

C-Suite Challenge™ 2019

The Future-Ready Organization

How C-Suite Executives in Switzerland Are Transforming for the Future—
Opportunities and Challenges Ahead

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Trade Tensions Challenge the Status Quo

Companies are evolving all the time: they grow; split off into smaller parts; acquire and divest; innovate products, processes, and services; adopt new technologies; and engage differently with their customers and employees. And so it has been for centuries. But today, companies as we have known them are grappling with fundamental paradigm shifts. Regardless of past success, disruptive forces are rendering company and industry-wide structures obsolete, profoundly altering the way we work and how companies create value. The shattering of long-held business truths requires the reengineering of business models and processes, as well as rethinking interactions with customers, employees, and other stakeholders.

These changes are materializing in a peculiar moment of the economic cycle. Global growth reached 3.2 percent in 2018. However, The Conference Board Global Economic Outlook 2019 estimates global growth has peaked and will begin declining, dipping to 2.9 percent by the end of the next decade. Moreover, policy volatility is higher than usual in Europe, with the stall on the departure of the UK from the EU and the trade tension. Not surprisingly, this edition of our survey finds threats to global trade systems as the top external concern for C-Suite Executives is Switzerland, a headache for 45 percent of respondents. The fear of an upcoming recession is much less of a concern for Swiss C-Suite Executives compared to their global peers, while for the Swiss C-Suite the volatility of their currency remains a major issue.

Moving toward the Future-Ready Organization

When senior executives paint the picture of what the organization of the future looks like, what emerges from the global responses to this year's survey is an archetype of a company that is fully committed to sustainability as a growth driver, puts the customer at the center, reshapes the way we work, and achieves the elusive balance between short-term goals and long-term vision. Reaching this ideal requires a comprehensive, holistic approach. In this year's C-Suite Challenge™ survey, CEOs and C-suite executives outline their concerns about what lies ahead and their vision for how organizations will thrive in 2025 and beyond.

- **The confidence C-Suite Executives express that their current cultures will be successful in 2025 should raise questions** Many organizations struggle on their journeys toward achieving digital transformation—with organizational culture being a critical obstacle. C-Suite Executives may be underestimating the heavy lift and myriad changes true transformation requires. C-Suite Executives in Switzerland are not immune from this apparent over confidence.
- **In a slowing global economy, ROI from digital transformation is a burning platform** Organizations need to move quickly from the installation phase of experimenting with digital platforms to the deployment phase of creative destruction that results in the rapid adoption of products and services that translate into bottom-line results.

- **Balancing long-term vision and short-term performance** The danger in a slowing economy is succumbing to the temptation to skimp on both time and resource investment in the digital future to boost short-term results, jeopardizing future competitiveness. C-Suite Executives globally and in Switzerland see getting this balance right as the most critical hallmark of future operational success.
- **Customers place a higher value on the experience of using a product than on the product itself, and C-Suite Executives see enhancing “the experience” as the way to future success** “Servitization”—offering service support in addition to or instead of products—is in; product-centricity is out. Digital ethics become a competitive advantage.
- **C-Suite Executives see lack of skilled talent as one of the few obstacles to innovation that will get worse, not better, by 2025** Future talent issues will be further complicated as work is redefined and companies must acquire or develop workforce skills that may not be at the core of present operations. For C-Suite Executives in Switzerland talent shortages become even a much more significant barrier in 2025 than it is already today.
- **Developing the next generation of leaders is critical to future success. But is there enough emphasis on developing digital skills?** Investments C-Suite Executives will make to get future leaders ready include improving the quality of formal training and offering more cross-functional rotational opportunities—sweet spots for millennials. But they may be missing a critical piece of the developmental puzzle—exposing leaders to digital experiences. On investment in future leaders, Swiss-based and C-Suite Executives globally are well aligned.
- **More regulation is coming, but is it an obstacle or an opportunity?** C-Suite Executives globally anticipate increased regulation of data privacy, environmental impact, social media, food safety, autonomous vehicles, and drone technology. In Switzerland, C-Suite Executives expect more regulation especially on healthcare, environmental impact and data privacy. For some firms, regulation means additional costs. For others, it provides an opportunity to take advantage of the evolving regulatory playing field with new products and services.
- **C-Suite Executives’ holistic view of the sustainable enterprise of the future centers on talent and value creation** C-Suite Executives believe successful companies of the future will see sustainability as a value driver for growth and a tool for talent retention and engagement. C-Suite Executives in Switzerland are particularly ambitious on the issue of sustainability.

Are C-Suite Executives in Switzerland different?

While C-Suite Executives in Switzerland are aligned with their peers around the globe on many issues, there are four major differences in the responses that grabbed our attention. The first is on the External Hot Topics— short-term events, issues, and situations that C-Suite Executives and C-suite executives believe will require a special focus in the coming year. While globally and also in European average, recession risk ranks among the top-3 issues, it only ranks number 7 in the list of concerns of C-Suite Executives in Switzerland. Threats to the global trading system, new competitors and cybersecurity is what keeps C-Suite Executives in Switzerland awake at night.

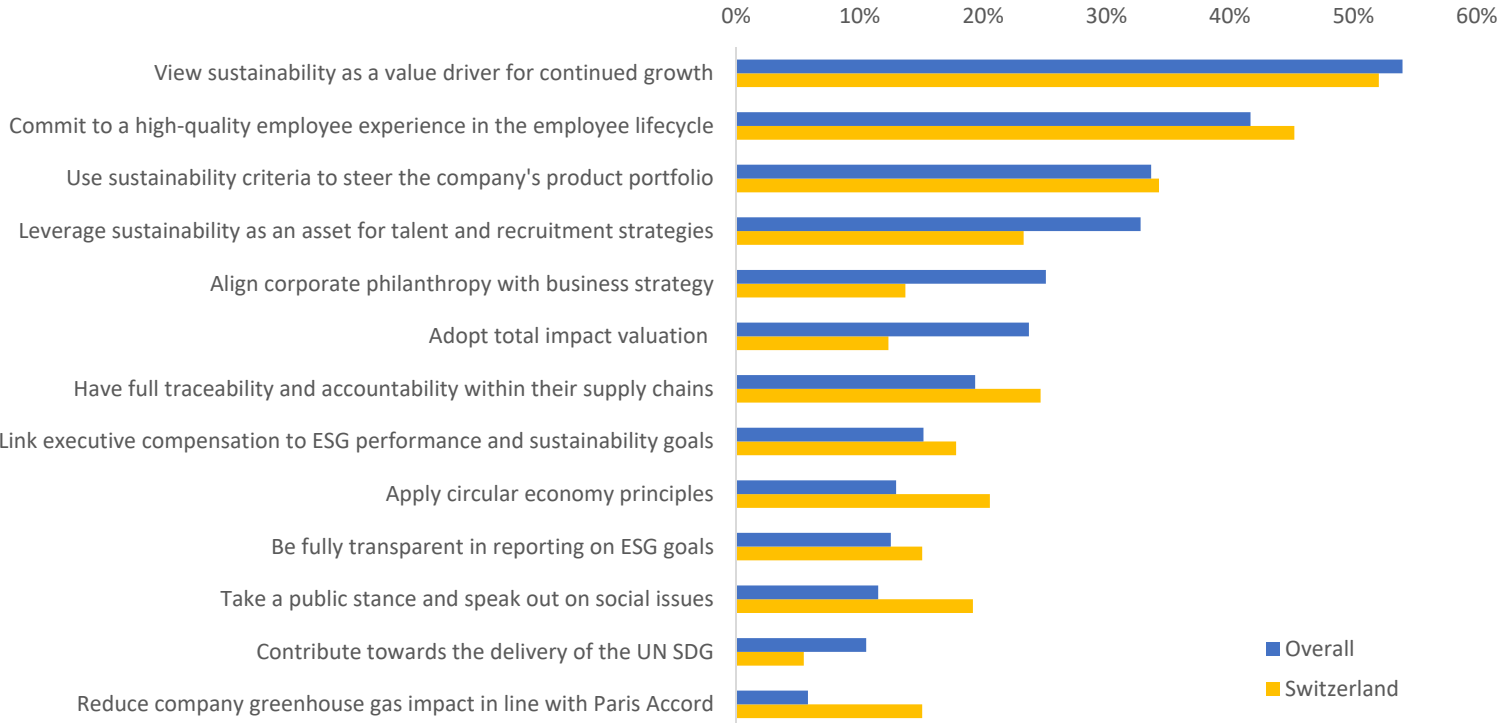
	Switzerland	Europe	Overall
Recession risk	7	2	1
Threats to global trade systems	1	4	2
Global political instability	4	1	3
New competitors	2	3	4
Cyber security	3	6	5
Declining trust in political and policy institutions	6	5	6
Currency volatility	5	8	7
Rising interest rates	9	10	8
Volatility in energy prices	12	12	9
Uncertainty in corporate tax policies	11	11	10
Impact of climate change on our business	8	9	11
Income inequality	13	13	12
Effects of Brexit	10	7	13
Terrorism	14	14	14

Source: C-Suite Challenge 2019 – The Future-Ready Organization

C-Suite Executives in Switzerland also show a greater concern about climate change and sustainability than their peers globally. For instance, they rank the impact of climate change on business higher than their colleagues globally (n. 8 vs. n.11). Moreover, when asked about the must-have features in terms of sustainability for the future-ready organization, they tend to rank higher more ambitious targets, including

- Have full traceability and accountability within the supply chain (n. 4 in Switzerland, n. 7 globally)
- Apply circular economy principles (n. 6 in Switzerland, n. 9 globally)
- Take a public stance and speak out on social issues (n. 7 in Switzerland, n. 11 globally)

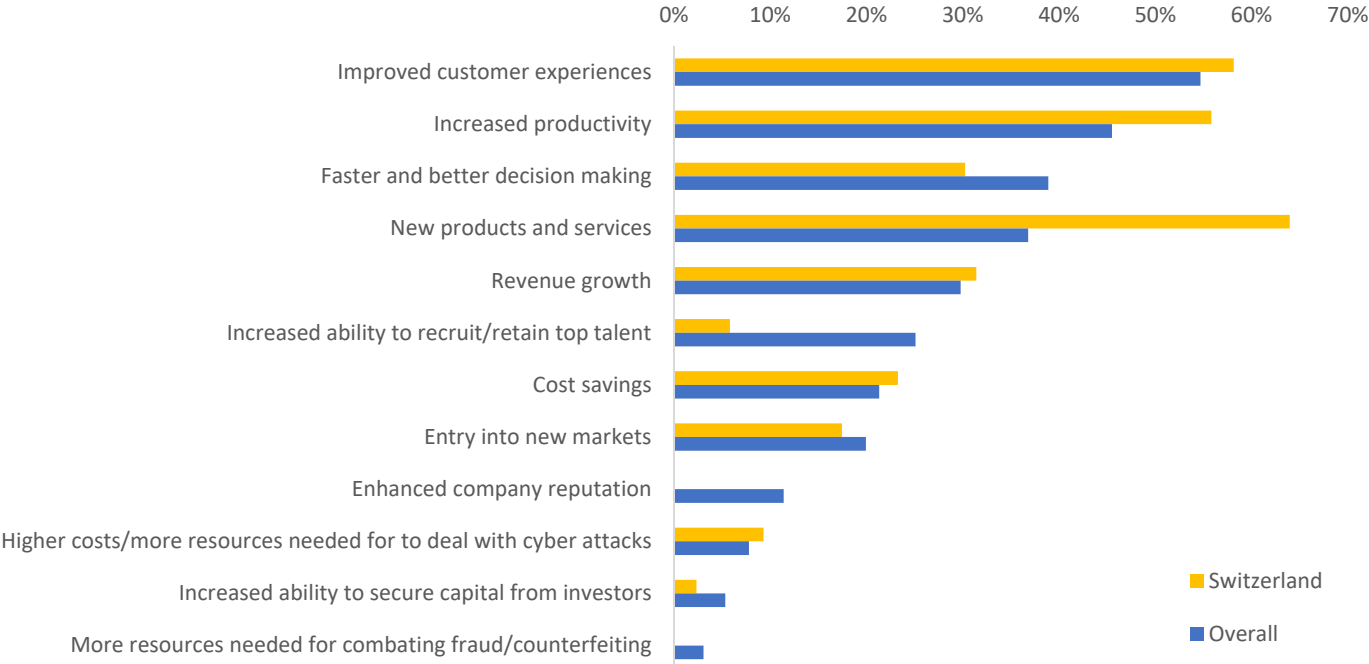
What are the 3 MUST-HAVE values, characteristics, or traits in terms of sustainability and social impact of the “organization of the future”?



Source: C-Suite Challenge 2019 – The Future-Ready Organization

Asked about the top business outcome of employing new technologies, 64 percent of C-Suite Executives respondents in Switzerland selected “new products and services”, compared to 37 percent globally. This, together with the ranking of the other options underscores the differing expectations of technology’s impact on the organization. In Switzerland there is greater emphasis on increasing productivity, revenue growth and cost savings, while globally there is greater emphasis on how technology can help decision making and serve as a talent recruitment and retention tool.

What will be the 3 most important business outcomes of employing new technologies by 2025?



Source: C-Suite Challenge 2019 – The Future-Ready Organization

Diverging views also emerge on the current obstacles to innovation: while everyone agrees that day-to-day performance pressure limits the ability to innovate, what comes after in the ranking of obstacles shows that the innovation problems of organizations in Switzerland are different from other organizations in other regions. Globally, C-Suite Executives see the top barrier to innovation today as day-to-day performance pressure, followed by a lack of talent and innovation skills, a shortage of resources to make innovation happen and legacy technology. The situation is different in Switzerland where lack of talent and resources are much less of an issue, while two significantly stronger barriers are the insular culture and the lack of an inclusive culture. The need to overcome the insular culture, leverage networks and partnerships returns as top 2 priority in the question related to operational efficiency.

What are and will be the TOP 3 barriers or challenges to innovation within your organization today?



Source: C-Suite Challenge 2019 – The Future-Ready Organization

Blind Spots identified by The Conference Board Research

Overcoming resistance to change is never easy. We know that greater transparency and an inclusive culture will be foundations of future success, yet C-Suite Executives in the survey appear to underemphasize a few key elements that will build an open, inclusive, and engaging culture:

Gender pay gap Asked about the top traits that will define a truly inclusive organization in the future, only 7 percent of C-Suite Executives globally, and only 3 percent in Switzerland, selected *mandates equal pay for equal work*, yet research shows that monitoring and ensuring pay equity between men and women in leadership roles is the most effective way to increase the representation of women in leadership ranks.

Work-life balance Lack of work/life balance is a critical reason woman opt out of management, which affects not only diversity within an organization but succession planning as well. Only about one-quarter of C-Suite Executives globally and 27percent in Switzerland list *improve work-life balance of managers* among their top three priorities. And relatedly, female C-Suite Executives constitute only 18 percent of our entire survey sample.

Rewarding teams The failure of both HR executives and C-Suite Executives to prioritize a companion strategy to developing agile teams, effectively recognizes and rewards team outcomes, is a red flag globally, and even more in Switzerland. Traditionally, organizations differentiate rewards based on individual performance. But pitting employees in head-to-head competition also drives out collaboration. As teams become a centerpiece of human capital strategy, companies need to emphasize the collaborative aspect of culture, or they risk developing agile but poorly performing and unmotivated teams.

About the Conference Board

Founded in 1916, The Conference Board is the member-driven think tank that delivers trusted insights for what's ahead. Our agenda is simple: to help leaders navigate the biggest issues facing business and better serve society. We believe in innovative approaches that make you think- and act- differently. And everything we do reflects the input of our members and their real-world challenges. We do this by delivering business insights. We connect senior executives across industries and geographies to share ideas, and our experts create fact-based research and consensus-driven policy statements to help leaders address their most important business issues. Because we are independent, non-partisan, and non-profit our work is trusted. If you learned it at The Conference Board you can count on it.

About KOF

ETH Zürich's KOF Swiss Economic Institute is one of the oldest economic research institutes in Switzerland. Since 1938, the scientific work of KOF is based on surveys carried out with more than 9,000 businesses in Switzerland. These surveys provide the basis for a range of research projects and are essential for its economic forecasting activities. However, the work of KOF extends far beyond business cycle research. The KOF staff and those of the three associated chairs deal with issues relating to innovation, internationalization, public finance, macroeconomics and education systems. Its forward-looking research is sustained by national and international cooperation with scholars, institutions and economic operators. With its national tasks and independent research, KOF builds bridges between economics and the general public, while focusing on the Swiss economy. Therefore, KOF publishes different outlets (e.g. KOF Bulletin, KOF News) for the public and organizes events aiming to enhance the exchange between research and society.

About C-Suite Challenge™

Since 1999, The Conference Board CEO Challenge® survey has asked CEOs across the globe to identify the most critical issues they face and the strategies they intend to meet them. Since 2017, the C-Suite Challenge™ has expanded the survey pool to the C-suite. This year's survey, conducted between September and October 2018, asked 1,426 C-suite executives, including 815 CEOs across the globe, for their views on the Organization of the Future through 2025. The total number of respondents resident in Switzerland is 87.

The anonymous survey was carried out between September and October 2018. The project, coordinated by The Conference Board, was made possible thanks to the collaboration with 14 institutes around the world that invited their members and contacts to fill in the questionnaire to improve the coverage globally.