

Executive summary



1

Company prospects

Manufacturing CFOs are much more positive about their company's financial prospects than CFOs in other sectors, as well as compared to the previous quarter.

Economic outlook

CFOs' expectations for economic growth in Switzerland have further improved, and the confidence of manufacturing CFOs is much higher than CFOs in other sectors.



2

Growth prospects

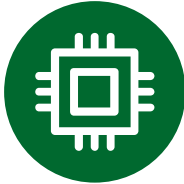
Revenue expectations of manufacturing CFOs have increased markedly, with expectations for operating margins and capital expenditure also higher than in the previous quarter.



3

Investment priorities

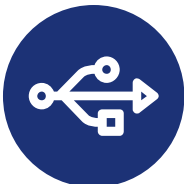
More investments in information technology, digital skills of employees, as well as R&D and innovation are the key priorities for manufacturing CFOs.



4

Digitalisation priorities

Connecting workflow and production processes, greater control of internal processes and better utilisation of digital channels are the main digitalisation priorities of manufacturing CFOs.



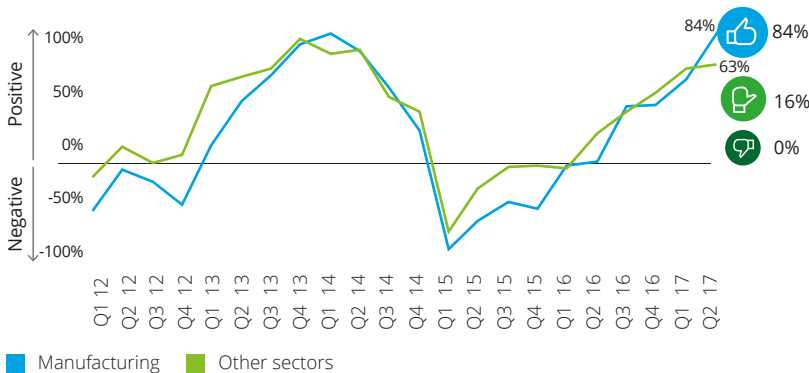
5

1. Economic outlook

CFOs' expectations for economic growth in Switzerland have further improved, and the confidence of manufacturing CFOs is much higher than CFOs in other sectors.

Economic outlook (net balance)

Question: How do you judge the economic outlook for Switzerland over the next 12 months?



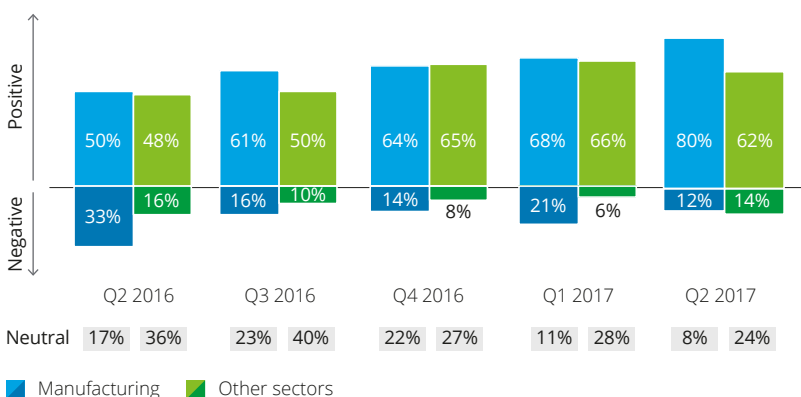
- The expectations of Swiss CFOs about the **economic outlook** have improved even further in Q2 2017.
- The confidence of manufacturing CFOs has improved with the net balance now at 84%, compared to 53% in Q1 2017. The net balance of CFOs in other sectors rose slightly from 60% in the previous quarter to 63%.
- More than four-fifths of manufacturing CFOs (84%) are optimistic (previous quarter 68%), while none are pessimistic, compared to 15% last quarter. The number of manufacturing CFOs that are neutral remained steady (16% in Q2 2017, previous quarter 17%).

2. Company prospects

Manufacturing CFOs are much more positive about their company's financial prospects than CFOs in other sectors, as well as compared to the previous quarter.

Companies' financial prospects

Question: How do you rate your company's financial prospects over the next 12 months?



- Four-fifths of manufacturing CFOs (80%) also view their company's **financial prospects** as positive in Q2 2017, considerably more than in the previous quarter (68%) and more than CFOs in other sectors (62%).
- Only 12% of manufacturing CFOs rate their company's financial prospects as negative, much less than in Q1 2017 (21%). The number of manufacturing CFOs who view them as neither positive nor negative decreased from 11% to 8%.
- The number of CFOs in other sectors that are optimistic decreased slightly (62% in Q2 2017, previous quarter 66%). Slightly more CFOs in other sectors judge their company's financial prospects as negative (14%), compared to 6% the previous quarter.

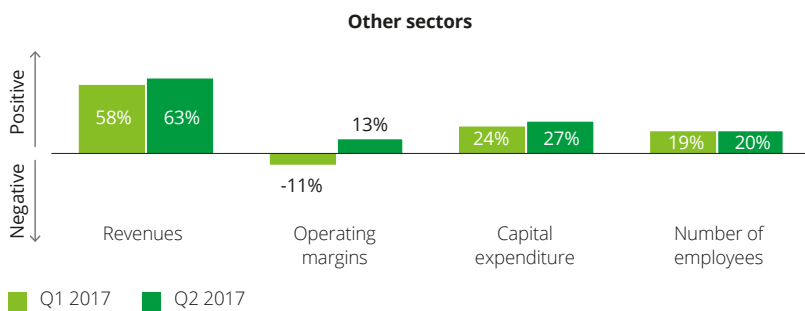
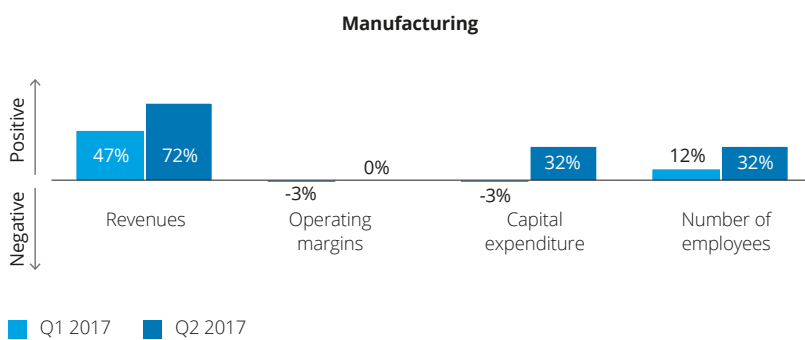
Notes: The net balance is the balance of positive (increase) and negative (decrease) assessments of the respondents.
Source: Deloitte CFO Survey.

3. Growth prospects

Revenue expectations of manufacturing CFOs have increased markedly, with expectations for operating margins and capital expenditure also higher than in the previous quarter.

Key metrics (net balance)

Question: In your view, how are the following key metrics for Swiss corporates likely to change over the next 12 months?



- Revenue** expectations of manufacturing CFOs have increased markedly in Q2 2017 to a net balance of 72% (previous quarter 47%). 84% expect an increase in revenue over the next 12 months and only 12% a decrease. Revenue expectations of CFOs in other sectors have increased from a net balance of 58% to 63%.
- Operating margins** among manufacturing CFOs have increased slightly, with the net balance moving from minus 3% to 0%. 36% of manufacturing CFOs expect margin increases, with the same number (36%) expecting decreases. Margin expectations of CFOs in other sectors increased from the previous quarter, with the net balance now at 13%.
- Capital expenditure** expectations of manufacturing CFOs have increased substantially from a net balance of minus 3% to 32%. 52% of manufacturing CFOs expect increases in capital expenditure, with 20% expecting decreases.
- Number of employees** has increased markedly in manufacturing while remaining about the same in other sectors compared to the previous quarter.

4. Investment priorities

More investments in technology, digital skills of employees, as well as R&D and innovation are the key priorities for manufacturing CFOs.

Investment priorities (Q2 2017)

Question: How have the investment priorities of your company changed over the last few years? (Please choose all that apply)



- The top three investment priorities for Swiss CFOs are information technology, digital skills of employees, and R&D and innovation.
- Far more manufacturing CFOs (92%) have invested in **information technology** in the last few years than CFOs in other sectors (75%).
- Manufacturing CFOs (56%) are also leading CFOs in other sectors (30%) with regard to investment in **R&D and innovation**.
- Investing in the **digital skills training and development** of their workforce is equally important for both manufacturing CFOs and for CFOs in other sectors (56% and 52% respectively).
- Only a small number of Swiss CFOs say that they have invested less in general since the financial crisis because of international uncertainty or that there has been no change in their investment priorities in the last few years.

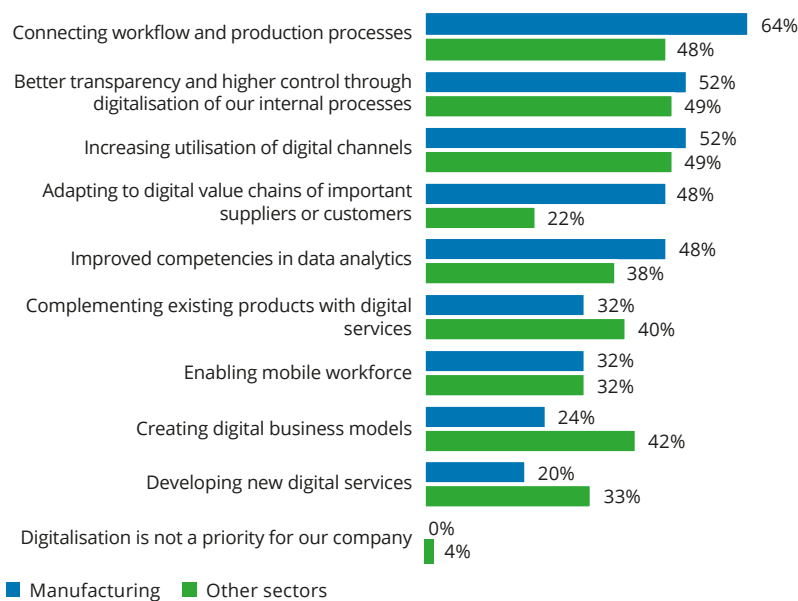
Notes: The net balance is the balance of positive (increase) and negative (decrease) assessments of the respondents.
Source: Deloitte CFO Survey

5. Digitalisation priorities

Connecting workflow and production processes, greater control of internal processes and better utilisation of digital channels are the main digitalisation priorities of manufacturing CFOs.

Digitalisation priorities (Q2 2017)

Question: What are your company's digitalisation priorities? (Please choose all that apply)



- With regard to digitalisation priorities, manufacturing CFOs have a much higher priority for **connecting workflow and production processes** (64%) than CFOs in other sectors (48%).
- **Better transparency and greater control of internal processes** and increasing **utilisation of digital channels** are nearly as important for both manufacturing CFOs (52%) and for CFOs in other sectors (49%).
- Adapting to the **digital value chains of suppliers and customers** (48%) and improved competencies in **data analytics** (also 48%) are more important for manufacturing CFOs than for CFOs in other sectors.
- However, CFOs in other sectors place a greater priority on **complementing existing products with digital services** (40%), creating **digital business models** (42%) and developing **new digital services** (33%).

Notes: The net balance is the balance of positive (increase) and negative (decrease) assessments of the respondents.
Source: Deloitte CFO Survey

Interview with Britta Fuenfstueck

Member of the Executive Committee, Clariant International Ltd

Deloitte: What are your observations regarding how Swiss manufacturers approach innovation as compared to their international peers?

Britta Fuenfstueck: The global competitiveness report 2015/2016 of the World Economic Forum places Switzerland in the number one position. The R&D spend of leading Swiss companies ranks highly among global companies. Moreover, the number of globally renowned innovative firms in Switzerland is very high relative to its population. This means that Swiss manufacturing companies as well as Switzerland as a country have managed to successfully focus on R&D to drive innovation and competitiveness.

Deloitte: Greater investment in technology tops the list of investment priorities for Swiss manufacturers, ahead of the more traditional areas of R&D and innovation. What are your thoughts in this regard?

Britta Fuenfstueck: Increasing spend on IT and digital infrastructure is indispensable. The reason why 'Digital' has become such a buzzword is that both data volume and computing power have grown in leaps and bounds compared to a few years ago. This has resulted in a new field of competitive differentiation on the one hand and significant process and workflow optimisation on the other hand. IT and digital investments will also enable and foster the more 'traditional areas' of innovation and R&D.

Deloitte: Which success factors do you think will be indispensable for Swiss manufacturers to remain globally competitive in the digital age and become smart manufacturing or Industry 4.0 leaders?

Britta Fuenfstueck: There are many factors but I would like to highlight the following four aspects:

The first and most obvious point is technology investments in data connectivity. This serves as a base upon which workflow and process optimisations can be made. This benefits the company by providing increased information quality and depth, predictive maintenance capabilities, yield improvements and improved material flow, among other things.

Second, it is important to consider the changing requirements and behaviours of the end customer. The fact that people are now easily able to search for information, place orders and track deliveries all online and in real-time is also impacting expectations in the B2B environment. Associated with this is the question of how a digitised supply chain can support sales.

Third, organisations that manage to develop a digital culture will be among those who stay in the driver's seat.

Finally, data is of utmost value. Any company's R&D, process and customer data is valuable and may enable completely new business models. Artificial intelligence will make its way into almost all industries and manufacturing fields.

Deloitte: How does Clariant ensure that its organisational structure, corporate culture, people and digital environment are optimised to take full advantage of digitalisation opportunities?

Britta Fuenfstueck: The chemical industry is a rather late adopter of the digital trend. Being a process industry, most of its players emphasise efforts in the production and supply chain. While we at Clariant also develop an operationally-focused digital roadmap, we particularly looked at how we could seek digitally-enabled new business opportunities. Organisationally, we reflect whether a topic is evolutionary or revolutionary. As an example, our production excellence is highly advanced and digital will be yet another lever in a well-established continuous improvement culture, so organisationally there are only minor adaptations. On the business side though, we wanted to stimulate creativity through new ways of working and project-based organisations. We have multi-disciplinary teams working offsite on customer challenges in 'sprints' – a well-known working method adopted from agile software development.

I think we have made a good start into the digital age. We also recognise that we have a never-ending journey ahead of us – one that will require adaptability as the new constant.

Deloitte: While digitalisation, increased connectivity and smart manufacturing offer great new opportunities, they also entail some risks in the form of increased cyber threats and attacks, as can be observed with Industry 4.0. Do you think Swiss manufacturers are well prepared to face these challenges? Are they developing appropriate cyber security measures?

Britta Fuenfstueck: First, I fully agree with the need to focus on this topic. The rising degree and expanding pattern of cyberattacks are concerning. On the positive side, it seems the topic has been high on the radar of Swiss CIOs and boards for a long time. Since criminal creativity in this digital world will not cease, a permanent increase in cybersecurity measures is key to being prepared.

Profile: Britta Fuenfstueck was appointed Member of the Executive Committee of Clariant International Ltd in 2016. Her responsibilities include the Business Areas Natural Resources and Plastics & Coatings. In addition, she is accountable for Group Procurement, Group IT and Digital, Commercial Excellence, and the regions Latin America and North America.

Britta Fuenfstueck began her career in 1998 as a consultant at Boston Consulting Group in Vienna, Austria. Between 2000 and 2009 she held several positions in marketing and sales, strategy, planning and M&A in the Healthcare division of Siemens AG in Germany and in the US. In 2009, she became the CEO of the Molecular Imaging business unit at Siemens in Chicago, Illinois. In 2013 she was appointed CEO of the Clinical Products division at Siemens in Erlangen, Germany. She held overall responsibility for the business of the division and was a Member of the Executive Committee of Siemens Healthcare.

Britta Fuenfstueck was born in 1972 in Linz, Austria. After her education in economics, she studied engineering physics at the Johannes-Kepler-University of Linz, where she completed her MSc studies in 1998.

Key contacts

Konstantin von Radowitz
Head Consumer &
Industrial
Products Switzerland,
Deloitte AG
+41 (0)58 279 64 57
kvonradowitz@deloitte.ch

Markus Koch
Head Strategic
Development
Consumer & Industrial
Products, Deloitte AG
+41 (0)58 279 61 33
markkoch@deloitte.ch

Dr Michael Grampp
Chief Economist & Head of
Research, Deloitte AG
+41 (0)58 279 68 17
mgrampp@deloitte.ch

Dr Philipp Merkofer
Industrial Products
Research, Deloitte AG
+41 (0)58 279 60 46
pmerkofer@deloitte.ch

Deloitte.

This publication has been written in general terms and we recommend that you obtain professional advice before acting or refraining from action on any of the contents of this publication. Deloitte AG accepts no liability for any loss occasioned to any person acting or refraining from action as a result of any material in this publication.

Deloitte AG is an affiliate of Deloitte NWE LLP, a member firm of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"). DTTL and each of its member firms are legally separate and independent entities. DTTL and Deloitte NWE LLP do not provide services to clients. Please see HYPERLINK "<http://www.deloitte.com/ch/about>" to learn more about our global network of member firms.

Deloitte AG is an audit firm recognised and supervised by the Federal Audit Oversight Authority (FAOA) and the Swiss Financial Market Supervisory Authority (FINMA).

© 2017 Deloitte AG. All rights reserved.

Designed and produced by The Creative Studio at Deloitte, Zurich. J12874