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Wirtschaft

Corporate culture as a competitive advantage

swissVR Monitor I/2019
February 2019

Contents

About the survey
This is the fifth edition of swissVR Monitor and is based on a survey of 363 members of Swiss company Boards of Directors. The aim of the survey is to gauge Board members' attitudes to the outlook for business and structural issues. This edition also focuses specifically on the topic of corporate culture.

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 and 31 December 2018. A total of 363 Board members took part, representing listed companies as well as small and medium-sized companies (SMEs) from every major sector of the Swiss economy. 32% of participants are from large companies, 35% from medium-sized companies and 33% from small companies. The aim of swissVR Monitor is to offer Board members a benchmark for comparing the issues facing their own Board with those facing their counterparts on other company Boards. swissVR Monitor also aims to share with the wider public the ways in which Board members perceive their role and the current economic situation.

A note on the methodology
When comparing survey results over time, please note that the sample may have changed. Percentage figures are rounded to add up to 100. Company size is 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

The good news is that a majority of the Board members surveyed see their corporate culture as a competitive advantage, acting as a role models for their company's values (the 'tone at the top'). However, there is potential for improvement with regard to adapting corporate culture when there is a change in strategic direction.

Dear reader,

We are delighted to bring you *swissVR Monitor I/2019*, a survey conducted jointly by swissVR, Deloitte and the Lucerne University of Applied Sciences and Arts. For this issue, we surveyed 363 members of Boards of Directors across Switzerland. The findings are therefore an excellent reflection of their attitudes to the economy and the outlook for business and relevant areas of their own role. The special focus topic in this fifth survey is corporate culture.

swissVR Monitor I/2019 provides a number of insights:

- Only 28% of the Board members surveyed rate the economic outlook for Switzerland as positive.

- Board members surveyed consider themselves to be even more involved in the processes of determining and formulating corporate strategy than they were two years ago.

- The new top issue facing Boards is digitalisation/robotics/automation, with the issue of improving efficiency/optimising internal processes considered almost as important.

- Two-thirds (64%) of respondents felt that corporate culture provides an important competitive advantage and is a driver of corporate success. Despite that, more than one-third (36%) did not adapt or only slightly adapted their corporate culture when there is a change in strategic direction.

- Setting the 'tone at the top' and appointing and dismissing members of senior management are considered to be the key activities for Board members to influence corporate culture.

- 44% of respondents felt that the Board of Directors is somewhat removed from the day-to-day business of the company which makes it difficult to perceive and shape actual corporate culture.

- Employee surveys and insights gained from visits to the company and interactions with employees are seen as the most important ways for the Board to gauge and evaluate corporate culture.

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

Cornelia Ritz Bossicard
President swissVR

Reto Savoia
Vice Chairman & Deputy CEO
Deloitte Switzerland

Prof. Dr. Christoph Lengwiler
Lecturer IFZ/Lucerne University
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Summary and key findings

28 %

rate the economic outlook for Switzerland over the next 12 months as positive.

Cautiously optimistic outlook
Only 28% of the Board members surveyed rate the prospects for the Swiss economy as positive. This is significantly lower than the figure in the swissVR Monitor II/2018 six months ago (54%) or in the swissVR Monitor I/2018 a year ago (67%). Positive expectations of the prospects for their sector (42%) and for their own company (59%) have decreased only slightly in comparison to swissVR Monitor II/2018.

70 %

play an active part in determining corporate strategy.

Strong involvement in corporate strategy
The proportion of Board members who feel that they play an active part in determining and formulating strategy is somewhat higher than in the survey two years ago (swissVR Monitor I/2017). There is potential for improvement with regard to the amount of time spent discussing strategic issues and to periodically assessing the extent to which strategic goals have been met.

38 %

cite digitalisation/robotics/automation as the most important issue their Board faced in the past 12 months.

New and old issues facing the Board of Directors
The topic of digitalisation/robotics/automation has now become the most-frequently cited issue facing the Board over the past 12 months (38% of respondents), followed by the former top issue of improving efficiency/optimising internal processes (35%) and the topic of formulating a new corporate strategy (30%). Corporate transactions and corporate culture are new in the list of top 10 issues facing the Board of Directors.

64 %

feel that a good corporate culture is a competitive advantage.

Good corporate culture as a competitive advantage
Two-thirds of respondents feel that corporate culture provides an important competitive advantage and is a major driver of the company's success. However, three of ten of the companies surveyed have a corporate culture that does not really (24%) or not at all (4%) promote strategic transformation. In addition, more than one-third of respondents (36%) have not really (29%) or not at all (7%) adapted their corporate culture when changing strategic directions.

67 %

see being a role model for the company's values as the best way to influence corporate culture.

Influencing corporate culture through 'tone at the top'
Living the values (67% of respondents) and appointing and dismissing members of senior management (64%) are considered the key activities for Board members to influence corporate culture. However, 44% of respondents feel that the Board of Directors is somewhat removed from the day-to-day business of the company which makes it difficult to perceive and shape actual corporate culture.

65 %

utilise insights gained from corporate visits and interactions with employees to evaluate the corporate culture.

Employee insights important in evaluating corporate culture
Employee surveys (74% of respondents), insights gained from visits to the company and interactions with employees (65%), perceptions of the conduct of members of senior management (62%) and customer surveys (56%) are seen as the most important ways in which the Board can gauge and evaluate corporate culture.

Economic, sector and business outlook

The Board members surveyed for swissVR Monitor I/2019 rate the **economic, sector and business outlook** over the next 12 months as less positive than six months ago (swissVR Monitor II/2018). The outlook for individual indicators varied sharply: Board members rate the business outlook for their own companies much more positively than the outlook for their sector or the overall economy. The respondents' negative assessment of the Swiss economy is quite striking. Compared to swissVR Monitor II/2018, the proportion of those surveyed who rate the country's economic outlook as positive has nearly halved from 54% to 28%. At the same time, the proportion of respondents that expect a negative development for their own sector increased from 10% to 14% (see Chart 1).

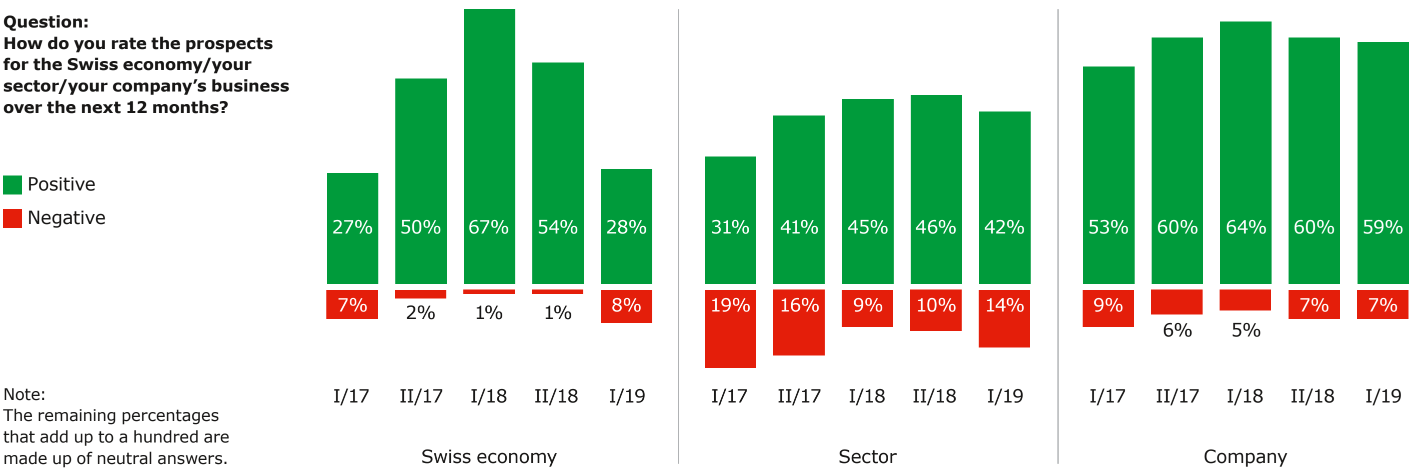
Only 28% of those surveyed rate Switzerland's **economic outlook** as positive. Compared with swissVR Monitor II/2018, the proportion of Board members rating the country's economic outlook as neutral has risen from 45% to 64% while respondents with a negative view increased from 1% to 8%. The prospects for the economy are rated similarly to the survey two years ago (swissVR Monitor I/2017).

The proportion of Board members rating the **prospects for their sector** as positive has decreased slightly in the last six months from 46% to 41%, while the proportion of those with a negative outlook for future growth in their own sector increased from 10% to 14%.

Board members' rating of the **prospects for their own company** remains optimistic: 59% of respondents have a positive view while 34% see the outlook as neutral and 7% as negative. These numbers roughly correspond to those of the swissVR Monitor II/2018 six months ago and are similar to those in the three previous surveys.

Board members in the retail and consumer goods industries were the most positive of all sectors, with 65% rating their company's prospects positive, compared to 57% (which was below the general average) six months ago. As in the three previous surveys Board members in the manufacturing and chemicals sector (63% of respondents) and the information and communications technology sector (62%) still rate their company's prospect as positive and above the general average. In contrast, the proportion of Board members rating their company's prospect as positive is below the general average in the construction industry (54% of respondents) and financial services (50%).

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



Strategic and structural issues facing the Board of Directors

Corporate strategy and corporate goals

70% of the Board members surveyed strongly agree that their Board of directors plays an **active part in determining corporate strategy** – slightly more than the 66% in swissVR Monitor I/2017 (see Chart 2). In addition, a further 27% of respondents somewhat agree with this statement. This positive picture, where nearly all Board members play an active part in determining strategy and therefore meeting their statutory duties, according to Art. 716A of the Swiss Code of Obligations (OR), has been further reinforced in the past two years.

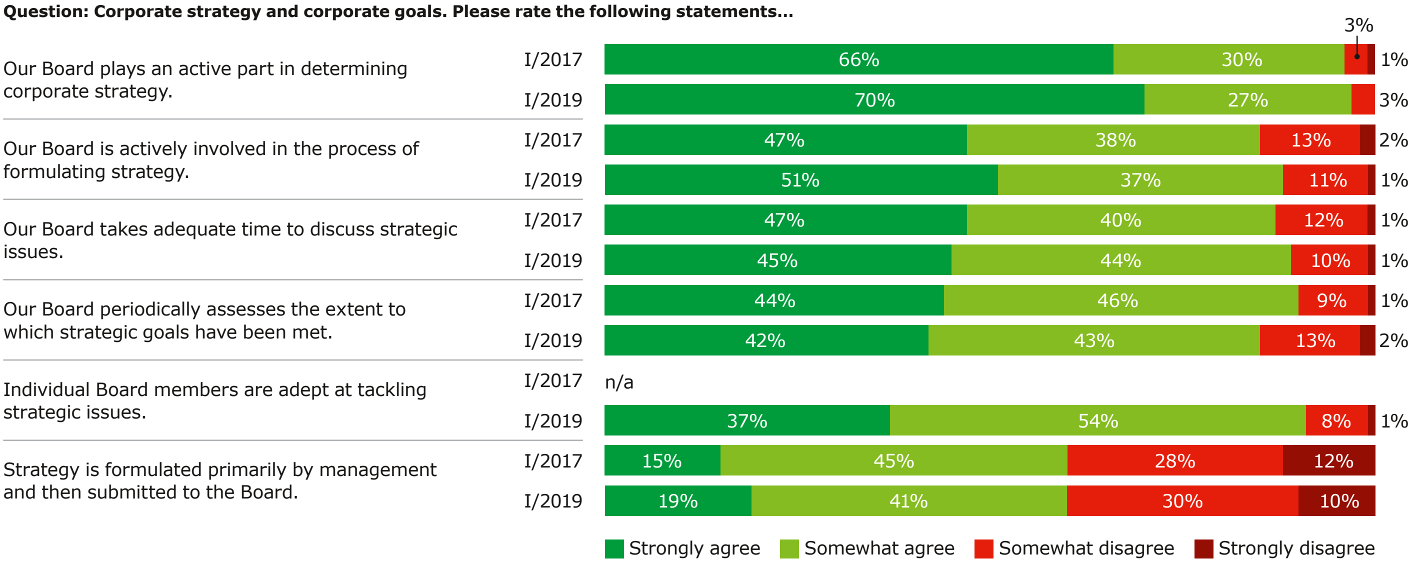
The answers to the additional questions on determining corporate strategy show a similar trend: More than half of the respondents (51%) strongly agree that the Board is **actively involved in formulating strategy** – slightly more than in swissVR Monitor I/2017 (47%). Similar to two years ago, nearly half of the respondents strongly agree that the Board **takes adequate time to discuss** strategic issues in their meetings (45%) and say their Board **periodically assesses the extent to which the company's strategic goals have been met** (42%). By including the responses of those who somewhat agree with these statements, we see that the Board of Directors in at least eight out of every ten companies is actively involved in formulating strategy, takes adequate time to discuss strategic issues and regularly monitors the extent to which strategic goals are met. The relatively high proportion of answers that somewhat disagree or strongly disagree with the respective statements points to the potential for improvement for Boards of Directors.

The picture looks also similar with regard to skills in relation to strategic issues. 37% of respondents strongly agree that **individual Board members are adept at tackling strategic issues**. However, the high proportion of respondents (54%) who somewhat agree indicates that some respondents may have had reservations in individual cases, despite the overall positive assessment.

Just as in swissVR Monitor I/2017, a majority of Board members surveyed (60%) strongly agree or somewhat agree that it is **primarily management that develops strategy** and then submits it to the Board of Directors. The fairly high proportion of those who somewhat disagree or strongly disagree with this statement also shows that Boards of Directors are often in the lead or strategy is developed together with senior management.

Chart 2. Corporate strategy and corporate goals within the Board of Directors (swissVR Monitor I/2019 change from I/2017)

Question: Corporate strategy and corporate goals. Please rate the following statements...



Information, supervision and control

Board members' general level of information remains overall positive. Reflecting the survey results two years ago in (swissVR Monitor I/2017), nine out of ten Board members surveyed strongly agree or somewhat agree that they **receive full and timely information** (45% and 47% respectively) (see Chart 3). Only 9% strongly disagree or somewhat disagree with this statement.

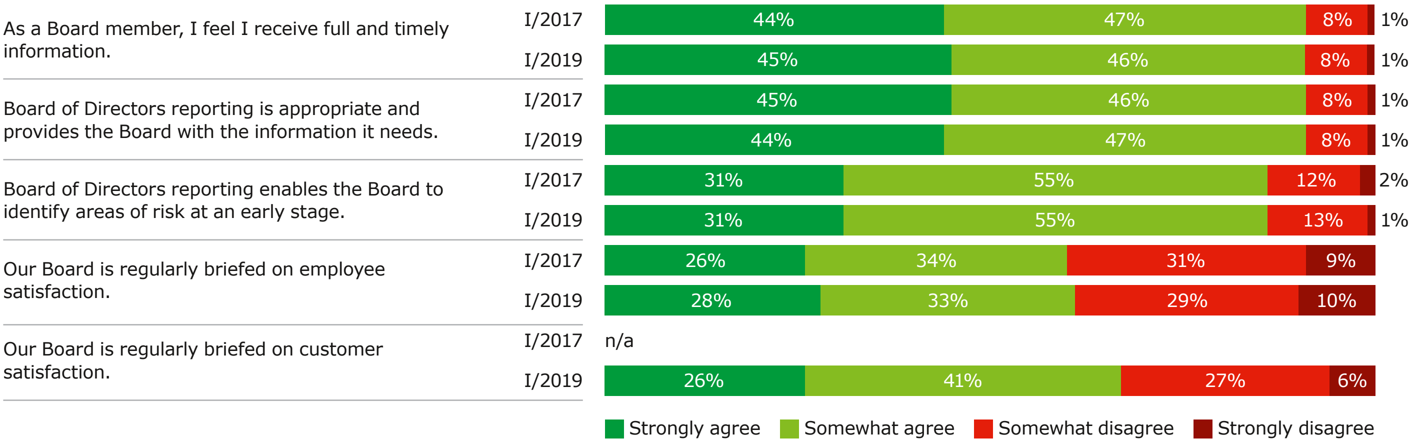
A similar positive assessment is given with regard to the appropriateness of Board of Directors' reporting. 44% of respondents strongly agree that **Board reporting is appropriate** and meaningful, with a further 47% saying they somewhat agree with this statement.

More skepticism however exists regarding the extent to which Board reporting is helping to **identify potential risk** at an early stage. Just under one-third (31%) of respondents strongly agree with this statement, while the majority (55%) somewhat agree and 14% either strongly disagrees or somewhat disagrees.

Board members' assessments of information relating to employee and customer satisfaction are both surprising and similar. As was the case two years ago, four out of ten respondents strongly disagree (10%) or somewhat disagree (29%) that they are regularly briefed on **employee satisfaction**. 33% of respondents strongly disagree (6%) or somewhat disagree (27%) that they are informed about **customer satisfaction** on a regular basis. There is no difference between large companies and small and medium-sized companies (SMEs) with regard to the availability of information on customer satisfaction. However, the proportion of respondents who strongly disagree or somewhat disagree that they are regularly informed about employee satisfaction is noticeably higher among SMEs (41%) than large companies (33%).

Chart 3. Information for the Board of Directors/Supervision and control (swissVR Monitor I/2019 change from I/2017)

Question: Information for the Board/Monitoring and supervision. Please rate the following statements...



Key issues for Boards of Directors

As with previous swissVR Monitors, the Board members taking part in the survey were asked to choose from a list of topics the five most important issues their Board faced over the last 12 months and the five most important issues it will face over the next 12 months.

The topic of **digitalisation/robotics/automation** is now the most-frequently cited issue Boards faced over the past 12 months with 38% of respondents citing it as one of the most important five topics. This is the same figure as in swissVR Monitor I/2018 (see Chart 4).

The second most important topic is **improving efficiency and optimising internal processes** with 35%, down from first place in swissVR Monitor I/2018 (40%). Also moving down the table since the previous survey are **talent management** (cited by 25% of respondents) and **compliance** (with legislation and internal codes and conduct) (21%).

Still important (same ranks) are the strategic topics of **formulating a new corporate strategy** (cited by 30% of respondents), **human resources challenges at management level** (28%) and **marketing and sales strategy** (also 28%).

Moving strongly up the table (ranked 6) is the issue of **responding to market developments and behaviour by competitors**, which was cited by 26% as the most important strategic topic (swissVR Monitor I/2018: 23% / ranked 10). The topic of **corporate transactions** (24%) also increased in importance. **Corporate culture**, which was included as a topic for the first time in this survey, moved into the top 10 (22%) and knocked the topic of **risk management** (20%) out of the top 10 (previously ranked 7 with 25%).

A comparison of the most important topics over the last 12 months with those over the next 12 months shows that a slightly higher proportion of survey respondents expect their Board to be focusing its attention on **improving efficiency and optimising internal processes**, **marketing and sales strategy**, and **responding to market developments and behaviour by competitors** (39%, 31% and 29% respectively, up from 35%, 28% and 26% respectively). The topic of **securing innovation/research & development** (21% of respondents), which did not make the top 10 topics in the last year, will also increase in importance. Almost the same proportion of Board members expect **digitalisation/robotics/automation** to be an important topic over the next 12 months (37% as against 38% ranking it as important over the past 12 months).

Chart 4. Top 10 topics for the Board of Directors (swissVR Monitor I/2019 change from I/2018 and forecast next 12 months)

Questions: Which topics were most important to your Board of Directors over the past 12 months? Which do you think will be the most important topics over the next 12 months?
Note: Category corporate culture was asked for the first time.

Rank I/2019	Rank I/2018	Next 12 months	Topics
1 (38%)	**2** (38%)	**2** (37%)	Digitalisation/robotics/automation
2 (35%)	**1** (40%)	**1** (39%)	Improving efficiency/optimising internal processes
3 (30%)	**3** (35%)	**10** (18%)	Formulating a new corporate strategy
4 (28%)	**4** (32%)	**6** (25%)	Human resources challenges at management level
4 (28%)	**6** (25%)	**3** (31%)	Go-to-market issues (marketing and sales strategy)
6 (26%)	**10** (23%)	**4** (29%)	Responding to market developments/behaviour by competitors
7 (25%)	**5** (27%)	**4** (29%)	Talent Management (recruitment, staff retention, etc.)
8 (24%)	**11** (22%)	**11** (17%)	Corporate transactions (acquisitions, cooperation arrangements and mergers)
9 (22%)	n/a	**7** (21%)	Corporate culture
10 (21%)	**9** (24%)	**15** (13%)	Compliance (with legislation and internal codes of conduct)

Strategy | Organisation & processes | HR | Compliance & Risk

Focus topic: Corporate culture

Corporate culture and strategy

Corporate culture was named by Board members not only as a very important current and future top 10 topic, but a large majority (84%) of those surveyed also **discussed their company's corporate culture** over the last 12 months (see Chart 5). Interestingly, the size of the company does not matter: corporate culture is an important topic for Board of Directors of SMEs as well as large companies.

Almost two-thirds (64%) of Board members surveyed strongly agree that a **good corporate culture is a competitive advantage** for their company while a further 33% somewhat agree with this statement (see Chart 6). Only 3% of respondents strongly disagree or somewhat disagree with the statement. Slightly more than half (54%) of respondents strongly agree that **corporate culture is a major driver of the company's success** and a further 40% somewhat agree with this statement.

Overall there is agreement about the significance of culture as an important competitive advantage and a success factor across all sectors and companies regardless of size. However, respondents are more self-critical with the topic of change in strategic directions and there are some differences by company size.

Chart 5. Discussion of corporate culture on Board of Directors

Question: Have you discussed your company's corporate culture over the last 12 months?

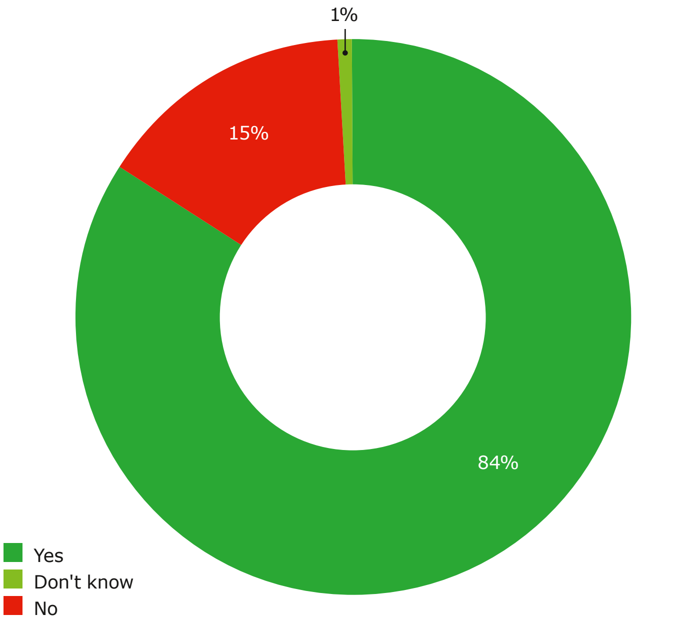
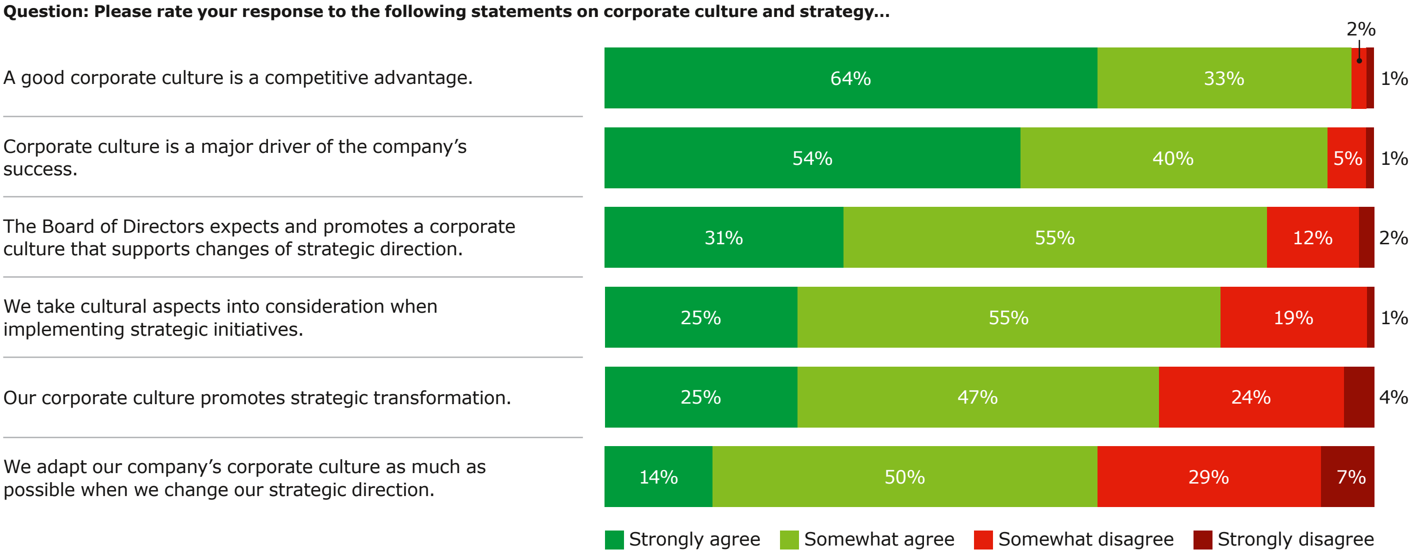


Chart 6. Corporate culture and strategy

Question: Please rate your response to the following statements on corporate culture and strategy...



Nearly one-third (31%) strongly agreed with the statement that the Board of Directors **expects and promotes a corporate culture that supports changes of strategic direction**. Slightly more than half the respondents (55%) agreed somewhat while 14% either strongly disagree (2%) or somewhat disagree (12%). The proportion of respondents who strongly or somewhat disagree with this statement is higher among SMEs than at large companies.

More than one-third (36%) of respondents strongly disagree (7%) or somewhat disagree (29%) that the **corporate culture is adapted as much as possible when the strategic direction is changed**. And nearly three out of every ten companies strongly disagree (4%) or somewhat disagree (24%) that their **corporate culture promotes strategic transformation**. Company size is not a factor in responses to either of the statements. 20% of Board members surveyed either strongly disagreed (1%) or somewhat disagreed (19%) with the statement that the Board of Directors **take cultural aspects into consideration when implementing strategic initiatives**. Here the proportion of disagreement is higher among SMEs than at large companies.

Influencing and shaping corporate culture

The Board members were asked about the various ways that they could influence corporate culture. Two-thirds (67%) of respondents cited **living the values ('tone at the top')** as one of the two most important opportunities while 64% felt that **appointing and dismissing members of senior management** was the best way to influence corporate culture (see Chart 7). The proportion that rate both statements as important was higher in large companies than SMEs.

Slightly more than one-third of respondents think that the following opportunities to influence corporate culture are important for the Board of Directors: **Defining a framework of values and a code of conduct** (40%), **determining company organisation and structure** (38%) and **involving a cultural dimension in strategy implementation** (36%). The proportion of Board members who think that determining the company organisation and structure is important is higher in SMEs. In terms of percentages more Board members in large companies think that defining a framework of values and a code of conduct and involving a cultural dimension in strategy implementation are important for influencing corporate culture.

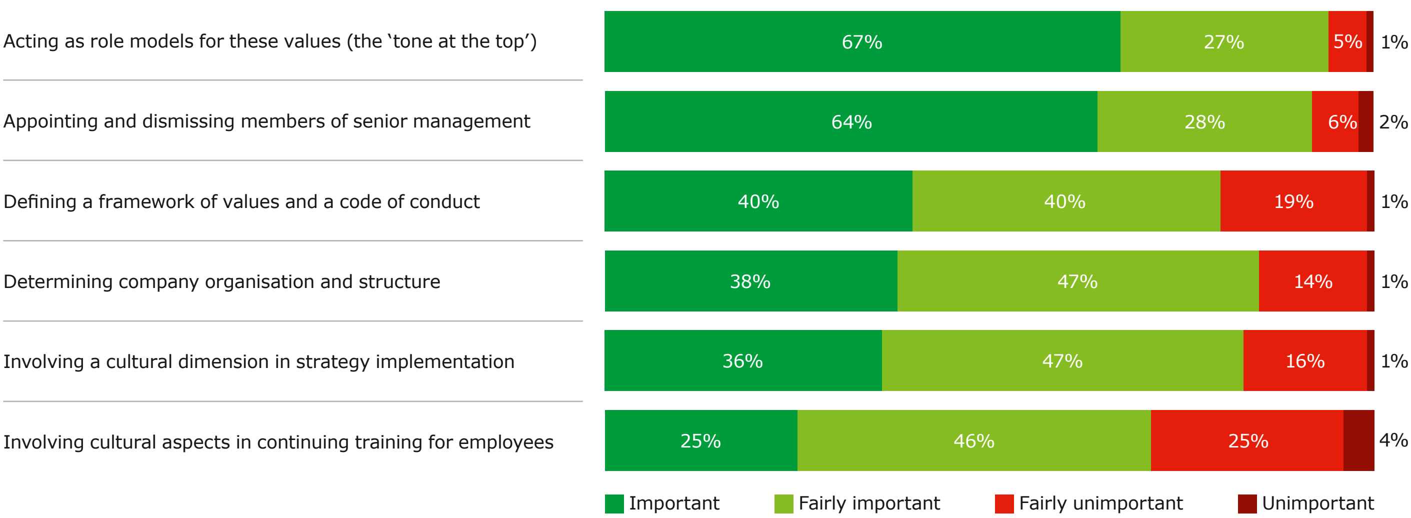
Only a quarter (25%) of respondents think that **involving cultural aspects in continuing training for employees** provides an important opportunity to influence corporate culture. Board members see their role more in living the values rather than teaching or lecturing about corporate culture.

In addition, Board members were asked about different possibilities to shape corporate culture. 92% of respondents either strongly agree (42%) or somewhat agree (50%) that the **Board of Directors and senior management are role models for the company's corporate culture** (see Chart 8). The 'tone at the top', that is, exemplary behaviour and communication from senior management, plays an important role for a large majority of respondents in shaping corporate culture. A large majority (88%) of respondents either strongly agree (43%) or somewhat agree (45%) that the **CEO and senior management play a major part in shaping corporate culture**. However, there is also some skepticism regarding both statements, as the proportion of those who somewhat agree is higher than the proportion of those who strongly agree.

The range of contrasting views of Board members is illustrated by further statements on shaping corporate culture: Only 31% of respondents strongly agree that **shaping corporate culture is an iterative process** between the Board

Chart 7. Influencing corporate culture

Question: How important are the following activities in enabling the Board of Directors to influence corporate culture?



of Directors and senior management while only 23% strongly agree with the statement that **frameworks of values and codes of conduct adopted by the Board of Directors** help to embed corporate culture.

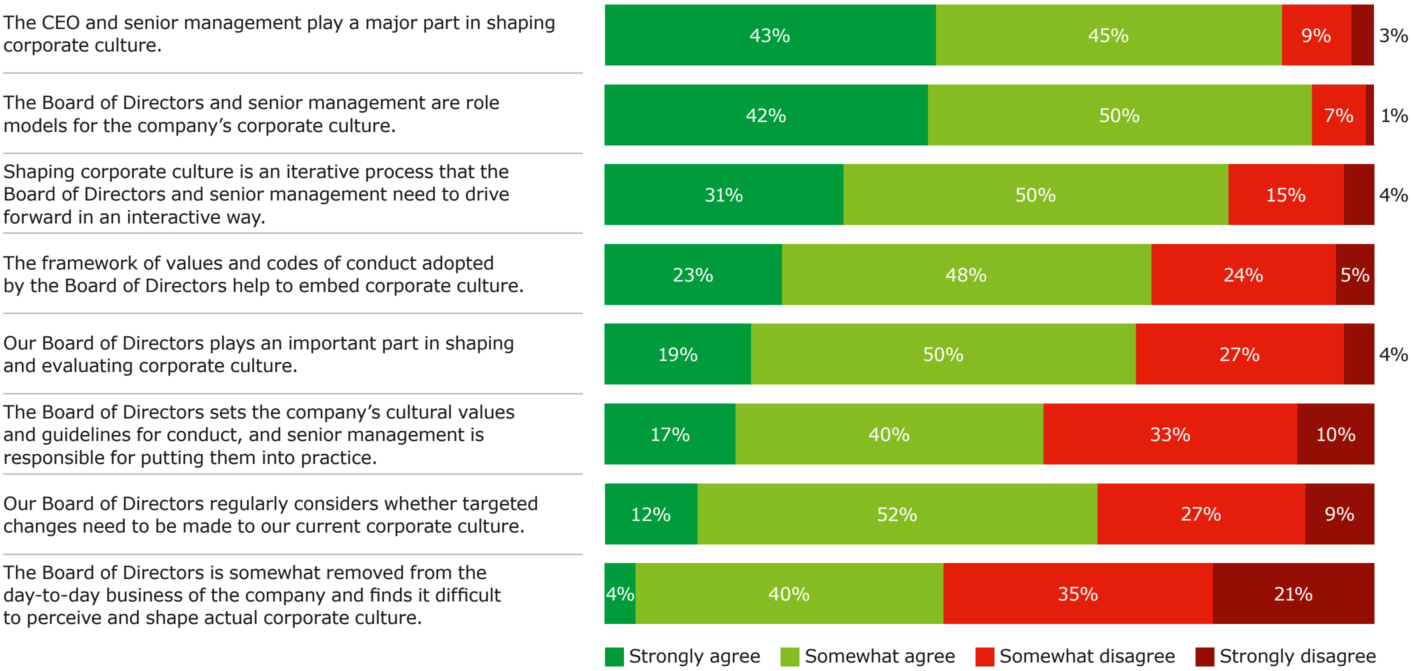
Moreover, only 19% of respondents strongly agree with the statement that the **Board of Directors plays an important part in shaping and evaluating corporate culture**, while 27% somewhat disagree and 4% strongly disagree. There was even less agreement with the statement that the Board of Directors regularly **considers whether targeted changes need to be made to the current corporate culture**: Only 12% of respondents strongly agree with this statement, while 36% disagree either somewhat (27%) or strongly (9%).

Not confirmed by a majority of respondents is the statement that the **Board of Directors is somewhat removed from the day-to-day business of the company and finds it difficult to perceive and shape the actual corporate culture**: 56% of respondents either somewhat disagree (35%) or strongly disagree (21%) with this statement. More than half of the Board members surveyed feel that they can evaluate and shape corporate culture. Interestingly, the size of the company does not really matter here: the proportion of respondents who think that the Board of Directors is somewhat removed from the day-to-day business to perceive and shape actual corporate culture is about the same at large companies and SMEs.

The views of respondents regarding the statement that the **Board of Directors sets the cultural values and guidelines for conduct, and that senior management is responsible for implementation** are more difficult to interpret. 57% of respondents agree with this statement (17% strongly and 40% somewhat), but 43% disagree (33% somewhat and 10% strongly). Clearly, the Board members surveyed feel that they also have some responsibility for implementing corporate culture and that they could not simply delegate this to senior management.

Chart 8. Shaping corporate culture

Question: To what extent do you agree with the following statements on corporate culture and the role the Board of Directors plays in shaping it?



Gauging and evaluating corporate culture

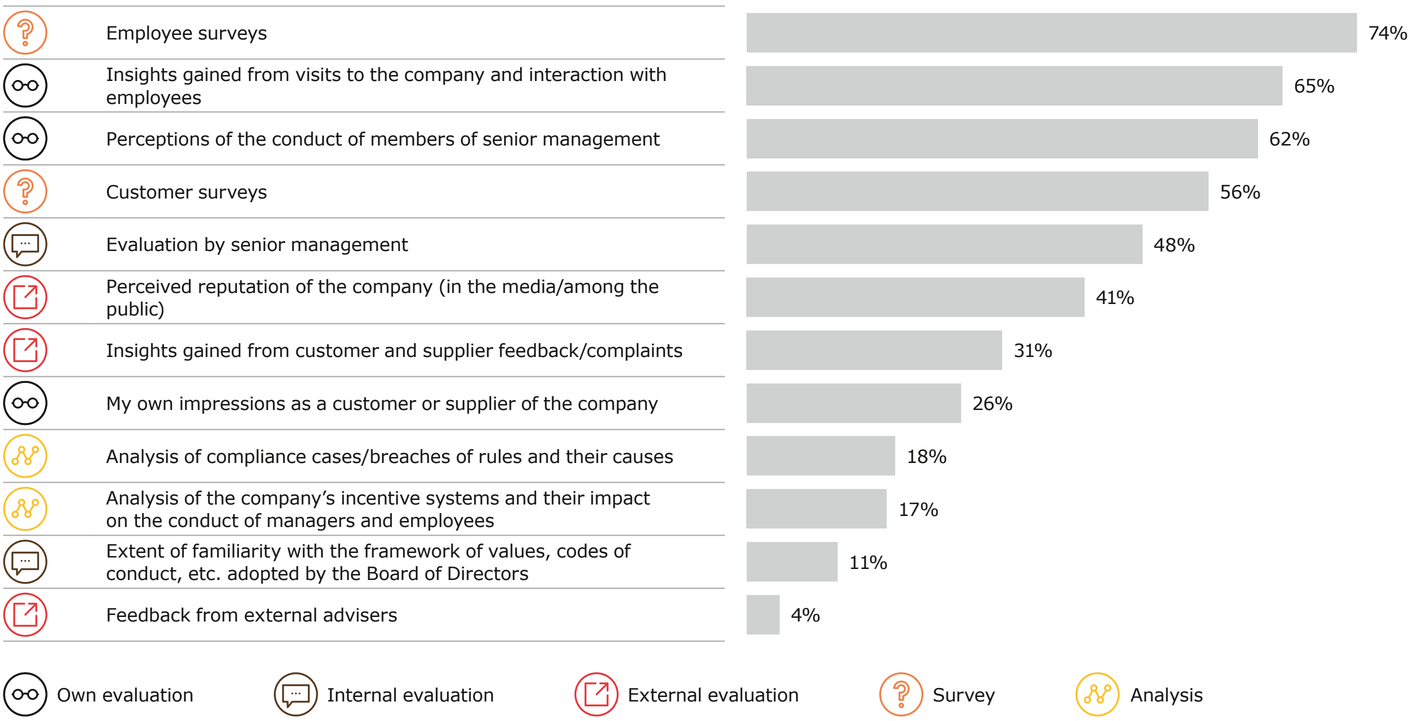
Among the five most important ways to gauge and evaluate corporate culture, the Board members surveyed cite **employee surveys** (74% of respondents), **insights gained from corporate visits and interactions with employees** (65%), **perceptions of the conduct of members of senior management** (62%) and **customer surveys** (56%) (see Chart 9). While Insights gained from corporate visits and employee interactions are important for all companies regardless of size, Board members of large companies tend to favour the other three ways to gauge and evaluate corporate culture more than SMEs.

Overall, knowledge gained from classic employee and customer surveys , as well as trusting their own personal evaluation, are clearly preferred. However, between a quarter and a half of respondents cited other internal and external evaluation methods to measure corporate culture, namely **evaluation by senior management** (48% of respondents), the **perceived reputation of the company** in the media and by the public (41%), **insights gained from customer and supplier feedback/complaints** (31%) as well as their **own impressions as a customer or supplier** of the company (26%). While Board members of SMEs have more trust in the evaluation by senior management and insights from customers and suppliers, Board members of large companies focus more on the reputation their company has among the public and the media.

Only a small minority of Board members included in the five most important ways to gauge and evaluate their corporate culture the **analysis of compliance cases/breaches of rules and their causes** (18% of respondents) and analysis of the **company's incentive systems and their impact on the conduct** of managers and employees (17%). Even fewer cited the **extent of familiarity with the framework of values and codes of conduct** (11%) and **feedback from external advisers** (4%).

Chart 9. Gauging and evaluating corporate culture

Question: In your view, which are the five most important ways in which the Board can gauge and evaluate corporate culture?



Interviews

Corporate culture and sustainability

Barbara Kux, Vice Chairman of Firmenich and member of the Supervisory Board of Henkel

"In a disruptive environment, corporate culture helps to secure success in a sustainable way. Corporate culture enables better communication, less control and more motivation."

Barbara Kux is vice chairman of Firmenich, member of the supervisory board of Henkel and member of the board of directors of Pargesa Holding. Her professional career led her from McKinsey, ABB and Nestlé to the group management committee of Royal Philips. From 2008 to 2013, she was a member of the managing board of Siemens, responsible for sustainability and supply chain management. Barbara Kux is a member of the board of trustees of the Max Schmidheiny Foundation at the University of St. Gallen and a main lecturer for sustainability at that university. She is a member of the advisory council of INSEAD, where she was named director in residence for corporate governance in 2017. In 2016, she was appointed to the high level Panel on Decarbonisation Pathways that provides strategic advice to the EU on research and innovation.

swissVR: What are the most important challenges for companies today?

Barbara Kux: We live in exciting times with great opportunities and risks. The growth of the middle class in emerging countries offers substantial market potentials. At the same time, the increasing use of disruptive technologies offers unprecedented opportunities to meet this demand – including additive manufacturing (3D printing), new materials or the connectivity and the internet of things. The strong effect of these technological advances is shown, for example, in the expectation that the European market for artificial intelligence is expected to more than triple to EUR 10 billion by 2022. However, these enormous opportunities are increasingly accompanied by risks such as the restriction of free trade through trade disputes or bigger geopolitical conflicts and instability. Growth is weakening in many markets. The beneficial new technologies have such a disruptive effect on the economy, companies and society that many people are starting to feel insecure. These unsettling developments contribute to a loss of trust in the elites in politics and business, including Boards of Directors. They challenge prevailing business models and put companies under increasing pressure. In this volatile environment business leaders focus on a few strategic success factors which are:

- foster understanding of this new world within the company, present opportunities and risks, and develop master plans together with employees
- promote risk taking, adopt trial and error
- organise the company as a network rather than in hierarchical structures, so that it can react more quickly and flexibly to change, and work in a better and more cost-efficient way ("agile organisation")
- focus on a few attractive growth areas
- define and communicate a higher corporate goal and a simple, comprehensible vision.

Corporate culture is absolutely essential. In a disruptive environment it secures the company's success in a sustainable way.

swissVR: What are the most important challenges facing the Board of Directors?

Barbara Kux: Governance and compliance questions are and remain important. However, the Board of Directors should increasingly focus on the new business environment and strategy. Have geopolitical factors been considered and scenarios incorporated, while examining potential markets? Does strategy consider new technologies and customer needs? Are there any specific plans to use new technologies as market opportunities within the company? Is talent management geared towards this new situation? The key question is increasingly whether corporate culture fits the vision and strategy.

swissVR: How important is corporate culture in this environment?

Barbara Kux: Peter Drucker is said to have claimed that "Culture eats strategy for breakfast". In light of this disruptive environment, the most important task of management leaders today is to shape corporate culture in order to ensure sustainable success. Culture replaces hierarchical structures as the philosophical heartbeat, bonding the organisation. This enables better communication, less control and more motivation. Value patterns affect all areas of management: decision-making, leadership and relationships with colleagues. The board of directors and executive management shape the culture, the interplay of values, norms, mindset and paradigms with the clear objective that all employees should adhere to them. The importance of a strong corporate culture today is confirmed by surveys from Germany: About 30% of a company's success can be attributed to culture. My strategy students at the University of St. Gallen and I were asked by a large German automotive group to cooperate with its employees to propose a corporate purpose to match its new strategy. Corporate purpose is not static, rather it should dynamically adjust to new circumstances.

swissVR: And how important is sustainability?

Barbara Kux: We as a society lack respect for the environment. Today we use the natural resources of 1.6 planets. We use the resources of our children, grandchildren and great grandchildren. At the same time, sustainability offers enormous business opportunities. The market potential of green technology is more than EUR 3 trillion. In addition, employees place greatest value on sustainability. It is on the top of the list of priorities for millennials, the workers of the future. 45% want a job with a positive effect on society and the environment. 60% want to work in a company that is commited to a good cause beyond just making money and profits. They don't want to join a company for a nice title or an important position, but because they want to promote a good cause. In addition to governance and compliance, the board of directors needs to ensure that the company fulfils this critical success factor in a sustainable way.

Corporate culture in large companies

Michel M. Liès, Chairman of the Board of Zurich Insurance Group

"The Board of Directors' role is to challenge and support the executive team to ensure that the culture they are nurturing reflects the company's purpose and strategy."

Michel M. Liès has 40 years' experience in global insurance and reinsurance, life

insurance, and property and casualty insurance. He has held a number of positions in the insurance industry in Europe and Latin America, including Group Chief Executive Officer of Swiss Re. From 2011 to 2012 Michel M. Liès served as Swiss Re's Chairman of Global Partnerships, which works with governments, international development bodies and non-governmental organisations (NGOs) to mitigate and address global risks and increase resilience. He was appointed Swiss Re's Group CEO in February 2012 and served in that role until his retirement from Swiss Re in 2016. He has been Chairman of the Board of Zurich Insurance Group Ltd and Zürich Insurance Company Ltd since April 2018.

swissVR: How do you see the roles distributed between the Board of Directors and executive management in shaping and living corporate culture?

Michel M. Liès: Corporate culture is a tricky thing in that it can be interpreted differently by different people. Ultimately, though, it's more about the multitude of decisions taken – sometimes subconsciously – by the individuals to shape a company and its culture. For this reason, the Board of Directors needs to be sensitive to the fact that the executive management has primary responsibility for establishing a culture and setting a clear example. The Board of Directors' role is then to challenge and support the executive team to ensure that the culture they are nurturing reflects the company's purpose and strategy. In this regard, the experience and expertise of the Board of Directors are crucial to the exercise of this function.

swissVR: Is corporate culture adjusted when strategies are changed and if so, how?

Michel M. Liès: Clearly, different strategies demand different cultures. Let's take the insurance industry as an example. Through interconnectivity, mobility and big data the 300-year-old business model will change radically. Rather than waiting for someone to suffer a loss and compensate them, we will provide services, knowledge and capabilities to keep the harm from happening. Zurich Insurance began adjusting its strategy accordingly at an early stage. We are now institutionalising a focus on customer needs, innovation and simplification of processes that is driving a culture much more aligned with the mindset, decision-making and entrepreneurial spirit that these changes present.

swissVR: What measures have you adopted so that your Board of Directors is as close as possible to the corporate culture and can experience it?

Michel M. Liès: The topic of corporate culture is particularly important to me, as our success depends upon the motivation of our employees. To ensure that the Board of Directors is close to the topic of corporate culture, Zurich has established a Governance, Nominations & Sustainability Committee at Board level. This committee is chaired by myself and deals extensively with the topic of corporate culture among other things. In addition, the Board of Directors holds regular workshops with the executive management to discuss issues such as corporate culture. Together we foster a work environment that encourages open and honest communication in order to gain insights from our employees.

swissVR: How can the Board of Directors best perceive and analyse corporate culture and the associated opportunities and risks in the age of digitalisation?

Michel M. Liès: Diversity is central here. It includes areas such as gender, age, ethnic origin and sexual orientation. By diversity we also mean a variety of personalities, ways of thinking, skills and training. A differentiated understanding of new technologies at all levels is needed to ensure that we can seize the opportunities associated with digitalisation, identify risks at an early stage and minimise their impact.

swissVR: How can the Board of Directors ensure that corporate culture, values and behaviour are consistent with shareholders' expectations?

Michel M. Liès: Expectations of effective corporate management and how to measure success have evolved in recent years. The importance of long-term, sustainable behaviour has increased significantly. In order to understand and meet expectations, the Board of Directors must ensure an ongoing dialogue with strategic investors. Such an exchange ensures good relationships that are an important component for long-term thinking and corporate success.

Corporate culture in family companies

Dr. Maja Baumann, member of the Board of Vontobel Holding AG

"Family companies have the advantage that the main shareholders have grown up with the company's values and can genuinely act as role models."

Dr. Maja Baumann is an attorney who focuses on the areas of M&A, corporate and real estate law. She has been a member of the Board of Vontobel Holding AG since 2016. Vontobel is a listed family company in which the successors of the founder Jakob Vontobel and the charitable Vontobel Foundation hold a majority of shares. As a member of the fourth generation of the Vontobel family, Maja Baumann is also active in shareholder committees. In addition, she is a member of the Board of Swisspearl Holding AG and member of the Foundation Board of the Zurich Zoo Foundation.

swissVR: To what degree does corporate culture in family companies differ from corporate culture in non-family companies?

Dr. Maja Baumann: At family companies the preservation of independence and a long-term strategy to secure the company precede the goals of increasing the market value of the company in the short term or achieving the largest dividends possible. Family shareholders are also willing to support bigger investments whose effects may take years to unfold. With regard to corporate culture, family companies also have the advantage that the main shareholders have grown up with the company's values and can genuinely act as role models when they later assume responsibility – sometimes over a long period of time and in various positions.

swissVR: Why is corporate culture important for the success of a family company?

Dr. Maja Baumann: Culture is important for every company. In a family company, however, not only must the employees, executive managers and Board of Directors stand for the same values, the shareholders must as well. Family shareholders are not, as a rule, those who come and go. Rather they are connected as owners to the company for their entire lives. It is therefore important that the family shareholders stand behind the company and what it does, and that they act as ambassadors of the corporate values and culture within as well as outside of the company.

swissVR: How much do the values of the founding family affect the culture of the company?

Dr. Maja Baumann: When two representatives of the fourth generation of the family were newly elected to the Board of Vontobel in 2016, we examined the "Corporate Essence" of the company extensively. We surveyed employees at all levels in all three business areas and at various locations to determine what Vontobel actually stands for. The survey showed that the value base is the same across the whole company. So far employees have simply lived those values, but expressed them in different ways. Together, we have summarised this "Vontobel DNA" into three values: Ownership, Foresight and Tenacity. This means that we take responsibility for what we do, we think long term and look ahead, and we remain on our course and do not allow ourselves to be distracted by short-term trends. These values have been genuinely lived by the founding family and in the family company for many years. Who was affecting whom is hard to say. At the beginning, it was the family. Now it's an interplay.

swissVR: Have generational changes of family members active on the Board of Directors and in executive management resulted in cultural change?

Dr. Maja Baumann: The values which I have described earlier are timeless and have also been lived by my great-grandfather and grandfather, although not perhaps expressed in the same way. My grandfather expressed "Tenacity" as "quand meme". The appearance of these values changes naturally over time. For my grandfather, being close to employees meant sitting on a green sofa and talking to them. I enjoy chatting to employees in the Vontobel cafeteria where I get my coffee. Or, I answer questions of young employees in our Junior Council. Management styles change over time. In the fourth generation, we maintain a participatory style and develop decisions together.

swissVR: To what degree are familial cultures in family companies an advantage or a disadvantages for the activities of an independent Board of Directors?

Dr. Maja Baumann: Family shareholders who truly focus on the best interests of the company know that independent Board members contribute a great deal of added value. The family itself cannot bring together all the knowledge necessary and does not have an independent view of the outside world. It is therefore very important to have external Board members and executive managers to incorporate these viewpoints. It is also important that everybody follows the rules of good corporate governance in their roles. No parallel structures to the corporate committees should be developed. The shareholder committees of the family should have influence in areas where general meeting competencies are required. The family representatives on the Board of Directors must be just normal members, without any special positions. Having family shareholders has the added advantage that the Board of Directors and executive management don't need to scrutinise the entire strategy if there is a bad quarter. The culture of long-term thinking, assuming and transferring responsibility, and maintaining course despite short-term trends is also a great advantage for independent Board members and allows much more meaningful and sustainable work.

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