Swiss edition of the 24th Annual Global CEO Survey

Into the future with optimism and drive

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Content

Design of the survey
Swiss edition of the 24th Annual Global CEO Survey

Survey participants

This study is based on the 24th Annual Global CEO Survey 2021 conducted by PwC Global. The participants were surveyed in January 2021. Around the world a total of 5,050 CEOs were surveyed in 100 countries, including 111 CEOs in Switzerland. Global sampling was weighted according to national GDP to make sure that the views of the CEOs in the important regions of the world are fairly represented. In Switzerland, survey participants completed an online questionnaire.

Structure of random sample for Switzerland

The 111 CEOs who took part in the Swiss edition represent 6 companies with revenue of more than CHF 10 billion, 16 companies with revenue between CHF 1 billion and CHF 9.999 billion, 51 companies with revenue between CHF 101 million and 999 million and 32 companies with revenue of up to CHF 100 million. Of these companies, 22 % are listed on the stock exchange, 66 % are privately owned and 12 % represent the public sector. A total of 42 % of the survey participants represent Swiss family-owned companies where the family holds at least 32 % of the shares.

Presentation

The population for this 24th Swiss edition comprises – unless stated otherwise – 111 CEOs of companies in Switzerland. Not all the results add up to 100 %, as the percentages were rounded off and the 'neither/nor' and 'don't know' responses were either excluded or only partially considered.

01 Editorial

From CEO to CEO

Dear reader

VUCA and COVID-19 are two acronyms that are keeping us decision-makers awake at night right now. The first stands for the current state of emergency the world over: volatile, uncertain, complex and ambiguous. The second refers to arguably the most severe pandemic in recent centuries – and number one on our agenda for months now.

Unfortunately, there is no quick or easy answer to the huge challenges posed by these few letters. Responses vary enormously depending on the political and regulatory situation and the priorities of industries, markets, corporations and individuals. Although our decisions are taken with foresight, they reflect a moment of time.

Throughout all the challenges we face, however, there is one thing that unites us CEOs: and that is change. In this time of VUCA and COVID-19, change has become a principle of survival and of the future. Courage is needed to meet this transformation head on, and to recognise and seize it as an opportunity. Only those capable of transforming can respond to the centrifugal force of a world spinning ever faster with an equivalent momentum of their own.

For 24 years the Annual CEO Survey conducted by PwC Global has reported on how we CEOs perceive and deploy these forces, what our expectations are and how we go about planning. For the second time in a row, this year we have separately analysed and assessed the views and opinions of Swiss CEOs. The results are presented here, divided into four chapters – Growth, Cybersecurity, Upskilling and Sustainability – enhanced by explanations, interpretations and recommendations from our experts.

A brief synopsis here to whet your appetite: COVID-19 has accelerated transformation, and Swiss CEOs are optimistic about economic growth. In Switzerland, this optimism is buoyed by systemic strength, with balanced policy approaches, rapid financial aid, social harmony, a high degree of innovation and a keen sense of trust in our public- and private-sector structures. We Swiss CEOs see new technologies and their rapid evolution as an opportunity to achieve even more targeted transformation and to successfully manage the impacts of the pandemic.

Cyber-threats are now the second-most pressing concern, with COVID-19 having given cybercrime fresh impetus. In Switzerland, we clearly need an action plan to fight cyber-attacks. As keen as we Swiss CEOs are to invest in our cybersecurity, we're not adapting our security systems at the same pace as we're transforming our businesses.

Human resources is a different story entirely. We Swiss leaders view the availability of key skills as a key risk. At the same time, we feel confident in our ability to rise to the challenge. While we're plainly aware of the significance of technologies and automation, we consider the human factor to be just as important a prerequisite for successful transformation. This attitude will push us to succeed in getting the required talent and expertise on board, even in a small country like Switzerland.

Our aim in preparing this publication is to assist you in countering COVID-19, VUCA & Co. with level-headed, 360-degree awareness, a well-informed view and target-oriented decisions. Indeed, we see it as part of our mission to help shape the development of our world of work and to facilitate the future-ready transformation of Swiss business and society.

I hope it makes for inspiring and thought-provoking reading.

Andreas Staubli,
CEO, PwC Switzerland

02 Growth

Wave of optimism and accelerated transformation

Do you believe that global economic growth will improve, stay the same or decline over the next 12 months?

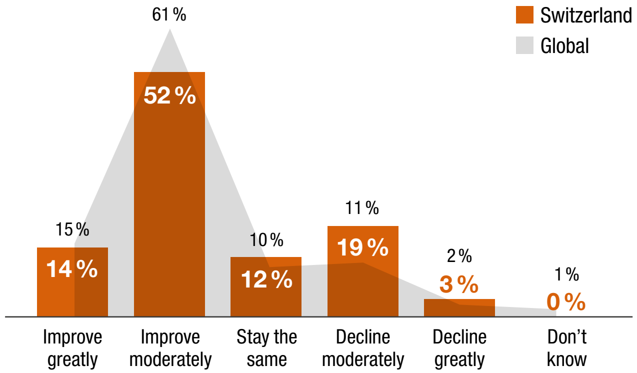


Figure 1: 67 % of respondents in Switzerland expect the economy to recover. This contrasts with 23 % the previous year. Globally, the figure was three out of four.

High hopes for global economy

CEOs of Swiss companies are highly confident of an economic comeback (see Figure 1). This trend in sentiment contrasts starkly with last year's survey. This year 67 % of the Swiss survey participants are optimistic about economic growth over the next 12 months – compared with a mere 23 % in 2020. Globally, respondents were even more optimistic this year (76 %).

Among Swiss respondents, the level of uncertainty regarding economic growth remains high. Of those surveyed, 71 % are concerned, compared with 83 % globally. The VUCA environment is likely accountable for this scepticism, which is understandable given the unclear course of the pandemic. Indeed, uncertainties are compounded during crises. There is no doubt that measures such as short-time work compensation and hardship programmes help to stabilise sudden fluctuations. Nevertheless, far-sighted capacity planning remains a challenge for many players in uncertain times. Sooner or later, they will have to resume profitable involvement in the economy – without government aid. We are beginning to see widespread optimism here as well: the percentage of Swiss CEOs who are extremely concerned has declined from 18 % in 2020 to 8 %.

There are a number of reasons that would account for the generally optimistic expectations on the part of Swiss CEOs. First, Switzerland has already navigated more than one crisis successfully: the oil crisis in the early 1970s, the bursting of the dotcom bubble, the financial crisis, the franc shock and the trade wars, to name but a few. Swiss players confront exceptional situations of this magnitude with a general attitude of optimism. Second, the Swiss government responded swiftly in the first lockdown in the spring of 2020, providing a wide range of support measures. In addition, the country was spared a total lockdown during the second wave. In 2020, private consumption was scarcely affected by the pandemic.

The pandemic-related measures owe their success to Switzerland's healthy government finances and stable domestic market. Switzerland's handling of COVID-19 has shown not only that the crisis can be successfully addressed, but also that the country can recover and return to a path of dynamic growth without a lasting negative impact on the overall economy.

Swiss CEOs confident about their own companies' growth

A look at expected revenue growth over the next 12 months paints a clear picture of Switzerland's confidence in its macroeconomic situation. Many companies have been highly innovative in their response to the pandemic and – in spite of the adverse circumstances – have maintained or even expanded their operations.[1] Of the Swiss decision-makers polled, 84 % expect to see revenue growth, with 53 % being reasonably confident about growth over the next three years and 40 % very confident (see Figure 2). In the survey 69 % of the Swiss CEOs expect the number of their employees to increase in the next three years, roughly on a par with C-level executives worldwide (67 %).

Gaining momentum with transformation

Swiss CEOs are less concerned about the speed of technological change than are their international counterparts (see Figure 3). On the one hand, the reason likely lies in Switzerland's high level of training and education. This is reinforced by the country's openness to technological progress and solid confidence in its own strengths. On the other hand, the Swiss economy has demonstrated its ability to adapt to changes quickly. Most players, particularly in the service sector, have become more technologically agile. The manufacturing sector has also shown itself to be adaptable and thus more competitive as a result of the added pressure of factors such as exchange rate fluctuations.

Of the respondents in Switzerland, 92 % will step up their investments in digital transformation in the next three years as a consequence of COVID-19. Worldwide, the figure is 83 % (see Figure 4). The pandemic has prompted decision-makers to question their fundamental business principles and strategic focus. As a result, the need for systematic and continuous digital transformation – both within the company and when interacting with clients, suppliers and partners – has been elevated to a new axiom. Digitalisation affects nearly the entire value creation chain, carrying both opportunities and risks that must be prudently assessed.

[1] Cf. "Crisis champions: what Swiss companies need to be doing now to emerge from the crisis stronger" ("Krisenchampions – Was sollten Schweizer Unternehmen jetzt tun, um gestärkt aus der Krise zu kommen?"), PwC, 2020

How confident are you about your organisation's prospects for revenue growth over the next three years?

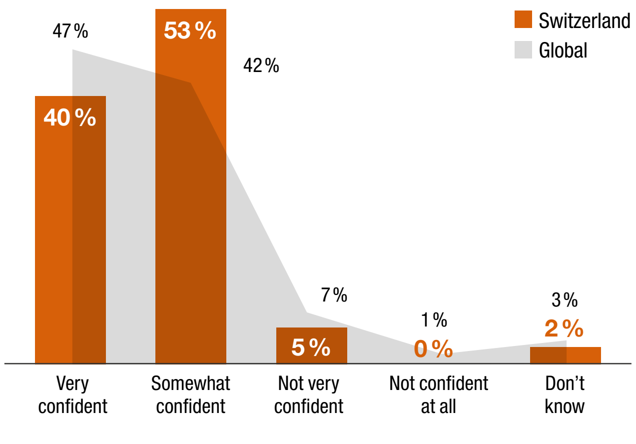


Figure 2: 93 % of CEOs in Switzerland are confident about their companies' medium-term revenue growth.

How concerned are you, if at all, about speed of technological change?

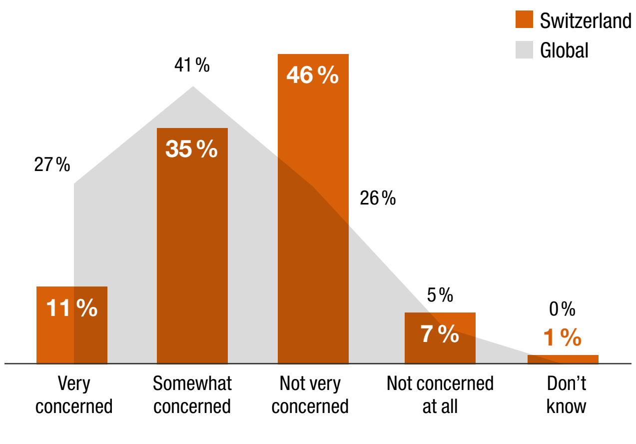


Figure 3: Swiss decision-makers are far less concerned about rapidly changing technology than the rest of the world.

How do you plan to change your long-term investments in digital transformation over the next three years as a result of the COVID-19 crisis?

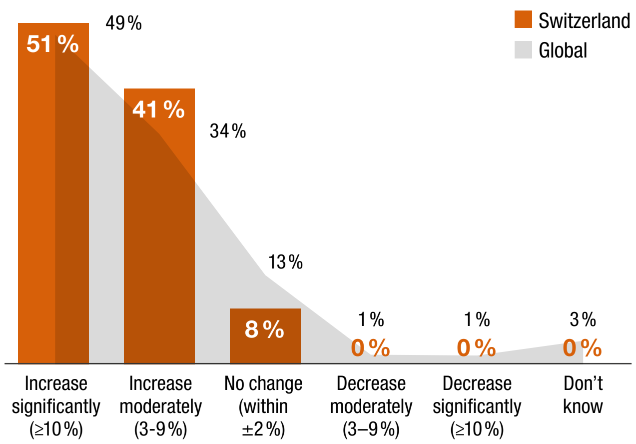


Figure 4: Swiss CEOs are stepping up their investments in digital transformation as a consequence of COVID-19.

Differentiate, digitalise, innovate

Innovation traditionally tops the agenda of Swiss CEOs. The COVID-19 crisis has accentuated this. Of those surveyed, 59 % believe they need to step up efforts in this regard (globally: 55 %). These results are hardly surprising in that innovation is a key driver of Swiss competitiveness and is firmly engrained in local culture. This lends it a strategic dimension. Digitalisation and greater sustainability requirements mean that opportunities to invest in innovation have soared exponentially. This requires investments in innovation to be consistently aligned with a company's strategic goals.

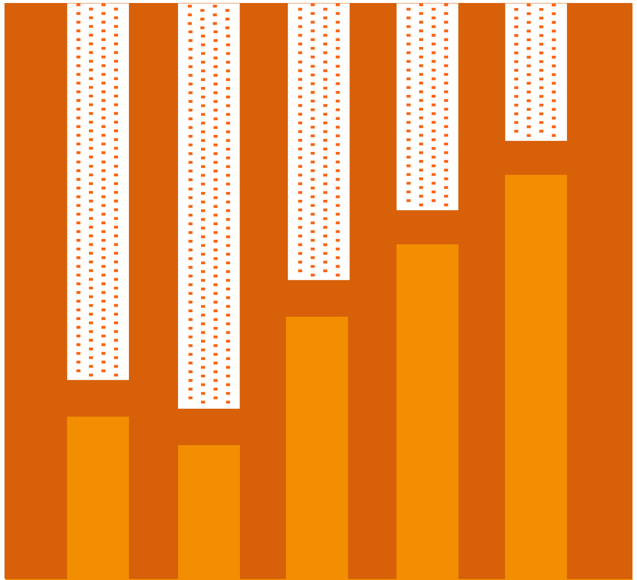
As a consequence of the pandemic, 55 % of Swiss decision-makers plan to step up their three-year investments, not only in research and development, but also in product innovation. This compares with 58 % of respondents at the global level. Many products and services have become obsolete in the pandemic, no longer able to adequately meet the changing needs of customers or keep up with fierce competition. Products must comply with (new) legal requirements and fit in with a global supply chain. Therefore, in the medium term, companies need new offerings and value propositions that more effectively respond to consumers' digital behaviour and that can be sold through online channels, meet the heightened environmental awareness of consumers, become more personalised and be enhanced by supplementary services and data.

Keener eye for risks

The pandemic has also increased awareness of the associated risks. More and more CEOs consider it a top priority to integrate these risks into their risk management. For example, 92 % of Swiss survey participants are focusing more on systemic risks and low-probability/high-harm events (globally: 90 %). This finding is consistent with the heightened concern about the threat of pandemics. Given that the impact of risks is assessed in hindsight on the basis of experience, respondents in previous years' surveys gave far less weight to events like pandemics than in the current survey.

Swiss CEOs have also revamped their list of priorities in terms of strategic risk management. Cyber-threats now top the list at 84 % (see Cybersecurity starting on page 10). Pandemics are placed second (74 %), followed by the availability of key skills (64 %), speed of technological change (63 %) and exchange rate volatility (50 %).

Of the Swiss CEOs polled, 88 % intend to reassess the risk tolerance of their company (globally: 92 %); 77 % are looking to digitalise their risk management function (globally: 85 %); and 59 % of those surveyed are considering taking on certain aspects of risk minimisation that are typically the responsibility of government and multilateral organisations. The figure of 59 % compares with 75 % for the global sample. Following the outbreak of COVID-19, companies in Switzerland were able to count on very rapid support in the form of emergency assistance such as short-time work compensation, bridging allowances and 'à-fonds-perdu' contributions. This aid took longer in other countries. This could explain why CEOs in Switzerland are less likely to resort to self-help than their international counterparts. Given that such efforts should take equal account of liquidity and working capital, scenario planning shouldn't just be done from a cash perspective, but should also integrate the macroeconomic and industry-specific points of view.



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In response to the pandemic, many companies have been highly innovative and have made targeted investments. This reflects the pronounced confidence of Swiss CEOs.”

Reto Brunner, Partner Advisory, PwC Switzerland

From globalisation to glocalisation

Of those polled in the survey, 78 % intend to work more closely with supply chain partners to jointly manage risks (globally: 84 %). The pandemic has put the supply chain front and centre. Owing to their foreign trade activities, most major Swiss companies operate international supply chains. This is why the figure for Switzerland is lower in this case than for the global sample. We are currently seeing a paradigm shift towards local supply chains. This rethink is driven by increasing digitalisation, and thus pre-dates COVID-19. Labour-intensive tasks can be standardised and automated using new technologies. For cost reasons, this results in companies less frequently outsourcing certain value-creating activities abroad – for example, bookkeeping or parts of production. The pandemic-related acceleration in digitalisation could result in portions of value creation and hence supply chains being increasingly situated in Switzerland. In the context of the COVID-19 crisis, 71 % of Swiss survey participants will increase their long-term investments aimed at improving cost efficiency (globally: 76 %).

Built on a solid foundation

The surveyed CEOs’ confidence in Switzerland as an economic centre is high compared with other countries. While Swiss CEOs voice concerns in certain areas, they consider the threat level to be significantly lower than do their international colleagues (see Figure 5).

In Switzerland, the worry barometer places cyber-threats at 93 % and over regulation at 81 %. COVID-19 has heightened awareness of cyber-risks (see the Cybersecurity chapter starting on page 10). The liberal and social market economy in Switzerland has never been keen on overly intrusive government intervention. From an economic standpoint, regulatory constraints have a negative impact – they crimp profitability. There is a manifest need for consistency in rules that permit economic freedom. The aim of these rules should be to create transparency and facilitate comparability.

When it comes to implementing geopolitical objectives – climate goals, for example – the government must intervene in microeconomic mechanisms. As for sustainability, government intervention is now even expected (see the Sustainability chapter starting on page 16).

Of the Swiss CEOs surveyed, 66 % view populism as a threat. This contrasts with only 57 % in 2020. Populist discussions on identity-related issues such as migration are on the rise in Switzerland. This appears to be an increasing cause for concern among Swiss decision-makers.

Over-regulation and populism in particular have become bigger issues since 2020. The same goes for increasing tax obligations. This concern may be the result of the not yet entirely foreseeable impact of the tax reform and AHV financing (STAF) legislation, among other things. Moreover, it is rather difficult for international companies in Switzerland to assess what kind of impact increasingly demanding global tax regulation and harmonisation requirements will have. Compared with last year’s survey, concerns about protectionism and currency fluctuations have abated, possibly as a result of the 2020 US presidential election.

[2] Cf. Tax Reform and AHV Financing (STAF): overview of the most important developments regarding Tax Proposal 17; www.pwc.ch/traf

How concerned are you about the following list of potential threats to your organisation?

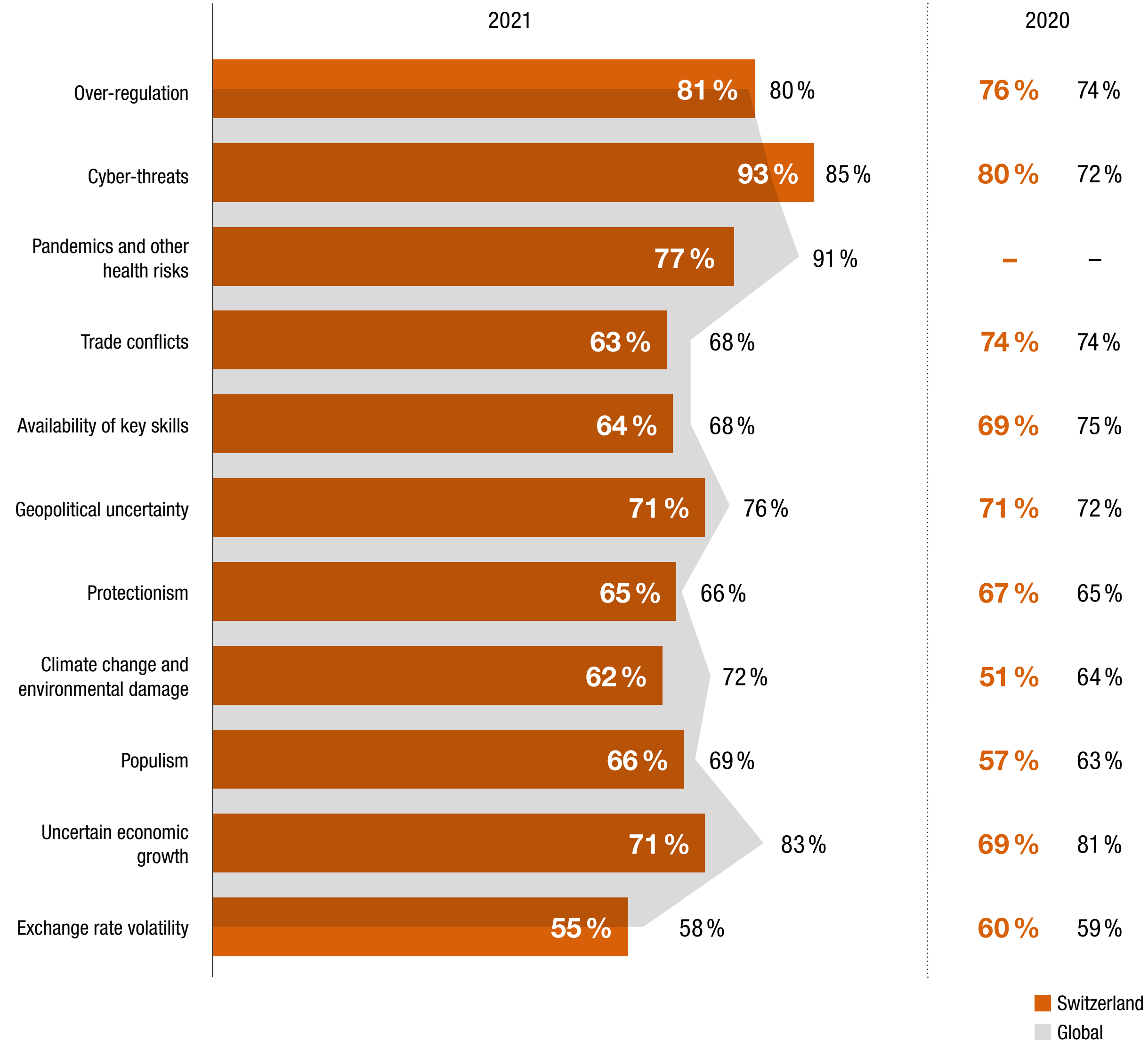


Figure 5: The current threat barometer in Switzerland shows the biggest spikes for over-regulation, cyber-threats, pandemics and other health risks.

The most striking differences between the Swiss and the global assessment pertain to political and tax policy uncertainties, pandemics, rising taxation, economic inequality, uncertain economic outlook and social instability. On the whole, Swiss CEOs rate these issues as significantly less concerning than their international counterparts. Among the Swiss respondents, only 37 % identify unemployment as critical, as opposed to nearly two-thirds (60 %) of global survey participants. Only around half of Swiss respondents expressed a lack of confidence in the economy.

Swiss CEOs' assessment of threat priorities reflects the basic systemic landscape in Switzerland. This country boasts a highly stable social system marked by effective safety net mechanisms for people without means. Accordingly, crime is also manageable. Social consensus creates a fertile breeding ground for practical, sustainable political decision-making. This in turn enables companies to plan with certainty, while promoting confidence in the location. Provided no additional social and political uncertainties emerge in relation to the crisis, this means both the government and individuals can focus more effectively on managing it. Particularly during challenging times, the Swiss economy benefits from having attractive and renowned universities, the aura of 'Swissness', its notable innovative prowess and what is still a highly attractive tax environment. The price that Switzerland pays for this crisis-resilient system is the strong Swiss franc.

03 Cybersecurity

Protection is good, strengthening defences is better

How concerned are you, if at all, about cyber threats?

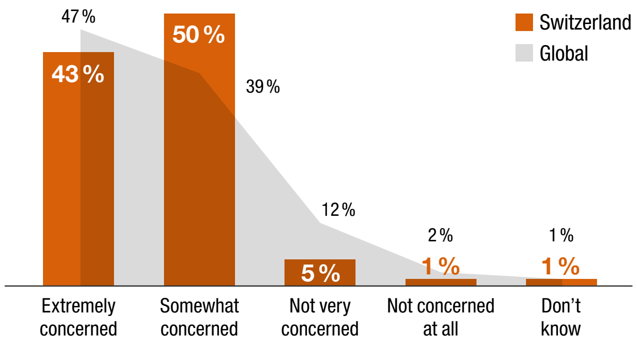


Figure 6: The level of general concern on the part of Swiss CEOs about cyber-threats is extremely high.

Age-old threat, new dynamic urgency

Swiss CEOs place cyber-risks second (43 %) on the list of potential threats to their companies' growth prospects. This contrasts with only 26 % (third place) in last year's survey. There are multifaceted reasons for this spike in the level of concern: Swiss companies have plainly underestimated cyber-threats. Numerous incidents were reported in the media in 2020 – some even detailing the costs resulting from a cyber-attack. That put the issue more firmly on the radar of executives. The pandemic has additionally increased the urgency of this topic. Indeed, with the outbreak of COVID-19 and the broad-based activation of home-based workstations, companies have been forced to adapt their IT to new work models and forms of collaboration. They have had to roll out new platforms and applications, re-orchestrate portions of the hardware landscape, migrate to the cloud or build new interfaces. As a result of homeworking and telecommuting, processes have become more vulnerable, while surveillance and monitoring mechanisms have simultaneously grown more challenging. This has led to gaps and loopholes, which in turn has presented additional opportunities for criminals and threat actors. Last but not least, cyber criminals have become more and more professional over the past few months. Accordingly, companies that were previously believed to be immune to cyber risk have suddenly ended up in the firing line.

CEOs express cause for alarm

Of the Swiss CEOs polled, 93 % express general concern about cyber-threats (see Figure 6). Business leaders in the rest of the world are slightly less concerned in this regard (85 %). Firstly, Swiss companies traditionally have a high level of security awareness. Secondly, data protection and safeguarding personal rights are given high priority in Switzerland. Anyone who considers both these things to be part and parcel of cybersecurity will become alarmed if they are called into question. Nevertheless, Swiss companies have so far underestimated the risk of cyber-threats. Thirdly, in a small country like Switzerland, C-level executives regularly exchange information with one another. Anyone who obtains first-hand information of an incident automatically becomes concerned. Fourthly, even prior to COVID-19, Switzerland had serious shortcomings when it came to digitalisation as compared with its neighbouring countries – in the adoption of cloud services, for instance. As the pandemic gave digitalisation an unprecedented boost, hypersensitivity to this issue developed at the same time.

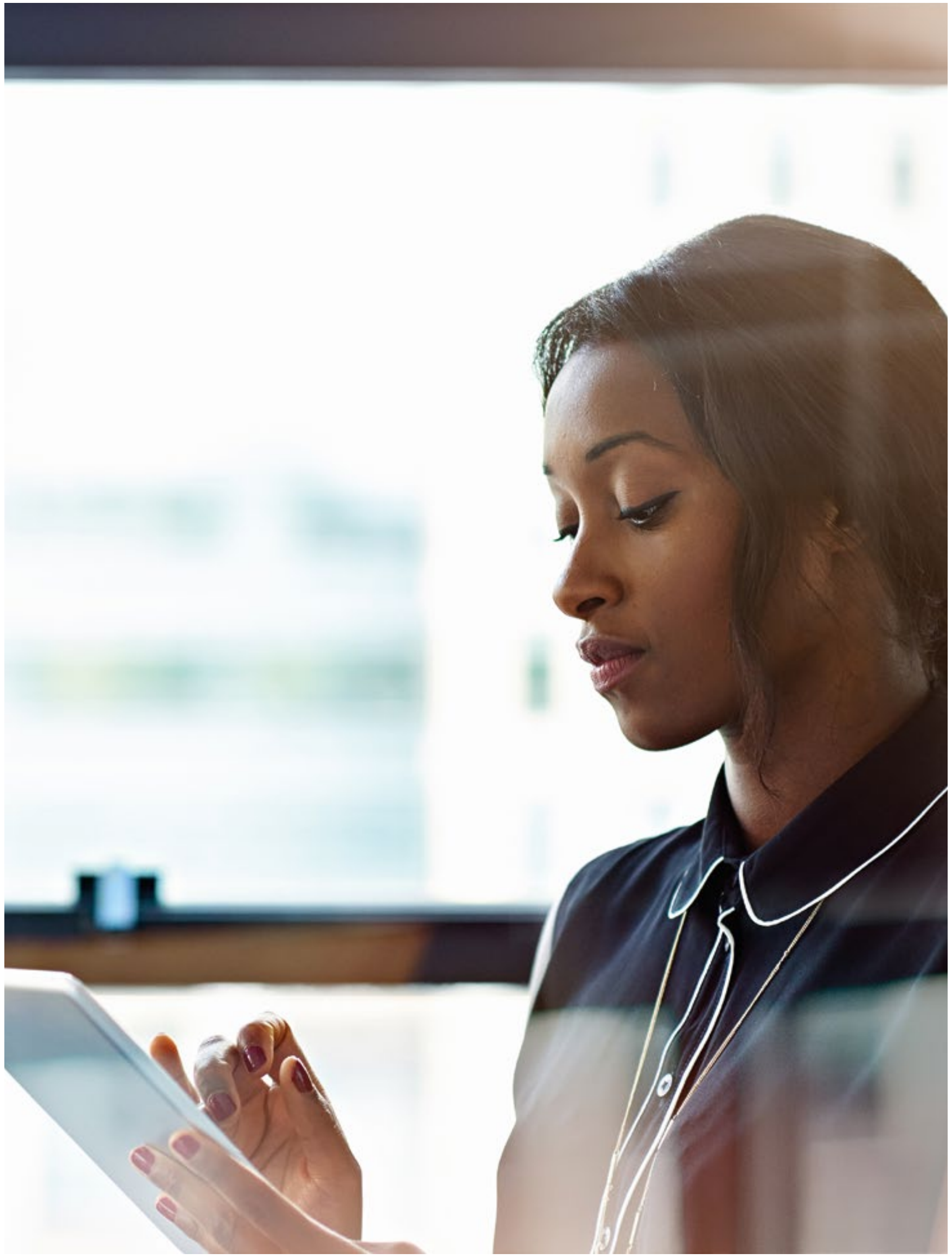
Cyber resilience as a strategic objective

It's not just virologists who talk about resilience, but also cyber experts. Resilience denotes a company's ability to withstand cyber-attacks. Resilience is the result of a closed circuit consisting of threat identification, suitable protection measures, monitoring controls (detection), crisis response capability and the ability to manage a cyber incident so as to emerge from it ultimately stronger. Companies can continuously strengthen their cyber resilience by means of regular training and simulations.

Swiss companies continue to struggle, particularly in their efforts to detect cyber-attacks. They have traditionally invested heavily in protection. The damage in a cyber-attack is not immediate and, in most cases, occurs gradually. Recognising the signs early gives the preventive side of a company's cyber resilience more momentum. This also forms the basis for being able to respond to a cyber-attack, even during the COVID-19 crisis. Thanks to their security precautions, companies have previously recorded little, if any, large-scale cyber-related damage, such as the kind of total failure of IT systems due to cyber-attack we've increasingly observed increasingly of late. They have planned and played out scenarios such as a regional power failure, a fire in the server room or possibly even a complete data centre shutdown. What they have not played out, however, is a scenario in which the entire IT infrastructure is encrypted, making access to both data and back-up information impossible.

More is still not enough

Of the Swiss CEOs polled, 46 % feel that their organisation should take more effective action in the areas of cybersecurity and data protection. The global figure is 36 %. That said, 77 % of the Swiss survey participants indicate that they plan to step up their long-term investments in cybersecurity and data protection as a consequence of the COVID-19 crisis. This is slightly higher than the global figure. Given the current security maturity of companies, however, it should really be closer to 100 %. In terms of crisis planning, in particular, significant differences can be seen in Switzerland. Countless individual programme elements exist, yet rarely an overall strategy. The pandemic and associated digitalisation have driven the transformation of companies and their processes; however, security approaches have not been transformed in step, if at all. To achieve this, companies will have to strengthen the connection between their security organisation and the business.



Incorporating the human factor

Owing to the pandemic, working from home and video conferences are now part of the new normal. However, the new technologies and applications detract from personal interaction, making it easier for cyber attackers to circumvent people who are aware of what is going on. Companies continue to under-invest in staff security training. Vigilant employees are an integral part of effective early detection – as is the ability to respond rapidly with people and technology. Companies currently still do not take enough advantage of this dual potential. Organisations should also be continuing efforts to develop a culture of tolerance to mistakes. It's much more effective to encourage employees to report phishing emails to which they have inadvertently responded. In this way, potential damage can be detected early and preventive measures taken.

Regulation influences risk management

Of the Swiss CEOs participating in the survey, 84 % use risk management to address cyber-threats. The figure for the global sample is only 59 %. This reflects the fact that in Switzerland some industries – financial service providers, for example – are heavily regulated. For them, cyber-threats are, by law, part of day-to-day risk management. Of the Swiss CEOs polled 25 % responded 'yes' to the question of whether their company should expand its reporting in the areas of cybersecurity and data protection – only 2 percentage points more than their colleagues worldwide. With respect to disclosure, decision-makers apparently do not see any need for action.

Ensuring information security

Of the Swiss CEOS surveyed 59 % express concern about misinformation. This suggests that the number of unreported cases and their degree of seriousness continue to remain high. It might also be an indication of CEOs' concern about cyber criminals intercepting and falsifying information, either impairing business performance or resulting in costly errors. In cyber-savvy companies, chief information security officers (CISOs) regularly brief decision-makers on what threats, risks, actors and types of attacks are business-critical and what measures should be taken to improve the company's security maturity.

> **"Companies should integrate the transformation of their security structures more closely with that of their business."**
>
> **Urs Küderli,** Partner and Leader of Cybersecurity and Privacy, PwC Switzerland

04 Upskilling

Swiss companies on the right trajectory

Availability of skills still a major concern

A salient finding of this year's survey is that 64 % of CEOs in Switzerland are concerned about the availability of key skills. While this represents a decline from 69 % in 2020, it's still a significant percentage. The global survey sample of CEOs share this concern: the question of whether the workforce is equipped with the skills necessary for ongoing transformations seems to be a pressing issue.

The question arises as to whether there's a connection between these figures and COVID-19. At first glance the year-on-year decline in the level of concern around key skills would appear contradictory given the unprecedented uncertainty the economy and society at large have been experiencing. Our take on this is firstly that a five percentage point decline is not necessarily statistically significant: whichever way you look at it, almost two-thirds of CEOs are worried. If the figures do, however, reflect a slightly lower level of concern, we believe this has to do with the adaptability, agility and resilience employees have demonstrated over the last year, as well as their willingness to rapidly adopt new digital skills virtually overnight with the advent of large-scale homeworking. CEOs have a tested example of people's flexibility, which is reassuring when trying to prepare for a future where adaptability will be of such paramount importance.

The survey findings are backed by our interviews with Swiss CEOs. The clear message has been that while they see the availability of talent as the biggest risk and something that will require a lot of work and effort, they are confident that they will get it right.

No contradiction between investment in talent and focus on cost efficiencies

Another key finding of this year's survey is that the majority (65 %) of Swiss CEOs are planning to increase their long-term investment in leadership and talent development as a result of the COVID-19 crisis. The most likely reason for this is that COVID-19 has forced many organisations to rethink their business model to remain competitive. In the process they're having to ask themselves what talent and skills are needed to deliver now and in the future (and not just to manage costs). They're realising that it's crucial to have people with appropriate talents, skills and behaviours to support transformed business models, as well as the right leaders to manage these developments.

At first glance these plans to step up investment in leadership and talent don't seem to square with the survey finding that 71 % of CEOs also intend to increase long-term investments in initiatives to realise cost efficiencies. On closer examination, however, there turns out to be no contradiction: There is a direct link between upskilling (as opposed to letting existing staff go and hiring new talent) and cost efficiency. The challenge in such rapid transformation is how to acquire different skills that weren't needed before by releasing capacity where it's no longer required and retraining people to meet the new needs of the organisation. The fact is that it's far less costly to upskill than to buy in talent. Firing and hiring someone from outside can easily cost the equivalent of six to twelve months of pay, including onboarding costs. Even then there's no guarantee that the new hire will thrive and perform in your culture. Upskilling existing employees is nowhere near as expensive – and given that people are motivated to be upskilled, it's also less risky, with less loss of institutional knowledge as well.

Investment in culture crucial to success of tech and automation

When asked about where to make changes to their workforce strategy, Swiss CEOs considered changes to their company's culture (45 %) as having the greatest impact on their organisation's competitiveness. The pandemic has shown very clearly that we now have to work very differently from the way we worked before. Initially the focus was on the digital capabilities needed for people to work remotely. But now companies are looking at sustainability and the skills needed for the long run: flexibility, resilience, agility, adaptability and a commitment to lifelong learning. Even prior to COVID-19, the most successful companies were the ones truly seeing the importance of real cultural transformation.

The crisis has led even more business leaders in this country to realise that the key is to change the culture and behaviours which are the long-term building blocks of success and competitiveness.

Here a comparison with the global survey numbers invites further exploration: Worldwide, the top priority (36 %) is to focus on productivity through automation and technology. This could lead to the assumption that Swiss CEOs, with their emphasis on cultural transformation, are swimming against the tide.

On the contrary: in our view Swiss CEOs have got it right. They're mindful of the long-term impact. Naturally they see automation and technology as important, but they realise that in many respects this is the easier side of the equation. People are more complex than machines, and we need the right skills, behaviours and culture for people to remain productive and successfully work alongside technology.

Long-term thinking and sustainability are in the DNA of the Swiss economy. While the reflex in many countries is often to first consider letting people go and replacing them with machines, companies here tend to look at the overall picture and consider the cultural and social impact. They see cultural change as crucial to being resilient, and realise that factors such as purpose, the right behaviours, diversity and inclusion, and the physical and mental health of their people are all building blocks of this resilience.

How concerned are you, if at all, about availability of key skills?

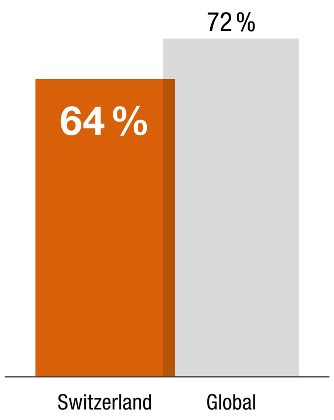
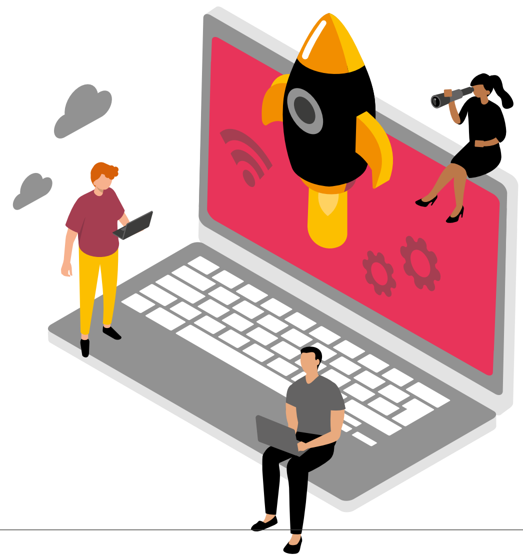


Figure 7: Availability of key skills



Do you think a skilled, educated and adaptable workforce should be a government priority?

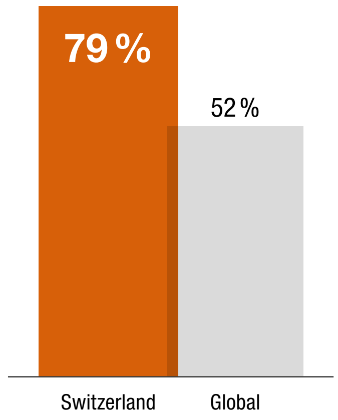


Figure 8: A skilled, educated and adaptable workforce as a government priority

Emphasis in Switzerland on the role of government

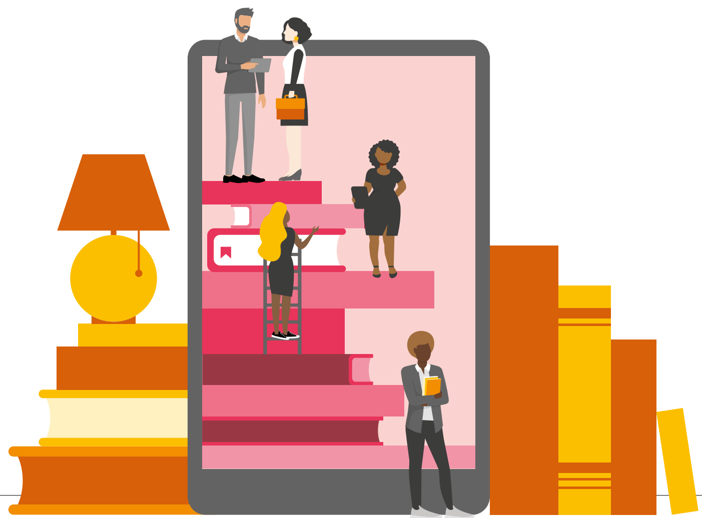
The survey found that the focus on a highly qualified workforce is stronger in Switzerland than globally, with 79 % of Swiss respondents considering a skilled, educated and adaptable workforce as one of the priorities for business to help deliver (versus only 61 % on a global basis). Another interesting finding is that 79 % of Swiss CEOs see this as a government priority (52 % for the global sample). These figures reflect the nature of Switzerland's skills requirements and its response to meeting them.

Switzerland is a small country, exceptionally successful for its size but with a limited pool of talent for so many global and leading companies of all sizes. With sectors such as financial services, pharma and specialised manufacturing so crucial to the economy, there is a particular need for highly skilled people. The country's dual education and training set-up is geared up to catering to this requirement, with highly structured educational paths both for young people with more academic aspirations and those who opt for training of a vocational nature. Perhaps most importantly, Switzerland's well established apprenticeship system involves close interplay between schools and businesses. In other words, there's a strong tradition of cooperation between the private and public sectors when it comes to assuring the development and supply of talent, with a more obvious connection between government training and education policy and businesses on the ground than in many other parts of the world.

Like other small countries that punch above their weight in economic terms, Switzerland realises that everything is interlinked. Assuring a skilled workforce is a societal issue requiring governments, unions, companies and other social actors to play a role. We have seen public/private alliances driving these efforts very successfully in other parts of the world (for example in Singapore and Luxembourg). Companies in Switzerland – particularly SMEs with more limited resources to upskill their workforce – realise that they can't find long-term responses to this challenge without a national/cantonal strategy and an ecosystem that brings all these stakeholders together.

"Swiss CEOs have got it right. They realise that while technology and automation are key to competitiveness, people are the more complex side of the equation – and therefore require even more attention."

Jose Marques, Partner People and Organisation and Leader New world. New skills., PwC Switzerland



05 Sustainability

An issue with a political and regulatory dimension

How concerned are you, if at all, about climate change and environmental damage?

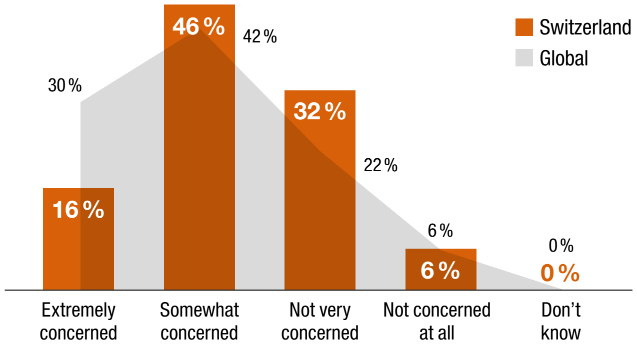


Figure 9: Nearly two-thirds of Swiss CEOs surveyed express concern about climate change and environmental damage.

Ambitious climate and emissions targets

The percentage of Swiss survey participants expressing concern regarding climate change and environmental damage has increased from 51 % last year to 62 % in the current survey (see Figure 9). This development needs to be seen in the current context, in which the issue has a (geo)political dimension.

The Federal Council has passed the Climate Strategy 2050, amplifying the Paris Agreement on Climate Change. Under this strategy, Switzerland plans to emit no more greenhouse gases than can be absorbed naturally or by technical means. In other words, Switzerland is committed to achieving net-zero emissions by the year 2050. In addition, the Swiss parliament has passed the complete revision of the CO2 Act. The Swiss electorate is due to vote on it on 13 June 2021. It calls for an ambitious overall greenhouse gas emission reduction target of 50 % by 2030 versus 1990 levels. Among other things, this will link the European Union (EU) greenhouse gas emissions trading schemes with Switzerland's.

Increasingly the government's responsibility

Of those polled, 45 % feel that the fight against climate change and environmental damage is the government's job. The comparable figure at international level is only 34 % (see Figure 10). Just over a third (34 %) feel it should be a priority of economic actors. Traditionally, government intervention in Switzerland is seen as a restriction on economic freedom. The survey result reflects the growing call for a fair and level playing field. A regulatory framework is preferable to self-initiative as it facilities equal opportunities for all while eliminating unfair competition. It also allows companies to secure access to capital on an equal footing and drive their economic developments towards marketability. They no longer need to discuss basics, as these are commonly accepted. This rethink, which has only been observed since COVID-19, may be due to certain expectations prompted by pandemic-related regulation and the way the government has intervened in entrepreneurial freedom at short notice while at the same time providing timely financial assistance.

Which three of these outcomes do you think should be government priorities in the country/territory in which you are based?

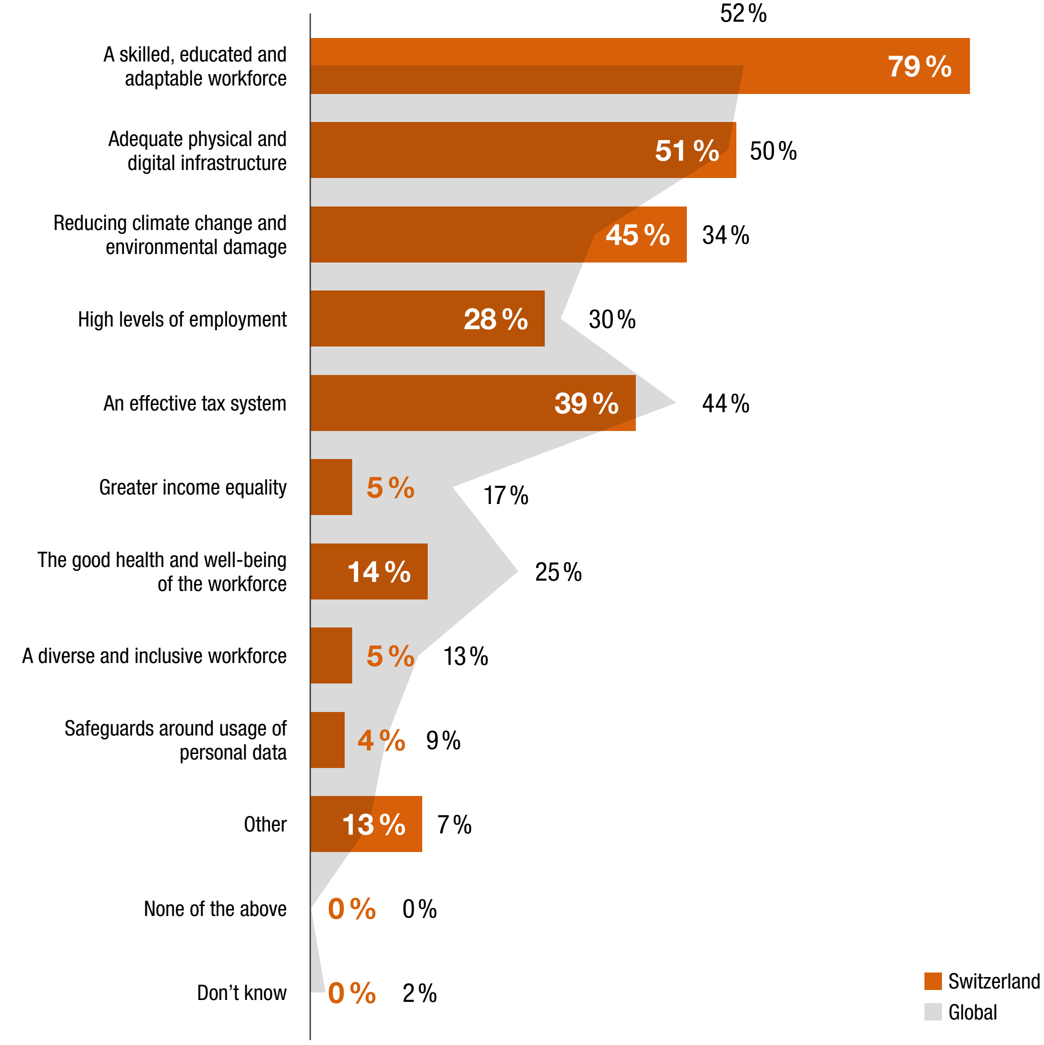


Figure 10: Calls for a regulatory framework are growing louder in Switzerland.

Green Deal affecting resource-based and energy-intensive sectors

Swiss decision-makers place less emphasis on sustainability than their global and western European counterparts. Not only has COVID-19 pushed sustainability lower down their list of priorities; Swiss CEOs do not view sustainability as a serious threat to their companies' growth prospects either (Switzerland: 16 %, globally: 30 %). This is attributable – among other things – to the structure of the Swiss economy, which tends to be less directly affected by climate issues because less is produced in Switzerland than abroad. It is unclear, however, to what extent climate protection legislation abroad impacts Swiss companies and whether this feeds into the views of CEOs in Switzerland.

EU countries in particular are currently subject to a great deal of regulatory pressure, especially as a consequence of the European Green Deal, which the EU is relying on to accelerate the energy transition. Greenhouse gas emissions are set to be cut by 50 % to 55 % by 2030 versus 1990 levels. In order to achieve these targets, the EU requires all political and economic sectors to pitch in. EU industry will have to meet strict environmental requirements going forward. Some 50 cross-sectoral measures are planned, covering energy, buildings, industry and transport. These criteria also apply to Swiss companies with corresponding operations in the EU or those exposed to cross-border capital flows (financing and investment targets).

Correlation between sustainability promotion and willingness to invest

Only 47 % of Swiss survey participants plan to step up their long-term investments in sustainability and ESG initiatives as a consequence of the COVID-19 crisis. This compares with 60 % of the respondents worldwide. In some countries, renewable energy such as hydrogen technologies and solar power is heavily funded. This makes it attractive for companies to invest in these areas. Although promotional mechanisms are available in Switzerland, they are utilised only sparingly or do not constitute traditional business or industry development.

Transparency requirement enshrined in law

Of the Swiss CEOs polled, 38 % view environmental concerns as a key area of impact and value that they should be reporting on more (see Figure 11). They place environmental impacts second, after innovation. This assessment is most likely related to the referendum outcome of the Responsible Business Initiative (RBI) [Konzernverantwortungsinitiative (KVI)] in November 2020. The adopted counterproposal contains comprehensive reporting requirements as well as specific due diligence requirements related to conflict minerals and child labour. The Swiss Code of Obligations (OR) has been aligned with EU Directive 2014/95/EU. According to the indirect counterproposal, companies with a balance sheet total of at least CHF 20 million or revenue of at least CHF 40 million, as well as at least 500 full-time employees (measured as an annual average), are required by law to prepare a report on non-financial matters every year from fiscal 2021 onward. The new due diligence requirement was inspired by EU Regulation 2017/821 (conflict minerals) and by the Dutch Child Labour Due Diligence Act, which in turn is based on the core conventions of the International Labour Organisation (ILO).

The counterproposal itself follows logically from the way the data value chain has evolved in response to regulation. The need for ESG-related information has increased enormously in recent years. Accordingly, legislators have imposed on the financial world increasingly strict transparency requirements for investments and investors. Banks, investment advisers and analysts now incorporate ESG issues into their performance evaluations. To this end, they require more and better information on the sustainability of investments and financing. They therefore require companies to report more comprehensively and transparently on their sustainability goals and measures. This means that overall, financial regulation has an indirect impact on the real economy.

In which of the following key areas of impact and value do you believe your organisation should be doing more to report?

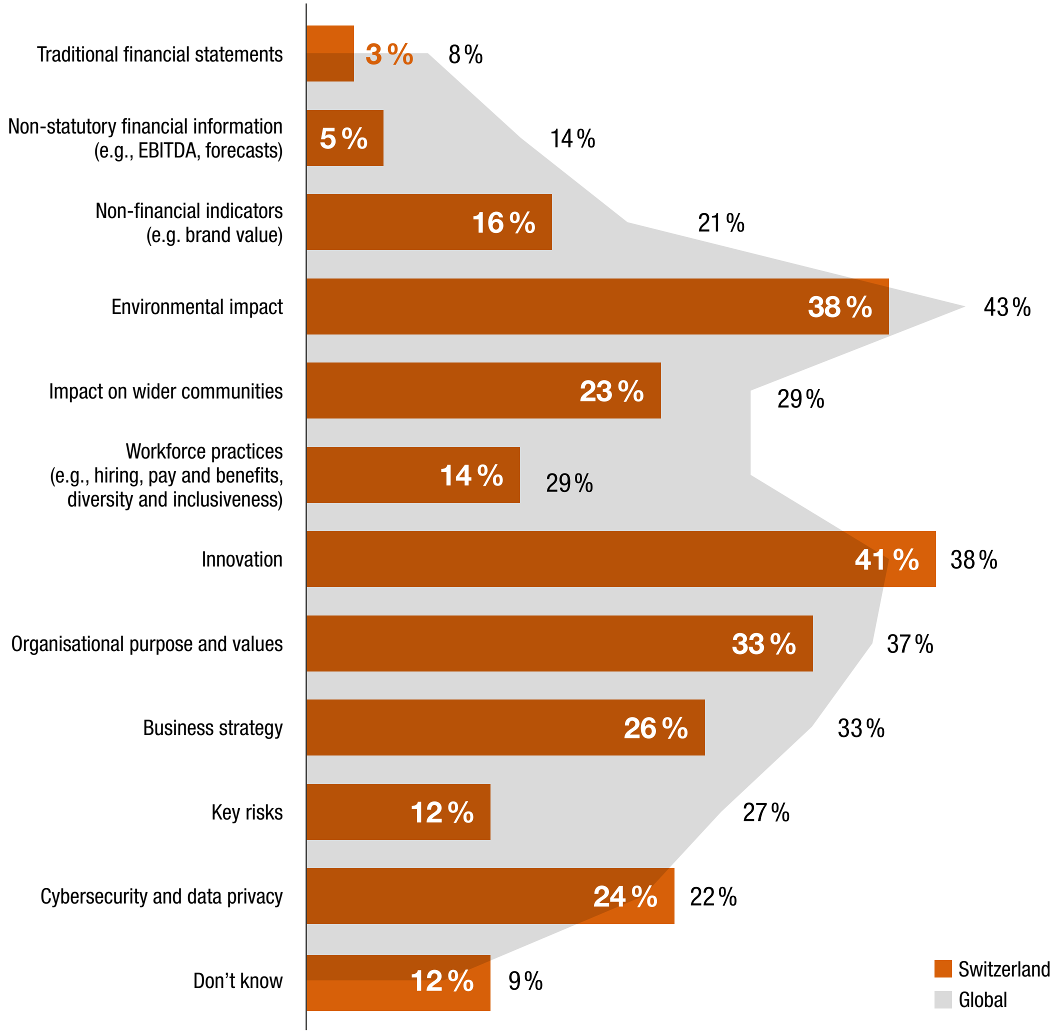


Figure 11: Swiss CEOs put reporting on environmental impact in second place.

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ESG criteria bring clarity to the holistic dimension of sustainability. This is why the opinion of decision-makers always mirrors the current regulatory and socio-political context.»

Christophe Bourgoin, Partner and Leader Sustainability and Investor Reporting, PwC Switzerland

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CEOs in Switzerland are increasingly recognising that being transparent about how sustainability affects financial performance adds value for investors, customers, employees and all other stakeholders. This is particularly true for the industrial sectors, which are developing solutions in response to ESG challenges, and thinking innovatively to seize opportunities.»

Stephan Hirschi, Director and Sustainability Leader, PwC Switzerland

Contact

Global survey

The results and interpretation of the 24th Annual Global CEO Survey conducted by PwC Global are available at: **www.ceosurvey.pwc**

Here for you in Switzerland

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Swiss edition of the 24th Annual Global CEO Survey

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