

↙ Innovation – skilled employees are in demand

swissVR Monitor I/2022

March 2022





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About the survey

This is the 11th edition of swissVR Monitor and is based on a survey of 413 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 business and to corporate governance issues. This edition also focuses specifically on the topic of companies' innovation activities.

The swissVR Monitor survey was conducted by swissVR in collaboration with Deloitte AG and the Lucerne University of Applied Sciences and Arts between 1 December 2021 and 10 January 2022. A total of 413 Board members took part, representing listed companies as well as small and medium-sized companies (SMEs) from every major sector of the Swiss economy. 35% of the participants are from large companies, 33% from medium-sized companies and 32% 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

The ability of companies to innovate is crucial to their growth and competitiveness. swissVR Monitor 1/2022 therefore focuses on this topic, highlighting the role that Boards of Directors play in companies' management of innovation. It finds that while innovation is central to their work, Boards delegate its implementation to the senior management team. Board members see availability of skilled labour and adequate levels of know-how as crucial success factors in making – and keeping – companies innovative. They also identify room for improvement in both the internal and external conditions for innovation.

Dear reader,

We are delighted to bring you swissVR Monitor 1/2022, a survey conducted jointly by swissVR, Deloitte and the Lucerne University of Applied Sciences and Arts. For this edition, we surveyed 413 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 11th survey is innovation.

swissVR Monitor 1/2022 provides a number of insights:

- Nine out of ten Board members surveyed report that their Board engages with the innovation process within the company and is kept informed of the company's innovation activities.
- Board members identify skilled labour / adequate know-how, support from management, and corporate culture as the key success factors in their company's innovation activities.

- They see the greatest room for improvement and need for action internally in ensuring skilled labour / adequate know-how in the company and the holistic orientation and coordination of innovation.
- In terms of the external economic and political conditions for innovation, Board members most frequently cite room for improvement in the availability of skilled labour.
- Survey participants identify digitalisation / robotics / automation, talent management, and formulating a new corporate strategy as the most important issues their Board has had to tackle over the last 12 months.
- They report that digitalisation / robotics / automation and talent management will continue to dominate their work over the next 12 months.

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

Cornelia Ritz Bossicard
President swissVR

Reto Savoia
CEO Deloitte Switzerland

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University of Applied Sciences and Arts

Summary and key findings



44% rate Switzerland's economic outlook over the next 12 months as positive.

Economic outlook rated as positive

The board members, who were surveyed before the outbreak of the war in Ukraine, were positive in their rating of the outlook for the economy, their sector and their company's business over the next 12 months. Their expectations for their sector and their company's business are somewhat less optimistic than for the economy as a whole but remain high. COVID-19 measures and bottlenecks in global supply chains are likely to be the key factors here.



64% of companies report that service innovation is the main focus of their innovation activities.

Wide range of innovation activities

Board members highlight a number of different areas as the main focus of their company's innovation activities, with service innovation, product innovation and process innovation making up the top three. These findings reflect the long-term transition of Switzerland to a service economy. Companies now typically focus on a broader range of areas of innovation than they did in 2017 when swissVR Monitor first considered this issue.



91% say that their Board engages with the innovation process within the company.

Innovation is a top priority for Boards

Board members see innovation as a crucial issue. Almost all Board members say that their Board engages with the innovation process within the company and that management keeps it informed of innovation activities. Many company Boards also take innovation skills and individuals' aptitude as innovators into account when making Board or management team appointments.



57% see room for improvement in the availability of skilled labour in relation to innovation activities.

Skilled employees seen as key to innovation

Board members surveyed see skilled employees and adequate know-how as the most important success factors in innovation activities. Indeed, this is the area in which they identify the greatest need for improvement and action within their own company. They also identify the availability of skilled labour as the external aspect of innovation that is most in need of improvement.



38% of companies have made no change to their innovation activities since the start of the COVID-19 pandemic.

Innovation activities have developed positively during the pandemic

Only a very small proportion of companies have deferred or reduced their innovation activities since the start of the COVID-19 pandemic. A majority of companies report either no change or a reorientation of their innovation activities, with one in five expanding such activities. It is reasonable to conclude that the pandemic has not impeded innovation activities, but that companies have rather strengthened them in the last two years.



39% consider talent management as the most important issue their Board will have to tackle over the next 12 months.

Talent management breaks through as a top three issue for Boards

The three most important issues Boards have had to tackle over the past 12 months are digitalisation/robotics/automation, talent management, and formulating a new corporate strategy. Compared with previous swissVR Monitor surveys, talent management has gained most in importance and is now one of the top three issues Boards have to tackle. Respondents also identify it as the most important issue they will have to tackle over the next 12 months. One possible driver for this trend is the changed labour market dynamic resulting from the COVID-19 pandemic and the current economic upturn.

↘ Outlook



Economic, sector and business outlook

The Board members surveyed for swissVR Monitor I/2022 rate the **prospects for the economy, their sector and their company** over the next 12 months as positive (see Chart 1). However, the survey took place before the outbreak of the war in Ukraine. Mirroring the evolution of the pandemic, economic expectations have gone through a series of waves over the past two years, from an initial marked decline in early and mid-2020 to recovery in 2021 followed now by a further decline, although from a high level. Uncertainty in relation to the COVID-19 situation in late 2021 and bottlenecks in global supply chains are the most likely causes of this latest decline in Board members' ratings of the economic, sector and business outlook.

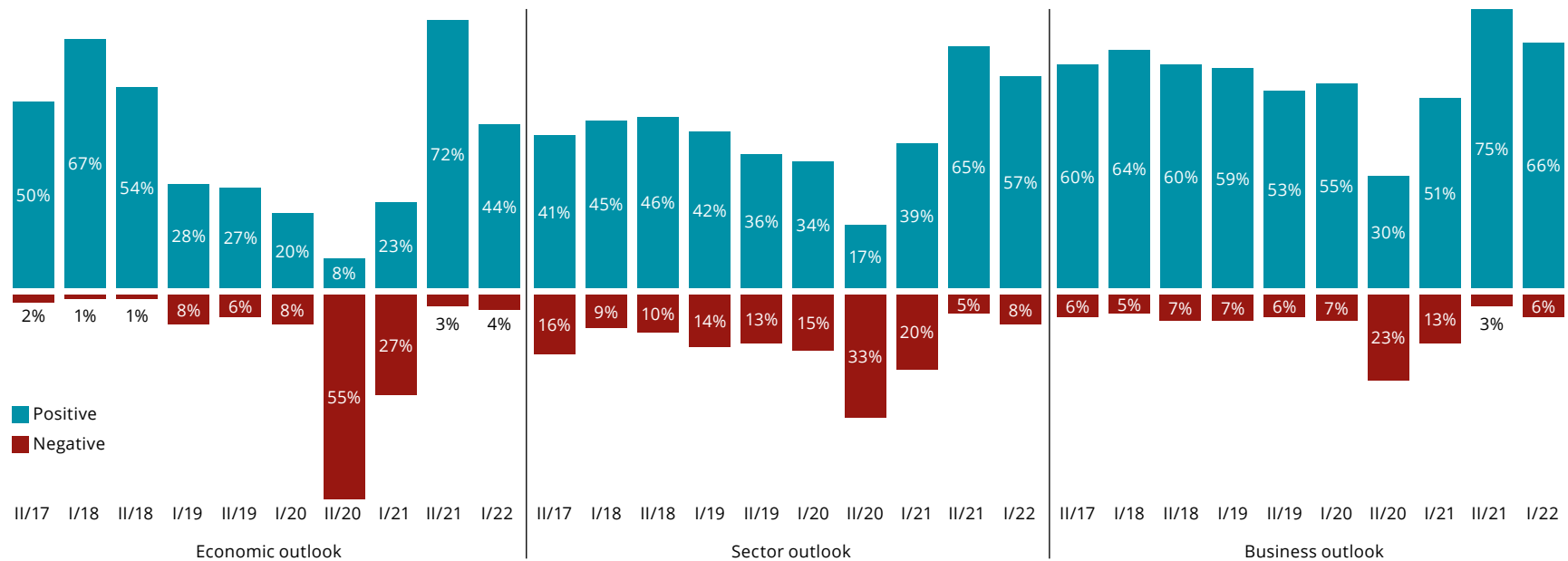
The decline is most marked in the proportion of Board members who rate **the outlook for the Swiss economy** as positive. Almost half of all respondents (44%) rate the country's economic prospects over the next 12 months as positive, down from 72% in swissVR Monitor II/2021. 4% now rate them as negative, up from 3% six months ago. Despite this, expectations remain high and survey respondents are optimistic overall.

More than half of all Board members (57%) rate **the outlook for their sector** over the next 12 months as positive, with 8% rating them as negative. These figures are slightly less optimistic than in swissVR Monitor II/2021 but remain high over the longer term. However, levels of optimism vary according to company size, with Boards of large companies somewhat less optimistic than those of SMEs: just under half of all Board members (49%) in large companies rate the outlook for their sector as positive. Those in the ICT sector (85% of responses) and construction (69% of responses) are particularly optimistic. This may reflect ongoing digitalisation as a response to the COVID-19 pandemic and the sustained high level of activity in residential construction.

Two-thirds of Board members (66%) rate **their company's business outlook** over the next 12 months as positive, with just 6% rating it as negative. This, too, is a slight decline, although from a very high level. Again, expectations in the construction sector (80% of responses) and in ICT (77% of responses) outperform the average.

Chart 1. Economic, sector and business outlook over the next 12 months [swissVR Monitor II/2017 to I/2022]

*Question: How do you rate the prospects for the Swiss economy/sector/your company over the next 12 months?
Note: Neutral answers are reflected in the difference between the sum of positive and negative answers.*





Focus topic: Innovation – skilled employees are in demand

Innovation underpins Switzerland's economic success. The country's ability to innovate is a crucial success factor and represents a competitive advantage both for individual companies and for the economy as a whole. Innovation is, therefore, not just an issue for management teams but also highly relevant to the work of Boards of Directors. For this reason, swissVR Monitor previously focused on innovation and disruption in 2017. This edition returns to the issue from a slightly different perspective, focusing on aspects of particular significance to Boards in 2022.

Innovation in the Board of Directors

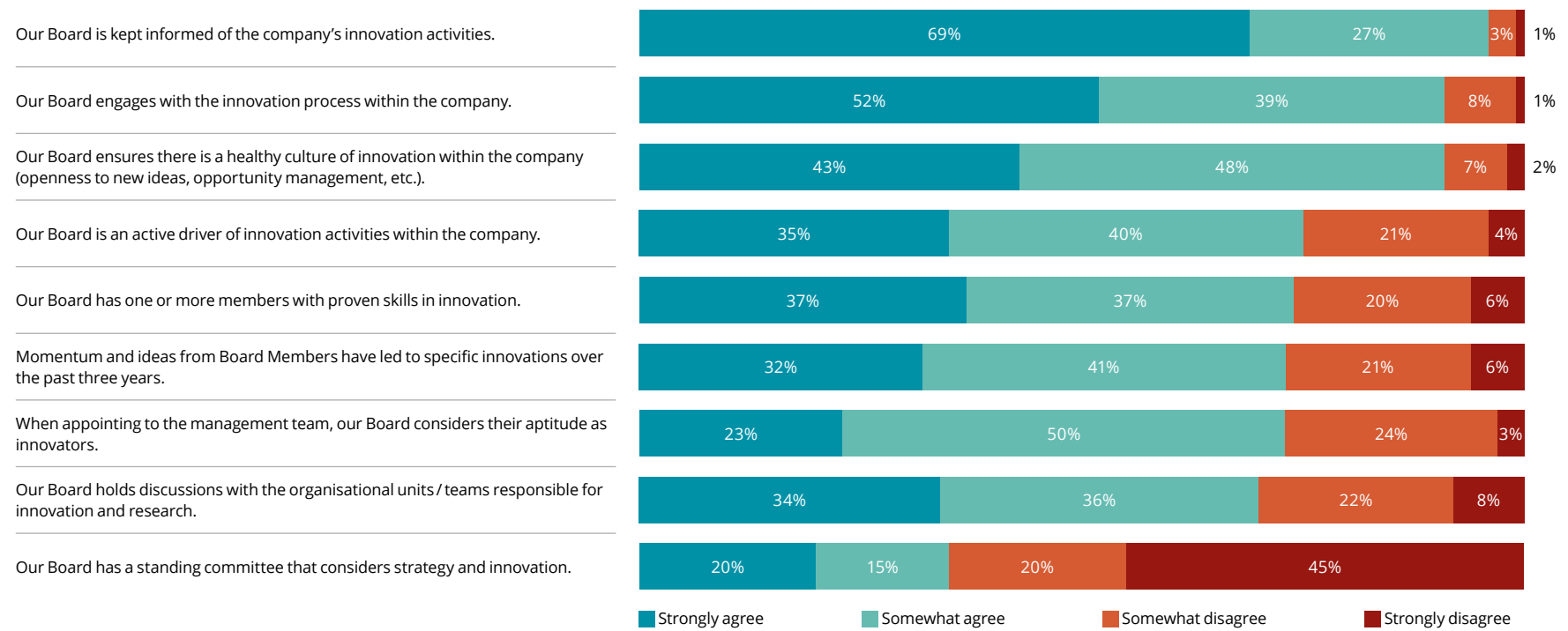
Boards generally attach high levels of importance to innovation (see Chart 2). Board members are nearly unanimous in reporting that their Board **is kept informed of the company's innovation activities** (69% strongly agree and 27% somewhat agree, a total of 96%). Nine out of ten Board members (91%) also strongly agree or somewhat agree that **their Board ensures there is a healthy culture of innovation within the company** and that it **engages with the innovation process within the company**. Almost three-quarters of Boards also often recruit members with proven skills in innovation or consider aptitude as an innovator when making appointments to the management team (74% and 73%, respectively).

The overall picture emerging from Board members' responses and, in particular, the relatively low proportion of respondents strongly agreeing with each of the statements below demonstrates that while Boards of Directors view innovation activities as crucial to the company's success, they are also aware that management must take the lead in managing innovation. For example, just one-third of all Board members strongly agree that their Board is an active driver of innovation activities and that momentum and ideas from Board members have led to specific innovations over the past three years (35% and 32%, respectively).

It is also striking that a majority of Boards of Directors tackle innovation directly rather than having a **standing committee** to consider the issue: just 35% of Board members surveyed strongly agree or somewhat agree that their Board has a standing committee to consider strategy and innovation. In the pharma / life sciences / medtech / health sector, a majority of companies (56%) have an Innovation Committee or a Strategy Committee as against 48% in the financial services sector. Across all sectors, 47% of Boards of large companies have set up an Innovation Committee or a Strategy Committee, a low figure that is likely to reflect the differing company and Board sizes included in the survey. This is in line with the findings of swissVR Monitor II/2021, which found that a significant majority of small and medium-sized companies did not have standing committees and that where they did, they were most likely to be an Audit Committees and/or a Remuneration Committee.

Chart 2. The theme of innovation in the Board of Directors

Question: Please rate your agreement with the following statements on innovation in relation to your Board of Directors.



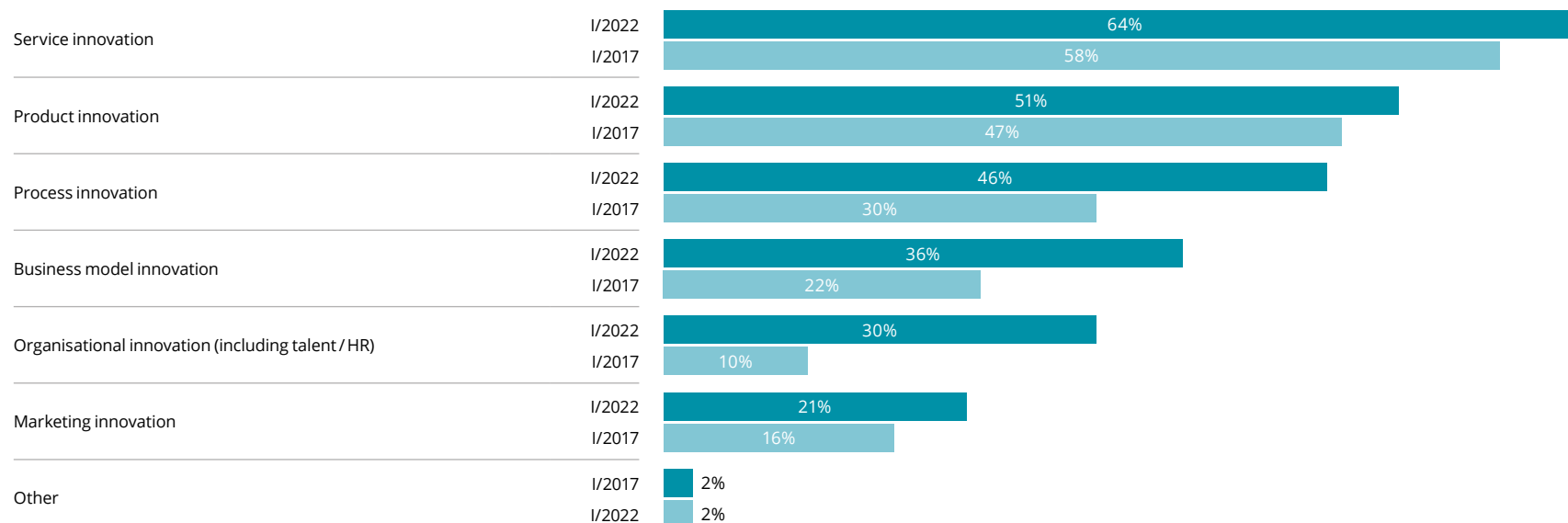
Main focus of innovation activities

A majority of Board members report that the main focus of their company's innovation activities is on market services, with 64% citing **service innovation** and a further 51% **product innovation** (see Chart 3). Almost half (46%) cite **process innovation**. These findings also reflect the sectoral make-up of the sample. In the corporate services, financial services, and information and communications technology (ICT) sectors, the main focus of innovation activities is more likely than average to be on service innovation. In manufacturing / chemicals, by contrast, the focus is more likely to be on product or process innovation.

Four findings in relation to companies' main focus on innovation activities are striking. First, a higher percentage of Board members now identify any given focus of innovation than in 2017. Second, over the past five years, the proportion of Board members citing organisational innovation as their main focus has risen threefold, from 10% to 30%. Trends such as organisational agility and labour shortages are likely to have driven this increase. Third, many more Board members are now also citing process innovation and business model innovation. Fourth, company size appears to be a major determining factor: large companies are more likely than small companies to cite almost every innovation focus on the list except service innovation and marketing innovation. One possible explanation is that large companies have more resources in absolute terms and are able to embark on a wider range of innovation than small companies, which have to be more selective in focusing their innovation activities.

Chart 3. Focus of innovation activities

Question: What is the main focus of your company's innovation activities? [Please select all that apply.]



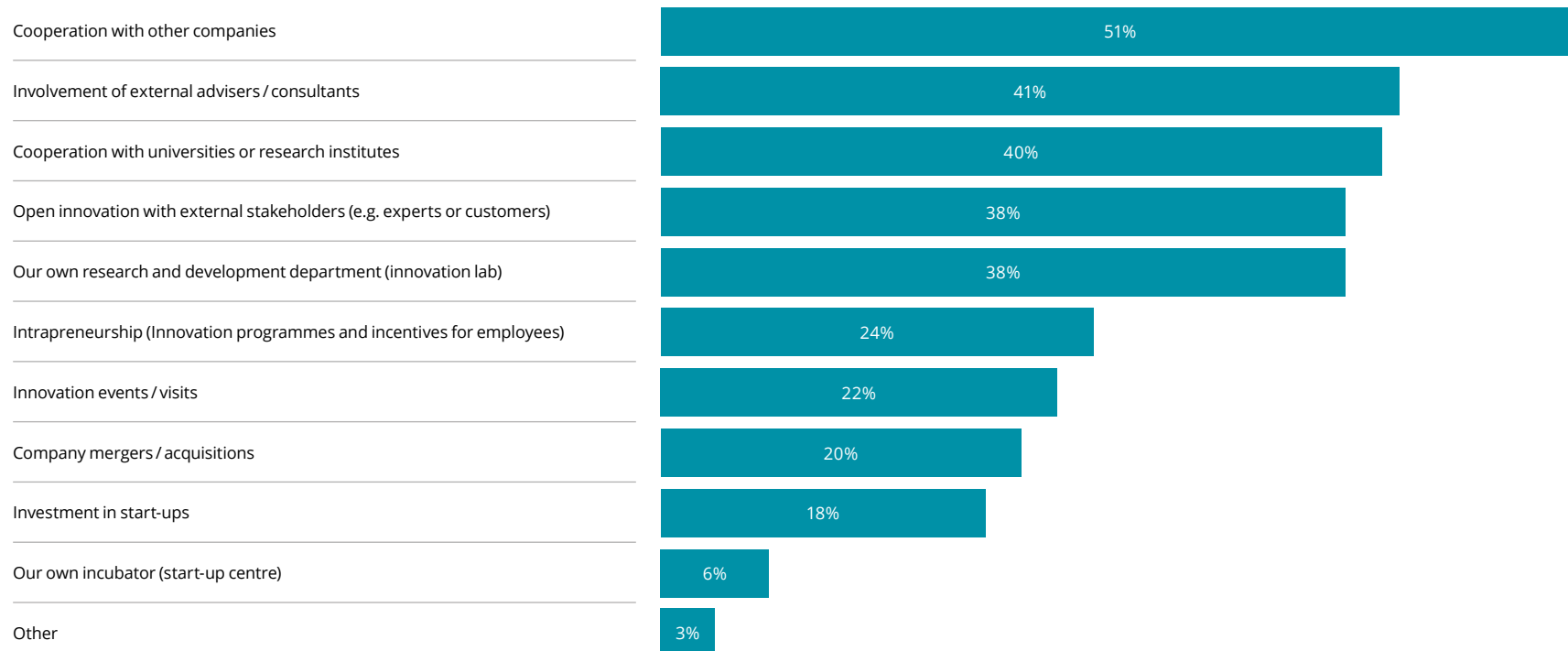
Routes to innovation

Innovation can take a number of different routes (see Chart 4). The most commonly cited route to innovation, mentioned by 51% of Board members, is **cooperation with other companies**. This is closely followed by **involvement of external advisers/consultants** (41% of responses) **cooperation with universities or research institutes** (40%), **open innovation with external stakeholders** and **their own research and development department** (both 38%). It is striking that the most frequently cited responses do not constitute either a purely in-house approach or a completely outsourced approach but a mixture of the two that sees companies cooperating with or seeking advice from a number of different external stakeholders.

Company size is a key factor in determining the focus of innovation activities. Board members representing large companies are more likely than those from small companies to cite any type of innovation activity. As explained above, this may reflect the fact that large companies have more resources, giving them greater scope for different types of innovation. Differences between sectors are less marked.

Chart 4. Kinds of innovation activity

Question: *What kind of innovation activities is your company engaged in? [Please select all that apply.]*



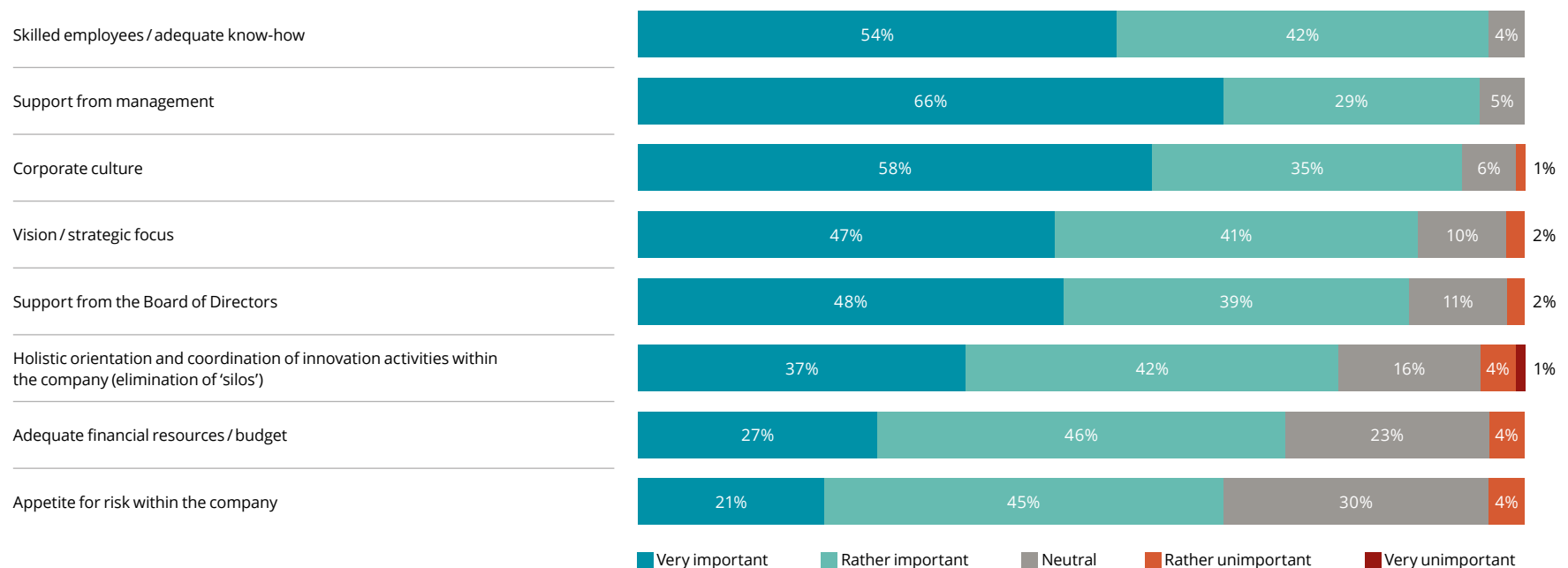
Internal success factors for innovation activities

Both internal and external factors influence companies' success in innovation. More than 90% of Board members see three internal factors as very important or rather important (see Chart 5): **skilled employees / adequate know-how** (96%), **support from management** (95%) and **corporate culture** (93%). This finding underscores the importance of aspects that were addressed in earlier editions of swissVR Monitor (talent management in swissVR Monitor I/2021 and corporate culture in swissVR Monitor I/2019).

Fourth on the list of success factors is **vision / strategic focus**, with 47% of respondents rating this aspect as very important and 41% as rather important (a total of 88% of responses). The findings for **support from the Board of Directors** are similar. Board members attach rather less importance to **holistic orientation and coordination of innovation activities within the company**, which is rated as very important by 37% of respondents and rather important by 42%. They rate **adequate financial resources / budget** and **appetite for risk within the company** as even less important, with 27% and 21% respectively, rating these factors as very important, while 46% and 45% respectively, rate them as rather important.

Chart 5. Success factors of innovation activity

Question: How important are the following aspects to your company's innovation activity?



Room for improvement and need for action

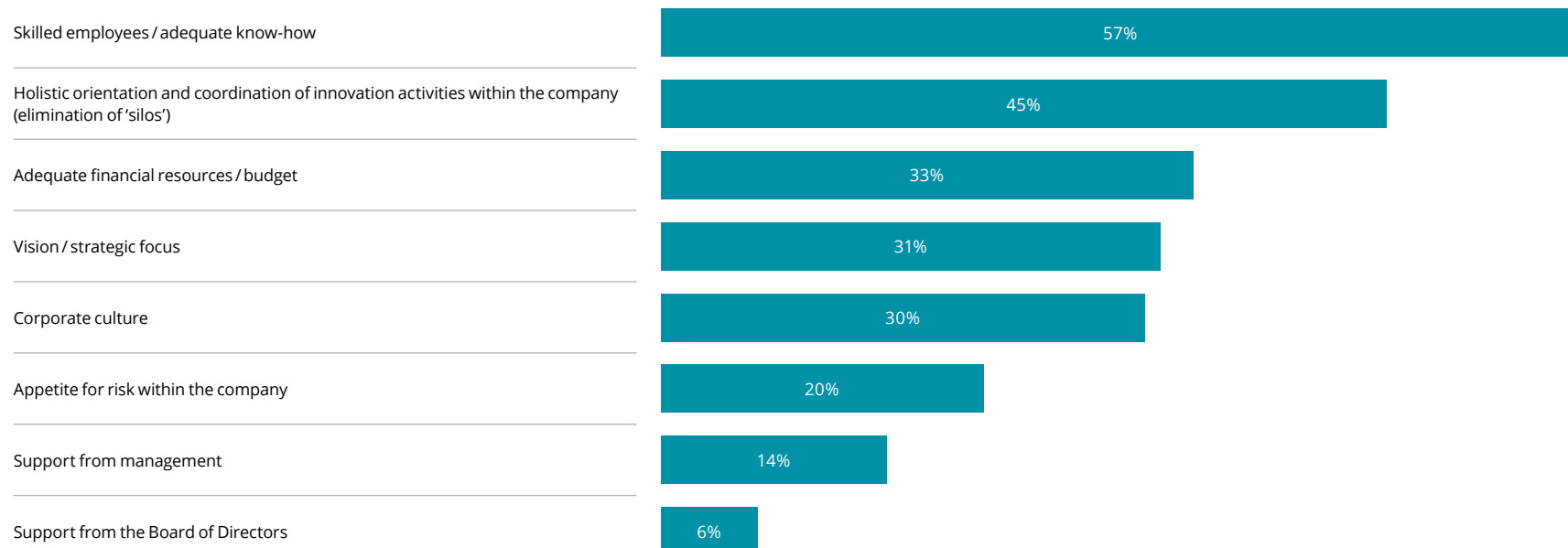
Board members see room for improvement and a need for action in internal success factors (see Chart 6), particularly regarding **skilled employees / adequate know-how in the company** (57% of responses). The shortage of skilled labour seems to be most acute in manufacturing, where almost three-quarters of all Board members (72%) see room for improvement and a need for action. Just under half of all respondents (45%) cite **holistic orientation and coordination of innovation activities within the company**. It is unsurprising that large companies are more likely than small or medium-sized

companies to identify these as areas for improvement: a larger workforce requires more organisation and coordination, leading to a greater tendency to think in ‘silos’.

Board members see less need for improvement in the areas of support from the Board or from management. Board members clearly feel their company’s performance in this area, and appetite for risk, is adequate.

Chart 6. Potential for improvement / need for action related to innovations

Question: Which of the aspects of innovation listed above do you see as representing the greatest room for improvement / need for action within your company? [Please list up to 3 aspects.]

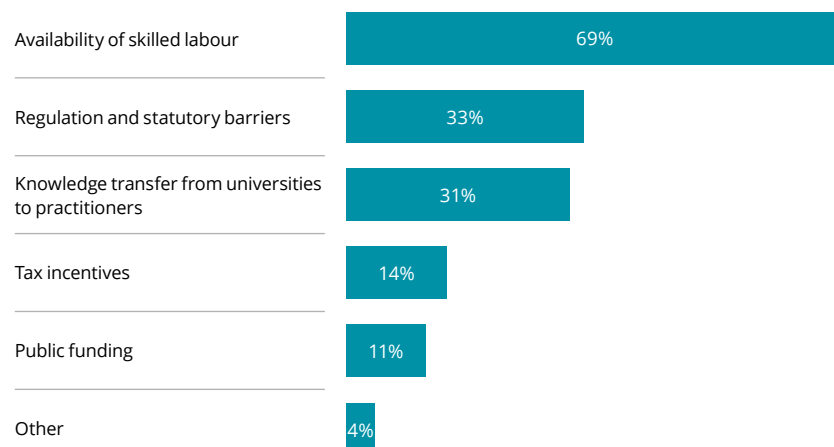


Improving the external conditions for innovation

Alongside these internal successful factors, external factors also influence innovation activities of companies (see Chart 7). As with the internal success factors and areas for improvement described above, 69% of Board members identify **the availability of skilled labour** as needing urgent improvement so that the company can become (more) innovative; this applies across sectors and to companies of all sizes. Second and third by a considerable margin are improvements in **regulation and statutory barriers** (33%) and **knowledge transfer from universities to practitioners** (31%). It is unsurprising that Board members from the tightly regulated financial services sector are more likely to identify potential for improvement in regulatory and statutory barriers (59% of all Board members). Relatively few Board members identify a need for improvement in **tax incentives** and **public funding** (14% and 11% respectively).

Chart 7. Framework conditions to be improved

Question: Which of the following framework conditions most urgently need improvement to enable your company to be (more) innovative? [Please list up to 2 answers.]



Added value of the Board of Directors in innovation activities

Board members were asked for their opinion of the value the Board adds to innovation activities in their company. Their responses have been compiled as a word cloud (see Chart 8).

As with other aspects of their company's activities, Board members see their role primarily as working at the strategic level of innovation rather than in its operational implementation. One explanation is that the Board needs to ensure that planned innovations reflect the company's **strategic focus** and **vision**. The Board also generates **ideas and momentum** for management and **provides support** in these areas, with Boards drawing on their own **networks** and on the **experience** of individual members, for example, providing management with appropriate **contacts** in the area of innovation manage-

Chart 8. Added value of the Board of Directors in innovation activities

Question: What value does the Board add to innovation within your company? [Please answer in bullet points, keywords or short phrases.]



The size of the keywords increases with the frequency they are mentioned.

ment. Board members also see their role as a **'sparring partner'** for management as important. In other words, the added value that Boards contribute is in **critically challenging** management's innovation projects and providing an **external perspective** on the company.

Innovation activities since the start of the COVID-19 pandemic

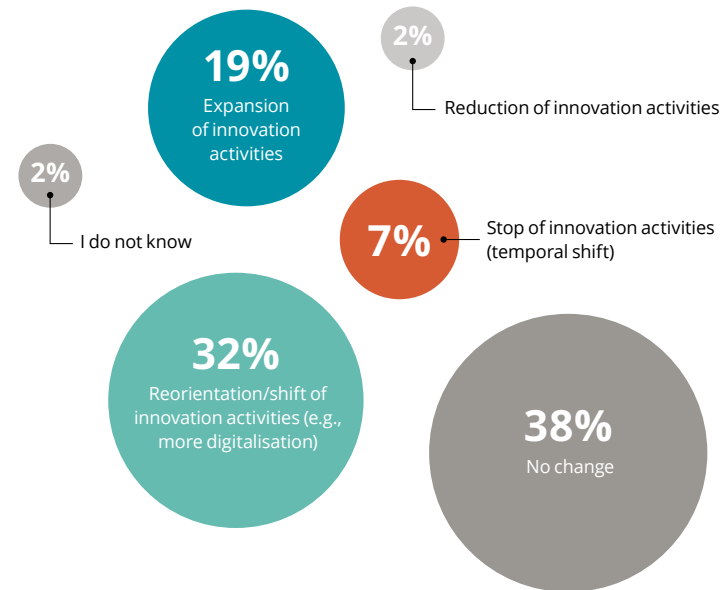
Board members were asked whether companies have changed their innovation activities over the past two years in response to the COVID-19 pandemic. A relative majority of Board members surveyed (38%) report **no change** in their company's innovation activities (see Chart 9).

Almost a third (32%) report a **reorientation of innovation activities**, including a greater focus on digitalisation projects. One Board member in five (19%) reports an **expansion of innovation activities**.

7% report that innovation activities have been **stopped** (halted or deferred) and 2% a **reduction of innovation activities**. Only a few companies have reduced, deferred or halted such activities in response to the pandemic and the political measures taken to tackle it.

Chart 9. Change in innovation activities since the outbreak of the Covid-19 pandemic

Question: Please select the aspect that best/mainly describes the change in innovation activities in your company since the outbreak of the Covid-19 pandemic?



Strategic and structural issues facing the Board of Directors

Changes in the environment for the Board's work

Many Board members see the environment for the Board's work as dynamic and constantly evolving. As reported in earlier editions of swissVR Monitor, the changing environment reflects greater interaction between the Board and management and the increased time commitment involved in serving on the Board (see Chart 10).

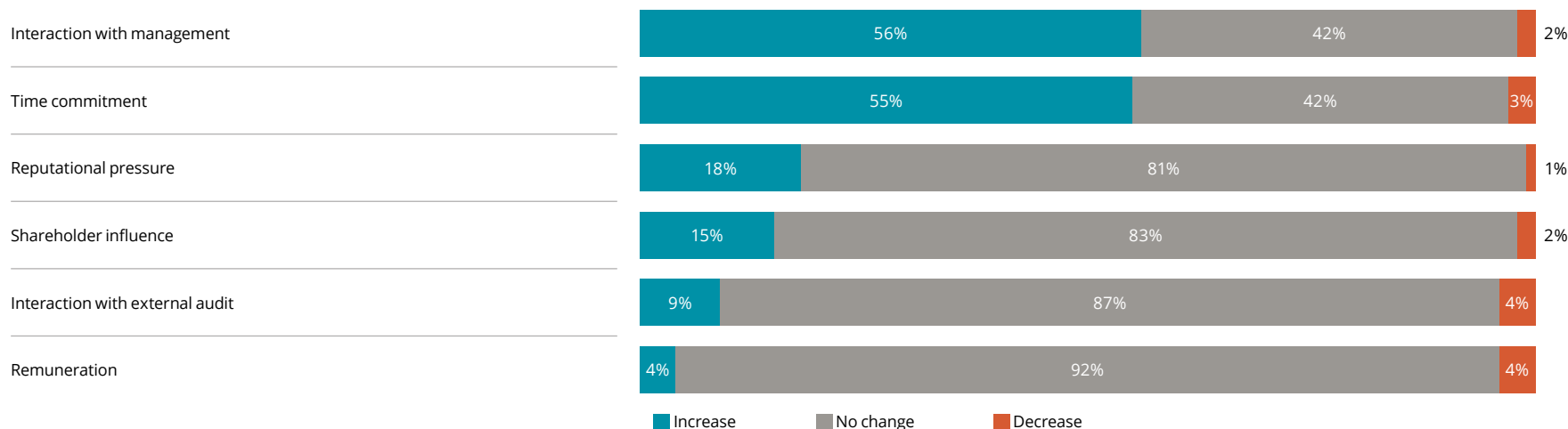
Just over half of all Board members (56%) say that **interaction with management** has increased over the past year, with 42% reporting no change and only 2% reporting that interaction has decreased. These figures are almost identical with those reported in swissVR Monitor 1/2018 and swissVR Moni-

tor 1/2020. One explanation may be that management increasingly sees the Board of Directors as a coach and 'sparring partner' (see "Added value of the Board of Directors in innovation activities"). Moreover, the ongoing COVID crisis requires greater interaction between management and the Board.

A similar picture emerges in relation to the **time commitment** involved in serving on the Board, with more than half of all Board members surveyed (55%) reporting an increase compared with the previous year. Very few respondents (3%) report spending less time, and the remaining 42% say there has been no change. This trend, too, has proved consistent over recent years, with almost identical results in swissVR Monitor 1/2018 and swissVR Monitor 1/2020. It seems that the time commitment required of Board members

Chart 10. Changes in selected factors regarding the Board of Directors compared to the previous year

Question: How has the importance of the following aspects of your mandate changed over the past year?

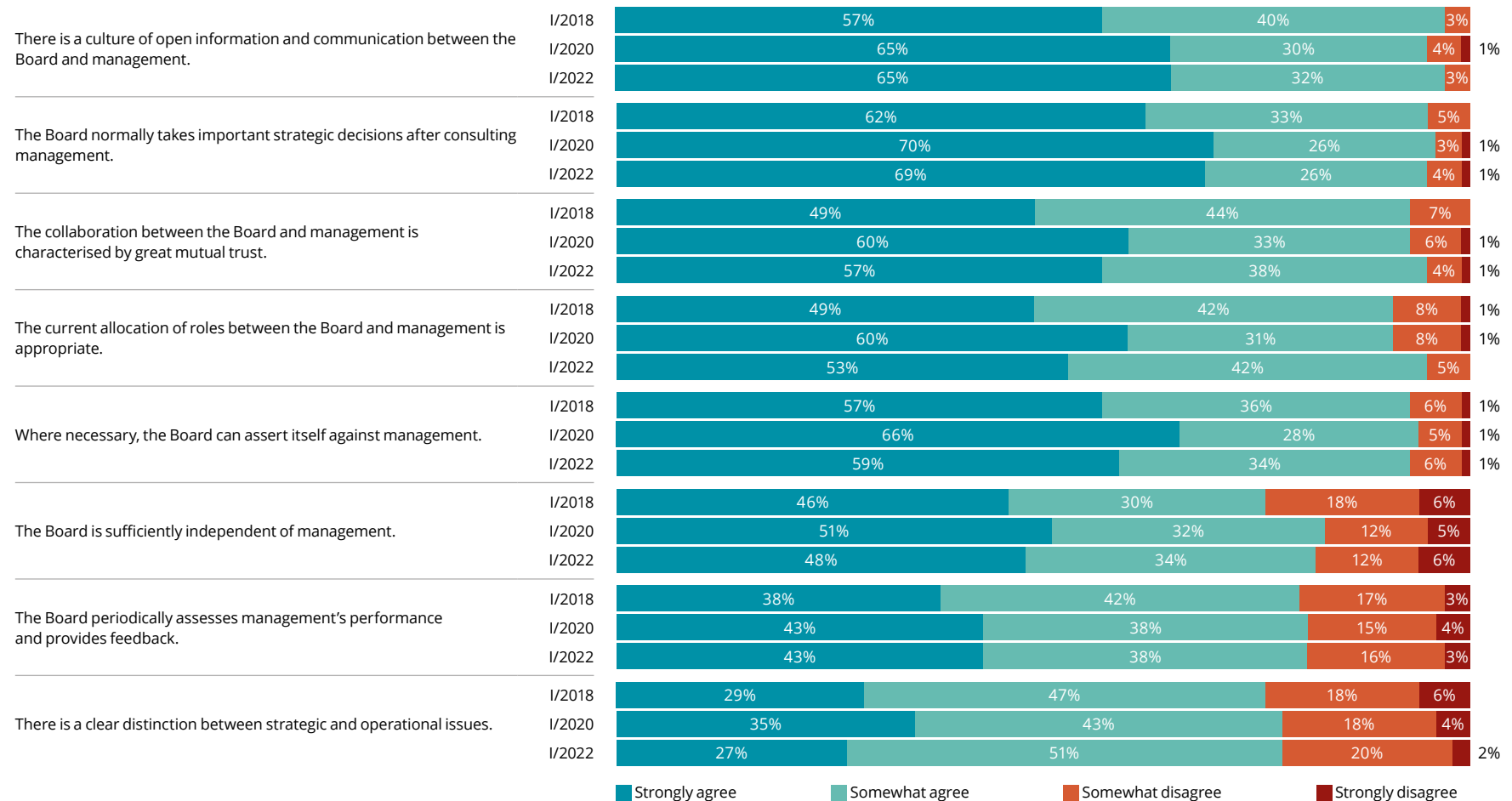


is directly related to a greater level of Board interaction with management. However, the issues tackled by Boards are also now markedly more complex, which could be seen as having a further impact on the time commitment involved in a Board mandate.

There are only minor changes in relation to other challenges facing Board members, although the trend is towards a slight increase in the time commitment for all factors. Just under one Board member in five (18%) believes, for example, that Boards face increasing **reputational pressure**; Board mem-

Chart 11. Cooperation between Board of Directors and management [swissVR Monitor I/2018, I/2020, and I/2022]

Question: How do you rate the following statements on cooperation between the Board of Directors and the management of your company?



bers in the financial services sector are more likely than average to express this view (28%). Board members also report an increase in **shareholder influence** (15% of respondents) and in **interaction with external audit** (9%). There is no change in the responses on **remuneration**, with 4% of Board members reporting that this factor is more important and the same percentage that it is less important.

Cooperation between the Board of Directors and management

Most survey respondents rate cooperation between the Board of Directors and management in their company as positive (see Chart 11). The Board members surveyed strongly agree or somewhat agree with all the statements on this issue. The picture that emerges is also very similar to the findings of swissVR Monitor I/2018 and swissVR Monitor I/2020 that contained the same questions on cooperation.

Nearly all respondents (97%) strongly agree or somewhat agree (65% and 32% respectively) that **there is a culture of open information and communication between the Board and management**. There is similar support for the statements that the Board **normally takes important strategic decisions after consulting management**, that **the current allocation of roles between the Board and management is appropriate**, and that **collaboration between the Board and management is characterised by great mutual trust** (95% strongly agree or somewhat agree with all three statements). A further 93% of Board members also strongly agree or somewhat agree that where necessary, the Board can assert itself against management.

Survey respondents are less likely overall to agree with the statements that the **Board is sufficiently independent of management** (82% of responses), that **the Board periodically assesses management's performance** (81%) and that there is **a clear distinction between strategic and operational issues** (78%). It is striking that only a relatively small proportion of those surveyed strongly agree with these statements. There are also relevant differences between companies of differing sizes on these three aspects. Members of the Boards of large companies are consistently more likely agree with these three statements than those in small companies. One reason for this may be that in small companies, the Board of Directors and management often comprise (many of) the same individuals, so it is very difficult or, in some

cases, makes little sense to keep the Board independent, to have the Board assessing management's performance or to make a clear distinction between 'operational' and 'strategic' issues.

Key issues for the Board of Directors

As part of their mandate, Board members address very diverse issues, including strategy, organisation and processes, human resources, and compliance and risk (see Chart 12). Each year, swissVR Monitor asks Board members to identify up to five of the most important issues their Board has had to tackle over the last 12 months and up to five of the most important issues it will have to tackle over the next 12 months.






The main issues Boards have had to tackle over **the past 12 months are digitalisation / robotics / automation** (34% of responses), **talent** (31%), and **formulating a new corporate strategy** (29%). Two of these three issues were also rated highly important in previous editions of swissVR Monitor. Talent has not previously been one of the ten top issues but has rapidly become more important than any other issue. One possible reason for this is the changing labour market dynamic as a result of the COVID-19 pandemic. At the start of the pandemic, many observers expected a wave of redundancies, although some of those job losses were prevented by short-time working measures. Now, though, many companies are recruiting staff and have high vacancy levels. The past two years have reinforced structural changes, particularly in the area of digitalisation, and these changes are fuelling demand for skilled labour. In some cases, they have also prompted increasing numbers of employees to think about changing jobs or actually to do so. Companies therefore face a considerable challenge in retaining experienced staff and recruiting new skilled employees. This is also borne out by responses in this edition of swissVR Monitor, which indicate that the major problem for innovation management is recruiting enough skilled labour and ensuring adequate know-how within the company.

This issue is rated as an even more serious problem when Board members look ahead. They most frequently cite **talent** as the most important issue they will have to tackle over the next 12 months (39% of responses). And it seems that this issue will grow in importance for Boards over the short term. This finding also emphasises the specific issue of talent management, which

was the special focus topic of swissVR Monitor I/2021. Following talent management on the list of the most important issues over the next 12 months are **digitalisation / robotics / automation** (cited by 32% of respondents), **responding to market developments / behaviour of competitors** (29%) and **improving efficiency / optimising internal processes** (also 29%).

Chart 12. Key issues for the Board of Directors

Questions: What have been the most important issues that your Board of Directors has had to tackle over the last 12 months? In your view, what will be the most important issues that your Board of Directors will have to tackle over the next 12 months?

	Rank I/2022		Rank I/2021	Next 12 months	Issues
	1 (34%)	▶	1 (38%)	2 (32%)	Digitalisation / robotics / automation
	2 (31%)	▲	- (17%)	1 (39%)	Talent (recruitment, retention, etc.)
	3 (29%)	▼	1 (38%)	- (17%)	Formulating a new corporate strategy
	4 (25%)	▼	3 (32%)	3 (29%)	Responding to market developments / behaviour of competitors
	4 (25%)	▶	4 (30%)	8 (20%)	Risk management
	4 (25%)	▶	4 (30%)	3 (29%)	Improving efficiency / optimising internal processes
	7 (22%)	▲	9 (22%)	- (17%)	Corporate transactions (acquisitions, cooperation arrangements and mergers)
	7 (22%)	▼	6 (28%)	5 (22%)	HR challenges at management level
	9 (20%)	▼	7 (25%)	6 (21%)	Go-to-market issues (marketing and sales strategy)
	9 (20%)	▼	8 (23%)	- (11%)	Compliance (with legislation and internal codes of conduct)

"-" means "not one of the top-10 issues".



Strategy



Organisation & processes



HR



Compliance & risk



Interviews

Innovation in start-ups and SMEs

Dr. Cornelia Gut-Villa is CEO of Startfeld, a member of the Board of the Swiss ICT Investor Club, and a member of the Executive Board of both SIHAG Swiss Industrial Holding AG and mydent AG

“The Board shapes the company’s culture, so it needs to create conditions in which employees understand what the company stands for. All employees should feel appreciated, so there needs to be scope for ideas to be fed in from the bottom up and to be heard.”

swissVR Monitor: How does the innovation process in start-ups and SMEs differ from that in larger companies?

Cornelia Gut-Villa: Their size makes start-ups much more agile and able to respond more rapidly to changing conditions. They lack the rigid structures and approval processes that can hamper discussion of new ideas. And start-up founders and employees often have a different mindset: they want to bring about change and solve existing problems as efficiently as possible.

swissVR Monitor: What forms of innovation activity – such as innovation labs – offer the best prospects of success in start-ups and SMEs?

Cornelia Gut-Villa: Innovation requires a culture that enables all employees to put forward ideas for existing or new products or services as part of their day-to-day work. All employees should feel they are part of the company and have the courage to challenge existing processes, products and services. If they do not, then the challenge will be confined to new suppliers. Management should have sufficient trust in employees to encourage them to pursue ideas even where these initially appear absurd. SMEs can create an



Dr. Cornelia Gut-Villa studied at the University of Zurich and has more than 20 years’ experience in banking, strategy consultancy and start-up coaching. She is CEO of Startfeld, an innovation and start-up network that provides seed funding for young entrepreneurs. She also serves on the Board of the Swiss ICT Investor Club (SICTIC), Switzerland’s largest and most active investor club with more than 300 investors. SICTIC is the first point of contact for early-stage technology start-ups domiciled in Switzerland and seeking start-up funding through ‘smart money’. Dr. Gut-Villa is also a member of a number of other Boards, including SIHAG Swiss Industrial Holding AG and MyDent AG, and of the Executive Board of swissVR (www.swissvr.ch – in German/French only).

appropriate environment for doing this, for example by organising internal pitch events and giving staff coming up with particularly promising ideas the time and/or financing to pursue those ideas. Such an environment enables employees of SMEs to make use of in-house or external innovation labs to develop their ideas and to be released from their normal role for a specific period to do so. Companies need to ensure that they create an environment that promotes creativity and facilitates exchange with potential customers.

swissVR Monitor: What are the crucial factors underpinning innovation within start-ups and SMEs?

Cornelia Gut-Villa: An innovation needs to be valued by the market and by customers and to bring benefit. The product and its market fit must be repeatedly analysed from the outset, with potential customers involved from an early stage. And there needs to be an awareness that some existing goods

and services will not be in demand in the future. At the same time, though, it is important that SMEs don't create a two-tier workforce of 'innovative' employees, who work for the company's future, and the rest, who work with traditional and conventional products. A company is a learning organisation and needs to adapt continuously to new conditions, even if that involves only very minor process changes. That is the only way a company can remain fit for the future and resist 'disruption'.

swissVR Monitor: What can large companies learn from smaller businesses and start-ups in terms of innovation?

Cornelia Gut-Villa: They can learn from the enthusiasm of start-up founders and the gleam in their eyes when they discuss their product ideas. Founders are intellectually curious and are 'doers', spotting opportunities and attaching less importance to risk. They may make mistakes as a result, but they then learn very quickly from those mistakes.

swissVR Monitor: What part does the Board of Directors play in innovation activities?

Cornelia Gut-Villa: The Board shapes the company's culture, so it needs to create conditions in which employees understand what the company stands for. All employees should feel appreciated, so there needs to be scope for ideas to be fed in from the bottom up and to be heard.

swissVR Monitor: What boundaries and limitations do Boards face in terms of innovation within the company?

Cornelia Gut-Villa: The company has only limited financial resources at its disposal and cannot follow through on every idea. The strategic thrust must come from the Board of Directors, and ongoing innovation is needed in these strategic areas. Companies have the option of creating a unit within the business that intensively monitors market innovation and reports regularly to the Board. Playing an active part in start-up networks such as SICTIC (www.sictic.ch) will also help ensure they do not miss innovations.

swissVR Monitor: Where can companies that want to be more innovative go for help and support? And could you say more about the general concept of an innovation park and about Startfeld as a specific example?

Cornelia Gut-Villa: Established companies can also learn from start-ups. Exchange within an innovation network, such as Startfeld (www.startfeld.ch – in German only), may be helpful. SMEs can use Startfeld to seek momentum for new business models, products and services in an inspiring environment that encourages members to be creative and to 'think outside the box'.

The role of the Board of Directors in innovation

Etienne Jornod is Executive Chairman of the Board of Directors of OM Pharma, Honorary Chairman of the Board of both Galenica and Vifor Pharma, and President of the Executive Board of media group Neue Zürcher Zeitung (NZZ)

“Strategy and innovation must be regularly on the agenda, at least at the time of the Board’s retreat. But in fact, it is a matter of a constant daily attitude, of corporate culture!”

swissVR Monitor: What does the term ‘innovation’ mean to you?

Etienne Jornod: It is a company’s ability to challenge the status quo in all areas in order to remain competitive and become a market leader.

swissVR Monitor: How should a Board of Directors, and in particular a Board Chairman like you, approach a company’s innovation process?

Etienne Jornod: Under Swiss law, the Board of Directors is responsible for strategy, which it may delegate to management. It retains, however, ultimate responsibility. In my experience as VPR of NZZ, Executive Chairman of Vifor Pharma and Chairman & CEO of the Galenica Group, I have always felt fully responsible for strategy and therefore for innovation. I shared this responsibility with the whole Board, and we have always had highly entrepreneurial Board meetings. Innovation and strategy are closely intertwined. Innovation is decisive in the strategic process if a company is to become a market leader.

Let us consider NZZ. The first task of the new Board of Directors in 2013 was to define NZZ’s strategic position: “Our services must reach a level of excellence so that our customers (we defined the reader as our main customer, even before advertisers – a true reassessment and de facto the first revolution!) are willing to pay a relatively high price (premium relative to the market) to access them. This price must be high enough to enable us to earn a living. We use digitalisation, in particular, to deliver our products to our customers, prioritising ‘digital first’ and even ‘mobile first’. This means that texts must be



Etienne Jornod grew up in Neuchâtel and was an apprentice druggist (Retail) before studying business economics at Lausanne HEC University (lic.oec.). He subsequently completed the Senior Executive Program in Stanford (USA). He has spent his entire career with the Galenica Group, which changed its name to the Vifor Pharma Group in 2017. In 1996, he was appointed Executive Chairman of the Board of Directors. In May 2020, Etienne Jornod left this role to concentrate

on a new project: in the autumn, alongside long-standing partners, he purchased the Geneva-based biotech company, OM Pharma, from Vifor Pharma and is now the Executive Chairman of the company’s Board of Directors. Etienne Jornod is also Honorary Chairman of Galenica and Vifor Pharma. He has been Chairman of the Board of Directors of NZZ since 2013 and is successfully implementing a new publishing-based strategy.

designed to be read on a smartphone.”

This approach was fundamentally different from that taken by many publishers, who bought digital platforms to fund their media indirectly. We then looked for a CEO who understood and shared our highly innovative vision and editors-in-chief who fully accepted the ‘Fokus Publizistik’ and ‘Digital first’ strategy. In this regard, I remember in particular a trip to the United States with our Editor-in-Chief, Eric Gujer. Decisive moments included our discussion with Martin Baron, Editor-in-Chief of The Washington Post, who emphasized the fact that unlimited access to technology was Jeff Bezos’ key contribution. At The New York Times, we were convinced by the global strategic concept. These two examples show that simple and clear innovative choices have decisive impacts on a company. This is the case with NZZ: during the last nine years of transformation, we first stabilised sales of subscriptions that had been falling like everywhere else, and then began to gain market share to reach record levels.

swissVR Monitor: How can the Board actively promote innovation?

Etienne Jornod: Without change, and therefore without innovation, we could never have turned the NZZ Business Unit around. It was in the red and is now clearly profitable. In this broad strategic framework well defined by the Board, management and editorial staff are free to express their creativity, entrepreneurial spirit and innovative capacity, while obviously sticking to the budget. The Board's role is then to challenge these initiatives. For this reason, the role of the CEO and Editors-in-Chief is absolutely crucial. I know they love this freedom.

swissVR Monitor: How can the Board of Directors create a good innovative culture in the company?

Etienne Jornod: I will draw on my experience at Vifor to answer this question. We understood that iron deficiency anaemia was a very serious disease that exists in many forms and we decided that we would concentrate on this area. We invested heavily in R&D and Marketing and consistently advocated the 'right to error' and process limitation. We created a truly innovative corporate culture. It worked very well until the company became the third largest pharmaceuticals company in Switzerland, with a market capitalisation of over CHF 12 billion. From that moment on, with the increase in the number of executives (joining) from large companies, it became an increasingly difficult 'fight.' Maintaining an entrepreneurial culture in a context of strong growth is extremely difficult. The responsibility lies with the Chairman, Board, CEO, EC, and so on, and they must lead by example.

swissVR Monitor: What are the main challenges and obstacles to innovation that a Board must be aware of?

Etienne Jornod: First, we need to know how to listen because we are never alone in being right. Second, as soon as a decision is made, you must have an iron will to make it happen, because there will always be many opposing forces. To do this, it is essential to have Board members and Management executives who are modest and listen to others, but who are also very strong. Strategic and cultural mistakes are often the result of people hiding behind processes, who do not listen, who do not have guidelines, who are in fact 'weak.' Choosing the right people is extraordinarily difficult.

swissVR Monitor: How can the Board of Directors organise itself to support innovation in the company?

Etienne Jornod: Strategy and innovation must be regularly on the agenda, at least at the time of the Board's retreat (two-day annual meeting). But in fact, it is a matter of a constant daily attitude, of corporate culture!

The importance of innovation in the strategy process

Prof. Dr. Thomas A. Gutzwiller is partner at GWPartner AG and President of the Board of Directors of St. Galler Kantonalbank AG

“Innovation management is a role for senior management. The Board should maintain a broad focus on innovation as part of strategy development, raise fundamental issues and identify ‘black holes’ in the strategy presented to it.”

swissVR Monitor: How important is innovation as a part of the strategy process?

Thomas Gutzwiller: You could say that strategy and innovation are two sides of the same coin. The aim of strategy is to use innovation to improve the company’s value creation. The company decides which new areas of business it wishes to embark on, and that forms the basis of its corporate strategy. Its business area strategy is based on decisions as to how the company can better differentiate itself from its rivals. And organising the value stream is part of its configuration strategy.

swissVR Monitor: What are the different dimensions of innovation?

Thomas Gutzwiller: There is an initial distinction to be made between product innovation and process innovation. Then there is a distinction between functional innovation and emotional innovation in the customer experience. A third relevant distinction is between radical innovation and incremental innovation. The strategy process in particular needs to engage with all three of these dimensions.

swissVR Monitor: What is your view of the interaction between the Board of Directors and senior management in the area of innovation management?



Prof. Dr. Thomas A. Gutzwiller is partner at gwpartner AG, a consultancy specialising in transformational growth. Since 2013, he has been President of the Board of Directors of St. Galler Kantonalbank AG. He is also President of the Board of other companies, including Manres AG, ELCA Group SA and hkg Group AG. Prof. Gutzwiller was the co-founder of Information Management Group (IMG) and its CEO until 2006. Since 2006, he has been the Director and, subsequently, the Delegate of the Executive School of Management, Technology and Law (ES-HSG) at the University of St. Gallen.

Thomas Gutzwiller: Innovation management is a role for senior management. The Board should maintain a broad focus on innovation as part of strategy development, raise fundamental issues and identify ‘black holes’ in the strategy presented to it that require action.

swissVR Monitor: Are you aware of examples where key innovations have been initiated by individual Board members?

Thomas Gutzwiller: Initiating individual innovations is not the primary role of the Board, especially in large companies. Senior management is responsible for managing innovation and for specific projects, while the Board is responsible for taking a strategic approach to fundamental issues. A Board should read the documents and proposals submitted to it thoroughly, ask smart questions that can, of course, include its own ideas for innovation, and give positive feedback to senior management where something positive emerges. Of course, individual Board members can also feed in their own experience and innovative ideas as part of their interaction with management. This is particularly important in SMEs, where the Board can support senior management more closely.

swissVR Monitor: How can the Board of Directors actively encourage innovation?

Thomas Gutzwiller: The Board can identify gaps in the strategy process, such as weaknesses in innovation or a corporate culture that is hampering innovation. Such gaps should be tackled as part of the company's corporate development. The Board should focus on fundamental aspects, including process and culture, and ensure that the company develops skills and promotes a culture of error.

swissVR Monitor: Should the Board sometimes also act as a brake on innovation projects?

Thomas Gutzwiller: The Board's role is to ensure that strategy is actually implemented, that there is incremental innovation, and that the company's pace of innovation is good. Its role with respect to specific innovation projects is not so much to act as a brake on innovation as to offer a different perspective, particularly in relation to considerations of risk. One of the principles by which business operates, for example, is 'If your core is broken, you need to fix the core'. It may be risky for management to suggest solving a problem in its core business by diversifying into new business areas, so the Board needs to consider whether in fact shareholders' interests would be better served by selling the company in line with a different principle: 'If your core is broken and you can't fix it, you need to sell it.'.

swissVR Monitor: How can the Board of Directors promote a healthy culture of innovation within the company?

Thomas Gutzwiller: A culture of innovation arises out of a healthy corporate culture. From the Board's perspective, this includes respectful and transparent relationships – and not just with regard to successful innovations but also with less successful ones. It is crucial there is an understanding that the company needs to change and move forward on an ongoing basis and to hold back added value to enable it to invest in innovation.

swissVR Monitor: What are the major challenges and barriers to innovation that a Board needs to be aware of?

Thomas Gutzwiller: The greatest barrier to innovation is a lack of financial resources. A company can afford to innovate only if it holds back sufficient

added value. It can be dangerous if companies tackle problems with their core business by switching into money-saving mode.

swissVR Monitor: You are President of the Board of Directors of St. Galler Kantonalbank. How would you characterise the particular challenges facing the bank?

Thomas Gutzwiller: The banking sector is tightly regulated, and that regulation requires a strict separation between the Board of Directors and the senior management team. However, the Board should be tackling fundamental issues of strategy and innovation management. The particular market environment within retail banking means that we have limited potential for genuine product innovation. There is more room for innovation with processes and in the customer interface, particularly in the area of emotional innovation in the customer experience.

swissVR Monitor: How should a Board organise itself so that it can provide optimal support for innovation within the company?

Thomas Gutzwiller: In my experience, it is particularly beneficial for the Board of larger companies to set up a Strategy Committee to support management as part of the strategy process. This committee's main role will then include innovation management.



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