

ceo

The magazine for decision makers

Trust

Building relationships, establishing trust, forming networks among diverse cultures: globalised business calls for the very best instincts and social skills. Can they be learned? Swiss business leaders share their experiences.



Urs Honegger,
CEO PwC Switzerland



In a globally networked economy it's more and more important to build long-term relationships of trust.

Do you still remember what it was like in the early days when you were starting out in your present function? It's amazing how quickly your agenda fills up, and how you're forced to make sure matters of long-term importance don't get swallowed up by things that are merely urgent.

At the moment I spend most of my time talking to our partners and staff. These are the people who have daily contact with our clients. They're the ones who know what we could still be doing to help our clients achieve their goals.

These discussions are very important to me. Every day I become more and more aware of the decisions I can make and the areas I can influence as CEO to make PwC an even more valuable business partner.

Because investment in relationships is the thing that primarily concerns me at the moment, I'm glad of the opportunity to make contact with you through this editorial. I think you'll find this issue contains some fascinating interviews, reports and articles from our experts.

The thread running through all the articles is the value of building long-term relationships of trust. We all know that this is becoming

increasingly important in a globally networked economy. In this context I personally was particularly impressed by the way the Lausanne Hospitality Management School doesn't just train people to be managers in the hotel industry, but helps its students develop social skills that make them interesting candidates for many other areas of the economy as well.

We too realised a long time ago that it's not enough to have super-smart people. People with technical expertise only become really good auditors and advisors if they develop the right communication and relationship skills. These aren't things you can acquire overnight. But they can be learned.

What's your view of all this? What are your expectations of PwC? And of this magazine? I'd be delighted if you'd write to me so I can get into conversation with you.

But first I wish you stimulating reading!

Urs Honegger

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

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

ceo magazine appears twice times a year in English, German and French. Circulation: 24,000

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

Lithography/Printing: ud-print AG, Lucerne. Paper: Claro Bulk, silk, FSC, wood-free, coated, bright white

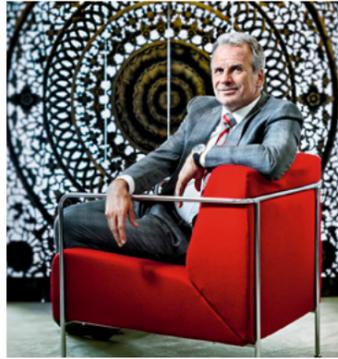


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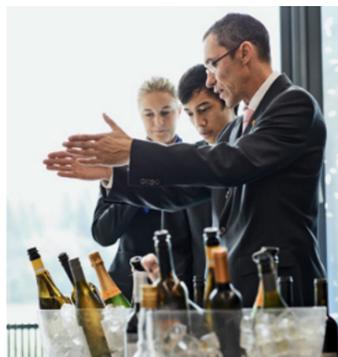
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Martin Wittwer:

“If we don’t reinvent ourselves, we have no future.”

Reinventing yourself. The topic is relevant for both my private and my professional life. In my private life because I turned 50 last year and am wondering how and whether I am satisfied with my life, what’s gone well and what hasn’t. And how is it that I have held the same position for 13 years and still feel I have only just started out here? That last question is easy: every day is different. In my line of work, “reinventing yourself” has been a perennial topic. It has long been part of the way I see myself.

First, things turn out differently than we expect, and second, in tourism we have always been confronted by circumstances beyond our influence but which we continually have to adapt ourselves to and reinvent ourselves for. Just think of 9/11, the tsunami, the Arab spring or Fukushima. I have worked in the travel industry since the mid-1980s and cannot recall a single year when everything went as planned.

The Internet generates unbelievable dynamics. A lot of what we foresaw, such as the transparency of prices and offers, coupled with global competition, has actually materialised. Other things have not. Despite their predicted demise, travel agencies, for instance, still exist, although there are fewer of them than in the past. Today, I am convinced that they will survive in the future, simply in a different form, and will offer services that are adapted to new buyer behaviour. But how – and that is one of the challenges of our times – do I get my employees in the travel agencies to see the Internet as a tool and opportunity rather than a threat?

The question arises not only for the consultants with direct contact to the customers, but also for the whole workforce. TUI Suisse aims to become an online-driven company. It is of course not sufficient for us to just place the services we offer online. And also not for us to just develop an Internet division. I’m talking about a fundamental change that cannot be prescribed or transplanted; instead, it must take place in every one of us, with the emphasis on “must”. One thing is for sure: if we don’t reinvent ourselves, we have no future. The industry will not disappear tomorrow – after all, people still love to travel. But they

will organise themselves differently, obtain information differently and shop differently. We will therefore have to jettison our current business model in places. It has become obsolete.

Any change is unpopular because replacing the familiar with the unknown is like letting go of a railing. Leadership is pivotal in this moment to get everybody concerned on board. The first thing I did was to take a good look at myself. I got the input for that a few years ago during a presentation. The speaker asked: “Who among you is on Facebook? Who’s on Twitter?” Nobody in the audience – predominantly managers from the tourism industry – raised their hand. He said: “Good luck in taking your companies forward.” I left the room with an uneasy feeling and started to pay more attention to social media – and also get involved personally. In the course of this process, for instance, I got rid of the rule that our employees are not allowed to use Facebook during office hours. Ban Facebook, yet strive to be an online-driven company? I have realised that the impending transformation cannot be implemented with the old mindset.

Reinventing ourselves. We are right in the middle of doing it. My job has become even more varied than it already was and rather more demanding too. Our shareholders naturally expect us to continue to stay on course commercially, even in times of change.

Martin Wittwer (51), who hails from the Bernese Oberland region, has been the CEO of TUI Suisse Ltd since 1999. He was a member of the board of management and director of sales at Kuoni before taking over the helm at TUI Suisse. Wittwer is married and the father of two.

Photo: Helmut Wachter



Caroline Miller:

“The people I most admire are those who change without any external pressure.”

One theme comes up more and more frequently in conversations I have with executives or CEOs when I’m acting as a “talent spotter”: How can we reinvent ourselves? This relates both to personal careers and companies’ business models. The world is changing incredibly quickly and with it people’s working and private lives. Even my own company is affected by this change. Those who do not have the ability to change and establish new relations will perish.

I see my role as creating contacts of “excellence”, such as bringing people together whose paths would otherwise never cross – but who would gain a lot from creating bridges across industries. In this role I can actively contribute to creating something new. I often arrange lunch with two executives or decision makers from completely different worlds who would usually never get together, but by bringing them together, I create quite a different experience from exchanging a few words on the fringe of a conference.

In the present crisis many successful managers have to reinvent themselves – even in the Geneva banking world, people are losing their job almost overnight; people who believed their world to be secure, had established a comfortable niche for themselves and now have suddenly lost their way and their social identity. They express fear of the future, something I had not previously heard from the mouths of senior managers.

Most people only change direction when their lives have been turned upside down by dramatic events. The people I most admire are those who change without any external pressure – these are people who reinvent themselves because they are naturally curious and want to make the most out of their lives. That takes courage and a risk-taking mentality, a rare characteristic, especially here in Switzerland. In the course of my work with people from many different cultures I have come to realise that Switzerland is the most risk-averse country in the world. I regret that time where Switzerland was known as the pioneer of innovation in the early twentieth century; remember the medical and pharmaceutical industries as well as the watch industry.

I believe that I’m gifted with a natural talent for bringing the right people together. For instance, two years ago I have founded a group of businesswomen called the Femmes en Affaires (women in business) representing almost all industries as well as entrepreneurs or executives. Among our many activities, we write weekly columns for the Swiss newspaper “Le Temps” and debate on business and society topics on Radio Cité Genève every week. These twelve women did not know each other previously, but we now meet once a month to discuss the personal and collective active contributions we can make to the future of the world.

I have observed that women find it much easier to reinvent themselves than men. Career breaks come totally naturally to women, and even if they never actually take a break from their professional lives, women still have to play a dual role as mothers. Add to this the fact that women are generally less interested in power as defined by men. They see themselves as part of a concentric system, in which everything revolves around teams. Women function very well in networks, and are therefore far more often willing to go self-employed than men.

The future of the working world lies in working together in networks – a model which is no longer all about power and hierarchy. I thrive to introduce this approach into companies, as I am convinced that people who reinvent themselves will ultimately benefit from the change.

Caroline Miller (45) is founder and director of HeadtoHead, a Geneva-based, internationally active executive search and public relations firm. She is divorced and mother of two daughters.

Photo: Cédric Widmer



Walter Kielholz: “You have to know who you are, and what you can do.”

Reinventing yourself. In some situations it can be an attractive idea. But it's really no more than an idea, because no one can truly reinvent themselves. You are who you are. Consequently, rather than “reinventing yourself”, it is far more accurate to speak of “changing yourself”. As the saying goes, the only constant is change. And if you don't keep up, you will soon be behind the times.

You do not necessarily have to be wildly inventive to change and adapt. Rather, you primarily need to have good judgement, and to be able to distinguish actual change from hype. You also need to be open to new things and to change; to be aware of what is happening around you. People who want to make a contribution and have an influence must be receptive to what is new and willing to keep developing. This is the only way to stay in tune.

A lot has changed over the last 40 years – and this is also true in professional life. We have had to adapt, but doing so did not require us to reinvent ourselves. In the early days telegrams were still sent, and telex was used for communications. I remember how the first personal computer seemed like something from outer space – no one dared touch it; no one knew where to begin with it. The new technologies have changed a lot of things, and have also transformed society. But this does not mean business has been reinvented. The principle applies equally to entertainment, insurance or mechanical engineering – entertainment today is still used for edification, insurers are still concerned with security, mechanical engineers still build machines. The substance of business has remained the same. At Swiss Re, too, we are still doing the same things today that we were doing when the company was founded 150 years ago: we provide capital for insurers. The specific arrangements, the problems, the models – all the trappings have changed, but not the core substance of our business. The same applies to the concept of leadership. Management styles have changed over the years, but the substance remains the same. It is a matter of taking the lead, decision making, being heard, accepting responsibility. If no one is listening to you, you cannot lead. Leadership functions on the basis of effect, and that effect in turn has a lot to do with credibility and sometimes even charisma. Someone in a man-

agerial position must know what they are talking about and be able to put their knowledge across. In the long term it is not enough to surround yourself with a few clever advisors whispering in your ear. You need your own in-depth experience. Superficiality is not acceptable in management. You need a kind of compass in your head, a clear set of values by which to orient yourself – regardless of whatever theories or management styles are currently en vogue.

Staying in tune is also important for companies. “Reinventing yourself” is of little importance here, too, especially in the case of successful companies. You have to know who you are, and what you can do. And – very important – you have to stick to it. Often enough, seeking growth above and beyond the expansion of your accustomed field of business can lead to failure. Why is that? Expanding the field of business generally means distancing yourself from something at which you have always succeeded. Granted, the pressure from outside is often great. The question of whether fundamental changes are under way that may one day render the accustomed field of business insignificant is always relevant. We have to ask ourselves this question, and if the answer is affirmative, we must adapt – not reinvent. But we can only do all this if we are open and alert, have a sense of judgement and an internal value compass.

Walter Kielholz (61) has been chairman of the board of Swiss Re since 2009. He came to Swiss Re in 1989, and has been on the management board since 1993, holding the position of CEO from 1997 to 2002. He has also served on the board of Credit Suisse since 1999, in the capacity of chairman from 2003 to 2009.

Photo: Marc Wetli



“Trust was the big loser in the financial market crisis”

Trusting someone is a risky venture, says historian **Jakob Tanner**. But without it, interpersonal relationships, and society as a whole, would be unthinkable.

Who do you trust?

I trust reality. My experience is that things generally work, although there are many reasons why this or that could also go wrong. The world is a complex place; a lot of it appears improbable and uncertain. We simply have to accept that it is reliable in decisive areas. If you question everything you take for granted, you will never move forward. Trust is thus a robust attitude to the world.

You don't mention any person: your wife, your best friend or your father. Instead, you have given a definition of the trust that you have. Why?

What is important to me is not seeing trust simply as something that is confined to personal relationships. Of course I trust my wife. But should I also trust the captain whom I don't know and who flies me somewhere? Should I trust shares, government bonds or bank assets? Would I not be better off demonstrating the complete opposite, i.e. an astute mistrust?

Jakob Tanner

is a professor for general and Swiss history of the modern and contemporary era at the University of Zurich (UZH). He is a member of the Research Centre for Social and Economic History and the Centre for the History of Knowledge (UZH and Swiss Federal Institute of Technology Zurich). As co-director of the interdisciplinary research project “Understanding Trust”, he conducts research together with his colleagues Ingolf Dalferth (theology and religious philosophy) and Ernst Fehr (Department of Economics) on aspects and forms of trust. The aim of the project financed by the Swiss National Science Foundation and the Mercator Foundation, which in addition to the disciplines mentioned also includes psychologists, neurobiologists, cultural anthropologists and behavioural scientists, is to develop the basis for a new understanding of the term “trust”.

Photo: Gerry Amstutz



Most people want to believe in something, and in actual fact they do.

What is trust then? Can you define it?

Trust is indeed a rational attitude. But it cannot be reduced to the knowledge on which it is based. If I knew, I would no longer have to trust. It cannot be calculated; it does not work like insurance. There is always something unclear with trust, a residual amount which is explained in different ways by different scientific disciplines. Neurobiologists think they have found the root of trust by studying the functions of the brain. Historians assume that trust is linked to historical circumstances and changes over the course of time. Theologians talk about trust in God.

Does trust keep the world together?

Georg Simmel, a great sociologist at the turn of the 19th century, saw it this way. He said that trust is one of the most powerful binding forces in society and business. When it is lost as a cohesion factor, political institutions and markets fall into crisis.

What role does trust play in society?

Modern, heavily differentiated societies require mechanisms for the reduction of social complexity. The sociologist Niklas Luhmann wrote an insightful book on this. He defines trust as a risky venture. Assumptions of probability come into play with the term “risk”. In other words, you can also always be mistaken. Those who trust are familiar with the limitations of predictability.

Should you trust your intuition?

Yes, but emotions and cognition are not opposites. Trust relates to how humans portray themselves. If you trust me, then you rely on the image that you have gained of me. I can try to manipulate the visible impression that I convey. But I cannot control it entirely because you may perhaps also see something in me that I am not aware of at all. At any rate, you assume that no sinister traits will suddenly emerge that dispel the image of the person you have come to trust.

Does trust also have to do with faith?

Atheists and people who believe in God obviously have very different views. But those

who haven’t got a foot in either camp will notice something common to both sides: those who trust believe in something. Atheists like me are frequently agnostics. They know that not everything in the world can be discerned. Thoughtful theologians in turn admit that God’s greatness consists in particular in people not being able to know everything about him. The idea of a theocracy is alien to them. At this year’s Lucerne Festival, the Catholic theologian Hans Küng gave an impressive opening speech on the topic of faith. His first point was: “We need a basic trust in reality.” I would not use the term “basic trust” but can agree with what he said, just as I would with the statement: “Most people want to believe in something and in actual fact they do.” A fixation on one god is not necessary at all for this. Küng’s concern is not primarily about whether it is still possible to believe in God in this secular, scientific age, but rather how one should do it. Asking how like that is productive, and leads to debatable answers.

Trust is good, control is better, said Lenin. What should we think of the Russian revolutionary’s maxim?

Lenin did not invent this maxim; he was referring to the Russian proverb: “Trust, but verify.” In the financial market crisis after 2007, trust was the big loser. From a historical perspective, these processes show that the focus must be on control. A capitalist market economy is kept going by profit-oriented companies that embark on a voyage of discovery. Such a system requires clear and effective rules, i.e. political regulations that reflect institutionalised scepticism and in turn have

to be open to learning themselves. Assuming that the “market” will always regulate it everywhere is naive.

Do you think that the virtual collapse of the financial markets could have been prevented by more control?

I believe that there are no crisis-free times in the modern age. However, that is no excuse for doing nothing at the political level. There are indeed possibilities to prevent certain forms of crisis through skilful regulation or to limit their impact. Currently, the developed economies are being flooded with money and interest rates are at rock bottom. Because there is no trust in the future, it is not having the expected impact on the economic recovery. This is called the liquidity trap. The capital and particularly the real estate markets are showing inflationary tendencies. This could once again result in overdrive and bubbles and thus further crashes. The banking and financial system must be regulated in such a way that no new wildfire can develop as it did after 2007.

The crisis is often associated with greed. Is it possible to trust greedy people?

I am very sceptical when capitalism’s susceptibility to crisis is explained by “greed”. Greed is a term that is very much en vogue – as is the word “trust”. In the daily newspapers, the word “trust” sometimes appears in not one but three consecutive article titles ...

... and in combination with “crisis of” another five times.

Yes, these words are enjoying a real boom. Many believe that trust can be repaired, just like any product.

Back to greed ...

The problem is not that people are greedy. Historically, capitalism has been based on frugality and conspicuous consumption in

equal measure. I also find it just as difficult to believe that we would have an ideal economic system if we managed somehow to eliminate greed. That companies have to generate returns in a competitive environment to survive is a constraint of the system. Those who cannot be eliminated. The exorbitant level of salaries and remuneration for managers in times when entire economies are struggling also cannot be attributed primarily to human greed. The decisive factor is rather that those who take entrepreneurial risks in the financial sector can expect the state to intervene to save them if things go wrong. It is about politics, not morals – which is why we need to change the rules of the game, rather than the people.

Should politics trump business?

We live in a democracy. In Switzerland, in particular, we are proud of our democratic mechanism for intervening directly in the political machinery. Consequently, it must give grounds for reflection when far-reaching decisions, such as the rescue of UBS or the deliveries of bank customer data to the USA, are approved by parliament retroactively. Of course, it is impossible to solve the most important problems of today’s global economy with national politics alone; transnational and supranational approaches are also required. Political players are generally not able to oversee the dynamics in play in markets. Nevertheless, they have to draw up rules. Like in football: even if you don’t know what will come of it, it must be clear at the international level what a foul is.

How can an individual earn trust in business or politics?

He or she must be reliable. Trust may be given on the spur of the moment based on impressions made in a matter of seconds. However, a trusting relationship develops over a longer period of time. It is about continuity of trust. Yet individuals do not always have control over all the conditions of their actions. When trust in the system crumbles away, even people at the top can quickly become powerless. The trustworthy investment consultant may have believed steadfastly in the risk assessment models of his bank and the Triple As of the rating agencies – but when a cascade of crises brings his institution tumbling down, both he and his clients will soon lose trust.

What can a company do to become, be or stay trustworthy?

Companies, in particular banks, which are especially dependent on credit, try to maintain their trustworthiness with a consciously managed corporate identity. At the same time, they fan the flames of mistrust with their circumventions – recall the gigantic shadow banking system that exacerbated the financial market crisis. Word has it that the PR departments of banks are trying to promote their business with professional marketing. At the same time, they have departments that look for every possible loophole, according to the rationale “After all, the competition does it too”, etc. You can’t on the one hand promise a more careful handling of risks and on the other announce pre-crisis returns of 15 to 20 per cent to investors. This does not encourage trust. That trust in Switzerland as a financial centre is surprisingly high in light of the euro crisis has more to do with social and political stability and with the good performance of the overall economy. Primarily companies in the financial sector benefit from these advantages. I support the theory that banks today have jumped on the bandwagon of trust in Switzerland. —

Trust does not work like insurance.

Those who trust believe in something.



**“Direct contact will
importance now**

**continue to be of the utmost
and in future”**

Once you have decided to cultivate a relationship, you have to find a way to make it happen, says ICRC director-general **Yves Daccord**. His organisation builds and maintains contacts in crisis regions with various armed groups – some of which are illegal – to help those in need.

Yves Daccord (48)

studied political science and began his career as a journalist. In 1992 he came to the ICRC as a delegate and worked in Israel, the occupied territories, Sudan, Yemen, the Caucasus and Georgia. In 1998 he assumed a managerial role at the organisation's Geneva headquarters, and in 2010 he was appointed director-general. He is married to a former ICRC delegate and the father of three daughters.

Photo: Cédric Widmer

In all its activities, the ICRC stands by the principle that it will maintain contact with all parties to a conflict. How do you establish these relations?

We believe physical proximity is essential. The ICRC can only operate from a position of proximity, in the places where people are directly affected. We not only seek proximity to those affected, but also – and this is what distinguishes us from other organisations – to those who influence their fates. Take the example of Afghanistan. We didn't discover the Taliban yesterday, but have made every effort over the years to maintain relations with them – not for political reasons, but because we are convinced that this is the only way of gaining access to the people affected by the war. Only by doing this can we enable ambulances to move around. It's a very pragmatic approach, but that's the way we work. And so, over the past 30 years, the ICRC has not only cultivated relations with the Afghan

regime, but before that with the Mujahideen, and now with the Taliban as well as the international troops, of course.

What kind of relations are these?

Even in these days of electronic communications and virtual worlds, we still set great store by personal contact. We remain convinced to this day that face-to-face meetings are essential. I am sure that direct contact will continue to be of the utmost importance now and in future. It plays a crucial role in all our discussions, including, for example, with the American government. On the other hand, virtual contact is also gaining in significance – a development we all have to face up to, even if we admittedly still don't feel very comfortable with it. In Syria, for example, we



The ICRC at work: in current massive crises, only a few humanitarian organisations manage to get access to the people affected.

With an annual budget of CHF 1.5 billion, the International Committee of the Red Cross (ICRC) is one of the largest humanitarian organisations active worldwide. It employs around 13,000 people in over 80 countries. Established in 1863 in Geneva, the organisation is funded mainly by voluntary contributions from state governments. The ICRC is independent and takes on the role of a neutral intermediary in conflict situations. It offers assistance and protection to victims of war, distributes food and equipment in conflict regions, and organises medical aid. The legal basis for its work is established by the Geneva Conventions, by means of which the international community has committed itself to humanitarian principles in armed conflicts.

have a lot of contact with people who write to us on Facebook or via SMS. This is new, and by no means easy for us.

How do you deal with this situation?

We have no choice but to increasingly improve the integration of social media into our work. We won't be doing it willy-nilly, but always as dictated by individual circumstances.

Do you reply to Facebook messages?

Yes, we are open to dialogue. Recently, for example, there was a group of people who contacted us about a hunger strike in Israeli jails. We reacted to it by putting up a brief interview on YouTube. Not a press release, but a lightning-fast reaction on the Web.

The ICRC stands for impartiality. How do you satisfy this requirement in practice? Your employees must have sympathies and think in terms of victims and perpetrators ...

In the course of training our colleagues – especially at top level – we provide them with tools to enable them to keep a distance when that is called for. This is particularly true of team leaders, who are put under great pressure. We support them in mobilising the necessary resources in such situations. We actually work on the basis of very structured procedures. We have our own system of checks and balances. If someone has an important meeting coming up, they first have

to discuss it with someone within the organisation, in order to prevent them from being drawn towards one side or the other. Above all, we constantly have to be clear about why we need to be neutral, independent and impartial – only in this way can we maintain access to the people and places that no one else can reach. In all the current major crises – Somalia, Mali, Libya, Syria – there are very few humanitarian organisations who are given access to the local populations. Alongside Médecins sans Frontières we are often the only organisation on site, and that leaves us very exposed. It often causes me a great deal of worry.

How can you remain distanced and impartial when you know that you are facing someone who is responsible for atrocities?

The crucial factor is whether this person can give you access to a sector of the population whom you want to protect or send supplies to ...

... that's the rational explanation, but what about the emotional side?

If it is a matter of winning the opposite number over to grant your request, such difficulties can be overcome. What is extremely difficult to bear is the feeling of powerlessness. The realisation that it has become impossible to do anything for the people affected has a serious psychological effect. This was something experienced, for example, by my colleagues during the genocide in Rwanda.

The ICRC frequently has to deal with war criminals. Are there any ethical limits to the cultivation of contacts?

Once you have decided to cultivate a relationship, you have to find a way to make it happen. That sometimes means having a drink together. As a delegate you adhere to the rules of hospitality; I have no problem with that. The main question is asked at a much earlier stage: Do I believe I will achieve something? And, much more important: Am I actually achieving anything? Depending on

the answers, the strategy may change. But there are certain rules of conduct that must be respected.

The ICRC has for a long time been on the scene not only in wartime situations. For example, you also operate in slums suffering from gang violence, and are involved with everyday criminals.

These gangs actually only pursue financial rather than political objectives, but the consequences for the general population are generally similar to those of a conflict. Take Central America, for example, where there is no actual war, but the violence levels are extremely high. More people per thousand die there than in Afghanistan. We have observed, paradoxically, that gang bosses also know exactly what the needs of the people are in the areas they control. We can therefore talk to these people, but unlike in classic wars we constantly have to ask ourselves what gives us the legitimacy to be there. If the answer to that question is not clear, we are exposing our delegates to huge unnecessary risks.

In other words, the gangs must understand the rules by which the ICRC operates?

Yes. Because if the person you are dealing with does not know what you are seeking to achieve, it quickly turns very nasty.

So has the background against which you work changed a lot?

There is a strong fragmentation of the parties, and there is always the matter of financial envy. How should we proceed in these circumstances? Should we refrain from talking to a Mujahideen leader simply because he also controls the drug trade? No. Our strategy is relatively simple. We ask ourselves: Does this person control the access to the population groups who depend on our help?

“We are experiencing a world in which the structures are becoming increasingly unclear. How can we make contact with groups that are not structured? This is a real challenge for us.”

Do you explain to these people about the Geneva Conventions, on which the ICRC bases its operations?

What counts is not the letter of the Geneva Conventions, but its spirit. And that's something that certainly can be discussed with gang bosses. They understand only too well what is meant by a victim or a prisoner and what is meant by executing a prisoner. We support our dialogue with the gangs with the backbone of international humanitarian law, and in so doing we talk about responsibility – such as the responsibility of a gang leader to ensure that the population has access to medical care and water. On the other hand, you can also make it clear to a government that at least some dialogue with a gang is necessary.

You have spoken about the fragmentation of the parties to a conflict. How does this development affect your work?

We are used to meeting with people who are part of a clear command structure. We usually know on what level we should place them. But now, particularly with the revolutions in the Near East, we are experiencing a world in which the structures are becoming increasingly unclear. How can we make contact with groups that are not structured? This is a real challenge for us, and an important reason why personal contact, provided representatives can be identified, is absolutely essential.

You are at the head of an organisation with 13,000 employees throughout the world. What is the basis of the ICRC's relations with its own staff?

At heart is the way in which we deal with our people – and not least the perspectives

we offer them. Ten years ago our employees, especially the international crew, stayed with the ICRC for a relatively short period. That has changed; people are staying on board for much longer. The average age is 40. We therefore have to offer clear definitions of the perspectives at the ICRC. We also value our local employees highly. They are absolutely central to the organisation and deserve great recognition. We remain on the ground for a lot longer in conflict situations, and often it is the local ICRC people who have the contacts and relations.

When you started out as director-general, you said you wanted ICRC managers to be less isolated in their decision making.

What we are seeking to achieve is to be able to make decisions much more quickly when needed. We are an organisation that produces a lot of information, and we are relatively decentralised. It is important to bring together the necessary people to make clear decisions. To do this requires intelligent information management, but the role of managers also needs to be clarified. The delegation managers – including myself – should bring together various areas of expertise. What makes the ICRC stand out is the combination of knowledge and experience. —

“The people are not always right”

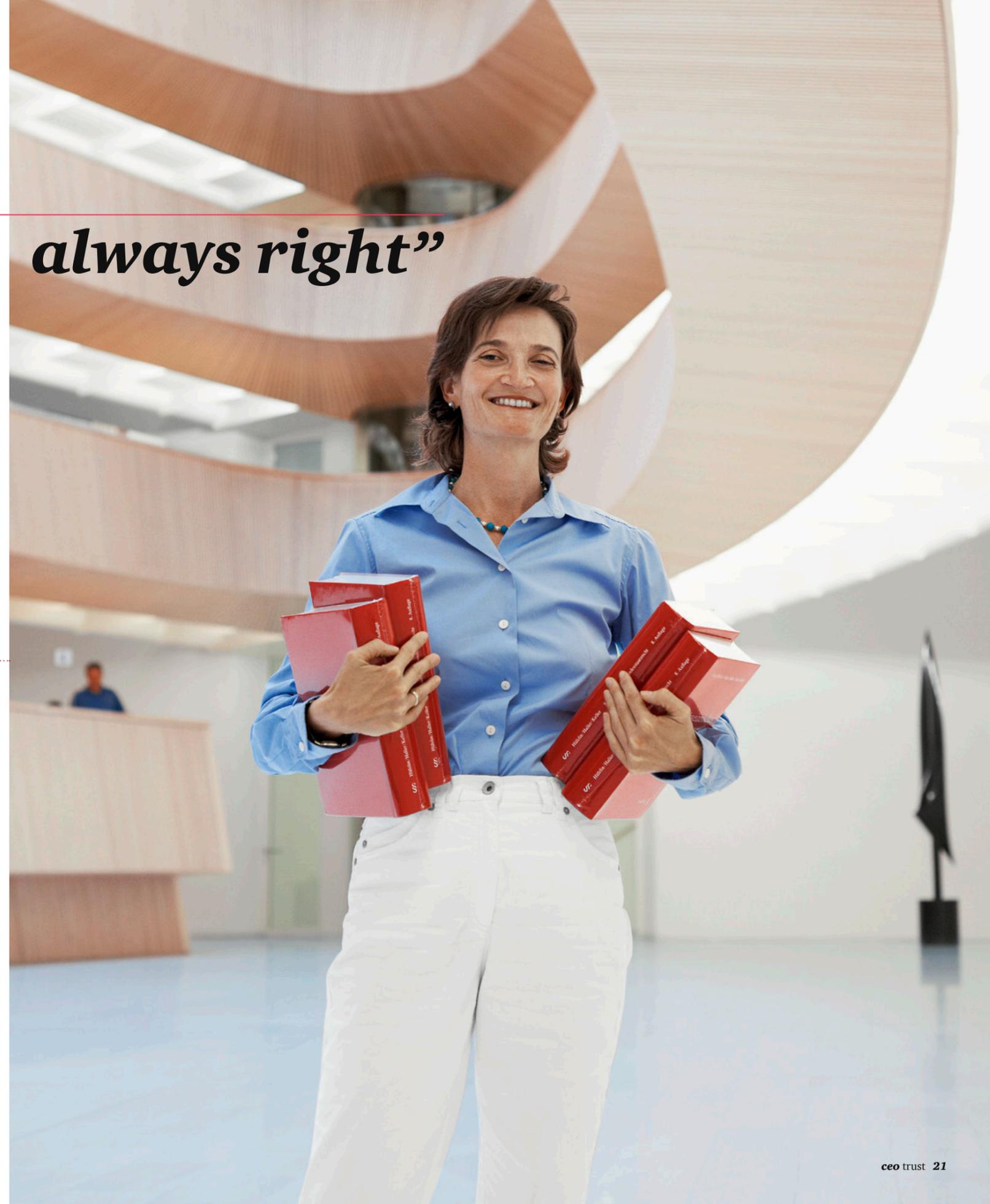
As a lawyer at the European Court of Human Rights in Strasbourg, **Helen Keller** is the supreme Swiss guardian of human rights. She explains why Switzerland is not a model country, how the debt crisis is having an impact on her work and what role contacts play in her career.

The petite woman is wearing sturdy shoes. Her waterproof jacket and waterproof trousers are hanging in the cloakroom of the Institute of Law at the University of Zurich; her cycling helmet is lying on a cupboard. Helen Keller is out and about on her bike in all weather – she does not own a car. In Strasbourg, where she lives and works during the week, she cycles everywhere. Only in cities such as New York does she swap her bicycle for a scooter, for safety reasons. Her unpretentious appearance belies the exalted status that Helen Keller holds. She is a professor for international law at the University of Zurich and has been a judge at the European Court of Human Rights in Strasbourg since October 2011, one of the most senior positions in the legal profession. The Court is the highest instance for the more than 800 million citizens of the 47 member states of the Council of Europe and monitors compliance with the European Convention on Human Rights. Each member state provides one judge.

Helen Keller (48)

has worked as a judge at the European Court of Human Rights since October 2011. The Court examines breaches of the European Convention on Human Rights and imposes sanctions. She studied law at the University of Zurich and underwent further training at the Collège d'Europe in Bruges, the Harvard Law School in Cambridge and the European University Institute in Florence. Until her appointment in Strasbourg, she worked as a professor for public, European and international law at the University of Zurich and was elected onto the Human Rights Committee of the United Nations Organization. Helen Keller is married to Ulrich Schmid, a professor of Slavonic studies, and has two school-age sons.

Photo: Gerry Amstutz



You have been a judge at the European Court of Human Rights for a year. What is your assessment so far?

I am in constant dialogue with judges from every European country and work particularly closely with colleagues from Italy, Belgium, Portugal, Lithuania, Serbia and Turkey. Exchanging information and ideas with the different nationalities is intensive and exhausting. It took a while for me to understand the group dynamics and to remember who speaks when and when it was my time to cast my vote. Today I understand the ritualised processes. The dialogue with the different nationalities is enriching and challenging – on a linguistic, interpersonal and legal level.

What surprised you most in view of the different cultures?

That there is no consensus in Europe on many social issues such as freedom of expression, gender equality and equality of same-sex couples, or access to adoption. In some areas, the opinions of the judges are diametrically opposed. Because the legal traditions are so diverse, there are also heated discussions on judgements. You can find yourself on the receiving end of these, and you are sometimes outvoted.

What can you achieve at all?

I see my work as a service to humankind and to Switzerland. For Switzerland, the Court is the last instance; for many countries in which human rights are not as established, however, it is the first instance that takes plaintiffs seriously and gives them a chance to win their case. Chechens, for instance, can only win a case before our Court.

Would it be correct to think that as relatively few complaints come from Switzerland, the country has an exemplary record in human rights?

From a human rights perspective, Switzerland still has some catching up to do in some areas. It was one of the last countries to ratify the European Convention on Human Rights. However, there are no systemic or severe breaches of human rights in Switzerland. This is down to the high standard of living, the social security system and primarily also the strong state. But many cases from Switzerland are referred to Strasbourg with regard to law regarding foreigners or procedural law.

Is the deportation initiative that was accepted last year consistent with human rights?

I cannot say anything specific about that because there has been no judgement yet. The initiative undoubtedly throws up difficult questions with regard to human rights.

But the people are always right.

No. Political majorities must not ignore human rights. We are here to protect individual people rather than the majority of the population. To formulate it in extreme terms: if the majority of people are in favour of somebody being lynched, that is something we cannot support.

In this country, complaints that Swiss law is being weakened by international conventions are becoming ever more vociferous.

In economically difficult times, human rights must be very carefully protected. History has shown that foreigners in particular are ostracised in times of crisis. That is why you need an independent instance such as

The debt and finance crisis is having a tangible effect on the Court's work. This is primarily due to an additional protocol for guaranteed property rights that has been ratified by most countries but not by Switzerland. In the Court's opinion, pension entitlements are a person's property. This means that claims regarding reductions in pensions can be filed in court. Judgements have already been issued against Greece and Italy, for instance, ordering the state to satisfy the pension claims.

the Court in Strasbourg. You cannot simply deport foreigners because criminality might be especially high in one ethnic group.

Many European countries are facing financial ruin – where is the money going to come from for the additional demands?

It is not our task to balance the state budgets. If the pension to which a person is entitled is reduced to 10 per cent, this is a clear breach of human rights. It is also not acceptable that schools are being starved of funds and, for example, that teaching only takes place once a week. The right to education is a fundamental human right. If we don't protect it, we will rob our children of their opportunities.

You will unleash a flood of demands with that statement.

I am aware of that. It will also be a tough lesson for the EU with its savings targets.

Where does your pronounced affinity for human rights issues come from?

As a child, I did not come from a privileged background. I grew up as a foster child in a working-class family with Mediterranean and Moslem influences. My foster father was a Polish refugee. I started my law career without any contacts whatsoever, but I made up for that with hard work and persistence.

In the academic world, networking is vital. How did you develop your network of contacts?

I went abroad early on and met a lot of people. I am probably better known abroad than in Switzerland. In addition, I have attracted attention through my lectures. In fact, my first professorship was offered to me by a dean who attended one of them. I got my first scholarship because I had to represent my boss at a conference and then put a lot of time and energy into preparing my talk – and at the end received a standing ovation. Even today, I still attach great importance to preparing my presentations because I do not want my audience to get bored – after all, they have taken the time to come and listen to me. Among other things, I owe my appointment in Strasbourg to the fact that I am used to speaking in front of people and can break down complex problems into easy-to-understand concepts. —

Every year, around 50,000 new complaints are received in Strasbourg; around 150,000 cases are pending. The most frequent customer is Russia, followed by Turkey. Around 300 complaints a year come from Switzerland. A lot of routine files that land on Helen Keller's desk involve excessively lengthy proceedings or unpaid pensions, but she also handles cases that sometimes keep her awake at night: kidnapping of children, domestic violence, conditions of imprisonment, unsolved deaths. When the Court establishes a breach of human rights or pronounces judgement on compensation, these are binding for the countries found guilty.

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Axel Timm
Leader Technology



Holger Greif
Leader Consulting

Big Data

When information's the key to success

Big data – huge data sets analysed with new technologies and linked to other information – has massive potential, especially for organisations that are able to create competitive advantage by harnessing big data as part of innovative business models.

Information is the currency of the future. There's nothing new in that. What is new is the way state-of-the-art information technologies are enabling information to be used profitably. The result is big data. In the medium term there will not be a single industry in Switzerland that is not affected by the radical changes triggered by big data technologies. Since 2000 the volume of data has exploded. Suddenly we saw two key developments: anyone could now publish blogs, photos and videos electronically, and for the first time people started shopping big style on the Web.

Technology-driven companies such as Amazon and eBay, which have used this information to tailor their offerings precisely to the needs of their customers, had to tackle the challenge of handling big data much earlier than traditional industries and banks. These forerunners developed powerful technological solutions that are now available to other industries.

Use data intelligently

Big data involves a new approach to analysing and intelligently linking information. The key is for an organisation to use data smartly and make it usable not just for itself, but for its stakeholders too. This creates a

decisive strategic edge: now data isn't just capable of answering questions related to an organisation's finances, but also gives insights into the needs of customers and the value chain. For example, with the help of big data an ice cream manufacturer can find out not just how much product it sold last year, but how much it will sell on Thursday in two weeks if it rains. Big data will lead to the emergence of new business models to take the place of old ones. Here are a few classic applica-

tions of intelligent data management:

- optimum pricing of products and services on the basis of current demand figures
- more confident predictions of demand on the basis of weather data, for forecasts of ticket sales or working out how much cash to put in ATMs
- timing the launch of discounts and special offers
- special offers precisely matched to individual consumers on the basis of their buyer profile

Goodbye to classic marketing

It used to be that the people making decisions in business based their choices on experience and their analysts' views of the market. In the future they'll be basing their decisions on facts underpinned by data from a wide range of sources. Analysis of information from the Web will replace market research. It will no longer be necessary to ask consumers for their opinion in person. An example is a Swiss retailer that

found out that mothers with small children were avoiding its stores because they didn't like to run the gauntlet of checkout displays filled with irresistible goodies for kids.

Another advantage of big data will be that management will get more or less real-time feedback on the success of marketing strategies, rather than having to wait until the next quarterly figures are published to see if they're on the right track.

Changes with profound implications

In the machine industry, systems based on sensors are increasingly taking the place of traditional maintenance systems. In personnel recruitment, historical data from CVs, job profiles and customer feedback can help boost the quality of new hires. The impact of big data will be even more profound in other industries. In health care, for example, it will create completely new ways of improving the way drugs

are developed by incorporating information about different therapies and methods of treatment. These changes will also have a fundamental impact on people's job descriptions, notably in the case of knowledge workers, and big data technologies will be a vital part of the modern employee's skill set. We're already seeing the emergence of entirely new roles, for example that of the data scientist.

And big data will play an increasingly pivotal role in traditional areas such as IT security. It used to be that log files were saved and only examined for usable clues if irregularities were suspected. These days banks systematically evaluate log files, with anomalies automatically triggering the alarm or barring access to the system.

Cost need not be an issue

Thanks to providers of big data computing capacity, the IT overhead doesn't have to go through the roof, although you really should have your own cluster for very sensitive data. But here, too, big data technologies will lead to organic growth in the infrastructure and the emergence of attractive cost structures. For less sensitive data, companies can rent computing capacity in the cloud. This way you only pay for the number of computing hours you actually use.

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Summary

Companies already have access to valuable data such as buyer profiles, customer e-mails, tweets and weather forecasts, but they fail to make sufficient use of this information. Yet the use of big data technologies will be the single most decisive factor in whether many businesses achieve their strategic objectives or not. The winners will be companies that come up with innovative business models and services on the basis of this information – and exploit big data as a big opportunity.

Hotel industry New approach required

The Swiss hotel sector is going through a structural transformation. This is no bad thing for the industry. The main opportunities don't lie in a flurry of construction activity; the real potential lies in penetrating new markets and customer segments, formulating new sales and distribution channels and strategies, and improving the service.

Switzerland boasts some of the world's most famous tourist destinations. St. Moritz, Davos and Zermatt, for example, have established themselves as global brands, and cities such as Zurich, Lucerne and Geneva have made a name as dream destinations for individual travellers as well as being attractive locations for business conferences. Switzerland has hotels that regularly rank among the best in Europe. These things are increasingly valued by guests from emerging regions. A detailed look at the accommodation statistics reveals a promising trend for the Swiss hotel industry. In the first half of 2012 there was impressive growth in visitors from Asia, Africa and South America: China (without Hong Kong): overnight stays up 27%; Singapore: up 15%; Japan: up 14%; the Gulf States: up 41%; North Africa: up 37%; and Brazil: up 5.7%. These

figures confirm the previous year's trend: an increasing number of promising customers are coming from other continents. In absolute terms this growth hasn't (yet) made up for declines in overnight stays from crisis-ridden Europe, but these rates open up completely new perspectives for Swiss hotels.

Strategies for guests from other cultures

But this shift in clientele requires a change of mindset when it comes to the quality of service. The days when Swiss hotels geared their service, logistics and infrastructure primarily to tourists and businesspeople from the West are as good as over. Guests from other cultures have different needs and customs, from the way they're greeted to the food they eat and the shampoo they expect to find in their room. Visitors from faraway places – unlike those from neighbouring

Nicolas Mayer
Tourism & Hotel Business



can start out by asking guests in person to get an initial idea. But this is only of limited use, as many will respond purely out of politeness. A more professional way of going about it is to find out about your guests' country of origin yourself, for example by going to local tourism fairs or joining forces with local providers. One of the roles of tourism industry associations should be to gather this knowledge and pass it on to individual hotels and infrastructure operators. The cultural diversity of guests is only one of the challenges for Swiss hoteliers. There are two additional major trends transforming the structure of the industry: the level of expectation among travellers in general, and the trend to electronic booking.

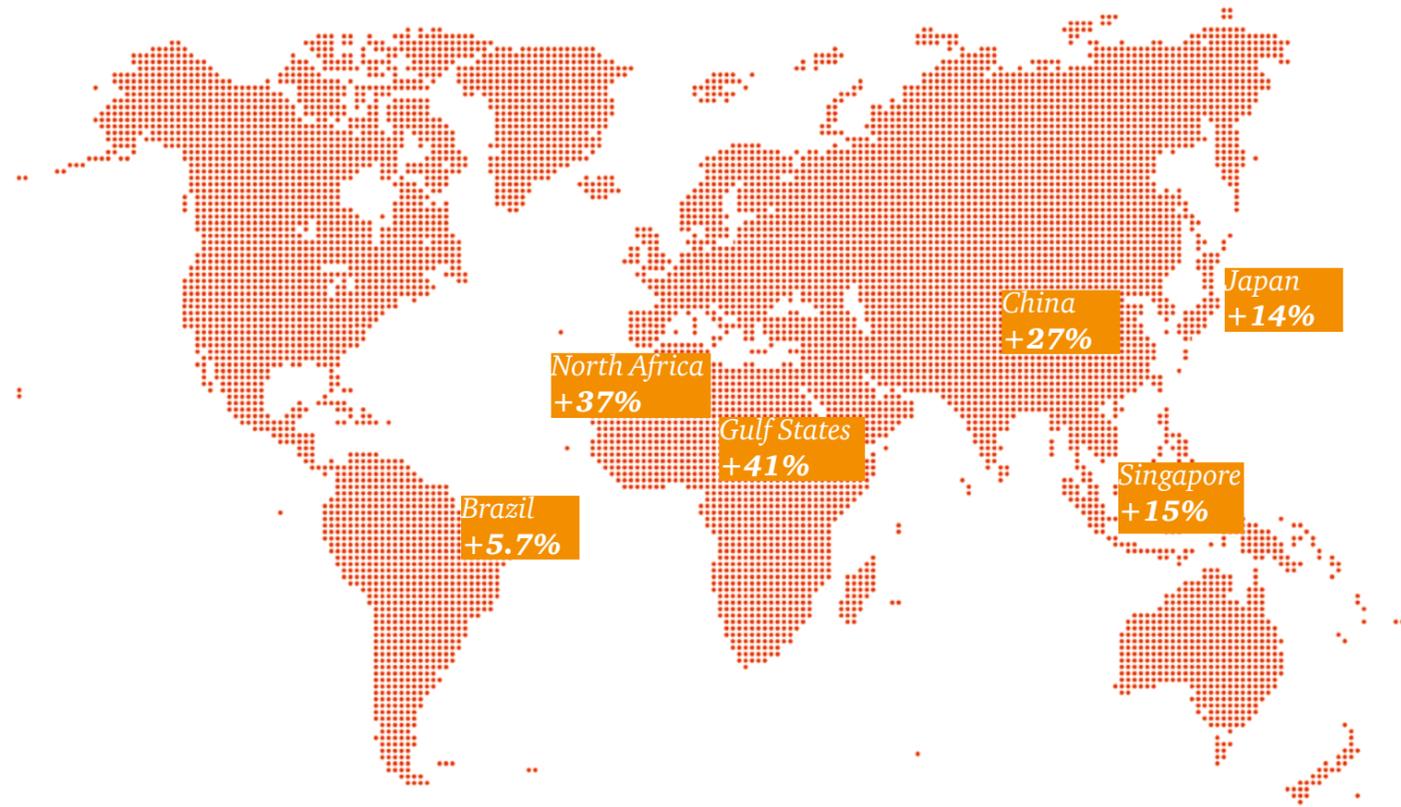
Investing in service quality

Tourists these days are well informed and in a position to compare different destinations and hotels; they expect individual service and optimum value for money. New and innovative strategies combined with realistic calculations can open up new potential sources of revenue. Endeavouring to constantly give guests a sense of well-being is an

Supporting innovative business models

Since the beginning of 2012, PwC has been in partnership with Teralytics, an ETH spin-off founded by Professor Donald Kossmann and Georg Polzer that deals primarily with big data. Teralytics and PwC work together to help their clients deliver innovative business models. For example, they analysed cash flow data as part of the receivership proceedings for Lehman Brothers investment bank in Switzerland. Thanks to this analysis, the receivers were able to evaluate large amounts of data from a variety of transaction systems more quickly and reconstruct financial transactions more easily. "In the future every business, whether it's a global player or a medium-sized local operator, will have a computing cluster for big data analysis," predicts Professor Kossmann.

Swiss hotel industry posts impressive growth rates



investment, as people who feel looked after will take advantage of more of what the hotel is offering, as well as being more likely to come back. There is no financial justification for below par service. The investment required to ensure excellent service quality is much smaller – at least in financial terms – than the typical investment in buildings. It hinges on two things: a service philosophy that is systematically put into practice, and staff who are able and willing to make this happen. Personnel management is a very good example of the importance of thinking in business terms. Carefully selecting your people, training them and rewarding them appropriately are the keys to outstanding service quality. In reality, however, some hotels are more inclined to seek people who

are cheap rather than people who are motivated. In many cases they don't even have a binding personnel policy in place.

Rating portals instead of stars
It isn't just travel agents and tour operators who are being forced by modern technology to come up with new business models. The same applies to hotels. Many travellers have stopped relying on classic hotel star ratings, and book their holidays without the help of a travel agent – and are much more likely to be guided by online ratings posted by other guests. These days it's an easy matter to visit a hotel portal to find out whether a hotel matches people's expectations.

A survey in Germany has shown that 48% of all Internet users consult an online rating before booking a particular hotel or destination. And although the hotel rating portals aren't immune to manipulation, they do enjoy a high degree of credibility. Hoteliers themselves pay a great deal of attention to these ratings: three quarters of those polled in the survey say they are important or very important. The more people who have a good experience of a hotel's service and tell other people about it, the better the establishment's reputation will be. Hoteliers have to gear their sales and procurement processes, as well as their marketing, more closely to the Internet as a channel of communication.

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Summary
The Swiss hotel industry is undergoing a transformation. New projects are being developed, and other market players will renovate or extend. But the industry could be expending just as much energy on harnessing the opportunities that are emerging in the form of new guest segments and markets, new distribution channels, and new, innovative offerings in tourist areas.

Peter Renggli
Treasury & Financial Risk
Management



Euro crisis Weighing what's conceivable against what's feasible

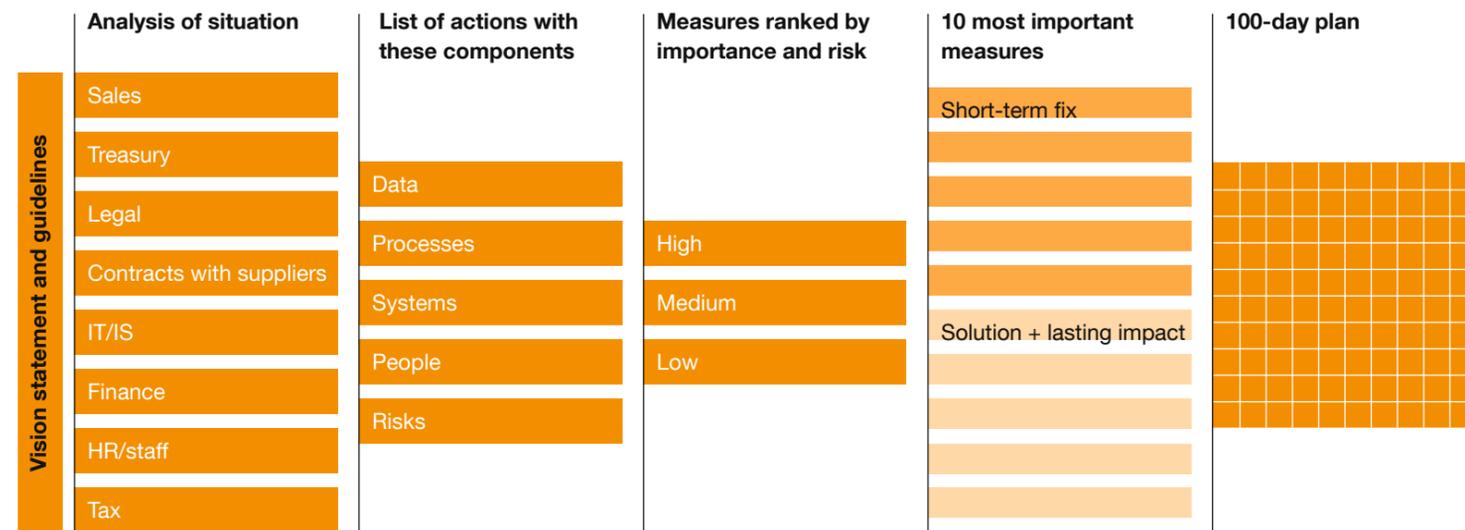
The euro crisis didn't happen all of a sudden. It's something that has developed steadily over the last few years. After joining the EU, countries like Greece, Spain and Italy reined their interest rates back to German levels, stimulating demand for their debt among government and private investors. This led to a credit-driven economic boom in southern Europe. But there was an inevitable downside: increasing prices, wages and imports, declining exports, and ultimately current account deficits. At the same time there was no way of correcting imbalances via exchange rates or real economic mechanisms such as workforce

mobility, prices, wages or transfer payments. The euro crisis has now presented us the bill in the form of exorbitant payments from the euro rescue package and drastic spending cuts in crisis-ridden countries; it's a life-or-death struggle costing a huge amount of money. It's understandable that experts, the media and the public at large are expressing doubts as to the very construct of the euro. Not just the Swiss National Bank, but the European Central Bank (ECB) and other national banks are keeping the monetary reins very loose indeed at the moment, in some cases increas-

ing their monetary reserves by up to 400%. If Friedman's monetary policy rule still holds – and bearing in mind developments in the United States in the 1930s – we face inflation in two to four years' time. Prices will adjust, interest rates will rise, and the property market will suffer. And companies will have to think of ways of staying productive and raising finance even if they're able to reduce their debts in an environment of higher inflation. At the moment it's hard to tell precisely where the euro is going. To give an idea of what could happen, we have come up with scenarios that in reality could also occur in combination.

It's still unclear where the euro's journey will lead to. What is clear is that it will have a fundamental impact on global enterprises, and not just in terms of the way they manage currencies and liquidity. If crisis-ridden countries were to leave the euro zone, it would have serious side effects and raise countless questions. In this article we provide a few suggestions as to how companies can look for answers – starting right now.

How to prepare properly for changes in the euro zone



The most important phases of preparing for the crisis: Decide which scenarios are relevant for your business. Weight by importance and risk. Formulate concrete measures that can be executed quickly if necessary.

1. Development of the euro zone

In this scenario the euro zone continues to muddle its way through the crisis, in particular by way of ECB intervention. This buys the central bank time, but compromises its credibility and increases the risk of inflation. At the same time there are political moves to bring about longer-term changes in the framework, for example in the form of a fiscal pact, banking union and closer integration. Growth could decline temporarily, but in the longer run calm could return to the markets.

2. Sovereign default and debt restructuring

This scenario sees the insolvency of nations like Greece, Italy or Spain. Private creditors such as individual investors, pension funds, insurance companies and banks default. The country goes into recession, unemployment

rises, and there is the risk that banks will also slide into crisis.

3. Exodus from the euro

Greece and other high-risk countries leave the euro zone and return to national or parallel currencies. There is a devaluation of the euro, and probably a flight of capital from these countries. Debt increases in the countries that have left the euro, as do inflation and unemployment. On the other hand, countries that have basic public spending under control could return to health in the long term.

Whichever scenario comes to pass in the future, global corporations in Switzerland can already start to take concrete measures.

Treasury should be evaluating foreign exchange risks by country as well as by currency, weighing

these up against each other. If a country leaves the euro, so-called natural hedges may fall apart. Companies should also be taking a critical look at their hedging. Management should be taking a critical look at the way sales are distributed, if necessary making

changes by shifting or setting up production facilities. This is a good time to also think about the price sensitivity of the goods you produce. Another key issue is financing: Is a central holding structure still preferable to local financing?

Summary

Impending changes in the euro zone are creating opportunities as well as risks and new concerns. To recognise and exploit these opportunities early on, top management needs to be attentive and willing to take the necessary decisions. Your treasury and financial planning experts should be using their experience in dealing with risks to make your management aware of the scale of the euro crisis and propose a systematic approach. Make sure you're present in the right countries today, and you could be harnessing the price advantages tomorrow. And get the right financing in place now, and you'll have the resources to succeed going forward. To put it in a nutshell, respond today and you'll be in a position to act tomorrow and get a big step ahead of the competition.

How short-term do you want your liabilities to be? How safe are your banking relationships? Contracts should also be on your to-do list: your company should go through its purchase and sales contracts, leasing agreements and long-term liabilities in good time, where possible modifying payment terms, or building the necessary conversion and termination clauses into new contracts.

Be far-sighted and systematic

Given the uncertain future of the euro, many companies are asking: "What now?" But the question we think they should really be asking is: "What should we be doing now?" To prepare properly for the changes, it's worth proceeding in steps.

1. First formulate what your management believes to be the most probable euro scenarios and those that will have the greatest impact on your business. For each of these scenarios, evaluate the risks and define the events for which the company will start working out appropriate measures.

2. If these trigger events occur, you put emergency plans in place and define concrete measures which will enable your organisation to prepare adequately for the new situation. You also define the events which will then trigger immediate implementation of these measures.

3. If the situation develops as foreseen in one of your scenarios, you implement the measures you have defined.

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International Tax Structuring
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Total tax contribution How much business contributes to public finances

Most people underestimate the contribution businesses make to public finances. But a PwC survey shows that taxes and duties paid by corporate entities accounted for more than half of government revenues in 2010.

The issue of tax has triggered fierce public debate, particularly in the wake of the financial and economic crisis. In this debate, fiscal and ethical arguments are intertwined. On the fiscal side we have the necessity of reducing public debt and public deficits and increasing government and tax revenues. On the ethical side, a common argument is the issue of tax justice: Are all sections of society and the economy making a fair contribution to public finances?

The debate in Switzerland is dominated by the question of how to deal with the untaxed assets of private individuals from abroad. This has meant that the issue of "appropriate" taxation for corporations has tended to take a back seat. But now the

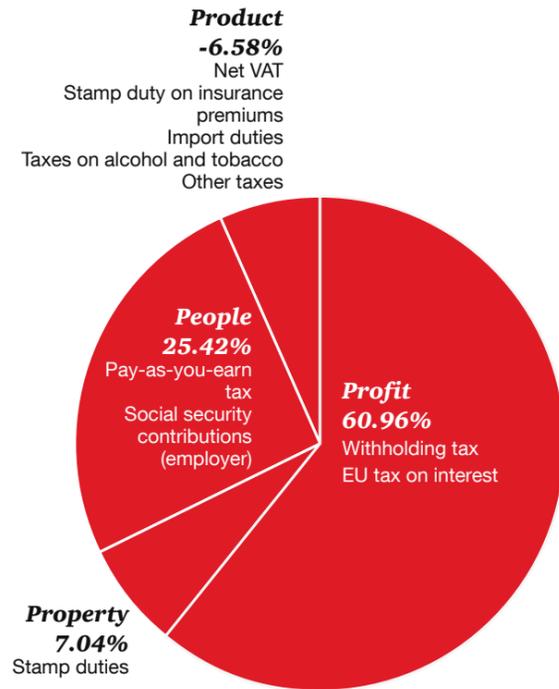
issue is back in the limelight with Swiss Federal Council plans to move ahead with Corporate Tax Reform III. The great challenge is to find models for the taxation of holding, domiciliary and mixed companies that are acceptable to the EU and its member states on the one hand, but which ensure that Switzerland continues to be an attractive location for doing business on the other.

Corporations provide more than half of total public revenues

PwC would like to contribute some hard facts and figures to what is sometimes a very emotional debate on tax. The recently published study on total

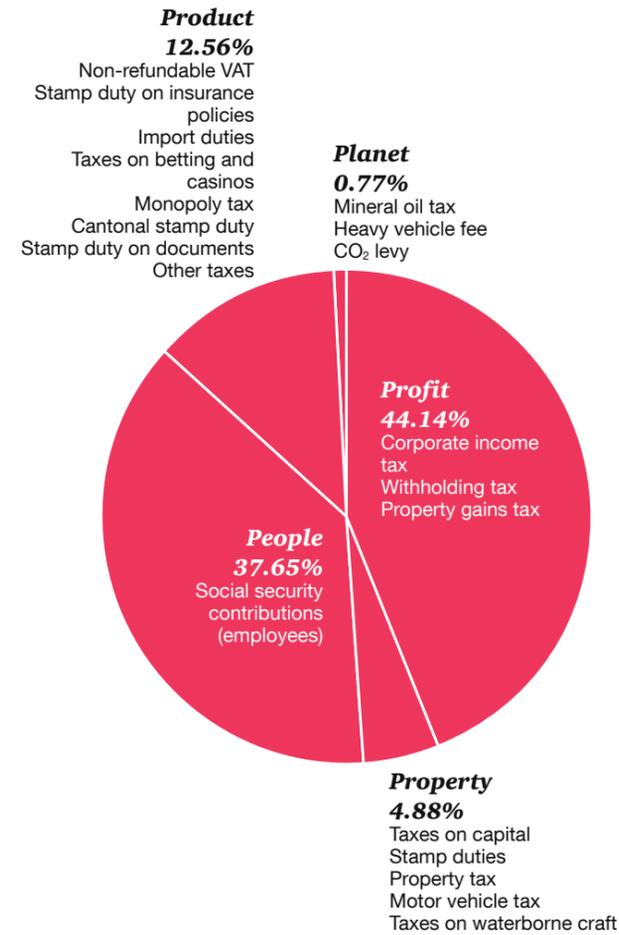
Taxes collected

Taxes and duties collected by an entity on behalf of the state



Taxes borne

Taxes and duties borne by the entity itself



The concept of the total tax contribution framework

In 2005 PwC developed the concept of total tax contribution (TTC) to improve transparency in corporate taxation. TTC is a model that captures a corporate entity's entire tax payments. It covers all types of tax relevant for corporate entities, and is based on a pure cash flow view. This enables direct comparisons with the data on government revenues published by the Federal Statistical Office.

Besides Switzerland, PwC monitors total tax contribution in Australia, Belgium, Canada, India, Japan, Luxembourg, South Africa, the UK and the United States.

You can download a free PDF copy of the TTC survey in German at www.pwc.ch. Or you can order print copies from sonja.jau@ch.pwc.com.

tax contribution (TTC) provides some objective arguments. In this study, PwC captures a company's entire tax payments. Analysis of corporate tax contribution usually focuses on corporate income tax, the only type of tax that has to be stated separately in a company's financial statements. But taxes on profits account for only around 40% of all the taxes and duties contributed by corporations to public finances. And here we also have to distinguish between the taxes borne directly by the company (taxes borne) and those it collects on behalf of the state (taxes collected). This is the second time PwC has published a survey of total tax contribution in Switzerland. The first report, published in 2009,

was primarily based on data from 2007, while the latest study draws on figures from 2010 and 2011. As we all know, a financial crisis shook the world between these two observation periods. This means that the findings of the TTC study are telling from two points of view: Are the findings of the previous study confirmed? And what impact has the financial crisis had on the tax contribution of corporations overall, and of individual sectors of the economy? Fast-forwarding to the conclusion of the report, the financial crisis has reduced companies' total tax contribution by much less than one may have expected. Certain

details are particularly worthy of mention:

- In 2010 the revenues of all territorial authorities in Switzerland came to CHF 197 billion. Corporate entities contributed CHF 111 billion of this; in other words, they provided a good 56% of government revenues.
- Around one quarter of government revenues (CHF 51 billion) were contributed directly by corporations; an even larger amount, CHF 60 billion, was collected by corporations on behalf of the state.
- The share of social security contributions paid by companies, which the TTC methodology treats as employee-related taxes, plays at least as important a role as corporate income tax. Together with corporate income tax, these "people taxes" account for four fifths of the total corporate tax contribution.
- Large corporations account for a disproportionately high share of the tax contribution of corporate entities. The five largest corporations taking part in the survey contributed over ten times more to government revenues than the average of the 57 entities surveyed. These and other figures confirm that corporate entities play an eminently important role in funding public spending, and this role is underestimated if analysis only takes account of taxes that are dependent on profits.

Virtually no change in the effective tax rate

The question remains as to whether this rate has changed in the wake of the financial crisis. A comparison of the 31 companies that took part in both TTC studies sheds some light on this. In 2007, these entities paid around CHF 4 billion in corporate income tax. This figure fell to around CHF 800 million in 2010, and increased again to around CHF 1.4 billion in 2011. This fluctuation, however, had only a limited impact on the total tax contribution, as non-income taxes are hardly dependent on the eco-

nomie cycle. Employee-related taxes, for example, increased over the same period. From a company's point of view, non-income taxes function like fixed overheads. And as a look at the total tax rate (TTR) shows, these hardly changed during the crisis. The TTR sets the total taxes borne in relation to earnings before taxes borne to measure the total effective tax contribution made by an entity. In 2007 the TTR of the corporations participating in the study came to 32.0%. The figure declined to 25.8% in 2010 before returning to 31.9%, the pre-crisis level, in 2011.

Financial sector remains an important source of revenues

An analysis of taxes paid broken down by industry reveals the following picture. Banks account for three quarters of the decline in income taxes. Overall, however, banks contribute a considerable share of tax revenues, above the average for other sectors. The insurance industry has proven to be resistant to crisis, with its income tax contribution also rising steadily during the crisis. The study also reveals that the pharmaceutical industry had a stabilising influence on government revenues during the crisis. While the industry saw income tax decline slightly in line with the economy as a whole, pharmaceutical companies continued to operate profitably at a high level. An increase in headcount also led to significant growth in people taxes. The impact of the crisis is apparent in other industries. Reduced profitability led to a decline in income taxes, which fell 31% between 2007 and 2011. At the same time, total taxes borne and collected increased 1%. In other words, other non-income taxes completely offset the decline in income tax. This translated into an explosive increase in the total tax rate for companies (apart from banks, insurance and phar-

maceutical companies), which grew from 38% in 2007 to 78.4% in 2010, before declining to a still considerable 59.6% the following year.

Increased revenues thanks to attractiveness of Switzerland

There are two key insights to be gleaned from the study:

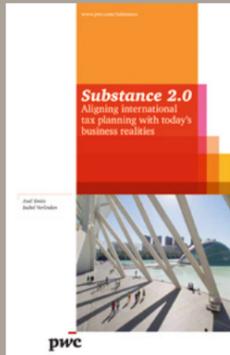
- Particularly in times of crisis, it's important to analyse all taxes borne and collected to assess a company's contribution to public finances. Even if an entity does not post a profit and pays no income tax as a result, it still makes a substantial contribution to government revenues via other types of tax, particularly employee-related tax.

- Even though companies have paid significantly less income tax overall, the share of revenues from income tax has declined little in percentage terms. This is only partly down to the stabilising influence of strong industries such as pharmaceuticals. Another factor is the broader basis of the survey: an increase in the number of taxable entities, thanks not least to international groups moving to Switzerland, has offset the losses via the taxable base. The tax regime may not be the only reason for Switzerland's attractiveness, but it is the main one. Corporate Tax Reform III should be taken as an opportunity to develop the tax system intelligently. Above all, the mobility of individual corporate functions should be taken into account. This could be done by differentiating between different types of revenue. Solutions similar to the "patent boxes" also being talked about in the EU could grant privileged tax rates for things like financial income and income on intellectual property. Another priority has to be to keep the tax regime as simple as possible. The less complex the system, the less expensive it will be – for companies and the authorities – to make it work.

armin.marti@ch.pwc.com

Summary

PwC's work on total tax contribution is designed to bring transparency to the complex issue of the taxation of corporate entities. The advice to companies is as follows: differentiated disclosure of tax payments and open communication with stakeholders will enable you to show your actual contribution to public finances. With good arguments at your fingertips, you will be able to communicate your role as part of society with confidence. From a political and administrative point of view, transparency is the basis for developing the system of laws and taxation so that the prosperity of society benefits. Switzerland has to find a balance between locational attractiveness and being a fair player in the international tax competition.



Substance 2.0

Substance has become an increasingly important issue in tax planning in recent times. Given persistent uncertainty on the markets, tax authorities and political decision makers have started to question artificial tax regimes. There is no end to this trend in sight. “Substance 2.0” is a publication focusing on substance in the context of corporate structures and business models. It also discusses domestic tax legislation in 48 countries worldwide and takes a closer look at how these rules tally with OECD rules and EU legislation.

You can order the book in English from www.pwc.ch/tax.



China Compass

China Business Group experts once again explain developments in the Chinese market and what this means for you in terms of investment opportunities. In this issue you'll find out

- what core issues the Chinese premier addressed in his report to the National People's Congress.
- what tax breaks are available on investments in the western regions of China.
- what changes the introduction of a uniform VAT system entails.

The “China Compass” is designed to help you in your daily business. Our China Business Group can also offer you closely coordinated advice and support with your business in China.

You can download a free PDF copy of the “China Compass” in German at www.pwc.ch. Or you can order print copies from sonja.jau@ch.pwc.com.



2012 IT sourcing study

Building on PwC's 2009 IT sourcing study, which covered the financial industry, we conducted interviews on current external IT sourcing practice at companies in Germany, Austria and Switzerland. The findings give an international, cross-industry overview of current IT sourcing as well as shedding light on future trends in this field.

Developments such as cloud computing and multivendor sourcing, both of which promise to reduce costs, are opening up interesting opportunities. IT managers are often confronted with complex new challenges:

- How do you set up an effective governance function?
- How do you coordinate different internal and external partners in a multiprovider environment?
- What services can we shift to the cloud?

Added to this, IT managers regularly have to make other important strategic decisions, such as what alternative to choose when an outsourcing agreement runs out. Against this backdrop the study aims to bring clarity to the current IT sourcing situation and future developments in this field.

You can download a free PDF copy of the study in German at www.pwc.ch.



Key trends in human capital 2012

People employed by European companies are less productive than they were a year ago, and productivity is lower than at any time in the last five years. Job cuts in lower-pay groups have led to an increase in personnel expense. Added to this is the threat of a shortfall in talent as companies take on fewer and fewer young candidates. These are some of the findings of PwC's “Key trends in human capital 2012 – A global perspective”, a study covering 2,400 organisations in more than 50 countries.

You can download a free PDF copy of the study in English at www.pwc.ch.



2011–12 Annual Review

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 2011–12 Annual Review in English, French and German on our website at www.pwc.ch/review, www.pwc.ch/rapport and www.pwc.ch/bericht.



Executive Compensation & Corporate Governance

Average compensation paid to the CEOs of SMI companies is 25% lower than it was five years ago, while CEOs of SMIM companies earn 15% less on average compared with 2007. At the same time the average compensation paid to chairs of SMI and SMIM boards of directors has climbed by 25% and 35% respectively. Board chairmen of large organisations are paid much more than those of smaller firms. These are the findings of PwC Switzerland's “Executive Compensation & Corporate Governance” 2012 study.

You can download a free PDF copy of the report in German at www.pwc.ch.

Aperitifs for banks and securities dealers

- 22 January 2013 St. Gallen, Pfalz Keller
- 22 January 2013 Lucerne, Hochschule Luzern
- 24 January 2013 Bern, PostFinance Arena
- 30 January 2013 Zurich, Aura
- 31 January 2013 Geneva, Mandarin Oriental Hôtel du Rhône
- 31 January 2013 Basel, Hotel Hilton Basel
- 5 February 2013 Lugano, Hotel Dante

Please contact Elisabeth Roggli (elisabeth.roggli@ch.pwc.com) for more information.

Trends for SME decision makers

- 15 January 2013, Lucerne
- 23 January 2013, Aarau
- 24 January 2013, St. Gallen
- 28 January 2013, Zurich
- 29 January 2013, Aarau
- 31 January 2013, Winterthur

Jacqueline Meyer (jacqueline.meyer@ch.pwc.com) will be delighted to receive your registration.

Academy Newsletter

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The value of social capital

The manners and values taught by the **Lausanne Hospitality Management School** are important seed capital – not only for a career in hotel management. Today, social skills and sensitivity are critical in interacting with people from other cultures in all sectors.

Photos: Gerry Amstutz



Multicultural: young people from more than 90 countries around the world study at the EHL.



The Lausanne Hospitality Management School (EHL) was founded at the end of the 19th century. Today it forms part of the University of Applied Sciences Western Switzerland, and has 1,800 students from 90 different countries, with around 40 per cent from Switzerland. The EHL aims to be teaching 2,500 students in five years' time. The school works closely with the business community and conducts research on behalf of companies, in areas including those outside the hotel and restaurant sector.



“In their everyday working lives, our students must increasingly be able to work in a wide variety of cultural contexts.” Samad Laaroussi

The peaceful village of Le Chalet-à-Gobet above Lausanne has become an insider favourite among talent scouts. This is the location for a twice-yearly job fair, held by the renowned Lausanne Hospitality Management School (EHL), where graduates of the school meet representatives of the major hotel chains and, increasingly, also banks, consultancies and luxury goods manufacturers. This year, UBS was there for the first time. The aim of this major bank was to attract candidates for private banking from among the future hospitality managers.

“We are interested above all in interpersonal skills, which are developed at the EHL,” says Anna-Katharina Mörike of the UBS personnel department in Geneva. “This includes the way they deal with customers.” Other personnel managers praise the excellent manners of the EHL graduates and their ability to relate with ease to people from a variety of backgrounds. In other words, unlike many other university graduates, those who have studied at the EHL are not only qualified in their subject but also have excellent social skills. These abilities are sought after in the employment market in general – only 40 per cent of all EHL graduates work in the hotel and hospitality sector, with the others finding jobs in the

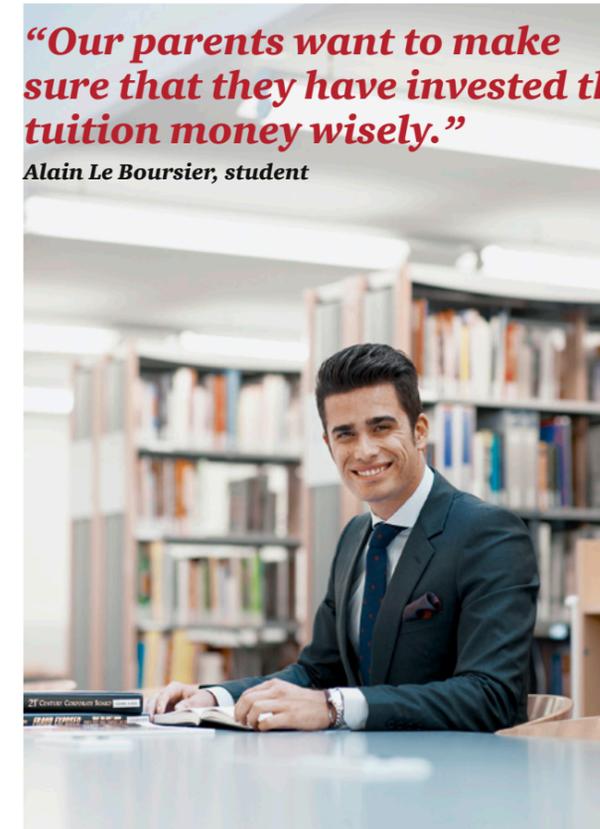
banking, consultancy and luxury industries. A tour of the campus confirms the usual image of a university – lecture rooms, library, cafeteria, with the lively chatter of groups of students to be heard everywhere. But on closer inspection it becomes clear that a dress code is in operation here. Without exception, the young men and women attend their lectures in immaculate business dress. “What makes this school special,” says marketing lecturer Rémi Chadel, “is a level of cultured refinement that is way ahead of the other institutes. We do not merely teach here, we offer a comprehensive experience.” Talking to students and lecturers, you hear many things that indicate why the EHL is special. Aspects mentioned most frequently are the emphasis on the practical – studying here is a hands-on experience – and the pleasure of social interaction. “I really wanted to study business economics,” says Jörg Lindenmann, a student on the bachelor’s degree course, “but somehow I got the impression it would be too boring – too much theory.” The EHL likes to see itself as competing with leading business schools. The difference lies in the practical experience.

Young people here get their hands dirty right from their first year. They spend a week each in the hustle and bustle of the washing-up line, serving fast food during busy lunch-time sessions, cleaning rooms in the student residence and discovering what it feels like to work their way up from the bottom in the university canteen – among chefs who noisily throw their weight around. “When students first experience the strict hierarchy of a kitchen it teaches them modesty,” says Anouck Weiss, the EHL communications manager. And EHL director-general Michel Rochat stresses that this kind of personal experience promotes social skills, as does teamwork.

And how else are interpersonal strengths developed? Specialist knowledge is much easier to get across than behavioural skills, admits lecturer Rémi Chadel. Thus, the EHL looks for this potential as a basic require-

“Our parents want to make sure that they have invested the tuition money wisely.”

Alain Le Boursier, student



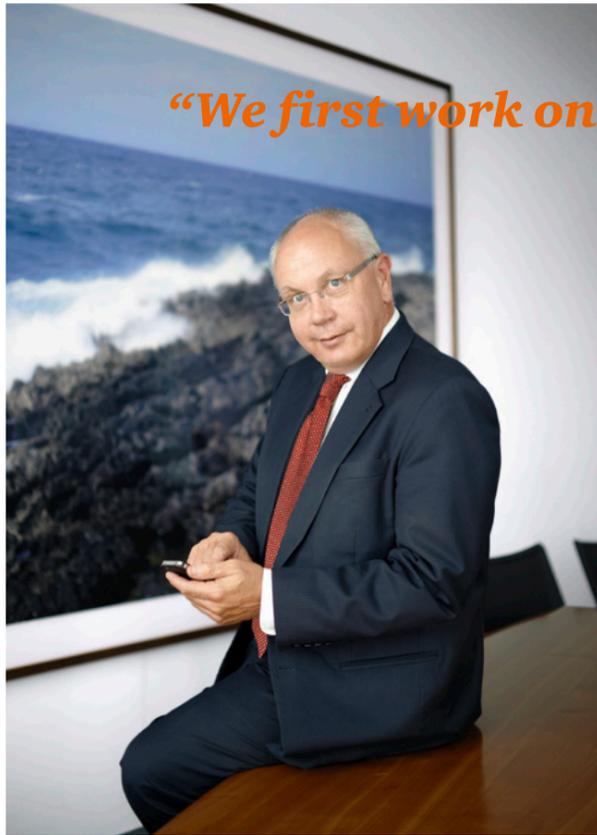
“Although many EHL students come from privileged backgrounds, here they really keep both feet on the ground – everybody takes a turn at latrine duty during training.”

Jörg Lindenmann, student and school representative

No exceptions: students always dress impeccably in the classroom.



There are over 25,000 EHL graduates living in 120 countries, who maintain contact long after completion of their studies through an active alumni network. This is helped not least by regular meetings of the 70 regional branches spread throughout the world. The network offers social events, services such as an online jobs platform, and further education and training opportunities.



“We first work on the students’ personality,”

says Michel Rochat, director-general of the Lausanne Hospitality Management School since 2010. “We then develop the professional expertise and finally the training of specific management skills.”

What is the key element of the relationship between host and guest?

Trust! Above everything else. To create trust, you have to understand the customer’s requirements and know how to satisfy them. Only then can a connection develop that leads to a long-term relationship. This understanding constitutes success in our industry.

Can this type of relationship management be taught at a school?

Not as a subject on its own – that would be doomed to fail from the start. These behavioural aspects must permeate all subjects and be planted unconsciously, so to speak, in the students’ minds. Work in groups is also important as this is where you learn social responsibility – a chain is only ever as strong as its weakest link.

Serving others is not particularly popular in our society ...

That’s true; our students are not necessarily used to that. They are normally the ones who receive the service. I’m thinking of communication services, or their role as consumers in hotels, bars or on trips. Now they suddenly find themselves on the other side, and it is up to them to offer the perfect service. The students are very curious to experience what it is like on the other side of the counter. And it is not restricted to work; it also extends to social relationships. Understanding the conduct of others, handling people from other cultures in an appropriate manner – for all these aspects, the international environment at our school is the perfect place to practise. People do not just come to our college for specialist training; they also come to develop their personality.

Other renowned training establishments are opening subsidiaries in other countries. Are you planning any subsidiaries abroad?

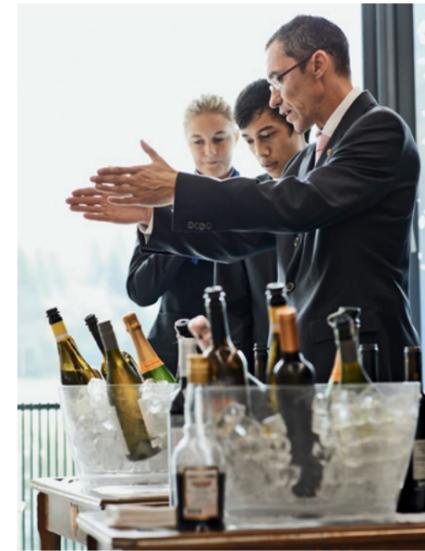
It is still too early for that; at the moment it is not part of our strategy. Before we establish ourselves abroad, we want to improve the range of courses we offer. —

Your school trains hospitality managers. How important are the relationships between host and customers in the hotel industry?

Relationships are the pivotal factor; they are the basis, which is why we also attach such great importance to them. We give our students the ability to conduct themselves appropriately and to act with confidence in their professional and social lives – that is a major plus of our training. Our courses sensitise the students to a code of conduct in business life – the code emphasises openness, responsibility and respect towards others. This type of conduct is the basis for our graduates’ success. We try to teach our students a high degree of social competence and at the same time a maximum of specialist knowledge.

How do you convey these values?

We first work on the personality of the students; we then develop the professional expertise and finally the training of specific management skills. But after the preparatory year, students should have reached the stage where they strive to be above average and know how important adherence to detail is. And they should have learned to listen to customers and to be proactive. We want them to develop the desire to guess a customer’s future requirements.



Practically oriented: in the school’s kitchen and restaurant, students learn what it is like to work their way up from the bottom.

The job market is on the lookout for social skills: following graduation, only 40 per cent of all EHL students work in the hospitality and hotel sector. The others find jobs in the banking, consulting and luxury sectors.

ment when selecting its students. Part of the selection procedure – only around one-third of applicants are offered a place – involves role play, in which candidates show how they would behave when faced with an angry customer. Those who feel overwhelmed by such a situation are not offered a place. “Not everyone is born a good hospitality manager,” says Chadel.

Samad Laaroussi, head of the bachelor’s programme, produces a table to explain the value placed on the development of social skills at the EHL. This table lists the skills acquired during the course – ranging from “interpersonal and multicultural sensitivity” and “self-management” to “leadership” – and indicates when particular emphasis is placed on relations: as an aspect of the teaching in all subjects, as part of the feedback in group work and also, as required, in contact with a personal coach.

A high level of social competence is not only nice to have. It also satisfies clearly defined objectives: “In their everyday working lives,

our students must increasingly be able to work in a wide variety of cultural contexts,” stresses Laaroussi. He gives the example of one student whose eyes were opened to cultural differences in a painful way during a period of practical experience in China. The young manager reprimanded a kitchen employee in a harsh tone – and the Chinese subordinate was never seen in that workplace again because he had lost face.

The EHL also attaches great importance to extracurricular activities. Over 30 student associations amply demonstrate the students’ initiative – subjects range from hotel and restaurant training in the developing world to an organising committee for the graduation celebrations. Practical experience is also an important part of the skills portfolio on which EHL graduates base their search for employment, as is the degree thesis, which offers further evidence of the enterprising nature of these future hospitality managers.

The school is particularly proud of House-Trip, an Internet-based holiday accommodation agency, which came about as the result of an EHL project. The founder obtained the first investors for establishing this company among fellow students. The success story of

this start-up business is typical of one aspect that makes the EHL particularly attractive aside from the practical experience and personality development it offers: excellent networking. This includes not only an unparalleled alumni network, but also what marketing lecturer Rémi Chadel calls “top-quality social capital”. Micronetworks have arisen among students and their families, which can be built on subsequently in business life. “If a hotel proprietor is looking for a new general manager for one of his establishments, he will search first among his son’s or daughter’s fellow students.”

A student survey showed that the second most important motive for attending the EHL were the advantages of this network when seeking employment. EHL’s reputation topped the list. —

“We are practically a family”

The Zurich company Open Systems specialises in IT security. CEO **Martin Bosshardt** explains why nothing in the highly sensitive field of data security can be done without trust – and why it is nevertheless important to allow customers to retain control.

Globally active companies and organisations have outsourced their key IT security and availability operations to Open Systems. The trust placed in you must be massive.

All the business we do is based on trust.

An ambitious business model.

Yes, as trust can obviously be neither claimed nor bought. You have to earn it. And once you have earned it, you have to treat it very carefully. We operate according to the principle that trust is good but control is better, and give our customers control over all the processes we implement for them. We document everything we do for a customer in minute detail, which means everything is thoroughly traceable.

So trusting you means understanding what you do. Are mere records enough for this?

Records are an important aspect to building up trust, definitely – in my view, the most important. The trust we build on is associated

with the fact that we operate on the same level as our customers.

What is it your customers place their trust in?

We use technology to safeguard their IT systems, thereby ensuring the availability and smooth operation of their communications infrastructure around the clock and around the world. In many companies, communication via the Internet has become an essential part of value creation, and the permanent availability of these systems is effectively essential to survival. We are the specialists in this area. We know the threats and trends, and have our finger on the pulse of technological developments. Changes happen so fast that technology needs replacing every two years to avoid losing the connection. As we can offer this in a standardised package, it is more cost-effective for most companies to keep their infrastructures up to date through us than to manage it themselves.

And that's the ultimate argument?

It is certainly an important argument, but taken in isolation it would not bring us a sin-

Martin Bosshardt (44), CEO, member of the board of directors and co-owner of Open Systems, studied at the Swiss Federal Institute of Technology, Zurich, and Todai University in Tokyo, and began his career as an electrical engineer with ABB before moving to Futurecom Interactive, a digital communications consultancy. He came to Open Systems in 2002.

Photos: Gerry Amstutz





“Specialist skills are very important, but just as important to us is that the character of each new employee fits in well with everyone else.”

The spatial concept at Open Systems' headquarters offers a work environment that combines the advantages of a large open-plan area with the convenience of individual offices.

gle customer, as technology to us is merely a means to an end. Our service involves making sure that technology works. In this we are indeed dependent on hardware and software, but much more dependent on our employees.

And how do you ensure that your employees do not abuse the trust placed in Open Systems?

Governance is very important in our business. We do not grant access and then control it ourselves. It is our customers who make the policy – we implement it and control it. None of our employees can access data they are not supposed to access, without someone noticing. These instruments are augmented by our corporate culture, which promotes proximity to our staff. We are practically a family.

But trust can also be abused within families ...

Yes, but a company can decide who is part of the family, which is not the case with real families. We choose all our employees with great care. Their specialist skills are very important, but just as important to us is that the character of each new employee fits in with everyone else. We all work at the Zurich site, apart from our Sydney branch. But even there, the people come from here. Every few months we send a team from Zurich to Aus-

tralia; the branch there is obliged “to follow the sun”.

What do you mean by that?

We guarantee our customers access at all times to highly qualified employees. It would be difficult to require top engineers to manage infrastructure from here at four o'clock in the morning. On the other hand, offering them a few months in Sydney is a very attractive proposition.

How exactly do people work at Open Systems?

Everything revolves around providing a service 24/7. We work in cubes, rooms with walls of glass – and a door, which can be closed by anyone needing peace and quiet to concentrate. The complexity of the problems we face can be very high, and maximum concentration is required. This wouldn't be possible in a classic open-plan office. At the heart of our company is what we call Mission Control, two large cubes in the centre of the operation. We work in shifts here, in teams with precisely defined roles. The cubes stand on a low pedestal that is illuminated in blue, and sometimes in red during periods when a team must not be disturbed.

Your customers expect you to safeguard their communications infrastructure. To what percentage can you guarantee this?

Not 100 per cent – there's no such thing as total security – but the maximum achievable.

Many attacks on systems are only possible because the systems are badly maintained. Ongoing work on a corporate infrastructure is needed; otherwise it develops holes, making it unstable and vulnerable. As soon as vulnerabilities become known, the attacks start. Good maintenance is therefore the best protection for a system.

What is the role of Open Systems here?

We ensure that the time span between a vulnerability becoming known and its rectification is kept to the minimum.

Can you be a bit more specific?

At present, 15 to 20 vulnerabilities a day are detected that can be rectified. Depending on their nature, this can be done in a few minutes or it may take weeks.

Regarding the removal of vulnerabilities, can Open Systems exercise any influence, for example with software manufacturers?

Yes, we can now, as we have grown in size and are therefore taken seriously. Manufacturers know that we have some very good people here who are looking at their products.

The risks from outside are one thing. How do you minimise threats from within a system?

It is all a matter of the security system design, which must ensure that the individual components are not dependent on one another, so that any damage is limited and can be isolated. Really substantial damage in IT systems is often associated with systems from which as much efficiency as possible is wrung out. It is a basic fact that highly efficient systems are not as robust.

So the price of efficiency is susceptibility?

If an infrastructure is centralised, there is dependency on the centre. It is possible to go to a lot of expense to guarantee security here,

but with centralisation one-to-one synergies cannot be achieved, as much greater effort is needed in the centre to increase not only the efficiency but the quality.

Why is Open Systems not called Secure Systems – what does the “Open” mean?

The founder, Florian Gutzwiller, established Open Systems in 1990 without a specific plan, but with a clear awareness that the Internet would radically change the way in which people communicated with one another, as they could now network simultaneously with one another worldwide. The buzzword of the times was “open systems”. And so the name came about. Now it represents the range of what we offer: we ensure that our customers' communication infrastructures work, that the channels are open – and can operate securely. We are like the factory walls and entry barriers of former times.

Are there any companies to whom you would not offer your services?

We enter into a relationship with every company we work for, and our name is closely associated with the names of our customers. We check a company out in great depth before we embark on a new customer relationship. We do not want customers at any price. To give you a straight answer: yes, there are some companies for whom we would never work.

Interesting. Which ones?

I'm not going to say.

Who decides such a thing?

We do. Open Systems belongs to three shareholders: the founder and chairman Florian Gutzwiller, my colleague Goetz von Escher and myself. We have no external investors and no obligations to banks or other third parties. Apart from our customers and ourselves, we are not accountable to anyone.

You yourself started at Open Systems in 2002, shortly after the dot-com bubble burst. That took some courage.

When the dot-com bubble burst, it was “back to square 1” for Open Systems – suddenly we hardly had any customers any more. But we had an amazing infrastructure in terms of

both staff and technology. I found that very attractive. Until that time we had also considered ourselves to be a dot-com company, but then changed our focus and began to win over companies from completely different sectors to our ideas and services. It took a lot of work to build things up. Our customers are now our best reference, to return to the initial question of why people trust us.

You said that you earned the trust placed in you. How did you do that?

Quality is our top priority, not only externally but also internally. We have therefore made a conscious decision to invest in our internal systems as well, arranging our working environment in such a way that it suits us from start to finish and is also appropriate for what we represent. We also take great care when selecting our employees. They operate very well with one another as a team – something that has grown over the years, not only benefiting the company but also increasing the team members' job satisfaction.

At the end of the day, income is what drives the business – how is it developing?

Over the last ten years we have grown by 25 to 30 per cent every year, a figure that was somewhat easier to achieve when we were still small. We now operate in 176 countries worldwide, and our services enjoy a leading position in Europe.

Are there any factors limiting future growth?

I can't think of any.

The sky's the limit?

From the present perspective, it would be a shame to think otherwise. —

“It is ultimately about what you do”

Robert Zoellick, who left as president of the World Bank in June 2012, on the need to foster growth worldwide and what companies can do to ensure that their role is understood and accepted.

Interview: Lucy Parker, Photo: Max Lautenschlaeger/VISUM

As you come to the end of your stewardship of the World Bank, how do you think the world is doing?

I think the world is stumbling. But it is stumbling forward, and the extraordinary steps taken by the Federal Reserve and the European Central Bank have removed the tail risk of extreme market moves, and bought some time for other actions. My concern is that the time bought needs to be used to fix the structural aspects of growth. This is particularly obvious from where I sit at the World Bank because many emerging market countries, having gone through the traumas of the 1980s and 1990s, seem to appreciate better than developed countries the need to focus on the fundamentals of growth and productivity. The developed countries have understandably focused on the stabilisation of the macroeconomic situation – the fiscal and monetary tools. But while that is a neces-

Robert Zoellick (59)

has a long history of public service, most recently as the President of the World Bank Group, the post-Second World War institution charged with fostering development in poorer countries. Having worked under both Republican and Democratic administrations in the USA, Zoellick rose to prominence in the early 2000s as the US Trade Representative, during which time he signed a record number of free trade agreements.





In the past five years, the emerging countries have provided two-thirds of global growth.

sary component of getting us back on track, it is not sufficient. If the focus does not turn to growth, then I think policymakers will be tempted to use the tools they have, and that is likely to lead to a continuation of what are extraordinarily unusual monetary policies. I am concerned that those will plant the seeds of future problems.

The goal of the World Bank is to reduce poverty and support development. What is the role of the private sector in that?

It is absolutely fundamental. It is fundamental among developed and developing countries. One of the major transformations of our era, which has happened quickly, is the rise of emerging markets. In the past five years, they have provided two-thirds of global growth. In emerging markets there is not a debate about the role of the private sector; there is a desire to harness it, to recognise that it is a source of increased productivity, a source of innovation and a source of jobs. When you have a crisis, there can be government policy responses, and those are often appropriate in terms of establishing fairer rules of the game and a fair marketplace. But they are not a substitute for private-sector dynamism.

But some people argue that companies are actually the problem in the developing world. Do you think they have a point?

No. If anything I would argue that what I encounter in developing countries is a relentless pragmatism to see what works. So some of the ideological hang-ups that I encounter in the developed world are being overcome more quickly in the developing world. One example is that if you look at the successful model of development of East Asian countries over some 30 to 40 years, part of their challenge has been how to get connected to the supply chains and the logistics operations of global companies. That is not only a ques-

tion of access to markets; it is a question of knowledge transfer and of the technology that is key to building productivity. Moreover, it is not just a question of machinery, it is a question of how workers improve their productivity through being part of these effective systems. So rather than seeing companies as part of the problem, I see them as a key component of the solution.

So how can companies respond to negative public sentiment?

I see it from an executive perspective because I have been dealing with this at the World Bank, too. While we are not a private shareholder company, we make revenue that we plough back into the business and we are a very large institution. We have had to deal with the antiglobalisation movement. I think the key is that companies and organisations need to be rigorous in figuring out how they add value.

They then need to be open in discussing that with people. For companies, it is important to see your workforce and your communities as part of your broader role in society. And sometimes companies have to recognise that they need to change – and how they handle that change will affect their brand value and how they are perceived globally. I think sometimes companies feel it is just a question of public relations, and I don't accept that view. They have to have adding value inculcated into their sense of what their role is for society, as well as for their shareholders. I personally believe that companies of all sorts add value for their shareholders, their employees, their communities, their consumers – but perhaps differently from 50 years ago. I think that now they have to be more active in making the case for change and explaining it to others.

How can companies make the case for the value they add?

Sometimes you can do it in a collaborative fashion. To use an example from the World Bank: I have tried to promote what we call a democratised development. We have tried to

“As opposed to coming in with the wisdom of established elite universities and of great development economists, we try to understand our clients and we try to solve problems.”

open up our information, to form networks and partnerships, and to be a catalyst in how we work with others. When I came here five years ago, a lot of the environmental groups saw the bank as an obstacle. Now, I think they see the bank as a valued partner. When we work on something together they are glad about what we can bring to the table. But that requires building trust.

You're saying that building relationships over time is the key to establishing trust?

It's about relationships, but it's about more. Some people might feel it is just a question of talking to people and outreach. But it is also, ultimately, about what you do. And it is also about being open about the things that you do not do as well as you should. You need to run a place where you are open to critics, open to discussion. This is another mistake that some companies have made, thinking that either you just succumb to critics or try to buy them off with favours. Where you disagree, you need to engage in a reasoned debate and make your case.

We are in not only a global society but, increasingly, a more open society. You have to be alert to these issues. Because even in countries with authoritarian governments, people are concerned about how companies treat the environment, and they are going to be concerned about the treatment of their workers. So an executive has to have a multi-dimensional view of the challenge.

Can this be squared with delivering shareholder value?

I think this is probably the role of a modern executive, to explain this. I'm not saying take your eye off the ball on basic performance,

on costs, customer delivery and profitability. But all around the world you can do a lot of damage to your brand that will take a long time to recover if you are not attending to these issues. So I am saying they are going to be increasingly important for relations with customers, suppliers, the policy environment and regulation. Even within a traditional shareholder value model, they have an important role.

What implications do these changes have for global institutions, such as the World Bank?

I came into an institution that was facing a crisis. We had a turnaround period. We had a food, fuel and financial crisis. So we had to step up. I feel that in my time here, I have had to modernise this institution. That goes onto the issues of, for example, how we change the staffing, how we change the location of our operations, how we manage the voting positions. In a sense, we're like a multinational that takes global experience and customises it for local circumstances. So, ranging from China – which has a very good development story, basically wanting us just to consider with them the structural changes they will need for the next 30 years – to Liberia and Afghanistan, which are countries coming out of conflict and needing the most basic development of capacity. So we must customise.

What has been your approach to modernisation?

First, I have tried to start with recognising that developing countries are clients. So, as opposed to coming in with the wisdom of established elite universities and of great development economists, we try to understand our clients and we try to solve problems. And it's not just a matter of analyzing the situation but focusing on how to try and solve the problem.

Second, the question is how we can leverage our strengths in financial knowledge and our relationships with developing countries to be a better partner across a network of players – everyone from pension funds to United Nations agencies. Then the third part of the process is opening up the institution with a new open information policy and open data policy – thereby changing the mindset of people. I am a big believer in focusing on results and accomplishments. So the last thing – and this is where it is harder in a public sector organisation than in the private sector, because the private sector is driven by bottom-line results – is trying to measure what you set out to do.

You've been at the helm at the World Bank for five years. What is going to be different about the next five years?

The one insight I would highlight is that what used to be seen, even twelve years ago, as a North-South knowledge exchange is increasingly becoming South-South. And I hope that the North will also recognise that there is some South-North learning too. There are a lot of interesting innovations and ideas out there in emerging markets that are not only valuable for other developing countries, but also could be relevant for developed countries. —

This interview originally appeared in the “Brunswick Review”, www.brunswickgroup.com.

“The future is in Asia”

Felix Sutter lived for many years in Beijing and Singapore and was vice-president of the Swiss-Chinese Chamber of Commerce in China. A PwC partner specialising in strategy advice for companies that want to do successful business in Asia, he now commutes between the Far East and Switzerland.

To me there are two metaphorical windows with a view: through one I can look out from Switzerland over the Asian lands, and through the other from Asia to Switzerland. I am familiar with both of these perspectives; I feel at home in both places. My wife is originally from Beijing, and we have lived in that city. For me it was a real opportunity to get to know the culture in depth. We lived among Chinese people, not in one of those residential developments for ex-pats. I learned some Mandarin, and I can get by in the country without an interpreter. For five years I advised Chinese companies who needed to ensure that their internal accounting systems satisfy the Sarbanes-Oxley criteria in readiness for quotation on the US stock exchanges. During this period the PwC team in China involved in this field grew from 150 to 600 people. Implementing a growth strategy in China means learning how to deal with the authorities. I still benefit from those experiences today.

I see some great opportunities in transfer of know-how in areas such as health care and education, for example.

Since then I have developed a speciality in strategy advice for companies who want to implement successful business models for activities in Asia. Many of the companies have their headquarters in Switzerland, so I relocated and now work from Zurich, in order to be closer to the decision makers. When building up a business division in the Far East, it is important to have access to the markets for managers in Asia. The time delay and cultural distance make it impossible to control such a business remotely. Add to

this the fact that we in Switzerland have no idea of the dynamic in Asia – things move at an incredible pace, 24 hours a day, 7 days a week. People are motivated, they are hungry, they achieve more, but they are (still) less efficient than we are. Their requirements are completely different from those in Europe. If you know and analyse these requirements, I believe there is a huge potential for Swiss companies. Throughout Asia, “Made in Switzerland” is a first-class seal of quality. The upwardly mobile middle classes are attracted by outstanding products, for example in the health, food and retail sectors. Asian people do all they can for their children – only the best will do. A statement such as “Swiss recipe made in Singapore” exerts a great pull. People are prepared to pay a higher price for top-quality products, which have added political correctness from the “Made in Singapore” endorsement. I can also see some great opportunities in transfer of know-how in areas such as health care and education, for example. Why not export our excellent structures for the early detection, pretreatment and follow-up treatment of illnesses? Or our concepts for training and passing on knowledge? We have a certain exoticism of our own that we could market, such as agricultural niche products made without mass production. There are numerous possibilities, any of which could give a boost and broader support to the economy in Switzerland. For one thing is clear: growth is happening in Asia – and that will not change in the coming years. —

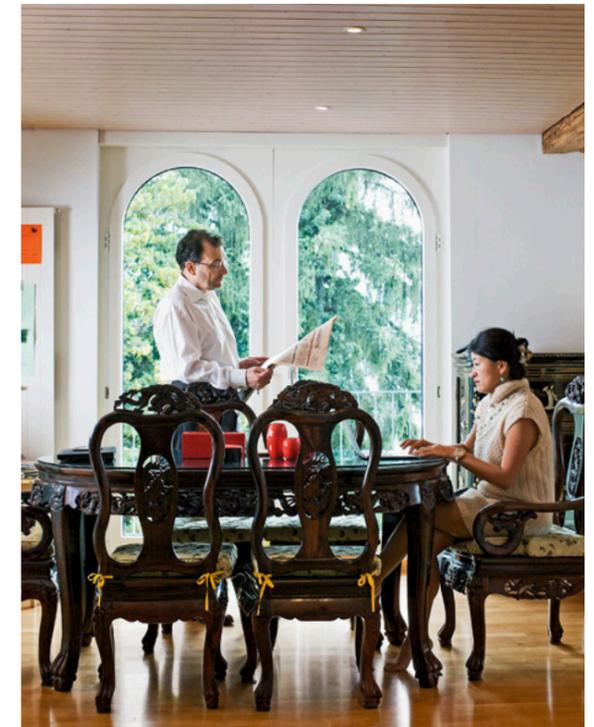
Photos: Vera Hartmann



Shuttling between Europe and the Far East: both worlds are familiar.



The Sutters at home: their roots are in Switzerland and Asia.



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