swissVR Monitor II/2017
August 2017

Contents

About the survey

This is the second issue of swissVR Monitor, a survey of 464 members of Swiss company Boards of Directors. The aim of the survey is to gauge Board members' attitudes to the outlook for business, strategy and structural issues. This issue focuses specifically on cyber-security.

The swissVR Monitor survey was conducted by swissVR in collaboration with Deloitte and the Lucerne University of Applied Sciences and Arts between 15 May and 16 June 2017. A total of 464 Board Members took part, representing listed companies as well as small and medium-sized companies (SMEs) from every major sector of the Swiss economy.

A note on the methodology

When comparing survey results over time, please note that the sample may have changed. Because of rounding, percentages may not always add up to 100. Company size is defined 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

This issue's focus topic has proved to be of substantial interest to Board members: a majority of the 464 Board members surveyed are discussing cyber-security issues.

Dear reader,

We are delighted to bring you *swissVR Monitor II/2017,* a survey conducted jointly by swissVR, Deloitte and the Lucerne University of Applied Sciences and Arts. Every six months, this survey will gauge the attitudes of members of Swiss company Boards of Directors towards the outlook for the country's economy and their sector. It will also gauge their attitudes towards current matters of relevance to Boards. Each issue of swissVR Monitor will also explore a focus topic in greater detail. In this issue, we look at the importance of cyber-security from a Board perspective.

swissVR Monitor II/2017 is based on survey responses from 464 members of Boards of Directors across Switzerland. They represent firms from SMEs to listed companies across a range of sectors. *swissVR Monitor II/2017* therefore accurately reflects the attitudes of Boards of Directors in Swiss companies as well as the challenges facing them. It illustrates the views of individuals with a long-term influence on their company's success and includes their prospects for the economy, their sector and their company's business.

The aim of swissVR Monitor is to offer Board members a benchmark for comparing the issues facing their own Board of Directors 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.

swissVR Monitor II/2017 delivers a number of insights:

• Board members rate the outlook for their company's business even more positively than six months ago.

• Improving efficiency and optimising processes remains a major objective for Board members. However, the importance of digitalisation, robotics and automation has increased compared with six months ago.

• Board members consider the roles and influence of the Board to be balanced and satisfactorily distributed across members. However, they see potential for improvement in the internal organisation of the Board.

• 44% of Board members report that their Board has set up committees, which – according to the vast majority of this group – create added value for the company, relieve some of the pressure on Board members and bring together individuals with relevant skills.

• A majority of Boards discuss cyber-security issues. However, against a background of increasing digitalisation and growing cyber-threats, Boards need to do still more in terms of adopting a clear cyber-security strategy and action plan.
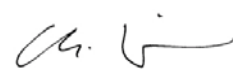
We would like to thank all the Board members who participated in the *swissVR Monitor II/2017* survey. We hope you will find this report an informative and enjoyable read.

Prof. Dr. Dr. Christian Wunderlin
Präsident swissVR

Reto Savoia
Vice Chairman & Deputy CEO
Deloitte Switzerland

Prof. Dr. Christoph Lengwiler
Institutsleiter IFZ

Summary and key findings

60%
rate the prospects for their company's business over the next 12 months as positive.

Outlook remains positive
60% of Board members rate the prospects for their company's business as positive, up from 53% reported in swissVR Monitor I/2017. Board members rate the prospects for the Swiss economy as a whole more positively than for their own sector.

41%
continue to identify improving efficiency and optimising processes as their major objective.

Key objectives of the Board
Improving efficiency and optimising processes remains the most frequently cited objective, with 41% of Board members identifying this as their major strategic objective over the last 12 months (slightly down from 43% in the first survey). The importance of digitalisation, robotics and automation, and of talent management, including recruitment, retention, etc., has increased in importance compared with the previous swissVR Monitor.

49%
see potential for improvement in the internal organisation of their Board.

Organisation of the work of the Board
Almost half of Board members see potential for improvement in aspects of internal Board organisation, such as processes or structures. However, a substantial majority agree that roles within the Board are optimally distributed across Board members.

44%
say their Board has set up committees.

Importance of committees within the Board
More than two in five Board members (44%) report that their Board has set up committees. 94% of this group believe that committees create added value for the company. Boards are most likely to have set up an Audit Committee and a Remuneration Committee.

78%
report that cyber-security issues have recently increased in importance.

Increasing importance of cyber-security
Large companies and those in the financial services sector are most likely to report that cyber-security issues have increased in importance. None of the Board members surveyed believes that cyber-security has become less important over the last three years. Issues of cyber-security were discussed within a large majority of Boards over the last year.

35%
have a clear company strategy for cyber-security.

Strategy and action plan for cyber-security
Just one-third of Board members report that their company already has a strategy for cyber-security. A further third report that their company is currently devising such a strategy. Against the background of the expected rise in cyber-attacks in an increasingly digitalised and automated business environment, it is very surprising that around three out of ten businesses do not currently have a cyber-security action plan.

Economic, sector and business outlook

Overall, Board members rate the **economic, sector and business outlook** for their company over the next 12 months more positively than in swissVR Monitor I/2017. However, a breakdown by indicator produces more differentiated results. Board members are more likely to rate the economic outlook as positive rather than rate the sector outlook as positive, a reversal of the findings of swissVR Monitor I/2017. They remain most optimistic about the prospects for their own company (see Chart 1).

Roughly the same percentage rate the **prospects for the Swiss economy** as positive and neutral (50% and 48% respectively); the proportion of Board members rating them as negative has fallen from 7% six months ago to 2%. Overall, Board members' rating of the outlook for the economy as a whole is considerably more positive than reported in swissVR Monitor I/2017.

Board members continue to be least optimistic about the **outlook for their sector.** Although more Board members are positive about the prospects for their sector than six months ago (41%, up from 31%), 16% rate the prospects for their sector as negative, down from 19% six months ago. This is eight times the proportion rating Switzerland's economic prospects as negative (2%) and almost three times the proportion rating their company's business prospects as negative (6%).

As swissVR Monitor I/2017 reported, Board members are again most optimistic about their own company's **business prospects**, with 60% rating these as positive, 34% as neutral and just 6% as negative. The most positive ratings come from Board members in the information and communications technology sector (69%) and in manufacturing and the chemical industry (also 69%). The proportion of Board members in the financial services and retail and consumer goods sectors rating their company's business prospects as positive is below average, at 52% and 48% respectively.

Board members are now markedly more optimistic about Switzerland's economic outlook than they were six months ago – almost twice as many now rate it as positive than did so six months ago (50% compared with 27%) – while negative ratings have fallen from 7% to 2%. However, this upturn has yet to feed through into Board members' views of the outlook for their sector and for their own company's business prospects. One reason for this may be that in swissVR Monitor I/2017, their rating of the outlook for their sector and, in particular, their company's business prospects was more positive than their rating of the economic outlook. Future issues of swissVR Monitor will show whether the economic outlook continues to lag behind the sector and company outlook.

Chart 1. Rating of prospects for the next 12 months (swissVR Monitor II/2017 vs swissVR Monitor I/2017)
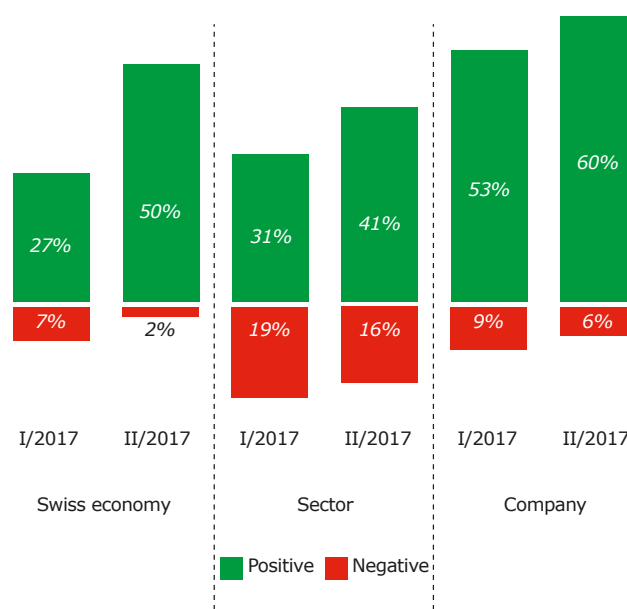
Question: How do you rate prospects for the Swiss economy/your sector/your company's business over the next 12 months?

Note: The remaining percentages that add up to a hundred are made up of neutral answers.

Strategic issues and environmental factors

Key issues for Boards of Directors

As with swissVR Monitor I/2017, Board members taking part in the survey were asked to choose from a list of topics relevant to businesses the five most important issues that their Board had had to tackle over the last 12 months and the five most important issues that it would be tackling over the next 12 months.

Improving efficiency and optimising internal processes is again the most frequently cited area, with 41% of Board members listing it as the most important issue they had tackled over the last 12 months, slightly down from 43% six months ago (see Chart 2).

Digitalisation, robotics and automation is listed by 33% of Board members, making it the second most frequently cited issue, up from fourth place in swissVR Monitor I/2017 six months ago.

Responding to market developments and behaviour by competitors (cited by 27% of Board members), **marketing and sales strategy** (26%) and **talent management** (25%) have also all moved up the ranking by up to four places.

However, **formulating a new corporate strategy** and **HR challenges at management level** have both slipped a place in the ranking, being cited by 32% and 31% of Board members respectively.

As Chart 2 illustrates, four of the seven most frequently cited issues relate to strategy, an unsurprising finding given the role and responsibilities of a Board of Directors. The importance of compliance and risk has slipped slightly in importance from swissVR Monitor I/2017, when it was represented in the top seven issues by two individual topics.

Comparing the most important areas over the last 12 months with those for the next 12 months particularly shows that Board members attach markedly less importance to **formulating a new corporate strategy** and **HR challenges at management level** over the next 12 months than over the last 12 months (19% in both cases, compared with 32% and 31% respectively in the first survey).

Chart 2. Top 7 topics for the Board of Directors (swissVR Monitor II/2017 change to I/2017)

	Rank II/2017	Rank I/2017	Topics
	1 ▶	1	Improving efficiency/optimising internal processes
	2 ▲	4	Digitalisation/robotics/automation
	3 ▼	2	Formulating a new corporate strategy
	4 ▼	3	Human resources challenges at management level
	5 ▲	6	Response to market trends/behaviour by competitors
	6 ▲	8	Go-to-market issues (marketing and sales strategy)
	7 ▲	11	Talent (recruitment, retention, etc.)

Strategy   Organisation & processes   HR

Question: Which topics were most important to your Board of Directors over the past 12 months?

Political, demographic and social factors

Board members were asked about the importance of selected political, demographic and social environment factors for their company both now and in the future. They were asked to rate the current importance of 11 environmental factors on a scale of 1 to 5, with 1 being "unimportant" and 5 "very important". They were also asked to rate how the same environmental factors would change in importance over the next five years (see Chart 3).

Chart 3. Political, demographic and social factors (today and in the future, score 1-5 averages)
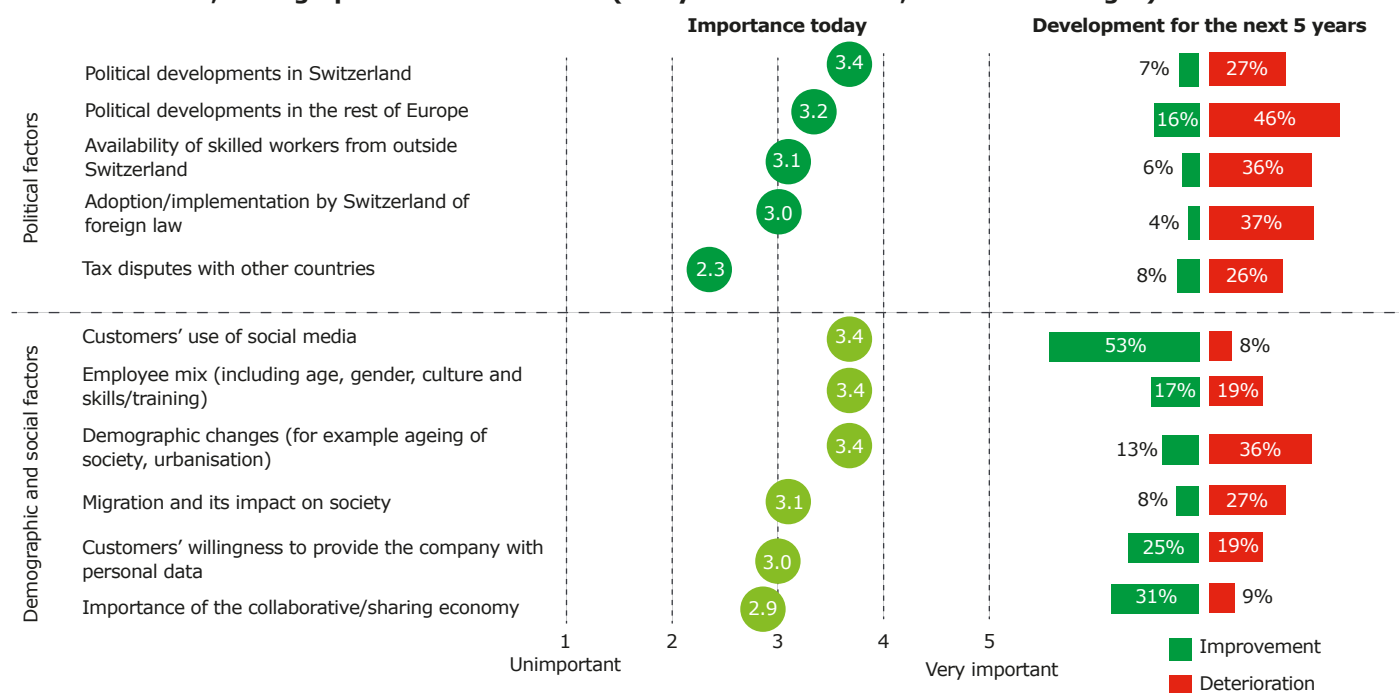
Questions: How do you (currently) rate the importance of the following environmental factors to your company? How do you think the following environmental factors will develop over the next five years from your company's perspective?

In the political environment, Board members attach the highest importance to **political developments in Switzerland** (an average of 3.4). This is followed by **political developments in the rest of Europe**, the **availability of skilled workers from outside Switzerland** and the **adoption/implementation by Switzerland of foreign law. Tax disputes with other countries** are rated as less important, although Board members from companies in the financial services sector rate it as significantly more important than, for example, those from companies in the manufacturing and chemical industry (averages of 3.0 and 2.2 respectively) or the construction and real estate sector (an average of 2.0). Board members generally rate future trends in the political environmental as negative: on balance, they believe that there will be deterioration in all five factors but particularly in political developments in the rest of Europe.

The most frequently cited demographic and social factors are **customers' use of social media**, the **employee mix** and **demographic change**, which all score an average of 3.4. By contrast, **customers' willingness to provide the company with personal data** is seen as relatively unimportant, even though this is likely to gain in significance as a result of digitalisation. The biggest positive development for the next five years is expected for **customers' use of social media** (53% of Board members surveyed) and the **collaborative/sharing economy** (31%). However, more Board members are pessimistic than optimistic about trends in **demographics** and **migration**.

Organisation of the Board of Directors

Roles and influence

Just under half of all Boards of Directors (48%) have between four and six members, with a quarter (24%) having one to three members and a further quarter (25%) having seven to nine members (see chart 4). Just 4% of Boards have ten or more members.

A large majority of Board members think that **roles within the Board of Directors are optimally distributed across the Board** with regard to skills, experience and personality; 36% strongly agree and 51% agree, with just one Board member in eight (13%) disagreeing or strongly disagreeing (see Chart 5).

The picture with regard to whether **influence and roles** are evenly distributed across Board members is slightly less clear. 24% of Board members strongly agree and 50% agree, while 26% disagree or strongly disagree.

Chart 4. Number of Board members

10 or more members — 4%
7–9 members — 25%
1–3 members — 24%
4–6 members — 48%
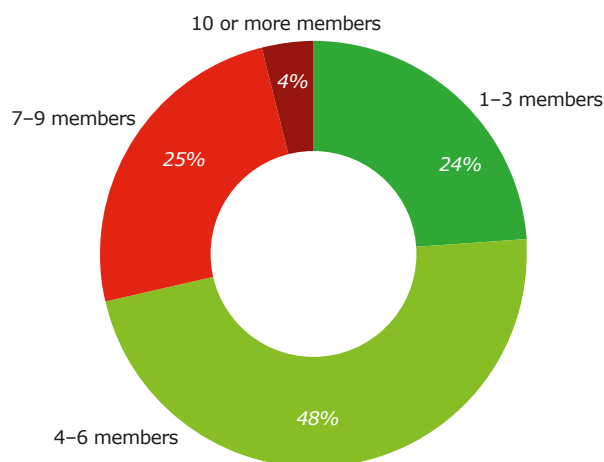
Question: How many members does your Board of Directors have?

Board members are rather more critical in their views of **whether the Board Chairman dominates the Board**. 41% think this is the case (13% strongly agree and 28% agree), while 59% think it is not (19% strongly disagree and 40% disagree).

Chart 5. Roles and influence within the Board of Directors (checks and balances)

Roles within the Board of Directors are optimally distributed across Board members (with regard to skills, experience, personality, etc.): 36% | 51% | 10% | 3%

Roles and influence within the Board of Directors are evenly distributed across Board members: 24% | 50% | 21% | 5%
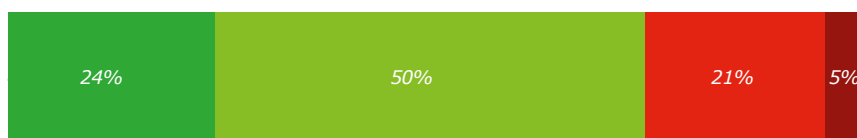
The Chairman of the Board of Directors dominates the Board: 13% | 28% | 40% | 19%

■ Strongly agree ■ Agree ■ Disagree ■ Strongly disagree

Question: Roles and influence within the Board of Directors (checks and balances). Please rate the following statements …

Organisation of the Board's work

The overwhelming majority of Board members (90%) agree that the work of their Board is wholly or largely **organised efficiently and effectively** in terms of time requirements and impact (see Chart 6). 9% disagree, with just 1% strongly disagreeing.

This positive view of the organisation of their Board's work may be partly attributable to the fact that 62% of Board members surveyed **regularly discuss – and question – the internal organisation of the Board**. It is very surprising, however, that two-fifths of Board members say they rarely or never discuss such issues (28% and 11% respectively). This is more likely to be the case in small and in medium-sized companies (41% and 45% respectively) than in large companies, where 31% of Boards discuss this issue. Self-evaluation of the work of the Board of Directors – including discussion of how the Board's work is organised – is, however, now considered best practice.
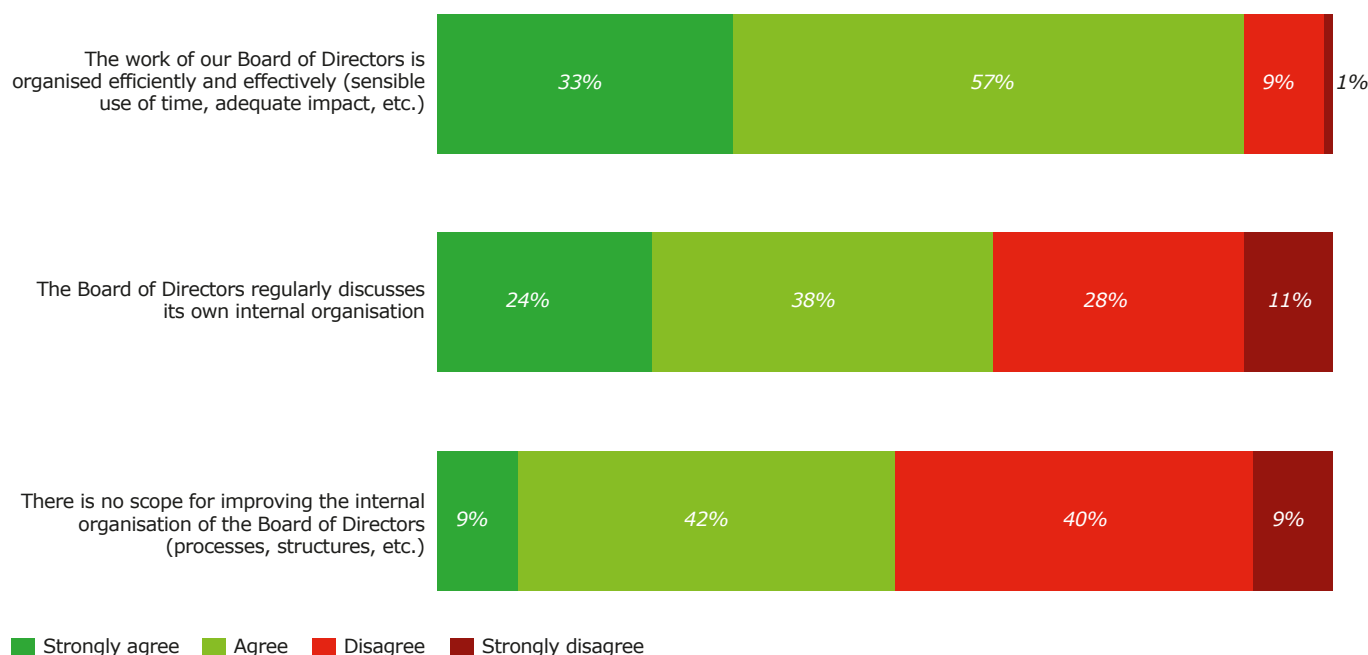
Despite positive ratings of the efficiency and effectiveness of the work of Boards, almost half of Board members (49%) **see potential for improvement** in the internal organisation of their Board.

Overall, the survey results indicate that a large majority of Board members are satisfied with the efficiency and effectiveness of the way in which the Board's work is organised, while two-thirds report that their Board regularly discusses how it carries out its role. However, nearly half of the members surveyed see potential for improvement in the internal organisation of their Board. Board members are clearly critical of the way their Board works and many suggest ways of improving its internal organisation and operation.

Chart 6. Organisation of the work of the Board of Directors

	Strongly agree	Agree	Disagree	Strongly disagree
The work of our Board of Directors is organised efficiently and effectively (sensible use of time, adequate impact, etc.)	33%	57%	9%	1%
The Board of Directors regularly discusses its own internal organisation	24%	38%	28%	11%
There is no scope for improving the internal organisation of the Board of Directors (processes, structures, etc.)	9%	42%	40%	9%

■ Strongly agree　■ Agree　■ Disagree　■ Strongly disagree

Question: Organisation of the work of the Board of Directors. Please rate the following statements …
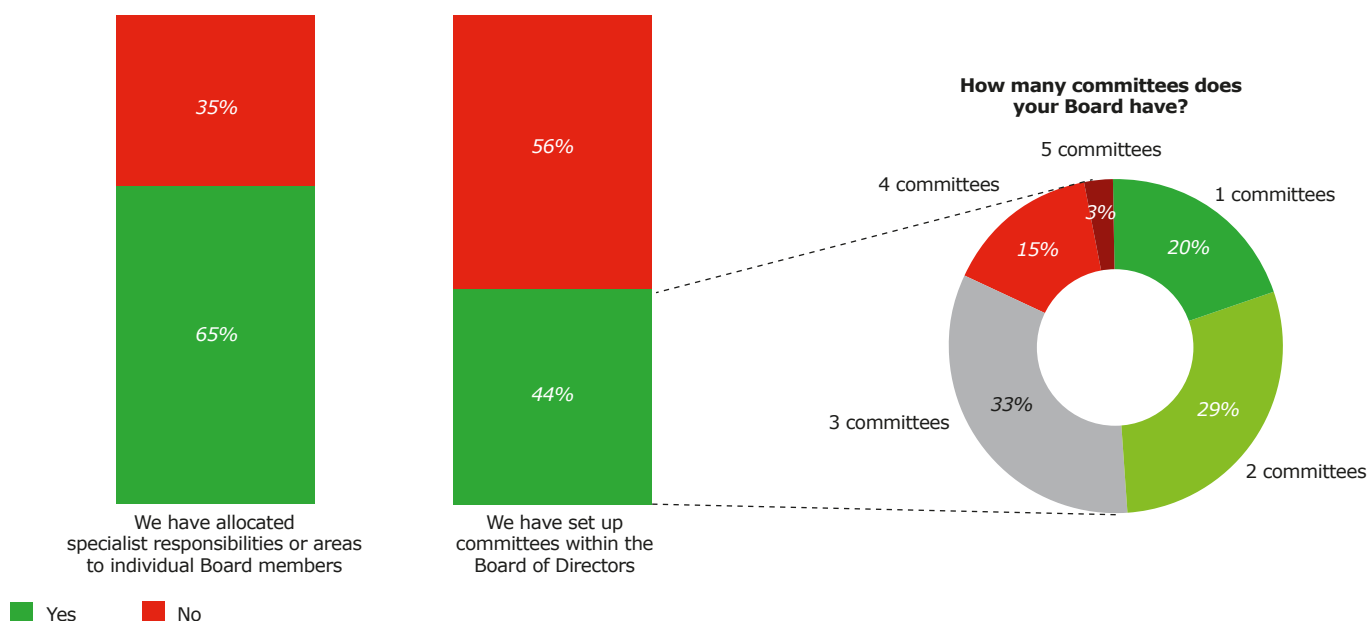
Note: The last question in Chart 6 has been formulated negatively, despite reflecting a positive statement, to more consistently mirror the results.

Specialist responsibilities/areas and committees

On average, almost two-thirds of individual Board members (65%) have been allocated **specialist responsibilities or areas** of expertise (see Chart 7), with the percentage varying from 62% in small companies and 63% in medium-sized companies to 72% in large companies.

44% of Board members surveyed say their Board has also set up **committees**. Here differences in company size are striking: only 28% of Boards in small companies have set up committees, compared with 36% of those in medium-sized companies and 77% in large companies. Just 6% of Boards with between one and three members have set up committees, compared with 39% of Boards with between four and six members, and 85% of Boards with between seven and nine members.

Chart 7. Specialist responsibilities/areas and committees

We have allocated specialist responsibilities or areas to individual Board members: Yes 65%, No 35%

We have set up committees within the Board of Directors: Yes 44%, No 56%

How many committees does your Board have?
1 committees 20%
2 committees 29%
3 committees 33%
4 committees 15%
5 committees 3%

Yes ■ No ■

Questions: Have you allocated specialist responsibilities or areas to individual Board members? Have you set up committees within the Board of Directors? How many committees do you have within the Board of Directors?

20% of companies that have set up one or more committees have a single committee; 29% have two committees and 33% have three. Fewer Boards have set up four committees or more (15% and 3% of Boards respectively). The high percentage of Boards with one or two committees goes some way to explaining why not all Board members actually serve on a committee.
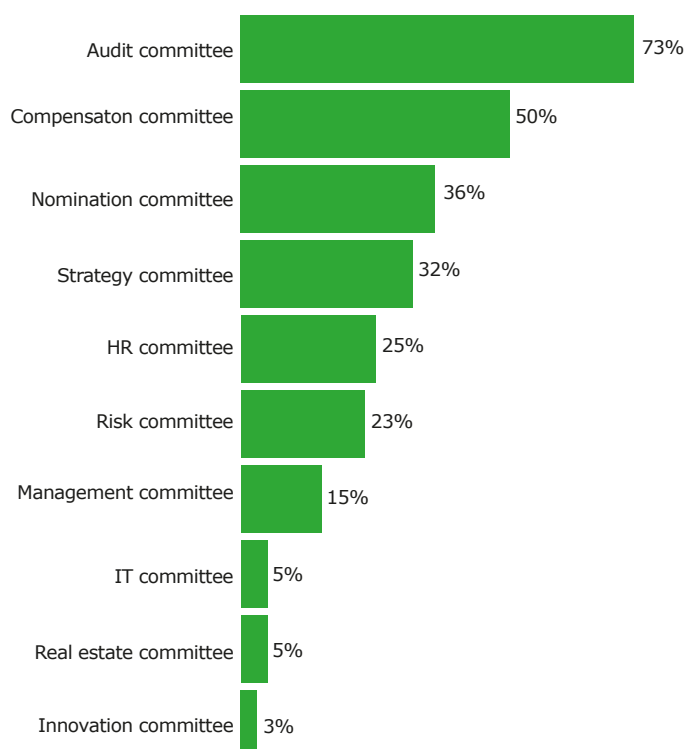
Around three-quarters (73%) of companies with Board committees have an **audit committee** (see Chart 8); 50% have a **compensation committee**, while **nomination committees** (36%), **strategy committees** (32%), **HR committees** (25%) and risk committees (23%) are also commonly reported.

By contrast, only a small number of Boards have a **management committee** (15%), an **IT committee** (5%), a **real estate committee** (5%) or an **innovation committee** (3%).

The large majority of Board members view these committees positively. 94% of Board members believe that committees **create added value for the company**, while the same proportion believe that they can rely on the **committees to do solid work** and that they therefore do not need to focus as closely on these issues (see Chart 9 on page 10).

Almost the same percentage of Board members (93%) believe that **members of committees have the necessary skills and aptitude for their role**, with 50% strongly agreeing and 43% agreeing. Almost as many again (91% of Board members) also agree or strongly agree that the number and type of **committees within the Board is in line with the requirements and needs of the company**.

Chart 8. Types of committees (top 10)

Committee	%
Audit committee	73%
Compensaton committee	50%
Nomination committee	36%
Strategy committee	32%
HR committee	25%
Risk committee	23%
Management committee	15%
IT committee	5%
Real estate committee	5%
Innovation committee	3%

Question: Which committees does your Board of Directors have? (Multiple answers possible).

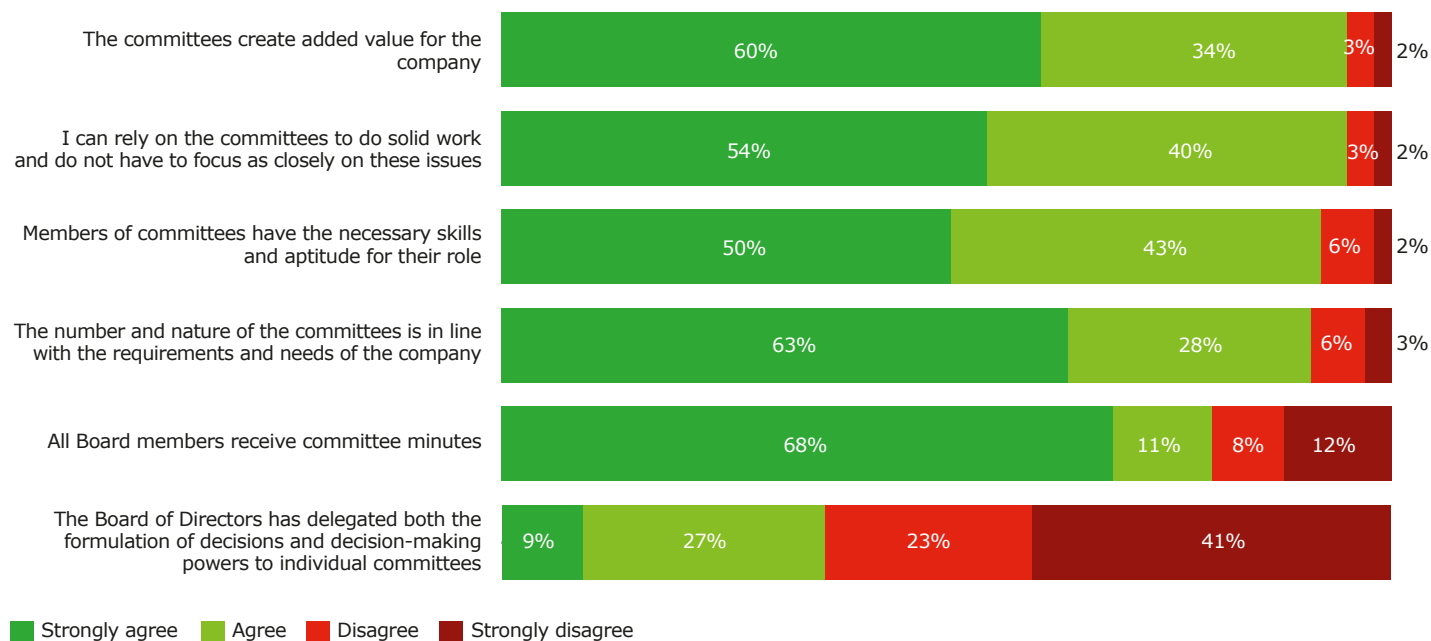Note: This question was only answered by respondents that have committees.

These positive findings may well be interdependent. Having skilled committee members means that committee work is likely to be solid, and this boosts the perception of committees as creating added value for the company.

Article 716a (1) of the Swiss Federal Code of Obligations stipulates that Boards of Directors have certain duties that they may not transfer. Under Article 716a (2), they may, however, transfer responsibility for preparing and implementing decisions and monitoring transactions to committees. Boards must also ensure that they report appropriately on such transfers to their members.

41% of Board members surveyed report that their Board has not **transferred decision-making powers to committees** but has transferred the role of preparing, implementing and monitoring some decisions. Boards that, according to their members, wholly or partly transfer decision-making powers must therefore be doing so in relation to implementing Board decisions or decisions that lie outside the remit of the Board.

On most Boards, there seems to be transparency with regard to the work of committees. However, 31% of Board members report that **minutes** are not, or not always, made available to other Board members.

Chart 9. Rating of committees

Statement	Strongly agree	Agree	Disagree	Strongly disagree
The committees create added value for the company	60%	34%	3%	2%
I can rely on the committees to do solid work and do not have to focus as closely on these issues	54%	40%	3%	2%
Members of committees have the necessary skills and aptitude for their role	50%	43%	6%	2%
The number and nature of the committees is in line with the requirements and needs of the company	63%	28%	6%	3%
All Board members receive committee minutes	68%	11%	8%	12%
The Board of Directors has delegated both the formulation of decisions and decision-making powers to individual committees	9%	27%	23%	41%

■ Strongly agree ■ Agree ■ Disagree ■ Strongly disagree

Question: Rating of committees. Please rate the following statements …
Note: This question was only answered by respondents that have committees.

Focus topic: Cyber-security

Importance of cyber-security issues

The frequency of cyber-attacks on companies and organisations, including hacking of data, interference with customer communications, disruption to the company's website and so on, has increased substantially in recent years. Such attacks are seen as a serious threat both to the economy and to individual companies. As digitalisation and automation become more widespread, cyber-attacks are likely to become both more frequent and more severe in future.

Against this background, it is unsurprising that cyber-security issues have increased in importance to Board members: almost four in five – 78% – believe that **the importance of cyber-security issues** has either risen or risen substantially over the last three years (56% and 22% of Board members respectively) (see Chart 10).

Far more large companies take this view than small or medium-sized companies (90% as against 73% and 75% respectively). On a sector-by-sector basis, cyber-security issues have increased most in importance for companies in the financial services sector (91% of financial services companies surveyed).

Other sectors where cyber-security has increased in importance include manufacturing and the chemical industry (83%), the information and communications technology sector (79%), and corporate services (77%).

Only around one-fifth of Board members (22%) report no change in the importance of cyber-security over the last three years, and no one thought that its importance had declined over that period.

A further indicator of the seriousness with which cyber-security is viewed by Swiss companies is the amount of time Boards of Directors devote to the subject. 69% of Board members surveyed had **discussed cyber-security issues at a Board meeting** over the preceding 12 months, with just 30% reporting that this was not the case (see Chart 10). However, figures differ widely by company size: the Boards of small and medium-sized companies are more than twice as likely as those in large companies not to have discussed cyber-security issues (35%, 35% and 16% respectively).

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Chart 10. Importance and discussion of cyber-security issues
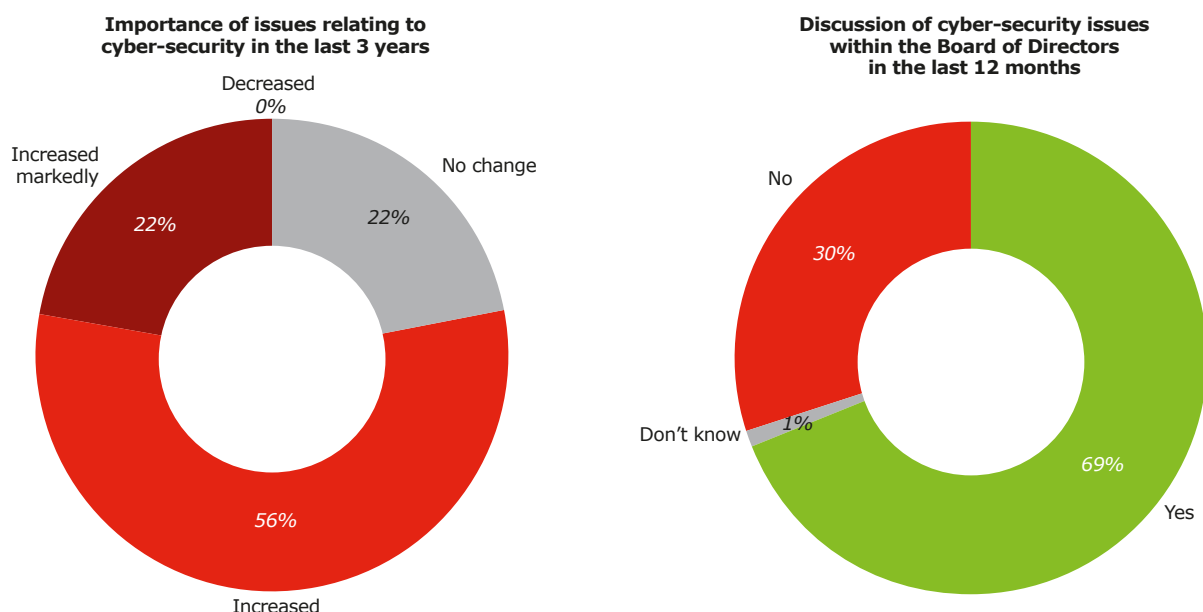
Questions: How has the importance of issues relating to cyber-security changed for your company over the last three years? Has your Board of Directors discussed cyber issues over the last 12 months?

Strategy and action plan

Only 35% of Board members report that their company has a **clear strategy for cyber-security**, but a further third (33%) say that their company is currently devising such a strategy (see Chart 11). Given the growing impact of cyber-security in an increasingly digitalised and automated business environment, it is good news that such a high proportion of companies have a strategy for tackling these issues or are devising one.

5% of Board members are, however, unaware of whether their company has a strategy for cyber-security. A considerable number (28%) state explicitly that their company does not have such a strategy. The figures for companies that do not (yet) have a strategy for cyber-security are nearly three times higher among small and medium-sized companies (33% and 34% respectively) than among large companies (12%).
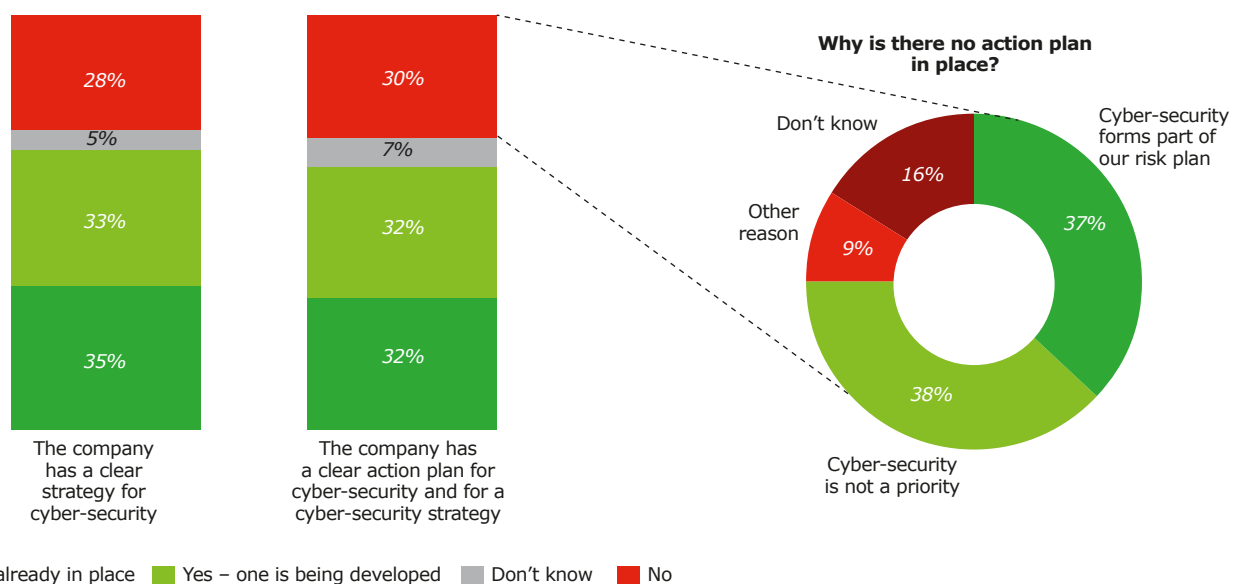
A similar picture emerges in relation to the existence of a **clear action plan for cyber-security and devising a cyber-security strategy**: one-third of Board members (32%) say that their company already has an action plan, with a further 32% reporting that such a plan is currently being devised. 7% are not aware of an action plan in their company,

while 30% believe their company has no plan. Cyber-attacks on companies and organisations look likely to increase, so this is of concern.

The main reasons given for not having an action plan are the low priority generally attached to cyber-security (38% of Board members) and the fact that cyber-security already forms part of the company's overall risk plan (37%). Companies from the construction and real estate sector and from the retail and consumer goods sector are much more likely to report that cyber-security is not a priority. Companies in manufacturing and the chemical industry have, however, been more proactive than those in other sectors in defining cyber-security as part of their overall risk plan.

The majority of Board members (80%) report that responsibility for the cyber-security action plan lies at operational level within management; 11% report that it is the responsibility of the Board itself and just 4% that it is the responsibility of a Board committee.

Chart 11. Strategy and action plan for cyber-security

Why is there no action plan in place?

Don't know

Cyber-security forms part of our risk plan — 37%

Other reason — 9%

16%

Cyber-security is not a priority — 38%

28%
5%
33%
35%
The company has a clear strategy for cyber-security

30%
7%
32%
32%
The company has a clear action plan for cyber-security and for a cyber-security strategy

■ Yes – one is already in place   ■ Yes – one is being developed   ■ Don't know   ■ No

Questions: Does your company have a clear strategy for cyber-security? Does your company have a clear action plan for cyber-security and for a cyber-security strategy? Why does your company not have an action plan for cyber-security?
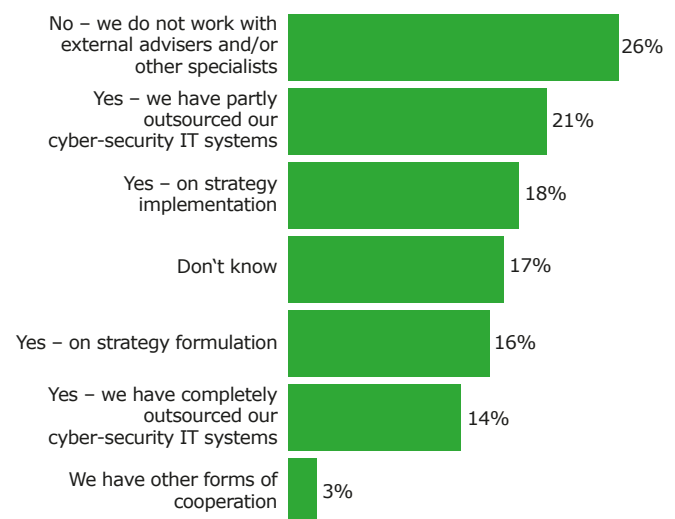
Cooperation with experts

A quarter (26%) of Board members report that their company **does not cooperate with external advisers or specialists on cyber-security issues**, and a further 17% do not know whether external advisers or specialists are involved in this area (see Chart 12).

However, a large majority of Board members report that their company cooperates with external specialists in one way or another. 21% of Board members say that the cyber-security aspect of their IT systems is partly outsourced, while 14% report that it is wholly outsourced. Wholly outsourced IT systems are more common among small and medium-sized companies (19% and 14% respectively) than among large companies, of which just 4% wholly outsource their IT function. Large companies generally prefer only partly to outsource such functions. They are more likely to have large IT departments with their own skilled staff, while small and medium-sized companies are less likely to have the necessary skills and/or capacity in-house.

External advisers and specialists are fairly often involved in formulating and/or implementing cyber-security strategy, with 16% and 18% of Board members respectively reporting this to be the case. There are no major differences between small and medium-sized companies in this respect, but a markedly higher proportion of large companies bring in external advisers to devise and implement their cyber-security strategy. One driver here may well be the greater complexity of the IT systems operated by large companies.

Chart 12. Cooperation with external advisors

Category	Value
No – we do not work with external advisers and/or other specialists	26%
Yes – we have partly outsourced our cyber-security IT systems	21%
Yes – on strategy implementation	18%
Don't know	17%
Yes – on strategy formulation	16%
Yes – we have completely outsourced our cyber-security IT systems	14%
We have other forms of cooperation	3%

Question: Does your company work with external advisers and/or other specialists on cyber-security issues? (Multiple answers possible).

Interview with Heinz Karrer
"Every company will undergo cyber-attacks in one form or another"

Heinz Karrer is President of the Swiss business federation "economiesuisse" since September 2013. He is known as the former CEO of AXPO, which he managed successfully for eleven years, and as a former player of the Swiss national handball team.

He is a business graduate who completed his high school Matura through the second educational pathway and went on to study economics at the University of St. Gallen. Over the course of his career he has served in leadership roles at Intersport, Ringier and Swisscom amongst others. He holds several Board mandates and is a member of the Bank Council of the Swiss National Bank.

Deloitte asked experienced Board member Heinz Karrer for his response to the findings of the swissVR Monitor II/2017 survey.

Deloitte: A majority of the 464 Board members surveyed rate the prospects for their company over the next 12 months more positively than the prospects for the economy as a whole or for their sector. Do you think this mismatch in expectations is the result of exaggerated optimism on the part of Swiss companies?

Heinz Karrer: No, I don't think their optimism is exaggerated. Board members believe their sector faces some challenges but also that their company is well placed to tackle these challenges successfully.

Deloitte: For the second time, Board members have listed "improving efficiency/optimising internal processes" as their main concern. Do you think the time will come when improving efficiency and optimising internal processes will become less of a priority?

Heinz Karrer: Where prices are under pressure, companies generally prioritise improving efficiency above all other measures. That is certainly the case at present, when the Swiss Franc is still so strong. If this pressure were to ease, however, I would expect other issues to move back up the list of priorities.

Deloitte: More Board members now see digitalisation as a key strategic issue compared with six months ago. Do you think that members of Swiss Boards of Directors have finally woken up to the importance of digitalisation and recognised its relevance to their companies' ongoing competitiveness?

Heinz Karrer: Progress in digitalisation varies from sector to sector. Some sectors have already substantially digitalised their business model, while others have hardly started. However, digitalisation is impacting on more and more sectors, so it is not surprising that the perceived importance of digitalisation is growing steadily right across the economy.

Deloitte: From your perspective, are there issues that Board members often neglect and on which they should be focusing more?

Heinz Karrer: Cyber-security is a very important issue and needs to be tackled at strategic level. Large companies have recognised this, but it is vital that all companies are made aware of the issue.

Deloitte: Board members see political developments in Switzerland, the employee mix, and customers' use of social media as the three most important environmental factors affecting their company. Which other political, demographic and social challenges do you see Swiss businesses having to tackle in future?

Heinz Karrer: Swiss companies need to remain competitive in global markets. In political terms, they need to focus on their relationship with Europe: it is essential that we continue to benefit from the advantages that bilateral agreements bring. And companies need good access to other key sales markets.

Every company also needs to ensure that against the backdrop of digital transformation, it regularly reviews its business model and considers new opportunities.

One major challenge companies are likely to face is the large number of experienced employees reaching retirement age over the coming decade.

This will prompt changes in their spending and investment behaviour, but there will also be a net reduction in the workforce across the economy as a whole: this wave of retirements over the next few years will coincide with smaller cohorts entering the labour market as a result of historic lower birth-rates. Digitalisation is likely to be one of the ways companies are able to compensate for this mismatch between supply and demand.

Deloitte: Around a quarter of the Board members surveyed foresee the political situation in Switzerland deteriorating over the next five years. Do you see signs that economic and political trends are drifting further apart in the country?

Heinz Karrer: In general terms, the population has become more critical of the concerns of the private sector. As a result, we have noticed a more critical reaction to our political concerns. It is therefore important that we continue to operate within the political process as a constructive force and that we make strong arguments and build trust. This is a challenge facing not only Boards of Directors but also company management teams.

Deloitte: Around 50% of survey respondents are members of a Board with between four and six members. Do you think there is an optimal Board size? And which factors are relevant to determining the number of members on a Board?

Heinz Karrer: The size of a Board of Directors depends on a number of different factors and must reflect the needs of each individual company. The Swiss Code of Best Practice for Corporate Governance recommends that the Board should be small enough to ensure efficient decision making yet large enough to enable members to represent experience and expertise from a range of sectors and to fulfil the functions of leadership and oversight. A Board should also ensure that its membership is appropriately diverse.

Deloitte: Around 40% of the Board members we surveyed believe that the Chairman dominates the Board. What do you see as the advantages and disadvantages of having a dominant Chairman?

Heinz Karrer: The Chairman of the Board is crucial to the company. Companies are, in fact, often identified with the Chairman of their Board. Chairmans have specific statutory roles: they convene Board meetings at the request of a member of the Board, they sign off the minutes, they assess applications for information, requests for consultation or access to documents, and they have a casting vote in Board decisions, unless otherwise laid down by law. However, where the Chairman of a Board is so dominant that the independence of Board members can no longer be guaranteed and the Board loses its ability to make critical decisions that command wide support, this can be a disadvantage.

Deloitte: What do you see at the main advantages of Board committees?

Heinz Karrer: The main advantage of committees is that they relieve Board members of some of their workload. Committees can also make decision-making more efficient and enable individual members to specialise in particular areas.

Within a Board of Directors, specific committees can be tasked with activities to protect stakeholders' interests. These may be committees with a general remit, such as the Corporate Governance Committee, the Strategy Committee or the Audit Committee (as part of its responsibility for compliance). Another option is to set up a specific Corporate Responsibility Committee or Sustainability Committee.

However, having just a single Management Committee within a Board can be a disadvantage. This can promote a two-tier structure within the Board, with some members having an advantage in terms of knowledge over the others.

Deloitte: When asked about the committees operating within their company, Board members most frequently cite committees dealing with audit, compensation, nomination, strategy, and human resources. Why do you think there are fewer committees in other relevant areas, such as finance and credit, IT or innovation?

Heinz Karrer: Ultimately, every Board of Directors has the authority to decide on the committees that will contribute what it sees as added value. However, in the case of some individual areas, such as remuneration, there is already statutory provision for a dedicated committee.

Deloitte: Almost 95% of the Board members surveyed agree or strongly agree with the statement "I can rely on the committees to do solid work and do not need to focus so closely on these issues." Do you think relying on committees is a sensible step or does it represent a risk?

Heinz Karrer: The work done by committees is part of the Board of Directors' decision-making procedure. If a Board does not want to rely too much on having work done within committees, it can create alternative instruments. Ultimately, the Board of Directors is responsible for implementing the outcome of the work done by committees.

Deloitte: Almost half of Board members feel that the internal organisation of the Board could be improved. From your own experience, what do you think the Boards of Swiss companies could be doing better in terms of processes, structures, etc.?

Heinz Karrer: One of the fundamental ideas underpinning the division of company management between the Board of Directors and the management team is the principle of checks and balances. In a complex system, it is crucial that the various centres of power monitor each other. The Board of Directors must be aware of its key role as a counterweight to the management team, particularly when the management team regularly has the advantage of greater access to knowledge. As a matter of principle, good governance should mean strengthening the Board of Directors in relation to the management team. Over recent years, there has been too much focus on developing the powers of shareholders and, by extension, of the General Shareholders' Meeting. It is in a company's interests to have a strong Board of Directors.

Deloitte: Cyber-attacks on companies, such as hacking of data, interference with customer communications, disruption to the company's website, etc., have increased substantially over recent years and are a growing threat to businesses right across the economy. Do you think that Swiss Boards of Directors are sufficiently well informed about cyber-security and about the risks and of cyber-attacks and how to prevent them?

Heinz Karrer: Issues of company security are absolutely fundamental to the success – and the survival – of any business, so it is essential that they are tackled at operational management level, if not in other fora.

Deloitte: Have you had experience of cyber-attacks during your time as a Board member?

Heinz Karrer: Every company will undergo cyber-attacks in one form or another, but these may range from disabling websites and attacks on systems to attempts to steal data or confidential information. Attacks that go unrecognised or are recognised too late are particularly dangerous.

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