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Geopolitics posing challenges for Swiss companies

Whether political and military crises, trade disputes, resource conflicts or climate change: geopolitical developments are having a key impact on the business activities of most Swiss companies, as shown by the [swissVR Monitor II/2022](#). Yet only few boards of directors take comprehensive measures to identify the risks and develop scenarios. In view of the current global situation, there would appear to be a definite need to act: the majority of the 420 board members surveyed assess the geopolitical risk for their company as high or very high over the next 12 months. In addition, a third expect the Swiss economy to contract.

The geopolitical situation has changed dramatically in recent weeks and months. The effects of the war in Ukraine have been felt worldwide, the rivalry between China and the US has intensified, and Switzerland's role in Europe remains unclear. The restrictive COVID measures in some regions of Asia, as well as high inflation worldwide, have also turned attention towards geopolitical risks.

The latest swissVR Monitor shows that, although Swiss boards of directors address the topic of geopolitical risks, few take measures to identify, assess or tackle them. The survey by the swissVR association of board members, the consulting organisation Deloitte, and Lucerne University of Applied Sciences and Arts gauges the attitudes and opinions of Swiss board members every six months. The focus topic of Issue II/2022 was geopolitical developments.

Boards of directors are expecting geopolitical risk to be high in the next 12 months

Due to Switzerland's strong export focus and the associated dependence on international markets, geopolitical developments are very relevant for the Swiss economy. This is even more true in light of the current uncertainty: 59% of the board members surveyed assess the geopolitical risk for their own company as high or even very high over the next 12 months (see chart). At the same time, the economic outlook is becoming gloomier. Around a third of the 420 board members surveyed expect the economy to contract in the coming year.

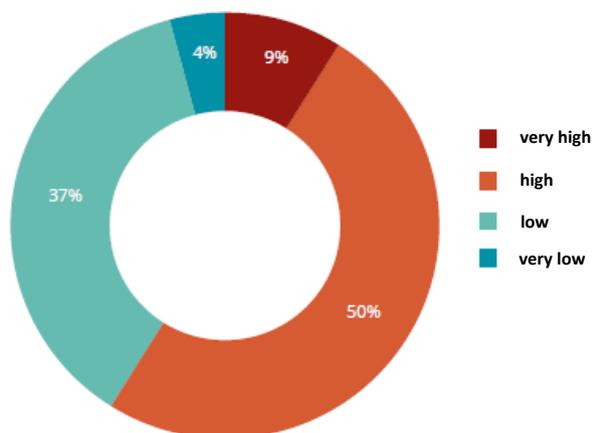


Chart: Impact – how do you assess the geopolitical risk for your own company over the next 12 months?

The vast majority (93%) said their board of directors generally takes measures in relation to geopolitical risks. Over two-thirds of the boards of directors (69%) regularly discuss geopolitical developments, and more than a third carry out scenario analyses (39%) or adapt their strategies (35%). The fact that each board of directors only takes two measures on average shows that many are alert and keep an eye on geopolitical risks, but they do not overreact in view of the prevailing uncertainty or they leave it to the management to plan measures.

“Times are changing – not just in politics, but in business as well. The new geopolitical realities are calling for a rethink in the boardrooms of many Swiss companies. It is therefore essential that politics is considered as a new, key dimension in strategic decisions,” says Reto Savoia, CEO of Deloitte Switzerland.

Geopolitical developments present both challenges and opportunities

The current geopolitical developments are posing challenges for almost all companies (98%). The most commonly cited ones are the availability and cost of raw materials and energy (50%) and supply chain disruptions (48%). In contrast, three-quarters of the board members surveyed (77%) believe that geopolitical developments also present opportunities, the main ones being product and service innovations (34%) and increased cost and process efficiency (30%).

The growing challenges on the global markets call for greater efforts to be made in relation to geopolitical risks. However, Christoph Lengwiler, lecturer at Lucerne University of Applied Sciences and Arts, warns against overreacting: "In crisis situations, there is a danger that the board of directors will get drawn into operational hyperactivity. However, retaining strategic control should always be the main priority. The board of directors must consider different scenarios, evaluate possible actions and provide impetus. Specific measures should then be introduced by management."

Half of companies affected directly by the Ukraine war

Despite regularly discussing geopolitical developments, seven out of ten board members (71%) were surprised by the outbreak of war in Ukraine and its widespread economic consequences. Only around a fifth of the board members surveyed (19%) said that geopolitical risks in Eastern Europe and in connection with Russia had been addressed in risk assessments on their own board of directors in recent years. According to the survey, around half of companies (48%) have been directly affected by this year's attack on Ukraine by Russia.

The war in Ukraine forced numerous companies to adopt a position in relation to it. This is likely to become even more necessary in future: "Companies will feel greater pressure to clarify their position. Making a decision for or against a market requires detailed analysis and strategic decisions by the board of directors," believes Cornelia Ritz Bossicard, President of swissVR.

[About the swissVR Monitor](#)

The swissVR Monitor surveys board members at Swiss companies on their outlook for the country's economy and their own sector and business activities. It also gauges their opinions on corporate governance issues and on current topics that are relevant to boards of directors. First published in 2017, the swissVR Monitor explores a different focus topic in each edition. The 12th edition is all about geopolitical developments. The latest survey was conducted between 7 June and 3 July 2022. The 420 respondents represented board members from listed companies and from small to medium-sized enterprises (SMEs) across all relevant sectors of the Swiss economy.

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swissVR

swissVR is an association for board members in Switzerland, by board members for board members – attractive – independent – focused. With its offering it contributes to the professionalisation of boards of directors in Switzerland. The association has over 1'000 members who hold board membership mandates in various industries and regions as well as in SMEs and listed enterprises. swissVR promotes the exchange of experience among board members and – in collaboration with educational partners – offers its members a range of information and further training programmes that are tailored specifically to their needs. www.swissvr.ch

Lucerne University of Applied Sciences and Arts - the University of Applied Sciences of Central Switzerland

The Lucerne University of Applied Sciences and Arts is the university of applied sciences for the six central Swiss cantons. With around 7,000 students in vocational training and 4,700 in further education, almost 500 current research projects and around 1,900 employees, it is the largest educational institution in the heart of Switzerland. The Institute for Financial Services Zug IFZ of the Lucerne School of Business focuses on governance, risk and compliance, in which it also offers further training for board members. www.hslu.ch/ifz

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