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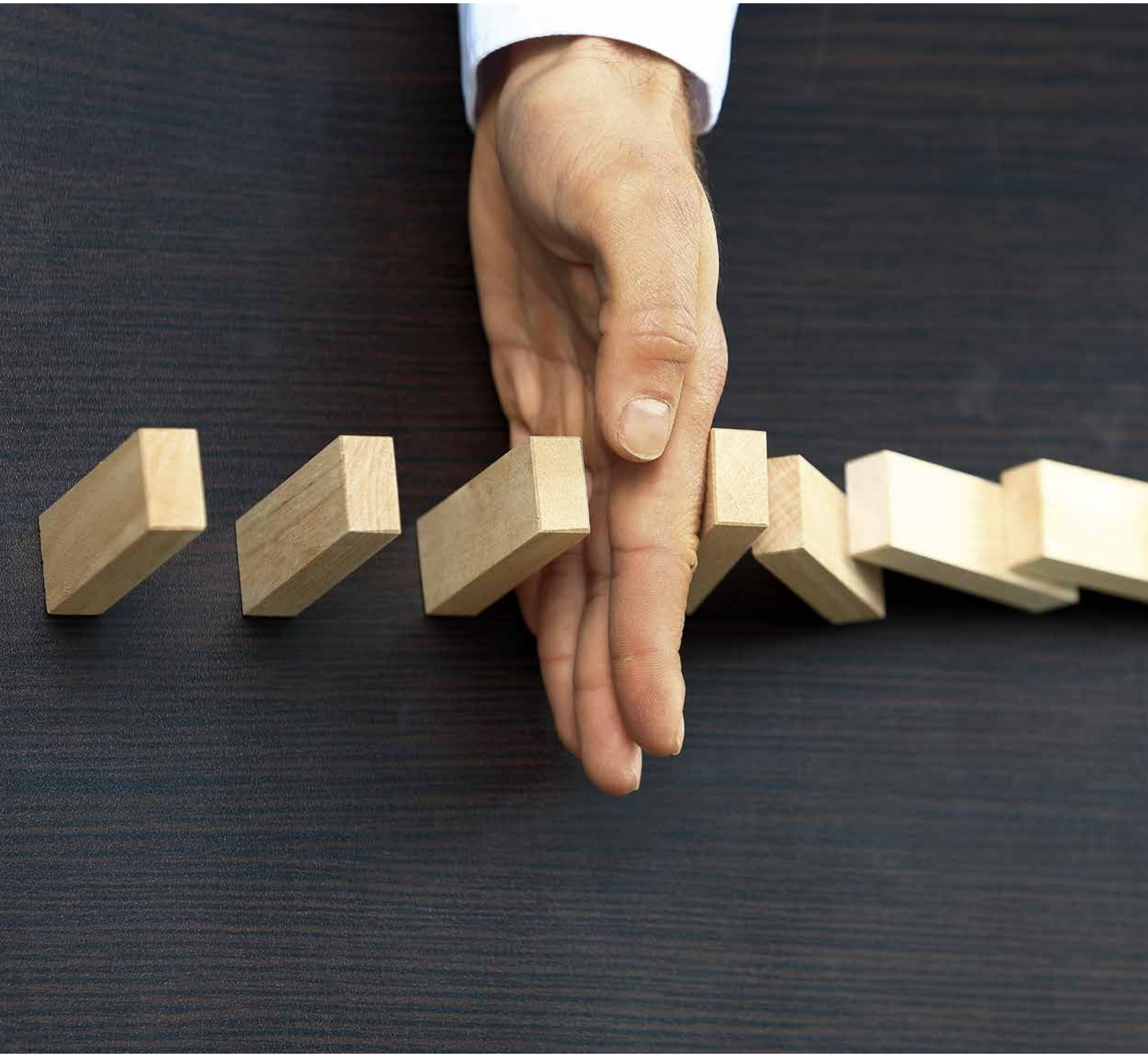

The Board of Directors' perspective on COVID-19: Learning the lessons for the next crisis

swissVR Monitor II/2020
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Contents

About the survey

This is the eighth edition of swissVR Monitor and is based on a survey of 457 members of Swiss company Boards of Directors. The aim of the survey is to gauge Board Members' attitudes to the outlook for the economy and for business and corporate governance issues. This edition focuses specifically on the role that Boards of Directors are playing in tackling the COVID-19 crisis.

The swissVR Monitor survey was conducted by swissVR in collaboration with Deloitte AG and the Lucerne University of Applied Sciences and Arts between 15 June and 31 July 2020. A total of 457 Board members took part, representing listed companies as well as small and medium-sized companies (SMEs) from every major sector of the Swiss economy. 36% of participants are from large companies, 31% from medium-sized companies and 33% from small companies.

The aim of swissVR Monitor is to offer Board members a benchmark for comparing the issues facing their own Board with those facing their counterparts on other company Boards. SwissVR Monitor also aims to share with the wider public the ways in which Board members perceive their role and the current economic situation.

A note on the methodology

When comparing survey results over time, please note that the sample may have changed. Percentage figures are rounded to add up to 100. Company size is determined by workforce: small companies have between 1 and 49 employees, medium-sized companies have between 50 and 249 employees and large companies have 250 or more employees.

Foreword

In the wake of the COVID-19 crisis, members of Boards of Directors rate the outlook for the Swiss economy and for their sector as very negative. When the crisis started, most companies had a crisis management organisation in place, but few had planned for a pandemic or carried out exercises with the crisis management team. Major differences emerge between sectors and companies of differing size in terms of how businesses have managed the crisis and the measures they have taken. The lessons Boards have learned from the crisis range from the need for more digitalisation, greater resilience and new employment models to acknowledgement of the importance of working with scenarios and making better provision for planning liquidity.

Dear reader,

We are delighted to bring you swissVR Monitor II/2020, a survey conducted jointly by swissVR, Deloitte and the Lucerne University of Applied Sciences and Arts. For this edition, we surveyed 457 members of Boards of Directors across Switzerland. The findings reflect their attitudes to the economy and the outlook for business and to relevant areas of their own role. The special focus topic in this eighth swissVR Monitor is the role Boards of Directors are playing in tackling the COVID-19 crisis.

swissVR Monitor II/2020 paints a markedly different picture from the previous report:

- Board members rate the economic, sector and business outlook over the next 12 months much more negatively than six months ago (swissVR Monitor I/2020) because of the COVID-19 crisis.

- The economic impact of the crisis has been particularly severe in the tourism and hospitality sector. Board members representing companies in the pharma, life sciences, medtech and health sector and in information and communications technology (ICT) are more optimistic.

- Most Board members (75%) report that their company had a crisis management organisation in place before the pandemic; 61% had a business continuity management strategy. However, only one-third had carried out exercises with their crisis management team or had planned for a pandemic.

- Board members see employee health, ensuring liquidity and risk assessment as the main aspects of their role in managing the crisis over recent months (88%, 87% and 87% respectively). 81% think the crisis may create important opportunities for their company.

- Four out of five Board members (80%) report that their Board is already considering the long-term impact of changes in both employee and customer behaviour, especially moves to working from home and the increase in online sales. 26% of businesses adapted their strategy in the short term once the crisis hit, devising new business areas or models, such as repurposing their production lines to manufacture medical goods.

- Asked about the main lessons they have learned from the COVID-19 crisis, Board members cite more rapid digitalisation (88% of respondents), greater operational and financial resilience (72%) and new forms of working, such as the introduction or expansion of working from home, alternative workplaces and decentralised co-working spaces (71%). They also cited the need for more scenario and liquidity planning.

- Digitalisation/robotics/automation and improving efficiency/optimising internal processes remain the two top issues for Boards of Directors. However, risk management now features among the top three issues, with IT in the top ten for the first time.

We would like to thank all Board members who participated in this swissVR Monitor survey. We hope you will find this report an informative and enjoyable read.

Cornelia Ritz Bossicard
President swissVR

Reto Savoia
CEO Deloitte Switzerland

Prof. Dr. Christoph Lengwiler
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Summary and key findings

55 %

rate Switzerland's economic outlook over the next 12 months as negative.

Pessimistic economic and sector outlook

Board members are very pessimistic in their rating of Switzerland's economic outlook: just 8% expect the economy to recover in the next 12 months, with 55% expecting it to contract further. 33% of Board members rate the prospects for their sector as negative, twice as many as rate them positive (17%). The rating of their own company's prospects is a little more optimistic: 30% rate them as positive and 23% as negative. The economic impact of the crisis has hit the tourism and hospitality sector particularly hard in the short and medium term. In contrast, Board members in the pharma, life sciences, medtech and health sector and in ICT are more optimistic about the medium and long term.

32 %

had planned for a pandemic before the COVID-19 crisis.

Broad crisis management organisation measures but little pandemic planning before the COVID-19 crisis

75% of Board members report that they had set up a crisis management organisation before the pandemic, while 60% had a business continuity management (BCM) strategy in place. This was much more likely to be the case in large companies than in SMEs. However, only one-third of companies had conducted exercises with their crisis management team or drawn up a pandemic plan. Pandemic planning was more likely in commerce and consumer goods, in corporate services, and in pharma, life sciences, medtech and health. Construction, ICT and SMEs are less likely than the average to have a pandemic plan in place.

81 %

think the opportunities the crisis may create for the company are an important aspect of their crisis management.

Main aspects of crisis management were employee health, ensuring liquidity, and risk and opportunity assessment

88% of respondents cite the health and safety of employees, business partners, suppliers and customers as the most important aspect of their crisis management, with few if any differences between sectors or companies of differing size. 87% cite monitoring the company's financial position and ensuring its liquidity, and risk assessment and adaptation of business planning as further crucial aspects. 81% of respondents see the opportunities the current crisis may create for their company as an important aspect of their crisis management, with companies in the corporate services sector and the financial services industry more likely than the average to take this view.

49 %

have introduced short-time working, adjusted salaries, reduced employees' hours or made redundancies following COVID-19.

Major differences between companies in measures to tackle the crisis

The tourism and hospitality, commerce and consumer goods, and manufacturing and chemicals sectors are more likely than the average to have introduced short-time working, reduced employees' hours or made redundancies (95%, 76% and 73% of respondents respectively, compared with an average across all sectors of 49%). Large companies are more likely than small companies to have cancelled planned investments (47% and 34% respectively). In contrast, small companies are more likely than large companies to have scrapped profit payments (34% and 28% respectively). Board members from all sectors find the Federal Council's measures to mitigate the impact of the COVID-19 crisis helpful, such as simplified rules for short-time working and COVID-19 loans for SMEs.

43 %

report that they have adapted their short-, medium- and long-term strategic goals as a result of the crisis.

Accelerated strategic initiatives and adapted strategic goals

Almost three-fifths of Board members surveyed (59%) report that the COVID-19 crisis has enabled them to accelerate significantly strategic initiatives, such as digitalisation and automation. Just over two in five (43%) report that they have adapted their strategic goals, rising to almost four in five in the tourism and hospitality sector (77%). A quarter have adapted their strategy in the short term and created new areas of business or new business models, including repurposing production lines to manufacture medical goods. The majority (80%) are concerned about the longer-term impact on their company of changes in employee and customer behaviour, especially greater working from home and the increase in online sales.

88 %

plan to respond to the crisis by accelerating digitalisation in their company.

More digitalisation, greater resilience and new employment models are the main lessons learned from the COVID-19 crisis

The overwhelming majority (88%) of Board members want to accelerate digitalisation, especially in large companies. 72% of respondents across all company sizes plan to boost their company's operational and financial resilience, but large companies and those in the financial services sector are most likely to be rethinking employment models. Overall, 71% of Board members report their company is rethinking employment models, including working from home and decentralised co-working spaces. Working more with scenarios and better liquidity planning and capitalisation are further important lessons learned, cited by more than 50% of respondents.

Outlook

Economic, sector and business outlook

In the wake of the COVID-19 crisis, the Board members surveyed for swissVR Monitor II/2020 rate the **economic, sector and business outlook** over the next 12 months much more negatively than six months ago (swissVR Monitor I/2020). However, the responses are different for each individual indicator. Board members rate their own company's business outlook substantially more positive than the outlook for their sector or for the Swiss economy as a whole, a finding that appears to be informed by the opinions of economists circulating in the media. We interpret this as a generally positive signal, as Board members should be in a better position to rate the prospects for their own company – and, therefore, rate them more accurately – than those for the economy as a whole (see Chart 1).

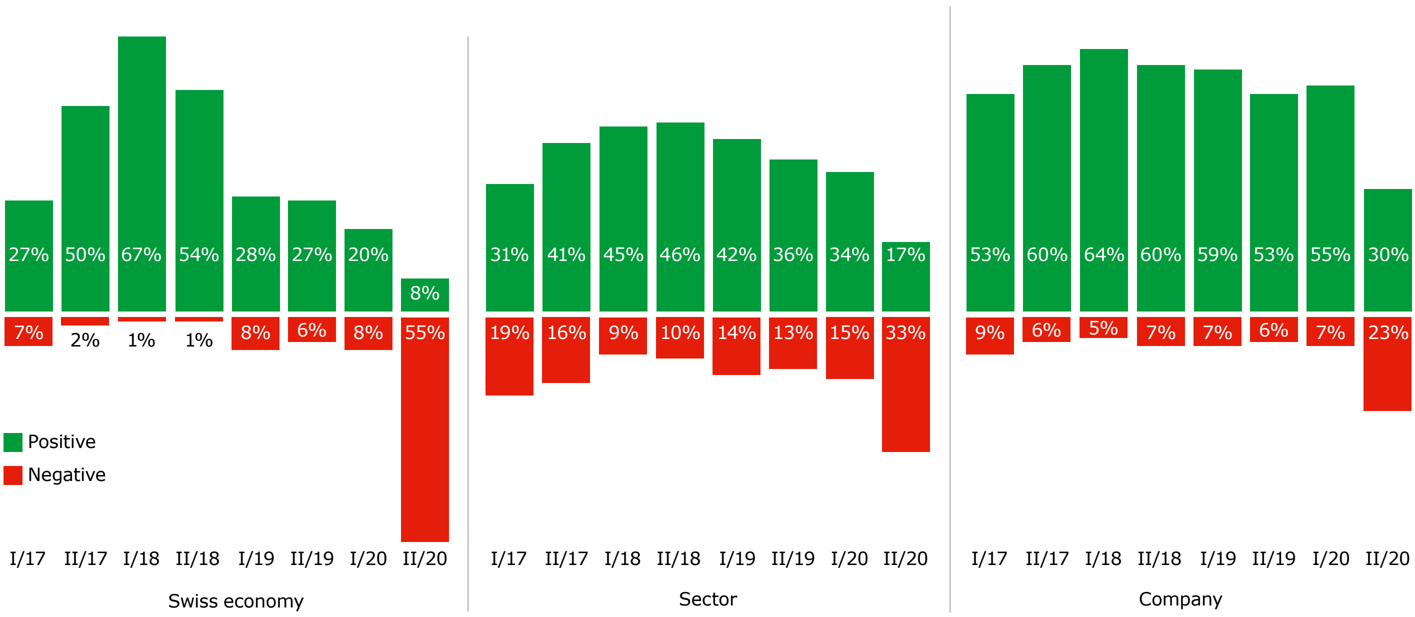
55% of Board members rate the **prospects for the Swiss economy** as negative, up 47 percentage points from 8% just six months ago. Compared with the findings of swissVR Monitor I/2020, the percentage of Board members rating the country's economic outlook as neutral has almost halved, from 72% to 37%, while the percentage rating it as positive has more than halved, from 20% to 8%. In the wake of the COVID-19 crisis, the percentage of Board members rating Switzerland's economic outlook as negative is the lowest since the survey was launched (swissVR Monitor I/2017).

In terms of **sector prospects**, the percentage of respondents rating them as negative has more than doubled over the past six months, from 15% in swissVR Monitor I/2020 to 33%, while the percentage rating them as positive has halved. The percentage rating them as neutral remains unchanged, at 50%.

Respondents' rating of their company's **business prospects** is slightly less pessimistic. Just 23% of respondents rate these as negative, with a further 47% rating them as neutral. 30% rate them as positive, and although this is 25 percentage points lower than six months ago, the figure is almost twice that for sector prospects and almost four times that for the economy as a whole.

Chart 1. Rating of prospects for the next 12 months [swissVR Monitor I/2017, II/2017, I/2018, II/2018, I/2019, II/2019, I/2020 and II/2020]

Question: How do you rate the prospects for the Swiss economy/your sector/your company's business over the next 12 months?
Note: The remaining percentages that add up to a hundred are made up of neutral answers.



Board members in the tourism and hospitality sector take the most negative view of their company's business prospects (55% of respondents). This sector has been the hardest hit by the lockdown and by changes in consumers' purchasing and travel behaviour. Board members in manufacturing and chemicals are also more likely than the average to rate their company's business prospects as negative (36% of respondents). Disruption to global supply chains has hampered and, in some cases, halted manufacturing, leading to a major downturn in the sector. Board members in financial services are much more likely than the average to rate their company's business prospects as neutral (58% of respondents).

Only the ICT sector continues to rate its business prospects as positive overall (53% of respondents), although this figure is considerably lower than the 73% recorded six months ago (swissVR Monitor I/2020). Board members in the pharma, life sciences, medtech and health sector, and in the construction sector are also more likely than the average to rate their company's business prospects as positive (38% and 36% respectively). However, even these above-average values are down from those recorded six months ago.

Economic impact of the COVID-19 crisis

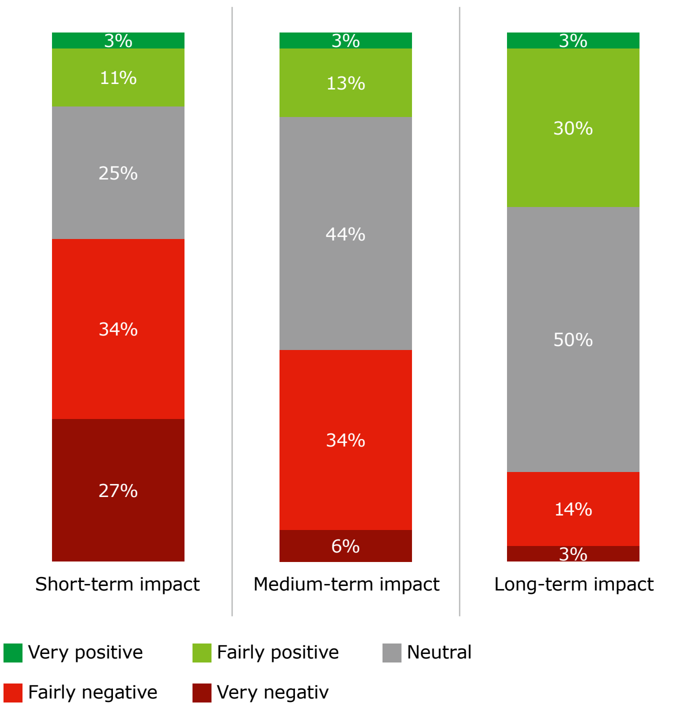
In response to the question of what the **economic impact of the COVID-19 crisis** has been on their company, three-fifths of Board members rate the **short-term** impact as fairly negative (34%) or very negative (27%) (see Chart 2). The short-term economic impact of the crisis has been particularly marked in the tourism and hospitality sector, which was hit hardest by the lockdown: 77% of Board members in this sector report a very negative short-term impact. Board members in commerce and consumer goods and in manufacturing and chemicals are also slightly more likely than the average to rate the impact as very negative (37% of respondents in both cases). Large companies are less negative than SMEs, maybe because they have been able to adapt more quickly and had better crisis management systems in place when the pandemic hit.

Two-fifths of all respondents (40%) believe the COVID-19 crisis has had a fairly negative or very negative **medium-term** impact on their company (34% and 6% respectively). A further 44% rate the medium-term impact as neutral. Perceptions of a very negative economic impact from the crisis are particularly marked in the tourism and hospitality sector (23% of respondents). The construction sector and the corporate services sector are more likely than the average to rate the medium-term impact as neutral (57% and 49% of respondents respectively). There are few, if any, significant differences between companies of differing size. As with the short-term impact responses, the proportion of Board members rating the medium-term economic impact as fairly positive or very positive is relatively small at 16%. Board members in the ICT sector and in the pharma, life sciences, medtech and health sector are, however, markedly more likely to rate the impact as fairly positive or very positive (36% and 28% respectively). The confidence of the ICT sector is based primarily on the fact that companies have embarked on more rapid digitalisation in response to the COVID-19 crisis. The pharma, life sciences, medtech and health sector, meanwhile, expects a positive impetus from the increased demand for medical products and health services.

A majority of Board members rate the **long-term** impact of the COVID-19 crisis as neutral (50%), but the percentage of respondents expecting the impact to be fairly positive or very positive is 33%, twice as many as expect the medium-term impact to be positive. Those in the ICT sector (56% of respondents) and in the pharma, life sciences, medtech and health sector (38%) are markedly more likely than the average to rate the impact as fairly positive or very positive.

Chart 2. Economic impact of the COVID-19 crisis

Question: What has been the economic impact on your company of the COVID-19 crisis?



Focus topic: The COVID-19 crisis

Measures taken before the start of the crisis

Asked about the measures their company had taken before the start of the COVID-19 crisis, most Board members report that their company had **set up a crisis management organisation** (75%) followed by **formulating a business continuity management (BCM) strategy** (61%) (see Chart 3). Large companies are more likely than medium-sized and small companies to have set up a crisis management team (90% of respondents as against 76% and 59% respectively). Companies in the financial services sector and in the pharma, life sciences, medtech and health sector are also more likely than the average to have set up a crisis management organisation. Greater availability of financial resources and capabilities in these sectors is likely to have been a factor here. The responses on formulating a BCM strategy reveal a similar breakdown by sector and company size.

The picture in relation to specific preparatory measures is more diverse. Just one-third of respondents had **carried out exercises with their crisis management team** or **drawn up planning for a pandemic** (32% in both cases), with large companies more likely than the average to have taken these measures. Carrying out exercises with the crisis management team is also more likely than the average in the financial services sector and in the pharma, life sciences, medtech and health sector. Companies in the commerce and consumer goods sector are more likely than the average to have carried out pandemic planning, but such planning is less likely than the average in the tourism and hospitality sector, where the crisis has had the greatest short- and medium-term economic impact.

Chart 3. Actions before the start of the COVID-19 crisis

Question: Did your company take any of the following actions before the start of the COVID-19 crisis?
Note: Only "Yes" responses are broken down by company size and sector. Deviations of 1% from the total average are shown as an average figure.

		By company size			By selected sector							
	Yes	Small companies	Medium-sized companies	Large companies	Corporate services	Tourism/hospitality	Commerce/ consumer goods	Financial services	Pharma/life sciences/ medtech/health	Manufacturing/chemicals	Information and communications technology	Construction
Set up a crisis management organisation	75%	59%	76%	90%	58%	77%	71%	89%	93%	73%	60%	72%
Formulate a business continuity management (BCM) strategy	61%	48%	56%	77%	38%	59%	59%	90%	76%	49%	60%	42%
Carry out exercises with the crisis management team	32%	15%	24%	55%	15%	27%	24%	61%	50%	33%	18%	9%
Draw up planning for a pandemic	32%	26%	24%	44%	18%	23%	44%	57%	50%	25%	13%	9%
Stockpile face masks and/or sanitisers	25%	20%	23%	32%	12%	36%	27%	22%	69%	22%	13%	19%

Strongly below average | Below average | Average | Above average | Strongly above average

Only a quarter of respondents (25%) report proactive **stockpiling of face masks and/or sanitisers** before the crisis, particularly those in the pharma, life sciences, medtech and health sector (69% of respondents). Many Board members view the crisis as an unforeseeable event for which it was not possible to plan. Like the government, many companies were clearly inadequately prepared for the scenario of a pandemic, even though pandemics are not actually unforeseeable events but rather the outcome of long-known 'extreme risks'.

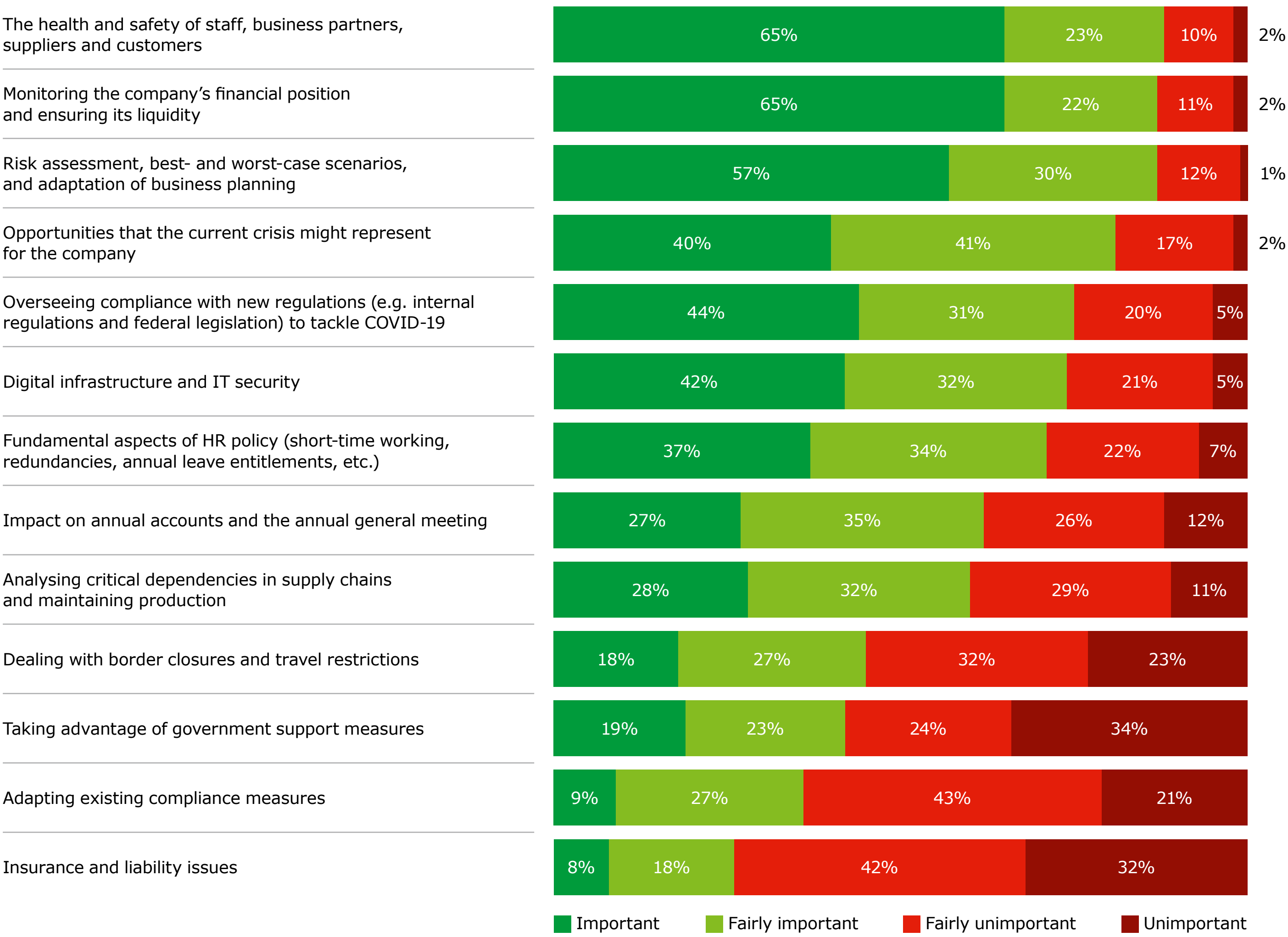
COVID-19 crisis management

88% of respondents see the **health and safety of staff, business partners, suppliers and customers** as an important or fairly important aspect of their Board's role in managing the COVID-19 crisis, making this the highest-ranking aspect (see Chart 4). Given the nature of the pandemic, this marked focus on health is understandable. There are virtually no differences between sectors or companies of differing size.

Monitoring the company's financial position and ensuring its liquidity and **risk assessment, best- and worst-case scenarios and adaptation of business planning** are almost as important, with 87% of responses for each. Board members in the construction sector, in manufacturing and chemicals and in large companies are more likely than the average to cite these two aspects (90% of all respondents in these groups). This marked focus on monitoring and risk

Chart 4. Important aspects of managing the COVID-19 crisis

Question: How important have the following aspects of managing the COVID-19 crisis been in the work of your Board over recent months?



management demonstrates that for the Boards represented by respondents, the fundamental mechanisms of crisis management are functioning well.

Opportunities that the current crisis might represent for the company is the fourth-ranking important or fairly important aspect (81% of responses). This demonstrates an ability to perceive crises not simply as a risk but also as an opportunity to innovate and generate new growth. Board members in the corporate services sector and the financial services sector are more likely than the average to cite this aspect (85% in both cases).

Three-quarters of Board members also cite **overseeing compliance with new regulations** for tackling COVID-19 and **digital infrastructure and IT security** as further crucial aspects of their role in managing the crisis. Board members in medium-sized companies are more likely than those in large companies to cite overseeing compliance with new regulations, such as internal regulations and recommendations from the Swiss Federal Office of Public Health, as important or fairly important (80% as against 71%), while 82% of those in the tourism and hospitality sector also cite this as an important aspect. Board members in large companies are much more likely than those from medium-sized companies to cite digital infrastructure and IT security as important or fairly important (80% and 71% respectively). The issue of cyber-resilience has grown significantly in importance, particularly in the context of much more widespread working from home and remote working during the crisis.

71% of respondents see **fundamental aspects of HR policy (short-time working, redundancies, annual leave entitlement, etc.)** as an important or fairly important part of the crisis management measures in their company. Many companies have introduced short-time working, reduced employees' hours or made redundancies to tackle the COVID-19 crisis (see Chart 7 on page 12). Board members in corporate services (83% of respondents), tourism and hospitality (82%) and manufacturing and chemicals (82%) are more likely than the average to cite such measures, while those in the financial services sector are less likely than the average to do so (55%).

Three-fifths of respondents also report that the **impact on annual accounts and the annual general meeting** and **analysing critical dependencies in supply chains and maintaining production** are important or fairly important aspects of the work of managing the crisis. Board members in small companies are much more likely than those in large companies to rate these two aspects as fairly unimportant or unimportant. Those representing companies in manufacturing and chemicals are much more likely than the average to rank analysing critical dependencies in supply chains as important or fairly important (85% of responses). Networking and globalisation were much more advanced than many companies had assumed, posing a widespread threat to supply chains and logistics arrangements as a result of the crisis.

Aspects of their role that a majority of Board members rate as fairly unimportant or unimportant in managing the crisis over recent months include **dealing with border closures and travel restrictions** (55% of respondents), **taking advantage of government support measures** (58%), **adapting existing compliance measures** (64%) and **insurance and liability issues** (74%). Members of Boards of small companies are more likely than those from large companies to rate dealing with border closures and travel restrictions as unimportant or fairly unimportant. The opposite applies to responses in relation to taking advantage of government support measures. There are no differences between companies of differing size in terms of adapting existing compliance measures or insurance and liability issues. In the tourism and hospitality sector, which has been hit hardest by the COVID-19 crisis, 59% of respondents rate insurance and liability issues as important or fairly important, more than double the average (26%).

In the current crisis, it is a very positive finding that a large majority of Board members feel that their Board receives the info rmation it needs and that trust between the Board and senior management has improved. 58% of respondents strongly agree and 35% somewhat agree that the Board **regularly receives the information it needs** and is involved in the company's crisis communications (a total of 93% of all respondents). 91% also strongly agree or somewhat agree that the **trust between the Board and senior management** has improved during the crisis (48% and 43% respectively) (see Chart 5).

More than four-fifths of respondents (86%) strongly agree or somewhat agree that **assessments and decisions relating to tackling the COVID-19 crisis are appropriately documented in the minutes of meetings** (44% and 42% respectively). Board members representing large companies are markedly more likely than the average to take this view (93%), with those from small companies markedly less likely than the average (75%) to take this view.

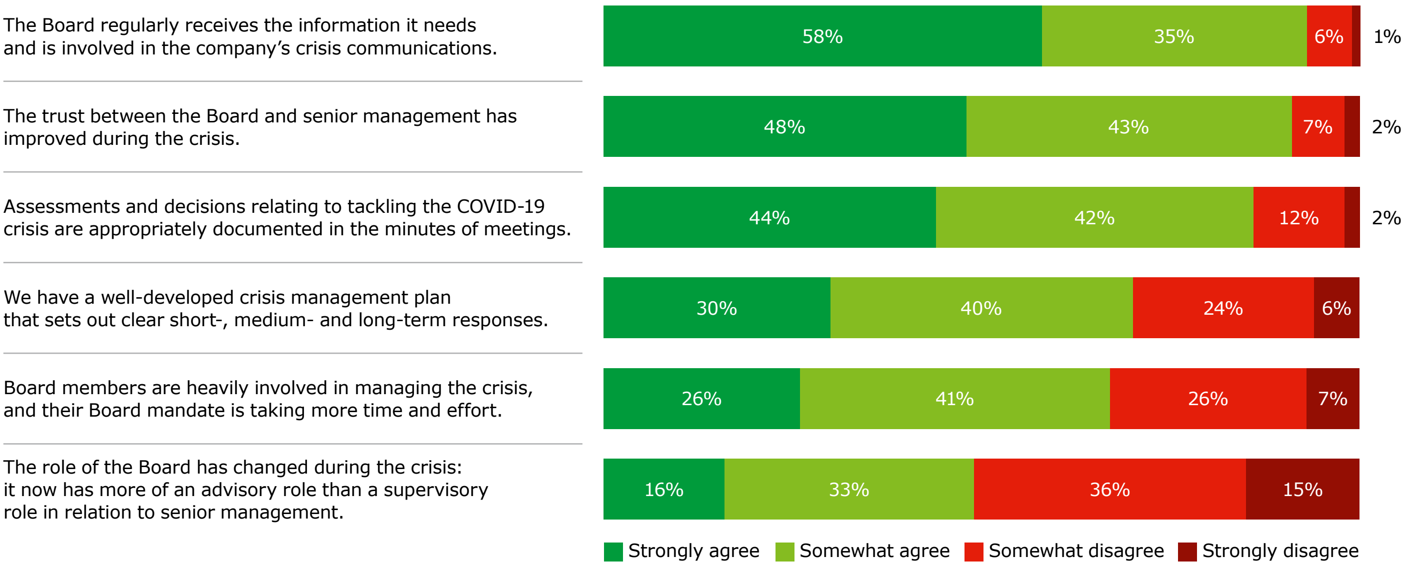
A total of 70% of all Board members surveyed strongly agree or somewhat agree that their company has a **well-developed crisis management plan that sets out clear short-, medium- and long-term responses**. However, this finding reveals the most marked differences between sectors and companies of differing size. Board members in large companies (88% of respondents), in the financial services sector (88%) and commerce and consumer goods sector (78%) are more likely than the average to somewhat agree or strongly agree. Board members in small companies (54%), in tourism and hospitality (55%) and in the ICT sector (48%) are less likely than the average to agree, suggesting room for improvement in these sectors.

Two-thirds (67%) of respondents agree that **Board members are heavily involved in managing the crisis** and that their Board mandate is taking more time and effort. There are no significant differences in terms of individual's role within the Board: 68% of all Board Chairmen report being more heavily involved during the crisis, but so do 66% of all 'ordinary' Board members.

Board members are divided in their responses to the statement that the role of the Board has changed during the crisis and that it now has **more of an advisory role than a supervisory role in relation to senior management**. 49% of Board members strongly agree or somewhat agree with this statement, while 51% somewhat disagree or strongly disagree. In many companies, the Board of Directors has been fulfilling an advisory function with regard to senior management for some time, not just during the most recent crisis.

Chart 5. COVID-19 crisis management

Question: How do you rate the following statements on your company's COVID-19 crisis management?



Measures taken during the crisis

The Board members taking part in the survey were asked to select up to five measures their company had taken during the COVID-19 crisis from a list of **organisational measures**. The rankings and percentage response figures do not therefore reflect the actual proportion of companies taking these measures but rather the proportion of companies that rate any particular measure as one of the most important.

Among the most important organisational measures taken by companies during the COVID-19 crisis, 77% of respondents cite **comprehensive hygiene measures** (see Chart 6). In second place, with 66% of responses, is an **information campaign for employees**. Hygiene measures enjoy above-average importance in the manufacturing and chemicals sector, while an employee information campaign is most frequently cited by Board members in the tourism and hospitality and the commerce and consumer goods sectors.

Distancing/closure of physical workstations and **cancellation of physical meetings and events and better communication or regular exchange between the Board and senior management** follow, both attracting more than 60% of responses. In the ICT sector particularly, physical distancing is most frequently cited as an important organisational measure during the crisis, with an above-average

Chart 6. Organisational measures

Question: Which organisational measures has your company taken during the COVID-19 crisis? [Please select up to 5 measures]
Note: Deviations of 1% from the total average are shown as an average figure.

		By company size			By selected sector							
	Total	Small companies	Medium-sized companies	Large companies	Corporate services	Tourism/hospitality	Commerce/ consumer goods	Financial services	Pharma/life sciences/ medtech/health	Manufacturing/chemicals	Information and communications technology	Construction
Comprehensive hygiene measures	77%	75%	80%	76%	77%	77%	68%	74%	83%	91%	65%	74%
Information campaign for employees	66%	60%	68%	70%	57%	77%	78%	55%	69%	69%	75%	66%
Distancing/closure of physical workstations and cancellation of physical meetings and events	63%	64%	61%	64%	71%	68%	54%	71%	57%	49%	73%	53%
Better communication/regular exchange of information between Board and senior management	62%	65%	56%	64%	58%	73%	68%	57%	62%	55%	53%	74%
New technology to facilitate working from home/remote working	46%	48%	49%	41%	51%	9%	44%	63%	43%	40%	43%	45%
Extraordinary (online) Board meetings	46%	37%	47%	55%	43%	64%	37%	44%	50%	51%	60%	45%
Convening a crisis management team	45%	20%	46%	65%	26%	41%	61%	49%	55%	53%	35%	42%
Dispersing critical functions across different locations	17%	14%	22%	17%	9%	5%	12%	32%	19%	16%	8%	13%
Rules for deputisation and contingency planning for key individuals	17%	22%	13%	15%	17%	9%	17%	23%	12%	18%	15%	15%

Strongly below average | Below average | Average | Above average | Strongly above average number of responses; this is probably because the sector has more options for online working and more advanced technological solutions than other sectors. Companies in tourism and hospitality and in the construction sector are more likely than the average to cite regular information and exchange between Board and senior management as one of the five most important measures they had taken.

The COVID-19 crisis has seen the use of **new technology to facilitate working from home/remote working** and holding **extraordinary (online) Board meetings** gaining significantly in importance. Companies in the financial services sector are more likely to cite new technology as one of the five most important measures, while extraordinary (online) Board meetings have been important in tourism and hospitality and in the ICT sector.

Board members from large companies are more than three times more likely than those from small companies to cite **convening a crisis management team** (65% as against 20% of respondents). Companies most likely to cite this measure are representative of the commerce and consumer goods sector and the pharma, life sciences, medtech and health sector.

Chart 7. Financial measures

Question: Which financial measures to ensure cash flow has your company taken during the COVID-19 crisis? [Please select up to 5 measures]
Note: Deviations of 1% from the total average are shown as an average figure.

		By company size			By selected sector							
	Total	Small companies	Medium-sized companies	Large companies	Corporate services	Tourism/hospitality	Commerce/ consumer goods	Financial services	Pharma/life sciences/ medtech/health	Manufacturing/chemicals	Information and communications technology	Construction
Short-time working/salary adjustments/ reductions in hours of work/redundancies	49%	45%	51%	50%	46%	95%	76%	18%	36%	73%	33%	51%
Deferring or scrapping planned investments	41%	34%	43%	47%	37%	64%	56%	24%	40%	55%	43%	47%
Scrapping profit distributions/dividend payments	27%	34%	17%	28%	35%	32%	22%	14%	17%	36%	33%	40%
Taking out COVID-19 loans	20%	31%	20%	10%	25%	45%	20%	10%	17%	24%	33%	15%
Deferring capital repayments/amortisations/ interest payments	13%	13%	15%	9%	12%	23%	10%	8%	12%	13%	10%	15%
Additional external financing (excluding COVID-19 loans)	12%	6%	9%	19%	5%	23%	22%	11%	17%	15%	5%	11%
Additional equity financing	11%	11%	12%	9%	20%	9%	12%	5%	10%	15%	10%	6%
Making use of existing credit limits as a precautionary measure	11%	5%	13%	13%	6%	14%	20%	4%	14%	20%	5%	11%
Closing unprofitable locations or parts of the company	7%	5%	9%	8%	5%	27%	7%	6%	7%	7%	5%	4%
Cancelling orders already placed with suppliers	6%	6%	6%	6%	6%	32%	5%	1%	10%	5%	5%	2%
No financial measures necessary	15%	13%	16%	16%	8%	0%	3%	37%	18%	6%	9%	6%

Strongly below average Below average Average Above average Strongly above average

Less commonly listed organisational measures, cited by just 17% of Board members among the five most important measures, are **dispersing critical functions across different locations** and **rules for deputisation and contingency planning for key individuals**.

Board members taking part in the survey were also asked to select up to five measures from a list of **financial measures** to ensure liquidity that their company had taken in response to the COVID-19 crisis. Here, too, the rankings and percentage response figures do not reflect the actual proportion of companies taking these measures, but rather the proportion of companies that rate any particular measure as one of the most important.

Short-time working, salary adjustments, reductions in hours of work and redundancies and deferring or scrapping planned investment are cited by 49% and 41% respectively of Board members (see Chart 7 on page 12), and these two measures are most likely to feature in the five most important financial measuring taken by companies to ensure liquidity. Board members in the tourism and hospitality sector, in commerce and consumer goods and in manufacturing and chemicals are more likely than the average to consider these two measures as important.

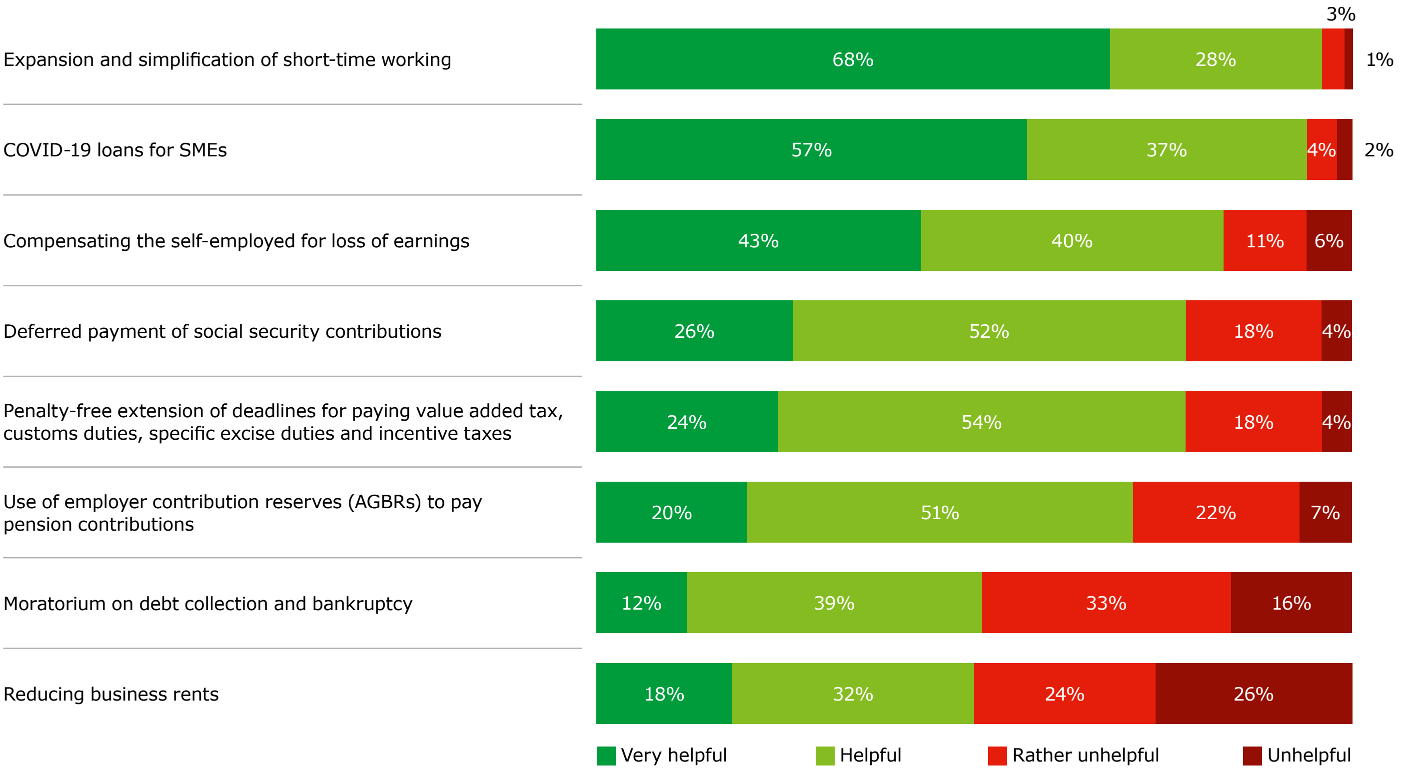
In third and fourth place, mentioned 27% and 20% respectively are **scrapping profit distributions/dividend payments** and **taking out COVID-19 loans.** Small companies are more likely than the average to rate taking out COVID-19 loans as important, along with those in the tourism and hospitality sector and in ICT. In contrast, **additional external financing (excluding COVID-19 loans)** ranks sixth in the list of measures, with large companies and those in tourism and hospitality and in commerce and consumer goods more likely than the average to cite this measure.

Interestingly, 15% of all Board members say that no **financial measures** have been necessary during the crisis. These respondents are most likely to represent companies in the financial services industry (37% of respondents) or in the pharma, life sciences, medtech and health sector (18%).

The Board members surveyed were also asked to give an assessment of which **Federal Council measures** to mitigate the economic impact of COVID-19 they consider to be helpful or unhelpful (see Chart 8).

Chart 8. Measures of the Federal Council

Question: How do you rate the following measures of the Federal Council to mitigate the economic impact of COVID-19?



The overwhelming majority (96%) of Board members rate **expansion and simplification of short-time working** as very helpful or helpful (68% and 28% respectively). 94% also rate **COVID-19 loans for SMEs** as very helpful or helpful (57% and 37% respectively). There are no significant differences between companies of differing size in relation to either measure. Companies in tourism and hospitality, the sector hit hardest by the COVID-19 crisis, and in the corporate services sector are more likely than the average to rate short-time working measures as helpful.

In third place is **compensating the self-employed for loss of earnings**, rated as very helpful or helpful by 83% of respondents (43% and 40% respectively).

Almost four out of every five Board members (78%) rate **deferred payment of social security contributions and penalty-free extensions of deadlines for paying VAT, customs duties, specific excise duties and incentive taxes** as helpful or very helpful. Large companies are more likely than SMEs to rate these measures as helpful or very helpful. However, 22% of respondents rate both measures as rather unhelpful or unhelpful, particularly those representing companies in tourism and hospitality and in manufacturing and chemicals.

The ranking of other measures probably reflects the extent to which the crisis has impacted differently on companies of differing size and in different sectors. For example, 29% of Board members rate **use of employer contribution reserves (AGBTs) to pay pension contributions** as rather unhelpful or unhelpful (22% and 7% respectively). Those representing companies in the tourism and hospitality sector are more likely than the average to express this view, as are those in the pharma, life sciences, medtech and health sector.

Ratings of the government's **moratorium on debt collection and bankruptcy** and proposed **reduction of business rents** are more divided. Only half of respondents rate either of these measures as very helpful or helpful. Markedly more respondents rate reducing business rents as unhelpful (26%) than rate the moratorium as unhelpful (16%). Board members in small companies and in the tourism and hospitality sector are much more likely than large companies or those in the construction sector and manufacturing and chemicals to rate rent reductions as helpful or very helpful.

The COVID-19 crisis and strategy

Four out of five Board members (80%) strongly agree (31%) or somewhat agree (49%) that they are **thinking strategically about the longer-term impact on the company of changes in the way their staff and customers behave**, e.g. working from home or online sales (see Chart 9). Sectors significantly more likely than the average to somewhat agree or strongly agree are financial services (96% of respondents) and corporate services (89%). Board members in the construction sector (66%) and in the pharma, life sciences, medtech and health sector (66%) are significantly less likely than the average to somewhat agree or strongly agree.

Almost three-fifths (59%) of those surveyed strongly agree (15%) or somewhat agree (44%) that the COVID-19 crisis has enabled them **to accelerate strategic initiatives, such as digitalisation and automation**. The financial services sector (75% of respondents) and Board members representing large companies (65%) are more likely than the average to agree. Sectors less likely than the average to somewhat agree or strongly agree are ICT (48% of respondents) and commerce and consumer goods (49%). Board members representing SMEs are close to the average at 55%.

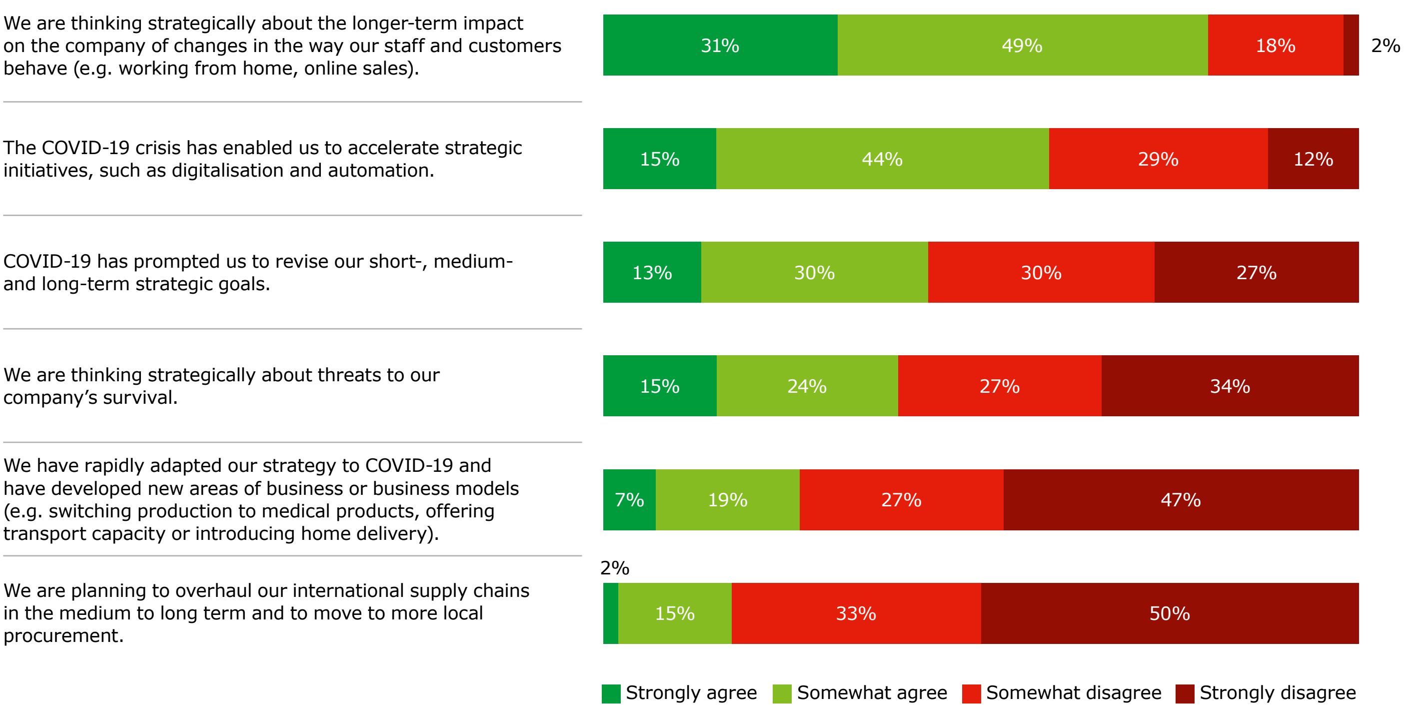
Just over two-fifths of Board members (43%) say that **COVID-19 has prompted them to revise their short-, medium- and long-term strategic goals**. Only those in the tourism and hospitality sector are more likely than the average to strongly agree or somewhat agree (77%); this is the sector that has been hit hardest by the crisis, making short-, medium- and longer-term revision of strategy essential. There are no significant differences between companies of differing size. Board members from the pharma, life sciences, medtech and health sector and from financial services are less likely than the average to agree (31% and 33% respectively).

Just under two-fifths (39%) of respondents strongly agree or somewhat agree that their Board is **thinking strategically about threats to the company's survival** (15% and 24% respectively). Small companies are more likely than the average to feature in this group (50% of respondents), while large companies are less likely than the average (29%). Medium-sized companies are close to the average at 38%.

Around a quarter of all respondents (26%) report that they have **rapidly adapted their strategy to COVID-19 and have developed new areas of business or business models** (e.g. switching production to medical products, offer-

Chart 9. The COVID-19 crisis and strategy

Questions: How do you rate the following statements on the COVID-19 crisis and strategy?



ing transport capacity or introducing home delivery). The fact that only one in four respondents strongly agrees or somewhat agrees (7% and 19% respectively) suggests that there is still work to be done in terms of making use of the opportunities created by the crisis.

Just 17% of respondents strongly agree or somewhat agree that their company is **planning to overhaul its international supply chains in the medium to long term and to move to more local procurement** (2% and 15% respectively). Board members in the manufacturing and chemicals sector (31% of respondents) and in the pharma, life sciences, medtech and health sector (24%) are more likely than the average to strongly agree or somewhat agree; these sectors are particularly reliant on international supply chains, and some have had to scale down production as a result of the crisis.

Lessons from the COVID-19 crisis

Board members were asked an open question about the most important lessons they have learned from the current crisis (see Chart 10).

Many emphasise that their company needs to **accelerate digitalisation**, make more use of new technology and improve its IT infrastructure to enable it to function more efficiently online in future crises. In terms of the work of the Board, they report that online meetings have been very efficient. Some individual respondents would like to expand the use of online meetings to reduce the need for travel.

Many respondents also report that – despite some general prejudices – working from home has been successful overall. They are impressed by the adaptability employees have shown and report that working from home has even improved their company's efficiency in some cases. Given this employee responsibility, **different employment models** offering greater flexibility should continue, they argue. However, they also note that not all roles can be performed remotely or from home.

Chart 10. Lessons from the COVID-19 crisis

Question: What lessons do you see emerging from the crisis?

Another important lesson Boards have learned from the COVID-19 crisis is to **pay greater attention to ensuring liquidity**. Companies should make ensuring liquidity and cash management a higher priority, respondents argue. Building up financial reserves is crucial to tackling future crises, and strict discipline is always required.

There is also strong emphasis on **making the company more resilient**. All organisations need resilience, according to respondents, and must analyse how this can be created or improved: only resilient companies will be able to overcome crises effectively and take pragmatic action.

Thinking through permanently the implications of crisis scenarios is also crucial. This ranges from working more with scenarios to underpin planning and anticipating scenarios that are currently unthinkable to using such scenarios outside crisis periods.

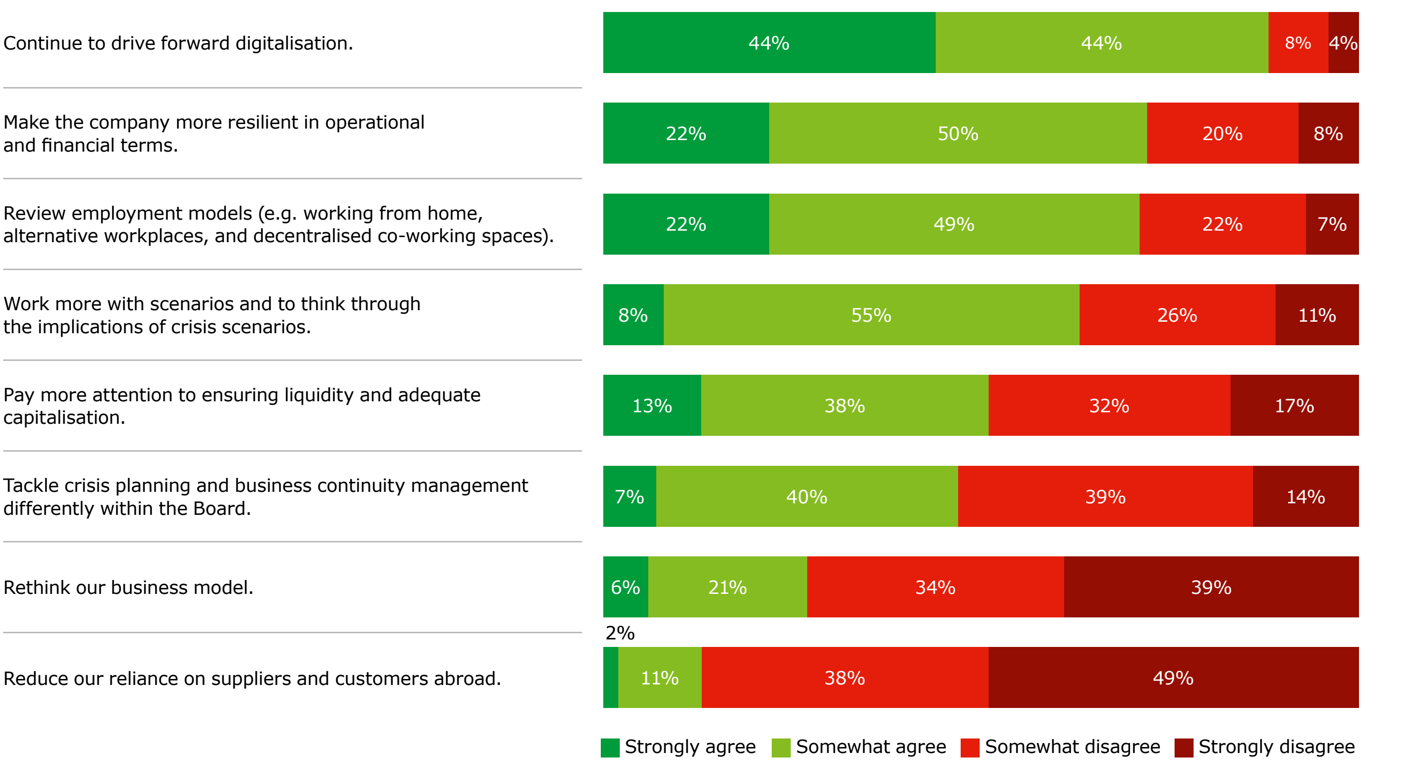
Better business continuity management and broader risk management are further important lessons learned from the COVID-19 crisis, along with the need for **greater agility** and reactivity on the part of companies, **more flexible decision-making and action** and **more transparent communications**. Rethinking their business model, a stronger focus on customers, reducing reliance on suppliers and customers abroad, clear leadership, better employee management and seeing the crisis as an opportunity are all cited less frequently but still seen as important.

Board members were also asked to rank a set of given statements about the possible lessons learned from the COVID-19 crisis. 44% of respondents strongly agree and the same percentage somewhat agree that they will **continue to drive forward digitalisation**, a total of 88% (see Chart 11). The financial services sector (94% of respondents) and Board members representing large companies (93%) are more likely than the average to feature here. Board members in the commerce and consumer goods sector, in corporate services and in the construction sector are less likely than the average to feature (83%, 82% and 79% of respondents respectively).

The statements that they will **make the company more resilient** in operational and financial terms and **review employment models** ranked in second place, with more than 70% of respondents strongly agreeing or somewhat agreeing with each statement. Increasing operational and financial resilience is an important lesson for all respondents, regardless of company size. However, Board members representing the tourism and hospitality sector, which has been

Chart 11. Rating of lessons learned from the COVID-19 crisis

Question: How do you rate the following statements: The lessons we have learned from the COVID-19 crisis are that we need to...



particularly hard hit by the COVID-19 crisis, the manufacturing and chemicals sector, and commerce and consumer goods are more likely than the average to agree (86% of respondents, 82% and 80% respectively). Large companies are more likely than medium-sized and small companies to be reviewing employment models, including working from home, alternative workplaces and decentralised co-working spaces (76%, 68% and 67% of respondents respectively). The financial services sector (93% of respondents) is considerably more likely than the average to agree. In other sectors, where companies are involved in production and therefore people cannot work from home (and particularly in construction, in manufacturing and chemicals, and in the pharma, life sciences, medtech and health sector), Board members are much less likely than the average to agree.

63% of respondents strongly agree or somewhat agree (8% and 55% respectively) that their company needs to **work more with scenarios and to think through the implications of crisis scenarios**. It is particularly important for companies to prepare for the worst with good scenario planning so that they can tackle future crises pragmatically and proactively, and some sectors acknowledge room for improvement here. In terms of individual sectors, 82% of respondents in the manufacturing and chemicals sector and 71% of those in the pharma, life sciences, medtech and health sector either strongly or somewhat agree, while in ICT the figure is 53%, corporate services 55% and financial services 57%.

51% of all respondents strongly agree or somewhat agree (13% and 38% respectively) that their company needs to **pay more attention to ensuring liquidity and adequate capitalisation** in the wake of the crisis. COVID-19 appears to have made many companies aware that liquidity management and liquidity planning are high priorities at any time, not just during a crisis. Small companies are more likely than the average to be in this group, while large companies are less likely than the average to feature (57% and 45% of respondents respectively). All sectors with the exception of financial services see room for improvement here.

Further possible lessons are cited as relevant by only a minority of respondents, and fewer than 10% of Board members strongly agree with the statements relating to them. For example, 47% of respondents strongly agree or somewhat agree that their company should **tackle crisis planning and business continuity management differently within the Board**. A quarter of all respondents (27%) strongly agree or somewhat agree that their company needs to **rethink its business model** in the wake of the crisis. Tourism and hospitality (55% of respondents) and the corporate services sector (35%) are most likely to agree. **Reducing reliance on suppliers and customers abroad** is cited by only 13% of Board members. There are no significant differences between sectors or companies of differing size here.

Strategic and structural issues facing the Board of Directors

Key issues for the Board of Directors

As in previous editions of swissVR Monitor, Board members were asked to select the five most important issues that their Board of Directors has had to tackle over the last 12 months and the most important issues that it will face over the next 12 months.

The issues of **digitalisation/robotics/automation** and **improving efficiency/optimising internal processes** are the two top issues over the past 12 months in the wake of the COVID-19 crisis, with 38% and 36% of responses respectively. In the case of digitalisation/robotics/automation, this was almost exactly the same proportion as in swissVR Monitor I/2020. Improving efficiency/optimising internal processes has increased in importance by four percentage points and risen one place in the rankings (see Chart 12).

In the wake of the COVID-19 crisis, and at third place with 32% of responses, **risk management** is a clear and important new issue for Boards of Directors, up from 11th place in swissVR Monitor I/2020, when it was cited by just 19% of respondents. This issue has forced **formulating a new corporate strategy** out of the top three issues facing Boards down to fourth place, with 30% of responses.

Chart 12. Top 10 issues for the Board of Directors [swissVR Monitor II/2020 compared with I/2020 and forecast next 12 months

Questions: Which issues were most important for your Board of Directors over the past 12 months? Which do you think will be the most important issues over the next 12 months?

Rank II/2020	Rank I/2020	Next 12 months	Issues
1 (38%)	1 (37%)	1 (40%)	Digitalisation/robotics/automation
2 (36%)	3 (32%)	2 (36%)	Improving efficiency/optimising internal processes
3 (32%)	11 (19%)	4 (28%)	Risk management
4 (30%)	2 (34%)	6 (25%)	Formulating a new corporate strategy
5 (26%)	6 (29%)	3 (31%)	Responding to market developments/behaviour by competitors
5 (26%)	5 (30%)	11 (19%)	Human resources challenges at management level
7 (22%)	8 (22%)	12 (18%)	Corporate transactions (acquisitions, cooperation arrangements and mergers)
7 (22%)	9 (20%)	7 (22%)	Corporate culture
9 (21%)	12 (17%)	10 (21%)	IT
9 (21%)	4 (31%)	5 (27%)	Talent Management (recruitment, staff retention, etc.)

Strategy | Organisation & processes | HR | Compliance & risk

The strategic issue **responding to market developments/behaviour by competitors** and the HR issue **human resources challenges at management level** now rank joint fifth in the table, with 26% of respondents citing each as an important issue.

Another issue to rise up the rankings as a result of the COVID-19 crisis is **IT**, with 21% of responses. This is the first time since the survey began three years ago (swissVR Monitor I/2017) that it has featured in the top ten issues. IT ranks joint ninth with **talent management**, which has declined in importance since the previous survey but looks set to increase in importance again over the coming months.

The strategic issues of **corporate transactions** and **corporate culture**, which first appeared in the rankings in swissVR Monitor I/2019, remain important and share joint seventh place, with 22% of responses each.

Just missing out on a place in the top ten issues because of the new entrants risk management and IT are the strategic issues **marketing and sales strategy** and **ensuring innovation/research and development**, which share 11th place with 20% of responses.

Comparing the most important issues over the last 12 months with those for the next 12 months, it is striking that almost the same percentage of Board members report that they will be concerned about **digitalisation/robotics/automation** and **improving efficiency/optimising internal processes** over the next 12 months as over the past 12 months (40% as against 36% and 38% as against 36% respectively). Slightly fewer Boards will focus more on **risk management** over the next 12 months than they have over the past 12 months (28%, down from 32% over the past 12 months). Over the next 12 months, **formulating a new corporate strategy** and **human resources challenges at management level** are also likely to decline in importance, from 30% of respondents to 25% and from 26% of respondents to 19% respectively. By contrast, the strategic issue **responding to market developments/behaviour by competitors** is likely to increase in importance (from 26% of respondents to 31%), while **talent management** has risen to fifth place, with 27% of respondents, similar to **risk management**.

Number of Board meetings and time spent on Board mandate

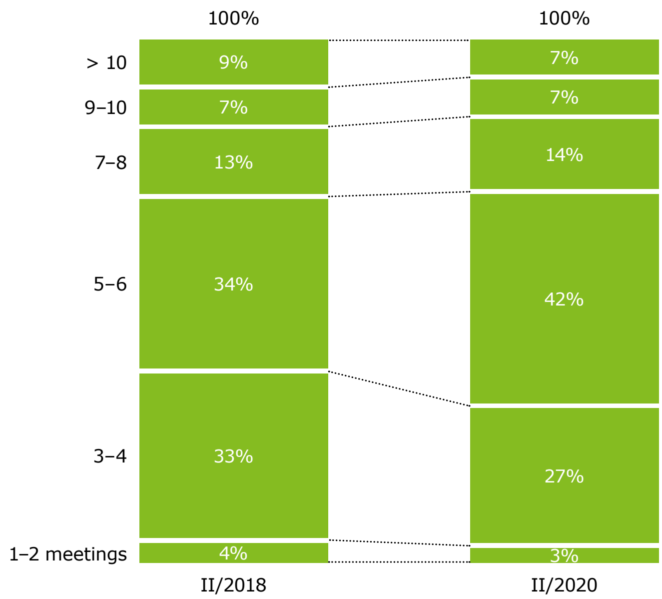
The **number of Board meetings** a company holds each year (excluding committee meetings) varies considerably, and the findings are also markedly different from those of swissVR Monitor II/2018. Just over two-thirds of Board Members surveyed (69%) now report attending three to four meetings (27%) or five to six meetings (42%) a year. However, the proportion of respondents attending five to six meetings a year is eight percentage points higher than in swissVR Monitor II/2018, while the proportion attending fewer than five meetings is seven percentage points lower (see Chart 13).

The time Board members are spending on their mandate has increased during the COVID-19 crisis, with many companies convening extraordinary Board meetings (see Chart 5 on page 10 and Chart 6 on page 11). The proportion of respondents attending seven or more Board meetings a year is 28%, comparable with the figure in swissVR Monitor II/2018. Board members in large companies account for almost half of this total, as they did two years ago.

There are major differences between Board members in terms of the **time they spend per year on their Board mandate** (including meetings, preparation, training, etc.). Around 35% of those surveyed estimate this time commitment at between one day and five days a year (10% of respondents) or between six and ten days (25%). A further

Chart 13. Number of Board meetings [swissVR Monitor II/2020 compared with II/2018]

Question: How many main Board meetings (excluding committees) does your company hold each year?



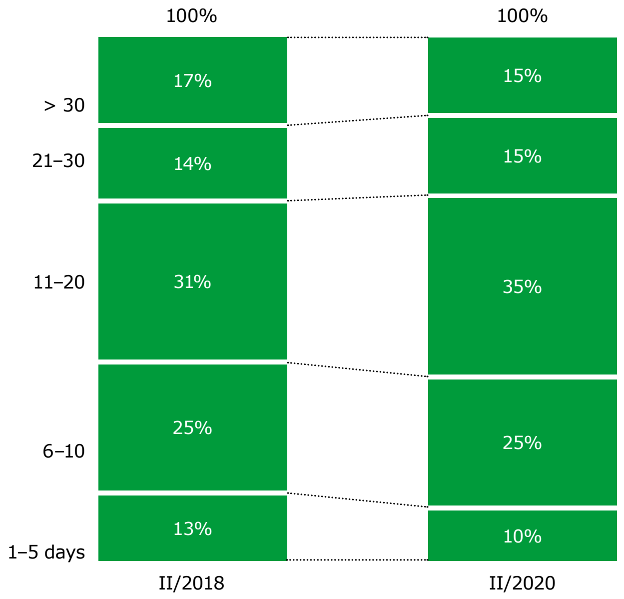
35% estimate spending between 11 and 20 working days a year on their Board mandate (see Chart 14).

Compared with swissVR Monitor II/2018, the proportion of Board members estimating they spend between 11 and 20 days a year is now slightly higher (35%, up from 31% two years ago), while the proportion spending between one and five days is slightly lower (10%, down from 13% two years ago). The COVID-19 crisis is likely to have been a factor here. 30% of Board members estimate that they spend more than 20 days a year on their mandate, almost the same as two years ago (31%) (swissVR Monitor II/2018).

The time commitment also continues to depend on an individual's role within the Board of Directors. 25% of all Board Chairmen surveyed report spending more than 30 days per year on their mandate compared with just 10% of 'ordinary' Board members. This largely mirrors the findings of swissVR Monitor I/2018, when 24% of Board Chairmen reported spending more than 30 days on their mandate, twice the figure for 'ordinary' Board members (12%).

Chart 14. Time spent on Board mandate (in days) [swissVR Monitor II/2020 compared with II/2018]

Question: Approximately how much time per year do you spend on your Board mandate? (Please include meetings, preparation, training, etc.)



Interviews

General measures to tackle the crisis

Josef Felder, Vice-President of the Board of Directors of AMAG Group AG and Luzerner Kantonalbank AG.

„If we take fear out of a crisis, then creativity can blossom.“

Josef Felder Josef Felder has been an independent member of the Board of Directors of a number of companies since 2008. He is currently Vice-President of the Board of both AMAG Group AG and Luzerner Kantonalbank AG, and a member of the Board of Zurich Airport AG, Careal Holding AG and the HTC Corporation in Taiwan. He also serves on the Board of the Friends of Einsiedeln Abbey.

Between 1998 and 2008, Josef Felder was CEO of Zurich Airport AG, where his role included operational responsibility for a number of crises, including air accidents, the 2001 grounding of Swissair, and the termination of Switzerland's treaty governing overflight rights over Germany.

swissVR: What should companies do to ensure they are well prepared for crises?

Josef Felder: Rehearse for a crisis before one happens! The key to how well a company manages crises is its policy for recruiting its Board and senior management team. Individuals who can manage stress and conflict in good times and are able to handle criticism constructively, are well prepared for crisis situations. A crisis requires tight leadership and a policy of excellent communications, both within the company and with the outside world. The key to managing crises proactively is having well-established and seamless teamworking skills and scenario planning that come into play to ensure you are ready for the worst.

swissVR: To what extent is the COVID-19 crisis different from other crises that Swiss businesses have faced in the past? And what lessons can we learn from previous crises and apply to the current COVID-19 crisis?

Josef Felder: A crisis is the opposite of normal day-to-day operations, so crisis management requires us to adapt what we do. The COVID-19 crisis is different because it caught (most) Swiss companies unprepared and hit them with full force, like a wildfire. But our approach to tackling it has been the same as in past crises: to act rationally, remain calm and get the priorities right.

swissVR: What advice do you have for Boards that want to tackle the crisis as effectively as possible?

Josef Felder: All crises have a beginning and an end. Boards of Directors in particular must project confidence and demonstrate that there is a future beyond the current crisis. Successful crisis management means monitoring the effectiveness of measures consistently and in a timely fashion.

swissVR: What do you see as being a Board's most important role during the COVID-19 crisis?

Josef Felder: A Board's roles at the moment are the same as in 'normal' times but require even closer attention to detail: supervision, monitoring, ensuring checks and balances are in place, and being a sparring partner for management. Under the time pressures of a crisis, Boards sometimes take a 'light touch' approach to operational and strategic responsibilities, but in fact, corporate governance is even more important during a crisis.

swissVR: What should companies and their Boards learn from the COVID-19 crisis?

Josef Felder:

1. They should ensure that their HR planning for the Board and senior management team focuses on resilience and reflection.

2. They should challenge existing risk management systems, their business continuity management plan and their scenario planning. There will be another crisis, that's for sure – we just don't know when.

3. Every company's business model must be able to withstand a crisis. Companies should not be facing an existential threat just because they have no revenue for two or

three months. It's important to manage financial resources conservatively, and that's an area in which the Board of Directors needs to take a lead.

4. Every crisis brings opportunities. Crises equip companies to tackle their weaknesses honestly and openly and to shape the future from a position of strength.

5. Rehearse for crises…

swissVR: Many companies have shown great creativity during the crisis. Why does it take external pressure to see such creativity thriving?

Josef Felder: Major change needs two things: visibility and pressure. The world – and that includes the business world – has become more volatile, faster-paced and more flexible, and the parameters are shifting all the time. Life means change, and although our brains react creatively to crises, we tend to block upheaval and change. The main reason for this is fear, which demotivates us and stifles creative solutions. So if we take fear out of a crisis, then creativity can blossom. What we should learn from this crisis is how important it is to tackle change openly, constructively and enthusiastically and to see it as an opportunity rather than as a threat. A crisis lays bare our weaknesses, but if we tackle those weaknesses head-on, we create scope for changes that are unthinkable in 'normal' times.

The COVID-19 crisis, politics and the economy

Ruth Metzler-Arnold holds several mandates as Chairwoman or member of various Boards of Directors, including Switzerland Global Enterprise, AXA Switzerland and Buhler Group.

„The strengths of Switzerland as a business location and the Swiss political system have been proven during the crisis."

Ruth Metzler-Arnold, a former Minister of the Swiss government and a trained lawyer and certified accountant, is Chairwoman or a member of several Boards of Directors and foundation Boards. Current roles include President of Switzerland Global Enterprise (S-GE), Deputy chairwoman of the Board of Axa Switzerland and member of the Board of Buhler Group. She has first-hand experience of the work of government at various levels within Switzerland and in a global context as a former member of a number of executive bodies.

Before taking up full-time roles on Boards of Directors and advisory bodies, Ruth Metzler-Arnold held a number of senior positions in the private sector and taught at the University of St. Gallen. Between 1999 and 2003, she was a member of the Swiss Federal Council and headed the Federal Department of Justice and Police.

swissVR: What makes you confident that Swiss companies will survive the COVID-19 crisis?

Ruth Metzler-Arnold: As a business location, Switzerland was in a very good position when the crisis hit. And I have been impressed by the way in which Swiss companies have tackled the challenges of the past few months. The country is able to build on its strengths – its political system, its liberal economic system, its good infrastructure and its international network based on multiple free trade agreements – to give companies an excellent foundation for the future.

The innovation spirit and innovative strength of companies over recent months have also been impressive. We have been able to drive forward digitalisation significantly, and the government order to work from home proved that flexible employment models work. All this makes me confident that many companies will be emerging from the crisis in good shape, although I am also aware that some will not survive, in some cases because their sector is highly impacted.

swissVR: How do you rate the measures the Swiss government has taken to tackle the pandemic and to reduce the economic impact of COVID-19 on business?

Ruth Metzler-Arnold: Also from today's perspective, I think the Federal Council did a good job. I am proud of Switzerland's achievements over the last few months to contain the spread of the pandemic and tackle the crisis, although one could be critical of some individual measures. The governmental support measures are widely considered to be appropriate and to avoid an even greater economic crisis.

swissVR: There is always a positive side to a crisis. What opportunities do you think the COVID-19 crisis opens up for Switzerland as a business location and its companies?

Ruth Metzler-Arnold: The strengths of Switzerland as a business location and the Swiss political system have been proven during the crisis. The boost to digitalisation and the speed with which politicians and government agencies took decisions and action make me very confident. We have seen what can be done in extraordinary times. Now, as we move into the 'new normal', I am now expecting that lessons being learnt so that the positive experiences and effects of the crisis will continue to be used and lived in the 'new normal'

Case studies and surveys show that companies now identify a wide range of opportunities arising from the crisis, including digitalising and generally optimising their processes, creating innovative products and services, managing their contacts with customers, suppliers and business partners, and tapping into new markets and market niches. I also think they will be cutting down on business travel in future and that the demand for conventional office space will continue to fall, helping to safeguard the environment. For both companies and individuals, I find that the physical distance – also as a consequence of the impossibility to travel – can create a new kind of proximity and connection.

swissVR: How well do you think Switzerland will fare compared with its international competitors once the COVID-19 pandemic is over?

Ruth Metzler-Arnold: I believe that Switzerland and Swiss businesses are well equipped to succeed. However, as an export nation, we rely on our main customers themselves – which are predominantly in Europe – being able to function under normal economic conditions again. However, two referendums scheduled in Switzerland for this autumn pose a risk: if the 'limitation initiative' and the 'responsible business initiative' were adopted, this would be a huge step backwards for Switzerland as a business location and for Swiss companies. I am concerned about the way in which the campaigns for and against both these initiatives are being managed. The 'limitation initiative' poses an enormous risk, because without guaranteed access to the European single market, we would be jeopardising many of our global SMEs, not least because the skills shortage is already a persistent major concern for the Swiss economy. Those campaigning for the 'responsible business initiative' cite negative examples of companies such as Glencore but forget that the initiative would have an impact on all companies acting internationally, small as well as large. Its opponents should focus their arguments much more on the fact that it would have an impact not only on major global players, but on companies of every size – and on what the consequences of adoption would be for all companies.

swissVR: How did you as President of Switzerland Global Enterprise (S-GE) experience the crisis?

Ruth Metzler-Arnold: On behalf of the Swiss confederation, S-GE supports small and medium-sized enterprises in their international activities, so it has been in great demand over the past few months. At the beginning of the crisis, enquiries focused particularly on the disruption to supply chains and the economic measures the government was taking: until the government hotline was up and running properly, many companies contacted directly S-GE. S-GE can offer even more support in future, specifically in the area of supply chains and value chains, and especially in evaluating and rethinking existing supply lines and value chains and building new ones. It has become evident over the past few months how much Switzerland as an export nation relies on functioning supply chains – and how vulnerable these are in a crisis.

More generally, it is important to remember that the crisis is not yet over, either in its impact on health or in economic terms, even though the economy is now picking up again. As an export nation, we and our businesses will thrive only if our trading partners are able to sustain certain levels of investment and consumption – that is, if there is demand for the goods and services that Swiss companies produce. And in many sectors, that is still far from being the case.

Crisis management in SMEs

Adrian Steiner, CEO and Board member of Thermoplan.

„Switzerland faces a skills shortage, so it would have been counterproductive to let experienced workers go when we need them for the recovery."

Adrian Steiner joined Thermoplan in 1998. At that time, the family business based in the shadow of Mount Rigi in central Switzerland employed just 21 people, but as the company grew, so Adrian Steiner also grew into his role. He started as Thermoplan's Head of Service, honing his skills in roles as diverse as customer support, market development and sales. For two years, he managed the company's major client, Starbucks, in the US, playing a major role in developing this key account. In 2006, the founders Esther and Domenic Steiner appointed him to senior management, and he has been a member of the Board of Directors since 2009.

Thermoplan develops and manufactures fully automatic coffee machines. It currently employs around 440 people in more than 65 countries around the world.

swissVR: Did you see the COVID-19 crisis coming?

Adrian Steiner: We have a subsidiary in China, so COVID-19 was on our radar from January. However, it wasn't until March that media coverage of the dramatic situation in Lombardy alerted me to the fact the virus was also going to have a significant impact on us in Switzerland.

swissVR: How did you tackle crisis management?

Adrian Steiner: We identified three areas for action. We have many suppliers in northern Italy, so the first priority was to guarantee our supply chains. The second was to protect the health of our workforce and maintain our productivity. And the third was to look after our customers and our order books. These three priorities also formed the anchor points for our regular communication with our employees.

swissVR: And did you have to make use of state assistance schemes?

Adrian Steiner: So far, we have deliberately not done so. We are a successful company, and over recent years, we've made financial provision for periods of crisis. At the beginning of the COVID-19 pandemic, we took the decision that we would not apply for coronavirus loans, make any of our staff redundant or put workers on short-time and that, as far as possible, we would keep our workforce in employment. Switzerland faces a skills shortage, so it would have been counterproductive to let experienced workers go when we need them for the recovery.

swissVR: So have you been able to hold on to your workforce despite falling sales and revenues?

Adrian Steiner: We were only using about 60% of our production capacity during the crisis. We organised in-company training for staff who were under-employed, engaged them in discussions about process optimisation and got them involved in maintenance tasks, such as painting and work in the gardens. The staff reduced the amount of overtime they had built up, and we made sure that they took the annual leave they had already planned. We also put financial incentives in place to encourage them to take further leave in July and August. All this means that we expect to be able to bridge the gap at least until September.

swissVR: How has the Board of Directors been involved in crisis management?

Adrian Steiner: We are a family business, and the Board of Directors comprises the majority stakeholder, his wife and son, an external Board member and me. As a Board delegate, I am responsible for crisis management together with the senior management team. I briefed the Board on the situation and the measures we had put in place every two weeks, using Microsoft Teams. It was very useful to share thoughts and ideas with the Board, and the Board supported the decisions we'd made, including the idea of developing ventilators.

swissVR: How did you come up with that idea?

Adrian Steiner: When the COVID-19 crisis hit, the US called on all large businesses to manufacture ventilators to help tackle the acute shortage of equipment in hospitals. Our largest customer, Starbucks, got in touch, and within a short space of time, our development team had devised two prototype ventilators. Our staff were very keen to work on such a worthwhile project, and it only took a few weeks to get the necessary certification from the US Food and Drug Administration. However, by the time we were ready to manufacture the equipment, the situation in the US was no longer so critical.

swissVR: But will Thermoplan now be producing ventilators alongside coffee machines?

Adrian Steiner: Yes – we've decided to continue with the project. During the development phase, we discovered that ventilators can be produced using linear drives that consume a lot less electricity and can also be used outside hospital settings for mobile use by emergency doctors and paramedics. And we can supply these at half the cost of conventional ventilators. We see significant market potential in developing countries and in other countries where the supply of ventilators is inadequate. The crisis created opportunities – and we had the courage to tap into a new business area in medical technology. Had it not been for the COVID-19 crisis, I suspect we wouldn't even have considered such a radical shift in our strategy.

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