

Is Switzerland ready for business transformation?



Michelle Lock, Martin Naville and Daniel Küng share their views on whether Switzerland has what it takes to remain one of the world's attractive business locations.

ROUNDTABLE DISCUSSION

'The only constant is change,' as the old adage goes. But is Switzerland evolving quickly enough to keep up with the times?

Interviewees

Top

Martin Naville
CEO at Swiss-American Chamber of Commerce

Bottom left

Michelle Lock
Biopharmaceutical Vice President and General Manager – Alpine region, EU – at Bristol Myers Squibb

Bottom right

Daniel Küng
CEO at Switzerland Global Enterprise



Interviewer
André Guedel
Head of Business Development, Tax, KPMG in Switzerland

André Guedel Martin, you once described Switzerland as “Dr. Jekyll and Mr. Hyde” – can you explain?

Martin Naville Well, as you know, Dr. Jekyll is the good guy and Mr. Hyde is the bad guy. It's the same person in persona. On the one hand Switzerland has the highest innovation score, a great foreign employee group and belongs to the most globalized countries in the world. But on the other hand, Switzerland also has the highest protectionism in agriculture, is the furthest behind in liberalization of postal and telecoms services and has a very complicated political system. Bringing these two characteristics together is particularly difficult.

André Guedel Given the economic and political volatility we're currently seeing around the world, is Switzerland still the safe haven for multinational companies?

Daniel Küng Switzerland is certainly one of the most stable economies. For companies who want to relocate, it is still a very good option. Of course it has shortcomings, but all in all I believe we offer an outstandingly predictable and flexible business environment.

André Guedel Michelle, you won an internal competition against other European locations to set up your new digital marketing center in Switzerland – in hindsight, was it worthwhile?

Michelle Lock BMS have just won the “Great place to work awards,” and the best company for Millennials to work in, both of which we are very proud of. Our vision has always been to ensure patients receive the highest standards of treatments, something we have been doing in Switzerland for over 50 years now. Recently we expanded our business capabilities in Switzerland to also include a commercial capability hub which provides support to EU and international countries. This international team is based out of our offices in Cham and provides international support for

an entire commercial infrastructure which includes marketing analytics, market research, digital capabilities and several other activities. Why have we done this? Much because of what Daniel just said: we see a great deal of stability and predictability in Switzerland. The workforce, being both local and international, brings innovation and skills which enable us to connect with and provide resourcing to our international countries with ease.

André Guedel Competitive international tax planning is the single most important advantage to locate key value drivers in Switzerland. As Switzerland has to change its tax law, should we be worried?

Martin Naville Yes, we should be worried because we are changing everything at the same time on multiple levels. We have a big change in front of us with the Corporate Tax Reform III and at the same time with BEPS. If we look 3–5 years into the future, thanks to BEPS we will have a much more level playing field across nations and Switzerland will not have a particular advantage of low taxes. We will have to play our other advantages better. Worry is a good motivator for Switzerland and I am convinced that Switzerland will succeed staying a most competitive place.

André Guedel For many executives of foreign multinational companies in Switzerland the capacity to innovate is not a primary reason for companies to select Switzerland. On the other hand, Switzerland is consistently rated one of the most innovative countries in the world. Do we have a communication problem?

Martin Naville For me, there are two kinds of innovation. One by companies, the other by government. I think Swiss companies are extremely innovative, as are our universities. However, if you come to Switzerland with headquarter functions, I don't think you want a country or government that is too innovative and changing all the time. Stability and planning security is good!

Michelle Lock Going back to our international digital capabilities hub, we brought it into Switzerland because of the successes in innovation. The medical field is not an easy area to move digital innovation into given the clear regulations, but we continue to make progress in Switzerland. Other countries have moved faster in this area.

André Guedel Innovation and a qualified workforce are so closely allied. Is Switzerland losing ground in terms of attractiveness to highly qualified workers?

Michelle Lock I am not sure we had the ground in the beginning. I think the referendums have created some challenges at a corporate level. Many corporations are watching this space carefully as international companies need to retain the flexibility to move people in and out of Switzerland. The referendum did create a degree of instability for a period of time, much like Brexit is doing now.

Martin Naville I think this is another area where we should be worried and need to work very hard. Two and a half years after the vote on mass immigration, we are still nowhere and we have a deadline of 8th February 2017 to implement it. Nobody really knows how to deal with it, because it's a very complex, three-dimensional game of chess with the EU and bilateral treaty partners.

André Guedel Michelle, how important is it for you to be able to hire people from outside of the EU?

Michelle Lock Up until now we have been able to bring in people from outside of Europe. We have a number of US people in our organization, but also from all over the world. If we start having problems with bringing people in from the US, as an American company, that could create significant challenges, particularly with the international capability hubs located in Switzerland. We clearly need the flexibility of international movement, to bring people into Switzerland from around the world.

André Guedel So flexibility is key. And one of Switzerland's main advantages is how flexible its labor laws are. Yet here too, only a few respondents to our survey believe that this will be an asset in the years to come. Is Switzerland becoming the new France in terms of labor regulations?

Daniel Küng No, I don't think it is. We need to look at how other countries are changing too. It's not just Switzerland that is changing and has more regulation. Of course this is the case, but other countries are increasing their regulation far more than us. I don't know of any country that is actively deregulating.

Martin Naville I think the enforcement of the time stamping law is very bad symbolically. I mean how can you do that in 2016?

Michelle Lock You've picked up on an important point. I agree that this time stamping is not good for us. Why? Because Switzerland markets itself on being a very innovative country that moves the needle forward. Time stamping is not perceived as being progressive, but rather old fashioned. Not only in the eyes of companies but in the eyes of individuals working in Switzerland. Symbolically it is not a positive step and is counterintuitive to our modern day practices of allowing for flexible working hours and empowering employees to work remotely.

André Guedel Labor productivity growth in Switzerland is moderate across industries. At the same time, labor costs are high. Is labor productivity or cost the real issue?

Daniel Küng We have a cost problem because foreign companies perform their calculations in their own currency and we have had a very strong valuation of the Swiss franc. Productivity has increased in the last 7–8 years, but it's not been able to keep up with how quickly costs have risen, basically because of the Swiss Francs valuation. In my view, the remedy is to bring down costs. I think we have more leverage if we manage to reduce regulations across business relevant fields, which will reduce the cost of doing business.



THANKS TO BEPS...
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Martin Naville

André Guedel Finally, what's your prediction – will Switzerland still be 'lean and mean' in five years from now?

Michelle Lock Let's not forget how unbelievably successful this country is. For my part, I have total confidence that Switzerland will continue to create a successful business infrastructure. The key success factors are flexibility, business friendly regulations and access to the international labor market.

Daniel Küng It's clear that we have more competition because the world is becoming more and more globalized. But you also have more companies looking for places where they can go. So we are also seeing globalization in the marketing of business locations. It's getting more and more about the detail and you have to become better

in order to prevail. I think we are very well placed for this challenge. If we look two years ahead, we are well positioned and can keep our unique mix of flexibility and stability.

Martin Naville We have had the most flexible business rules and at the same time the most rigid system of changing the rules. Companies knew that the rules would stay the same. Yet, we have started to scratch away at them, implementing some less flexible rules and starting to change existing ones. But I am very confident that in three to five years Switzerland will still be very competitive. It all depends on how change is introduced. It's like our glaciers and crevasses – the gaps may only be a meter wide and straightforward to jump over, but if you miss your step it's a very long fall indeed.