

Swiss Manufacturing Industry Strengths, challenges and options for action

Situation

Switzerland has a high degree of industrialisation and a strong manufacturing industry.

The Swiss manufacturing industry can capitalise upon extensive **strengths**:

- ① The manufacturing industry is the actual economic engine of Switzerland;
- ② It possesses a strong export orientation and a global presence; and
- ③ Innovation leadership and high manufacturing quality define its attractiveness.

These strengths together with the **general framework conditions** of Switzerland – which are regularly highlighted as advantageous for the country, by reputable benchmark studies such as the World Economic Forum (WEF) Davos – result in a leading global competitiveness for the Swiss manufacturing industry.

However, the high cost for production and innovation in Switzerland are increasingly placed under pressure by globalisation.

The pressure on the Swiss manufacturing industry was heightened in recent years by the global financial crisis and recession of 2008–2009. It was further exacerbated by the Euro crisis and the accompanying strengthening of the Swiss franc.

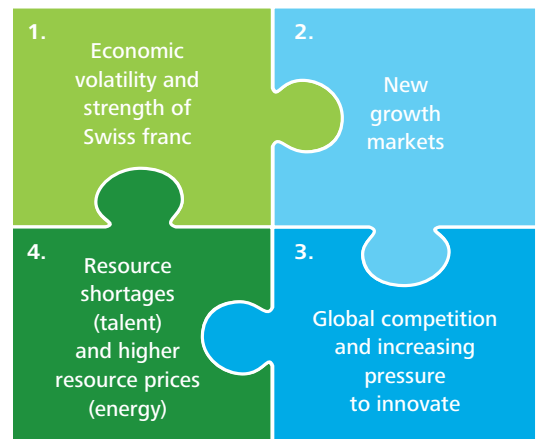
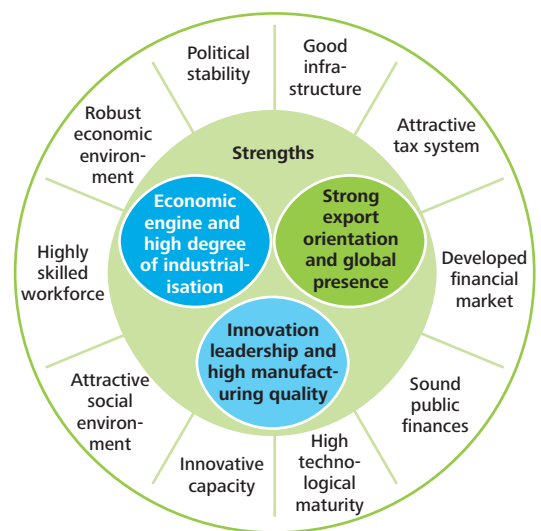
Despite the challenges of the last few years, a de-industrialisation has not taken place.

Current challenges

The following challenges have a strong impact on the Swiss manufacturing industry:

- ① The **economic volatility and strength of the Swiss franc** dominate the current economic climate and need to be navigated successfully.
- ② Strong economic growth has not occurred in established and developed markets in recent years, but rather in **new growth markets** in Asia, South America and Africa.
- ③ Amid greater **global competition, innovation** and new products are increasingly coming into focus as a differentiating factor and competitive advantage.
- ④ Resource shortages and higher resource prices, which are currently most prominent in the areas of **talent and energy**, are additional challenges.

General framework conditions



Key findings from the Swiss manufacturing industry study

Economic volatility and strong Swiss franc

The strength of the Swiss franc and economic volatility had a strong impact on Swiss manufacturing companies.

Practically all respondents (95%) mention the strong Swiss franc as the main reason why the pressure of global competition increased heavily for Switzerland.

Most of the initiated measures to increase productivity and efficiency still focus on obvious areas like cost reduction in back-office processes (planned by 83% of the respondents in the next 12 months), expansion of global procurement (73%) and optimisation of production (68%).

However, the study findings show considerable potential to realise efficiency and productivity gains by reviewing historically grown structures and portfolios.

New growth markets

The issue of where future growth will take place is assuming key importance (i.e. which established markets still harbour growth potential and which new emerging markets promise sustainable growth).

Swiss manufacturing companies recognise that their opportunities lie not only in production locally for the region, but increasingly in local development for the region as well.

Ninety percent of respondents expect an increase of production capacities abroad. Eighty-two percent expect a reduction of the same in Switzerland.

In addition, 55% of the respondents plan an expansion of R&D capacities outside of Switzerland in the future.

Global competition and pressure to innovate

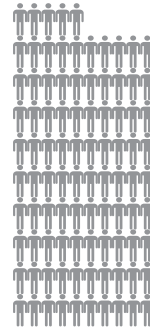
Globalisation has also created a heightened pressure to innovate.

The Swiss manufacturing industry, which still ranks amongst the global innovation leaders, needs to act now.

Other countries and competitors are catching up quickly thereby increasing the competition pressure.

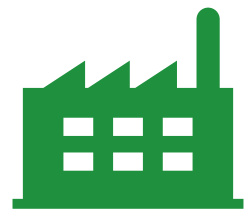
Sixty-five percent of respondents cite localisation (i.e. the adaptation of products to local customer needs), as the favored strategy for emerging markets.

However, new innovations outside of the comfort zone of many Swiss manufacturing companies are more often sought after in new growth markets.



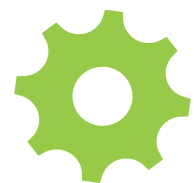
95% High currency pressure

of respondents consider the strong Swiss franc as the main reason for increased global competition pressure



90% Production abroad

of respondents expect an increase of production capacities abroad in the future



50% Improved technologies of competition

of respondents cite the technologically improved products marketed by the competition as a factor to explain why global competitive pressure has increased so strongly for Switzerland

Resource shortages (talent)

Developing new growth markets and investigating untapped innovation potential also requires the right talent.

In Switzerland, the manufacturing industry is currently grappling with a talent shortage.

Talent is poached by other economic sectors; in addition, young people show a diminishing interest in learning a technical profession, according to the respondents.

Globally, the often discussed „War for talent“ is in full swing and Switzerland is competing with other countries that need to solve an even higher skills shortage.



65% Talent shortage

of respondents say that other sectors of the economy such as banks and insurance companies “snap up” talent

Options for action

The analysed challenges currently faced by Swiss manufacturing companies point to four core areas of the Swiss manufacturing industry where there is room for improvement and options for action exist to enhance competitiveness.

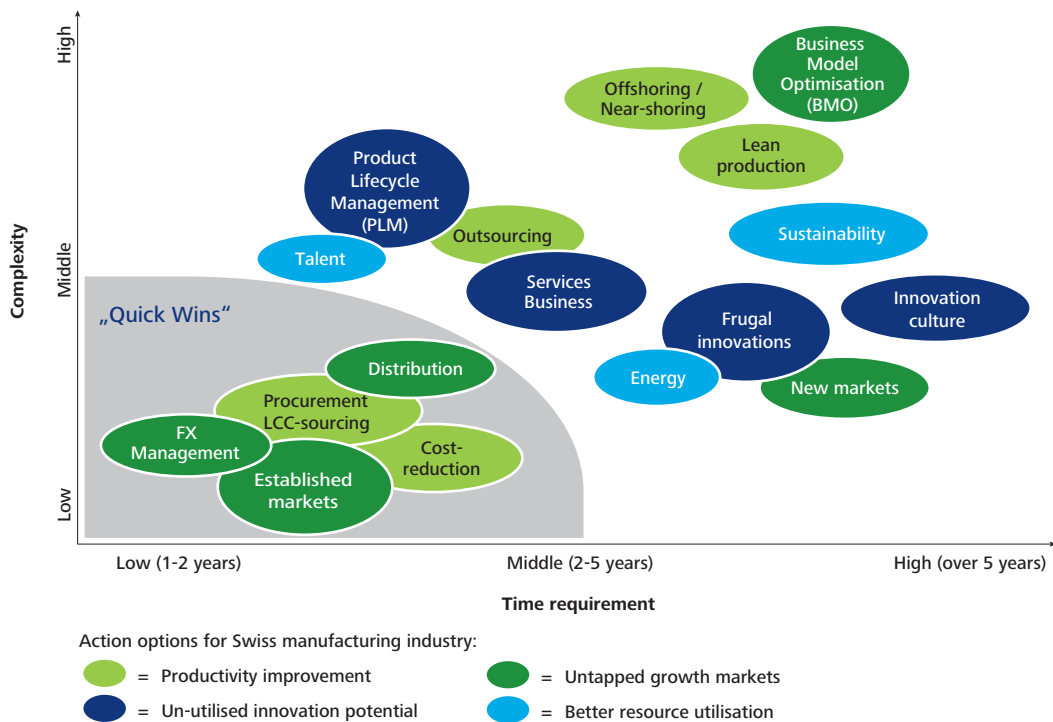


Strategies

With respect to the four options for action identified for the Swiss manufacturing industry, it is possible to define focused measures to enhance the competitiveness of Swiss manufacturing companies.

It is possible to distinguish between measures characterised by a higher degree of complexity on the one hand, and measures that require more time for implementation on the other hand.

“Quick wins” can be achieved by measures that generally exhibit a low degree of complexity and that can be implemented within a year or two.



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