is to deliver and drive change (see graphic).

Transformations are demanding. But if delivered professionally

they're well worth the investment. Shared service centres usually result in permanent cost savings of between 20 and 40%. For example, a leading oil company achieved cost savings of 26% for its information systems, 25% for finance and controlling, and a whole 39% for human resources. And a welcome side effect was an improvement in employee satisfaction in the wake of the transformation.

Fix and shift or fix, then shift?

Efforts to standardise processes and concentrate corporate functions have to be carefully coordinated. Another aspect of the transformation is the question of where these SSCs are to be located: inside or outside the organisation, at group headquarters or another office, at home or abroad?

Six principles for transformation

The goals of a transformation are ambitious. The process involves far-reaching projects that put customary ways of doing things and established positions into question. For this reason you shouldn't expect a transformation project to be welcomed by everyone in the organisation. Any transformation has to be thought through carefully and tackled systematically by way of an integrated approach. If you're intending to reorient your business model, you should bear six principles in mind to avoid the pitfalls:

1. Unequivocal management support: the success or failure of major projects hinges on visible support from the top.
2. Ambitious, but achievable goals: once you set goals you have to make sure the project managers work systematically to make them happen.
3. Holistic planning: if you want to be able to deal with the interplay of individual decisions effectively, your transformation has to be thought through carefully from beginning to end and geared to the objectives that you have set. You have to map out the procedure in a programme portfolio and translate it into action step by step.
4. Openness and honesty: those responsible should involve staff early on and be open about the changes involved. They shouldn't be afraid to talk about uncertainty and imponderables as well.
5. Change management: from the outset the transformation should be accompanied by a change management and communications programme. If this is done consistently the results will take permanent root.
6. Pragmatism: it's very rare to be able to implement a solution 100%.

Phase 1
Design
1 to 3 months

Phase 2
Construction
2 to 4 months

Phase 3
Implementation
4 to 6 months

Example of the time needed for the implementation phases of a transformation project

Basically there are three approaches to setting up a single SSC operating to a single standard:

- Fix, then shift: the organisation first redesigns processes before shifting them to an SSC. This approach makes sense whenever the aim is to create a platform for sustained growth. Functions such as human resources and finance are typical examples.
- Lift and shift: the organisation outsources a function, and processes are then optimised by an outside party. This approach is often chosen when the aim is rapid cost savings, and in the past was frequently adopted for standardised IT services.
- Fix and shift: process optimisation and centralisation run in parallel. Because it's so comprehensive, this type of transformation requires more effort and takes longer, but generally results in quicker cost savings and longer-lasting change. You should only fix and shift processes simultaneously if the starting situation is sufficiently clear and manageable. These days the decision on where specific functions are to be located is no longer merely a question of cost. Other key considerations include potential improvements in data quality and access to expertise. In the case of IT projects this require-

ment is often more likely to be fulfilled in India than in this part of the world. On the other hand, India is one of the countries that are increasingly losing their cost advantages. Companies seeking partners on the subcontinent are more likely to be looking for innovation leadership and access to expertise. The situation is different when it comes to shifting other functions. For example it's generally a better idea to locate human resource services in Eastern Europe, which is in the same time zone and has a similar culture.

Responsibility for the business
When considering all the options for centralising and outsourcing, you should always remember that even if a company wants to concentrate completely on its core business and outsource many links of the value chain, the responsibility always remains within the company itself. The directors and top management must be accountable to the shareholders, employees, regulators and the public for any mistakes and misconduct. This means that nothing should be outsourced that has to do with determining strategy, the actual management of the company, or financial consolidation. Allowing a transformation to create additional reputational risks would be a fatal mistake. Any risks that could arise from inadequate compliance with laws, financial reporting standards or tax rules should therefore be identified and evaluated in advance.

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Summary
Good managers and businesspeople have never been afraid to take a critical look at their business model. But these days IT and globalisation mean that the choices available for designing operating models are very different than they were 20 or 30 years ago. The rapid development of markets, technology and regulation are also influencing the pace of strategic change. The alternative to transformation is to continue doing business as usual. If you do this, though, you have to ask how long your organisation will be able to continue delivering the right products at the right price and the right level of quality.



Dr Mathias Bopp,
Leader Public Services Industry

Public sector Where's the inertia?

People in the public sector manage large budgets and make far-reaching investment decisions – just like their counterparts in private business. The strategic challenges faced by public sector bodies are also virtually the same as in the private economy: they also have to compete for the best talent, make their business processes more effective and get the most out of the available resources.

Public investment in infrastructure, from energy and transport to health care, has the same scale and reach as the strategic investments made by private companies. And with the extra dimension of politics to cope with in addition to economic considerations, decision making in government and other public institutions can even be more complex than in private business. Regardless of legislative periods and referenda, the public sector has to make sure its decisions are based on sound economic reasoning.

Added to this, the state has limited resources. The only way of generating additional funding is by increasing taxes or going into debt. But raising taxes makes life more difficult for business, and debt damages creditworthiness. So it's better to make more efficient and effective use of the available resources. Here there are three points to highlight:

1. The public sector, like private business, also has potential to increase efficiency. Areas for improvement have to be identified and then assessed from both an economic and a political point of view. The public sector can exploit this potential with the help of in-depth analysis.

2. In Switzerland, unlike in other countries, the phenomenon of public-private partnerships (PPPs) is not yet so widespread, not least because government in this country has such solid finances. But there are certain areas, such as hospitals, where PPPs might well help to unleash synergy. The key lies in the demarcation of responsibilities. Only the state can and should take charge of core public services. But a partnership can make sense wherever a private partner can deliver all or part of the services in question at the same or lower cost. A good example is investment in hospital buildings.

Summary
Capable and effective public administration is a key locational advantage. Switzerland's public sector is already very capable, but there is room for improving efficiency. And there are certain services where partnerships with the private sector might well make sense.

3. Federalism provides a high degree of democratic legitimacy: decision making and responsibility lie in the same hands, and costs and benefits accrue in the same place. But the principle of federalism shouldn't be allowed to stand in the way of cooperation within and between cantons. Particularly in health care, certain services can be provided more effectively and cost-efficiently by way of cooperations between regions. Bridging local political interests could be a good way of making sure resources are used more effectively, reducing the costs of health care and increasing the efficacy of services. The public sector needs human as well as financial resources. Like any private company, public institutions also have to compete for the best talent. They might not always be able to offer the same financial incentives as their private sector counterparts, but research shows that salary is only one of the factors in winning and motivating capable personnel. Responsibility and intellectual challenges are good arguments for the public sector – not to mention the job security.

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Stefan Räbsamen,
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Take measures Countering economic uncertainty and the strong franc

Uncertainty on the development of the economy at home and abroad and the overvalued Swiss franc constitute a major challenge for business in this country. If you want to identify the necessary measures, you have to find out precisely how you're affected and what your exposure is, and do thorough scenario planning.

The cooling economy and strong franc are placing a growing burden on Swiss businesses. So far most companies have managed relatively well to deal with these challenges. But to remain competitive in the long term, the industries and companies under threat will have to come up with other approaches and more thoroughgoing measures. The key is to identify possible courses of action at the financial, operational and strategic levels and develop appropriate solutions on this basis.

Planning scenarios is a good starting point
It is important that a company plans detailed scenarios in order to obtain a well-founded analysis of the scale of the (currency) risk and thereby come up with mitigating actions. It is a cornerstone of a holistic approach and makes a successful implementation much more likely. We recommend acting in five steps:
1. identifying the significant influences (e.g. exchange rates) and defining the dependencies;
2. developing scenarios and finding current and future risks that the company is being exposed to;
3. analysing the actions possible in the short, medium and long-term;

4. developing specific solutions and defining triggers when the implementation of the defined plan kicks in;
5. implementing these solutions.

This method allows a holistic view of a company's circumstances. On top of that, this approach allows the definition of concrete solutions which set in once certain trigger points have been reached. This makes sure that a company remains flexible and that it does not lose valuable time with decisions.

Financial, operative and strategic actions possible

Options defined on the basis of step 3 are aspects which may be implemented. They are of a financial, operative and strategic nature. The following may also be included:

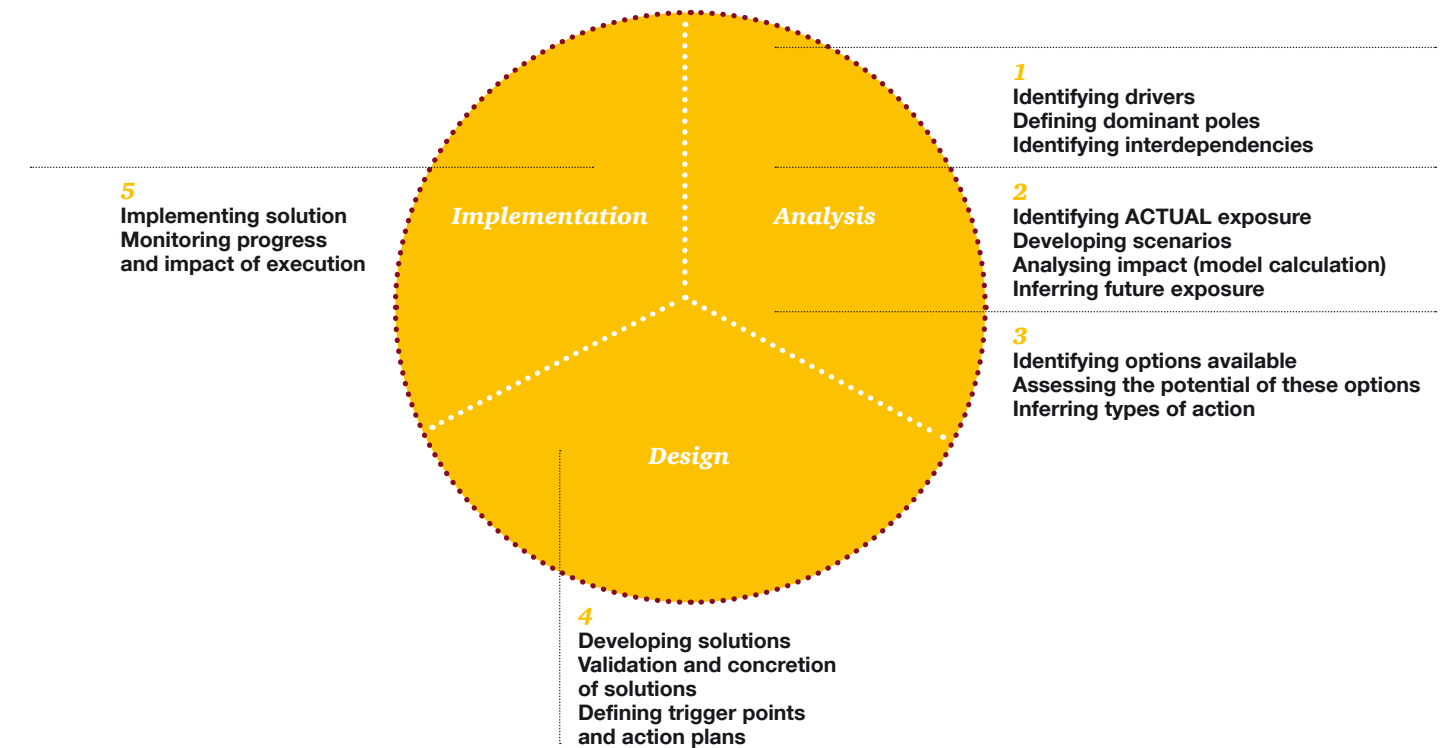
Here some financial aspects with a short-term impact:

- Currency clauses defining bandwidths in contracts: payables and receivables exposed to the Swiss franc's volatility will thus become much more predictable.
- Financial hedges.
- More work for the same salary.
- Giving foreign border commuters their salary in euros (not a popular measure as it is considered somewhat discriminatory).
- Adjusting prices of products abroad to make up for the currency losses, taking into account the possible lower sales and adjusting the production capacity accordingly.

Some short-term and medium-term operative actions could be:

- Introducing short-time work.
- Increasing efficiency and productivity in manufacturing in the

Planning scenarios: acting in five steps



realm of overhead, for instance, by using the Six-Sigma approach.

- Making fixed costs flexible, e.g. by outsourcing human resource costs by using temporary workers or outsourcing entire services.
- Relocating functions, such as call centres or finance to shared services centres in a country with lower salary and location costs.
- Better supply chain management by obtaining raw materials in euro- or dollar-denominated countries.
- Concentrating on markets which do not suffer extreme competitiveness and relocating to growth markets, such as Brazil, Russia, India and China.

Strategic actions which usually have a more long-term impact would be:

- Relocating production to the euro- or dollar-denominated

regions (natural hedging) or to low-salary countries, such as India or Vietnam.

- Striving for a perfect natural hedging by replicating the entire value chain locally, in order to eliminate the currency impact.
- Adjusting portfolios by focusing on business fields with above-average margins.
- Strengthening innovations, focusing on added-value for customers and fostering differentiating characteristics (e.g. early-mover strategies).

The benefits of scenario planning

A structured process can help a company create transparency on the actual risks (currency risks) it faces. The various scenarios can identify the impact on the

company and deliver solutions for each case. Management thus gains insight into the most promising options and how far they will reach. A company also becomes better prepared for all possible scenarios and can fall back on already defined solutions.

Implementing the measures defined systematically and in good time increases your chances of successfully addressing the economic cooldown and strong franc and getting the most out of the various fields of action. It can make sense to seek external help with finding solutions. This gives you the benefit of other points of view and experience from other organisations, increases the momentum, and provides additional support to management in its efforts to come up with appropriate solutions.

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Summary

The cooling economy and strong franc are placing a growing burden on Swiss businesses. The key is to identify possible courses of action at the financial, operational and strategic levels and develop appropriate solutions on this basis. Implementing the measures defined systematically and in good time increases your chances of successfully addressing the economic cool down and strong franc and getting the most out of the various fields of action.



Gema Olivar Pascual,
Leader Legal Services
Switzerland

General counsel

Negotiating the regulatory jungle

Regulation is getting denser and denser, and less and less predictable. Organisations have to comply with existing standards while keeping an eye on future regulation. With legal and reputational risks potentially jeopardising the whole existence of a business, organisations are increasingly having to deal with legal issues. It's easy to see why the role of the general counsel is changing so fast.

It used to be that a company had to keep to the law, plus a manageable number of rules set by regulatory authorities and stock exchanges. Businesses operated in a stable legal environment. Those were quiet times for the general counsel. These days company lawyers face an almost impenetrable jungle of decrees and ordinances, guidelines and circulars. And as if that weren't enough, there are the regular framework changes on almost a monthly basis. There is regulation at the national, international and supranational levels, and sometimes it seems as if regulators were competing with each

other. Heavily regulated industries in particular – in Switzerland financial services and pharmaceuticals spring to mind – are acutely aware of how dense and rapidly changing these rules and regulations are.

Unpredictable and difficult to understand

All this would be manageable if it weren't for the lack of predictability. Not all rules issued by regulatory authorities have a clear legal basis. Regulators from Berne to London, Washington and Hong Kong sometimes interpret their room for manoeuvre according to their own terms. They see a need for action, but fail to take account of the fact that parliamentary legislative

procedures take time. So they lay down rules or they issue ordinances that are general and vague. This puts general counsels in a tricky position: as the legal risk manager they are responsible for recognising and managing all the relevant legal risks. But how can they fulfil this role if the legal basis is so insecure?

A general counsel has to think ahead, assess the potential impact of future changes in the law, and make proposals as to how the organisation can best negotiate the new legal situation. In addition to legal expertise, a general counsel has to have a good understanding of business and economics, and of the relevant industry.

Compliance versus sales

In addition to external regulation, general counsels are also responsible for compliance with internal ethical and behavioural standards, sometimes on a global basis. They have to keep a close

eye on supply chains and the way suppliers operate, and carry out regular inspections – in other words, they have to intervene in operational processes. This responsibility means, conflict with the authorities, business partners and other functions within the organisation is almost inevitable. For many people in sales, for example, compliance is a necessary evil at best. Local management will not have the same agenda as head office. But general counsels must take charge of compliance to prevent litigation and reputational damage to the company. They have to make sure that internal guidelines and codes of conduct are enforced across the globe. Especially in such delicate areas as these, the general counsel has to be able to rely on the full support of group management. Acceding to pressure from local management or turning a blind eye to the questionable methods of star salespeople for the sake of sales figures can turn out to be

a fatal mistake. If this happens, the general counsel will end up fighting a losing battle, with the company sooner or later coming in for criticism or even facing serious legal problems.

Pivot between legal services and management

Many organisations have recognised the importance of the general counsels' role, and involve them in business decisions with important implications for the future such as deals or moves into new markets. To be able to exert an influence, a general counsel needs extensive knowledge and clear judgement. Excellent legal training is a good start, but not sufficient by any stretch of the imagination. General counsels also need to have the right position within the organisation. They should belong to all the key corporate bodies and have direct access to the CEO and board of directors. But there's one fundamental question related to the position

of general counsels to which there's no general answer: to prevent conflict with management should they report directly to the directors? Or should they be embedded in the line? The first approach strengthens the general counsels' independence but means they're excluded from important flows of operational information. It's down to each organisation to find its own solution to this problem.

Internal and external law firms

These days general counsels, with the tasks they have to deal with so much more complex and the responsibility they have to shoulder so much weightier, are held in much higher regard within organisations. And they also have a much better image outside the company. Nowadays a professional legal department is nothing less than an internal law firm – and a very attractive place to work. General counsels now compete with independent business law firms for the best talent. This adds another dimension to the role of the general counsels: they now have to be talent managers as well. This is no mean task, especially in an international company. The general counsel is expected to decide which countries and departments need to employ legal experts and paralegals, and where it makes more sense to work with local law firms. General counsels are also expected to work more quickly, efficiently and at lower cost. This has already prompted some US companies to shift part of their legal function to low-cost countries, especially India – although in these cases responsibility remains with the general counsel.

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Summary

The demands placed on company lawyers are much higher than they were a few years ago, primarily because regulation has got so dense and fastmoving. The general counsel is sometimes expected to make crucial decisions in situations dominated by uncertainty. There is a great deal of potential for conflict with other functions within the organisation, but at the same time general counsels face mounting expectations in terms of enforcing compliance.



Annual Review 2010-11

This year, the PwC annual review once again provides information on the strategic orientation of our company and its lines of service, on the way it manages value, and on its performance.

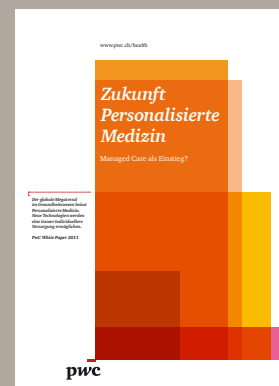
You'll find the online edition of PwC's 2010-11 annual review in English, French and German on our website at: www.pwc.ch/review, www.pwc.ch/rapport and www.pwc.ch/bericht.



IPO volumes in decline

In the third quarter of 2011 the number of initial public offerings (IPOs) in Europe fell from 135 to 121 (vs 85 in Q3 2010). The total volume of capital raised via IPOs was EUR 9,375 million (vs EUR 2,479 million in Q3 2010). The strongest European exchange in the third quarter of 2011 in terms of IPO volume was the Spanish exchange, where there were six offerings raising a total of EUR 6,078 million. There were no new offerings on the SIX Swiss Exchange between July and the end of September.

You can download a free PDF of our "IPO Watch Europe Survey Q3 2011" in English at www.pwc.ch/ipowatch.



Personalised medicine

In the next ten years the digitalisation of our lives and progress in the life sciences will result in a personalisation of medicine. Health care will be much more closely focused on the individual, and geared to qualitatively measurable results. Personalised medicine will radically reshape the health care system. Patients will be in a much stronger position, and ultimately prevention will also be given greater emphasis. The entire industry will face massive changes if it is to adapt.

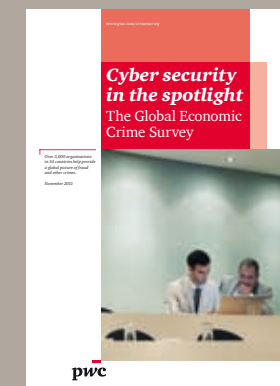
Find out more in the German white paper "Zukunft Personalisierte Medizin – Managed Care als Einstieg?" at www.pwc.ch/health.



CHF 7.2 million

This is what the CEOs of SMI companies earned in 2010 – on average 12.5% less than in the previous year. The earnings of CEOs of SMIM companies came to CHF 2.8 million, 6.3% down on the previous year. The disclosure of compensation increasingly plays a key role in a company's reputation. PwC's "Executive Compensation & Corporate Governance 2011" study looked into how SMI and SMIM companies deal with the requirements laid down by SIX Exchange Regulation. In collaboration with Prof. Wagner at the University of Zurich, PwC Switzerland created a scorecard showing to what degree companies comply with the regulations.

You can download a free PDF of the "Executive Compensation & Corporate Governance 2011" study in English at www.pwc.ch/reward.



Global economic crime

PwC's survey of economic crime is the most comprehensive of its type in the world. The focus of this year's edition, the "Global Economic Crime Survey 2011", includes the question of whether there has been an increase in fraud in connection with Internet crime.

You can download a free PDF of the "Global Economic Crime Survey 2011" in English at www.pwc.ch/crimesurvey.



Risks in transport and logistics

In the next two decades global supply chains could increasingly be a target for terrorists, pirates and cybercriminals. In "Transportation & Logistics 2030", published by PwC and the Supply Chain Management Institute at the European Business School as part of a series of reports, the transport and logistics experts interviewed from industry, research and politics anticipate an increase in targeted attacks on supply chains – with a probability of 56%. The damage caused by hackers is likely to be considerably greater in future than damage caused by physical attacks.

You can download a free PDF of the report "Transportation & Logistics 2030, Volume 4: Securing the supply chain" in English at www.pwc.ch/publications.

Events offered by PwC's Academy

Aperitifs for banks and securities dealers

- 18 January 2012, Zurich, Park Hyatt
- 19 January 2012, Lucerne, Lucerne University of Applied Sciences and Arts
- 25 January 2012, Basle, Hotel Hilton Basel
- 25 January 2012, Zurich, Park Hyatt
- 26 January 2012, Berne, PostFinance Arena
- 26 January 2012, Geneva, Mandarin Oriental Hôtel du Rhône
- 26 January 2012, St Gallen, Pfalz Keller
- 31 January 2012, Lugano, Hotel Lugano Dante

Susanna Haaga (susanna.haaga@ch.pwc.com) will be delighted to receive your registration.

Trends for SME decision makers

- 17 January 2012, Lucerne
 - 18 January 2012, Aarau
 - 23 January 2012, Basle
 - 24 January 2012, St Gallen
 - 26 January 2012, Winterthur
 - 31 January 2012, Zurich
 - 15 February 2012, Lugano
- Jacqueline Duss (jacqueline.duss@ch.pwc.com) will be delighted to receive your registration.

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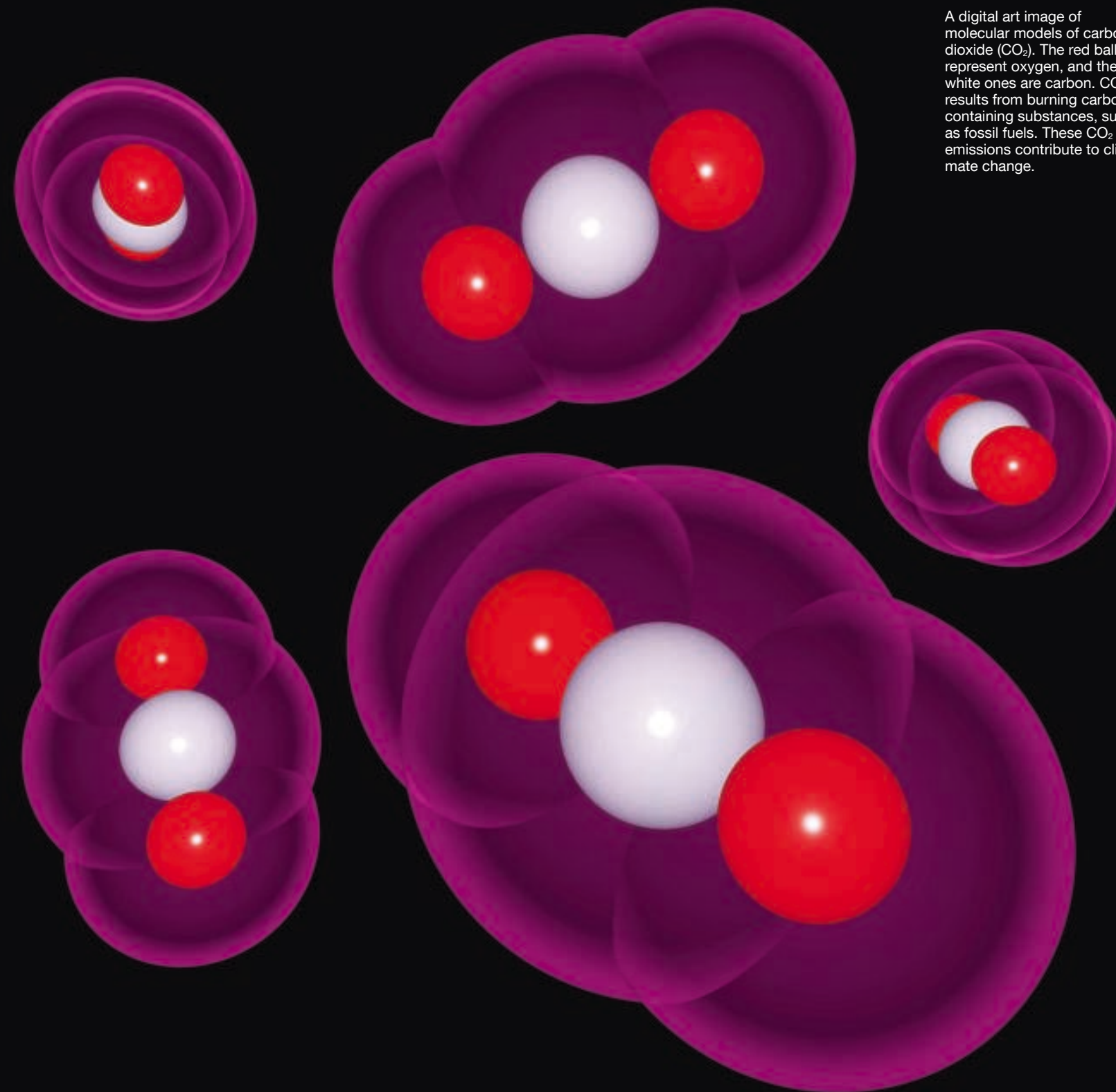
Climate change: a chance for innovative companies

The economy is increasingly finding an appropriate response to dealing with climate change – contribute to solving the problems as a good way of doing business. In other words, recognise the risks in good time and make the most of the opportunities the changes bring.

No other new Swiss company has earned so many accolades in recent years – Climeworks was among the winners of the Venturekick competition and the International Institute for Management Development (IMD) Startup Competition, was accepted onto the Eurostars programme and won the Liechtenstein Rheintal Businessplan competition. No wonder that this company, founded by two ETH Zurich graduates, is attracting such interest – Climeworks is developing a solar-energy-assisted process for filtering CO₂ from the air and using it as a growth accelerator in greenhouses. In 2012 a pilot system is set to become operational in Switzerland. But the greatest potential lies in agricultural countries such as Spain and Holland.

Climate change is happening

Climate change is a global phenomenon, but its effects vary widely in different regions of the world. This means that there will be winners and losers over coming decades – both globally and in Switzerland. This phenom-



A digital art image of molecular models of carbon dioxide (CO₂). The red balls represent oxygen, and the white ones are carbon. CO₂ results from burning carbon-containing substances, such as fossil fuels. These CO₂ emissions contribute to climate change.

Photo: KEYSTONE/Russell Kightley



Photo: KEYSTONE/Gaetan Bally
 Tourism: Glaciers will become a thing of the past. Despite rising costs, Jungfrau Railways expects to be among the winners from climate change.



Photo: KEYSTONE/Peter Schneider
 Postal services: Swiss Post is reducing CO₂ emissions by introducing climate protection measures and innovative new services.



Photo: KEYSTONE/Maxim Shipenkov
 Holcim: Thanks to investments the company was able to reduce CO₂ emissions per tonne of cement by 20 per cent since 1990.

enon applies in particular to the economy, with risks and opportunities that look quite different from sector to sector. The strategic challenge lies in making the most of climate-related opportunities while detecting risks at an early stage. “Forward-looking companies are aware of these risks,” says David Bresch, the manager at reinsurance company Swiss Re responsible for areas such as sustainability, climate change, and political and emerging risks. When asked about the opportunities and risks of climate change for the Swiss economy, he says that two things are clear. Firstly, “Climate change is happening. Even if we could immediately reduce greenhouse gases to zero, there would still be changes to which we would have to adapt. Secondly, those who develop technologies for saving energy and producing renewable energies can sell them worldwide tomorrow.”

Those who adapt, gain

The drastic potential consequences of climate change on the global economy were revealed to a wide audience in 2006 by Nicholas Stern, the former chief economist of the World Bank. He concluded his 650-page risk analysis (“Stern Review on the Economics of Climate Change”) by saying that if we fail to take action, we risk incurring costs equalling 5 to 20 per cent of the worldwide economic output. According to an estimate by the Swiss Federal Office for the Environment (FOEN), various areas of the Swiss economy and society are affected by changes in the climate. Several potentially affected sectors, including the electricity industry, agriculture and tourism,

are now confronted with the issue of climate change. For example, a recently published study by the University of Berne assumes the need for 20 per cent higher investment in the tourism sector to take account of adaptation measures. “It is not only the production conditions, but also the supply and demand that will change in all the affected sectors,” says Philippe Thalmann, economics professor at the Swiss Federal Institute of Technology Lausanne (EPFL). “Those who adapt first will gain – the others will suffer losses.” Those who sell products and services that help Switzerland and other countries to adapt to the changing climate will be especially well placed.

An increase in extreme events

According to a scenario published in September this year by a research conglomerate led by the Federal Institute of Technology Zurich, and MeteoSchweiz, the weather in this country will look different in future, with warmer and drier summers. This will increase the risk of extreme events – heatwaves and droughts will be more frequent, more intensive and longer lasting. At the same time, higher temperatures will cause the winter precipitation to fall increasingly as rain, which means a greater risk of flooding, especially in low-lying areas. The technical building services sector has already reacted to these changes, according to EPFL’s Thalmann, an example which shows how a complete sector has adapted with an eye on the climate. “Building services engineers have traditionally been predominantly concerned with heating. But today the emphasis is on energy efficiency and the use of alternative energies; cooling will also

become increasingly important in future.” Tourism is another sector already affected by climate changes. “Climate change is generating costs,” says Simon Bickel, spokesman for Jungfrau Railways, a company that is already reacting to the situation. “Both in the tunnels and on the Jungfrauoch we are investing more in maintenance and safety. And we are continually having to increase our efforts in the winter sports areas.” Specifically, it is the melting permafrost that is causing problems for Jungfrau Railways – if the ground is unstable, additional anchors and safety nets are needed. Money also goes into artificial snow. In the past year the company invested CHF 5.5 million in snow-making equipment for the valley descent to Grindelwald alone. Despite the rising costs, the high-altitude Jungfrau region will in future be among the winners from climate change. “The ice sheet on the col is several hundred metres thick, which means that people will be able to experience a glaciated landscape here for a long time to come,” says Bickel. The losers in the tourism sector are more likely to be the lower-lying ski areas in the foothills of the Alps.

Companies under pressure

Climate change is also presenting some globally active Swiss companies with serious challenges. Holcim, for example, a leading cement producer worldwide, is feeling the pressure. The cement industry is single-handedly responsible for an estimated 5 per cent of the world’s CO₂ emissions. Against

this background, Rolf Soiron, chairman of the Holcim board of directors, said at the “Economy Day” held by the Swiss Business Federation, *economiesuisse*, last August: “This is a serious issue. At Holcim, sustainability is now part of every strategy document.” And part of their day-to-day business. According to Soiron, investments of hundreds of millions of Swiss francs have enabled the company to reduce the CO₂ emissions per tonne of cement by 20 per cent since 1990. This was a voluntary but calculated move. Soiron concluded his address by saying, “We don’t actually have a choice.” A company that is not in a position to operate on a sustainable basis would in future simply have its “licence to operate” withdrawn. For Swiss Re, too, the reaction to climate change is of great strategic significance. “We have to ensure that our models look forward, not back,” says Bresch, who also heads sustainability and political risk management at the company. An insurer who sets premiums on the basis of past experience alone will suffer losses in future, as natural disasters such as flooding and storms are on the increase in many places as a result of climate change. But there are also opportunities for innovative newcomers and enterprises, as exemplified by Zurich financial services provider CelsiusPro. Its business idea is to issue tailor-made certificates with which companies can safeguard themselves against weather risks. The first customer was the organiser of public viewings in Switzerland during the UEFA World Cup in 2008. CelsiusPro now receives 90 per cent of its premiums from abroad. The product portfolio includes protection against

excessive or insufficient rain or snow and temperature extremes – all weather situations that are likely to occur more frequently as the climate changes.

Transparency and credibility

Swiss Post has also adapted in line with the changes, introducing a range of specific measures to reduce CO₂ emissions throughout the group. It also offers the “pro clima” CO₂-neutral postal service, by which both business and private customers can send letters and packages for just a small supplement. All the income generated by this supplement is invested in climate protection projects. This gives business customers in particular the opportunity not only to do something positive about the issue of climate change, but also to add value in the eyes of their stakeholders by communicating this action and the commitment to climate neutrality that it represents. The Swiss postal service is offering “pro clima” in the certainty that the quantities of CO₂ compensated for in this way are in line with general quality expectations in terms of scope, use and the underlying processes. They achieve this, among other things, by commissioning a critical external examination by PwC, which adds even more weight to the transparency and credibility of the scheme. The postal service thus also recognises the demands of “pro clima” product users for transparency and a critical external examination, as expressed in a formal endorsement. —

Predicting the fate of the Earth

What consequences will climate change have on society and business? What will the future of the world be like? These are topics addressed by computer industry executive Bob Bishop. His International Centre for Earth Simulation (ICES) aims to pool the specialist knowledge of researchers and scientists around the world and make it publicly accessible.

There are scores of well-developed climate centres and hundreds of climate researchers all over the world. Why do we need another new institution like ICES?

Because climate research can only contribute part of the solution. Climate change and its full consequences are so complex that the knowledge from many other disciplines needs to be taken into account – from natural sciences to social and economic sciences. The fate of the Earth cannot be understood without integrating this knowledge. Existing climate research centres examine only part of the problem; they lack a view of the overall picture. On the other hand, we are finally arriving at a position to pool all of this specialist knowledge.

Doesn't the Intergovernmental Panel on Climate Change (IPCC) do precisely that in its reports? It also has chapters on the consequences of climate change for business and society.

What researchers are missing is the computer platform – hardware and software – to integrate all of this knowledge. They do not have continuous access to the world's leading-edge systems.

So you want to merge existing knowledge about climate change using the best computers?

Yes, using advanced modelling, simulation and visualisation tools – because nobody else does. No single country in the world sees it as its task to integrate all of this knowledge across the world, and make it publicly accessible. Nobody feels responsible for the big picture – most countries spend funds only on their own national priorities. The time has now come for a project like ICES. It is only in the last few years that computers, along with



the Internet and other modern instruments, have reached the performance level necessary to even contemplate this task.

How much do machines like that cost?

The purchase price for one of the top ten computers in the world is some USD 300 million, but they are normally leased. Incidentally, the fastest of these machines is currently in Japan. In the last ranking six months ago, however, a Chinese computer led the way.

What are these computers used for?

I assume that the focus is on military and defence use, and related sciences, which in my opinion is a major cause for concern. The overall fate of our planet should be much more important than the development and testing of new weapons. Predicting the future of the planet is a complex problem, but up to now we have not tackled it with our best equipment. So let us use the best systems and people to solve the most urgent problem!

You had a successful career in the computer industry. How did you come to launch an organisation like ICES?

I spent more than 40 years developing and managing companies that focused on the scientific use of computers. In the process, I worked with scientists from a whole variety of disciplines – physicists, chemists, geologists, mathematicians, engineers and medicos. All of them highly specialised. I understand this specialisation and respect it, but Mother Nature doesn't work in that way alone. It is integrated horizontally as well. Although we are dependent on people who have an in-depth knowledge of their work, overspecialisation is a problem today. Researchers do not talk enough with one another beyond the boundaries of their specialist field. In nature, however, everything is linked to everything. We are missing this approach in science. We have to learn to integrate our knowledge!

What role do you have in all this?

When I retired five years ago from my day job, I decided to devote myself to this task – which has become a passion. I believe that you have to be “retired” to do something like this – it is simply not possible during your professional career. Whether it's in business or in science, those who want to progress up the career ladder have to focus entirely on

their specialist field. Now, having left this career behind, I try to use my experience to bring the right people together and to create an integrated, holistic picture of the Earth, for the public good.

That sounds very ambitious...

... and it is!

Do you believe in a formula for the world that explains everything and can be used to calculate everything if sufficient computer capacity were available?

Not at all. But I do think many of the complexities of nature can be unravelled. Complex system theory incorporates a host of very difficult-to-solve problems. Disasters, chaos and discontinuity phenomena are all difficult to manage with computers. But it should be remembered that computers today are 1,000 times faster than they were ten years ago. And in ten years' time, they will be 1,000 times faster again. Provided that we can also develop the necessary software to link the various knowledge areas, we will generate new knowledge and insight with this integration and levelling-up of machine performance. New, hitherto non-existent forecast models and algorithms will be developed and, with the help of these models, we can ask: What if? And simulate different approaches to solving big problems, such as how we can reduce emissions most efficiently, or respond to sea level rise, or best handle resource depletion of the Earth.

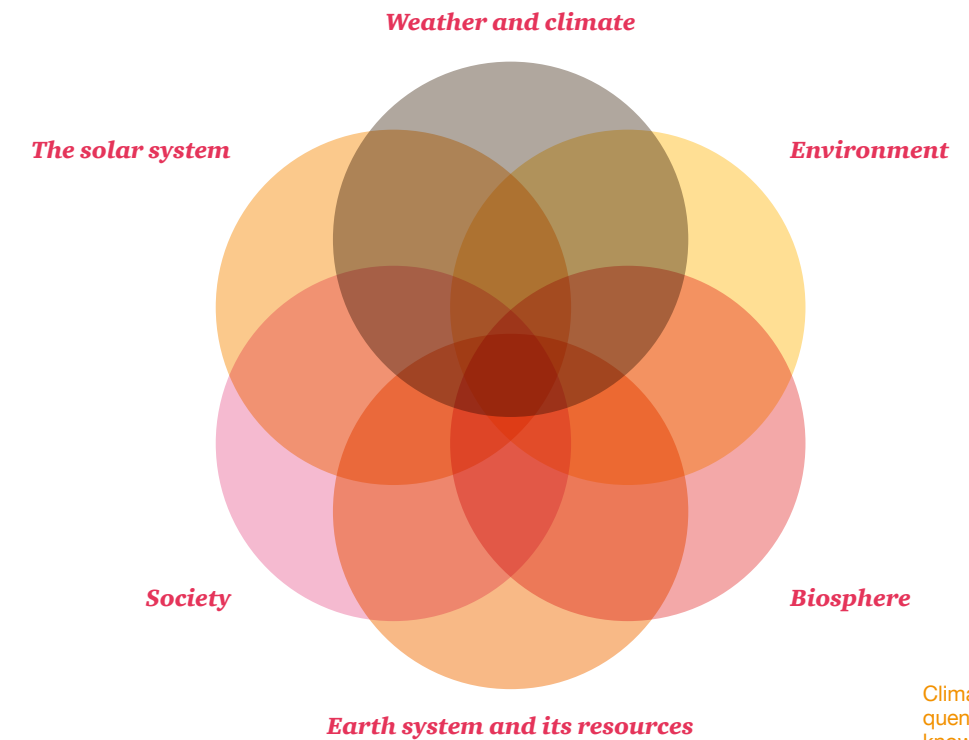
So that is your vision for ICES. What have you already achieved?

I have set up a foundation in Switzerland and appointed an advisory committee with five outstanding scientists. However, the last 18 months have primarily been spent explaining our project at 30 different conferences and institutions around the world. We do not want to set up new methods for collecting data in order to operate our models; instead, we want to work with existing data that is already being collected by various institutions. That means we are dependent on partnerships – and on many of their good ideas as well!

You need approximately USD 300 million for a supercomputer and mention ongoing costs of USD 50 million a year.

How far have you got in procuring funds? I do not ask governments for money; they have enough worries with their own budgets. The money has to come instead from private,

ICES: View of the overall picture



Climate change and its full consequences are so complex that the knowledge from many other disciplines needs to be taken into account – from natural sciences to social and economic sciences.

Dr Robert Bishop (69) is a native of Australia. He studied mathematical physics and then worked for 40 years in leading positions in the global computer industry. He was chairman and CEO of Silicon Graphics Inc. between 1999 and 2005. In the course of his career, the Bishops lived in the USA, Australia, Japan, Germany and Switzerland. In Geneva, Bishop launched the International Centre for Earth Simulation (ICES) in 2010. In addition to working for this non-profit-making organisation, he runs a consultancy company advising, among others, the governments of Malaysia and Australia in their information technology strategies.

philanthropic organisations, which is why I talk to foundations that pursue compatible goals to the ICES Foundation. Our long-term financing is not yet in place, but I am conducting very intensive discussions at this time.

Have you received any specific promises?

Unfortunately, no. On the other hand, the project is so ambitious that I am surprised by the very positive reactions alone. People say to me: Yes, that makes sense. But is the project also feasible? Can this type of forecast be realised with modelling and simulation using advanced computer technology? Is it really possible to see the planet's future?

And how does science see it?

At least half the scientists say that something like that cannot be realised – and I respect their opinion. Indeed, if they thought it was simple, they would have tackled a project like this long ago.

How high do you rate the chances of your model for the world actually working by the end of this decade?

100 per cent! The question is only which philanthropic organisation will contribute

to laying the foundations of the project. That is what I am discussing at the moment. Although many people I talk to do not know about the specifics of science, they are familiar with the problem of overspecialisation. And they, too, have an intuitive feeling that nature is a holistic matter. They wonder whether there are holistic answers for the future of our planet. I would say there are. For the first time, we can provide such answers with the help of new systems and sensor technology. It may take a bit more time, but we have to start today.

Who specifically do you now hope will provide financial support?

In the USA alone, 35 billionaires have undertaken to donate half of their assets for the common good before they die. If 500 million dollars were to be invested in many small projects, this would require a huge management effort. Our project, however, is different – it is big, expensive and very ambitious. But its time has come. What's more, it is not about making a profit; the results will be available to everyone. —

“Venturing something new”

Great holidays that turned into a long-term commitment. Imelda and Peter Binz have not only developed a hotel in remote Val Medel; the COO/CFO of PwC has also been the mayor of the valley municipality for the past year. A story of how to successfully cultivate ties.

From Disentis the road winds up through the Val Medel to the Lukmanier Pass. At the entrance to the village of Curaglia, the Hotel Vallatscha demonstrates how the valley strives to combine the past with the future. The 100-year-old art-nouveau-style building has been lovingly restored and enlarged with an elegant two-storey extension made of concrete and glass. “We have preserved the character of the building and at the same time created modern convenience and functionality,” says Imelda Binz. Ten rooms are available to guests, plus a dining room, restaurant, lounge and seminar room. The hotel is popular, and its cuisine is known well beyond the valley. “A success which is down to the Albin family who manage it,” says Imelda. And it is down to her own, very personal commitment that the hotel in Curaglia exists in the first place. Eight years ago, the Binz family and relatives found their holiday paradise in Val Medel.

“I have learned how important it is to listen very carefully and to understand what is really troubling people”

Every year, they rented two apartments, until one of them was sold. “We therefore had the idea of buying an old house and doing it up,” says Imelda, looking back. The annex to the Hotel Lukmanier was located in front of the building they were considering renovating. The hotel had flourished at the beginning of the last century, when English tourists came in droves. It was then closed down; later on, it gave way to the new village centre. The former annex was available for sale. “I found it unbelievably sad that the village would not have a hotel anymore,” says Imelda. After lengthy deliberation, the couple decided to act. The vacant hotel was bought in 2008, renovated with great personal commitment

by Imelda, local architects and tradesmen, and reopened with the Albin family as the new tenants.

“Of course, you get to know the people of a village better during such a project than you do when you’re here on holiday for just a few weeks,” says Peter Binz. “The people in the valley are very open; they have also gotten to know us and were pleased at our commitment.” The COO/CFO of PwC and his wife now do more than just spend holidays in Curaglia. Last year, Peter was elected the mayor of the municipality with an overwhelming majority. “In the beginning, there were a few sceptical comments from the neighbouring municipalities,” he recalls. “But they have long fallen silent. I do not polarise opinion. I am not related to anyone in the valley and can assess problems with a fresh view.”

As a member of the PwC company management, Peter benefits not only from his specialist knowledge but also from his experience in people management. And conversely – does he benefit from his commitment in Val Medel in his work at PwC? “I have learned a great deal about the problems of remote rural areas,” he says. “And I have learned how important it is to listen very carefully and to understand what is really troubling people. This gives me a certain distance from many topics that are important in Zurich.” Social commitment – even at the highest management level – is encouraged by PwC. “It is important and enriching to gain personal experiences that go beyond everyday routine,” says Peter. “My wife and I have not only taken on new tasks in Val Medel – we have also found new friends.” —

Photo: Andri Pol



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