



# Now or never

**Swiss CEO Outlook 2016**

Challenges and opportunities  
as seen by Switzerland's CEOs

August 2016





Pressing concerns

18

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# Now or never

## SWISS CEO Outlook 2016

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**Stefan Pfister**  
CEO

# Insights from Switzerland's business leaders

The past eight years have provided their fair share of uncertainty: The financial collapse of 2008; various subsequent Eurozone crises; the continued slowdown of the Chinese juggernaut; the UK's decision to exit the EU. All of these – and many more – contribute to market volatility in our increasingly interconnected world.

Amid the uncertainties, it can seem as though everyone has a view on what the future holds. With so many voices aiming to be heard – economists, employees, shareholders, regulators, politicians, to name but a few – there is a myriad of opinions to listen to. But what of business leaders themselves – those responsible for strategically planning and guiding their organizations through periods of change?

We decided to directly solicit their views by conducting a survey of more than 1,300 CEOs around the world. We present here the insights of the 50 CEOs of businesses headquartered in Switzerland and compare these to the views of CEOs globally. What are their views on economic prospects in Switzerland and abroad? How do they see their growth strategies developing in this context? Where are the greatest risks and how do they plan to combat them? What will be the impact on recruitment and investment plans?

These personal observations of senior members of the Swiss business community give a fascinating take on the opportunities and challenges facing businesses across a range of industries. Among the strong views expressed are that:

- Strategic priorities include achieving faster speed to market and improving investor reporting, with investments required in both.
- There will be a huge focus on core competencies, with a particular openness to collaborating with third parties to achieve growth and shareholder value.
- There is a strong desire to see clear innovation targets integrated into business strategies.
- New market growth potential is greatest in China, India and the US.
- Automation will not gain as much traction in the Swiss workplace as in high-industrialized nations.
- Swiss firms are confident in their ability to balance data protection and transparency.
- Risks such as cyber threats should be mitigated by pooling knowledge with peer organizations.

We trust you will find this publication insightful, and we would be pleased to discuss with you the findings and their implications for your own organization.



Stefan Pfister | CEO KPMG Switzerland

## Growth

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# Great expectations

CEOs are positive about growth prospects in Switzerland and abroad, most notably in developing economies such as China, India and Sub-Saharan Africa, as well as the US. This will result in a significant expansion of headcount in the next three years.



## Strategy

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# Building competitive advantage

Priorities include realizing quicker time to market, improving investor reporting and better meeting clients' needs. To achieve these, investments will be made in new product development, measuring and analyzing customers' experiences and generally enhancing data analysis capabilities.



## Mergers and acquisitions

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# Core is king

Dealmakers will have their hands full for the next three years as nine out of ten CEOs plan to use mergers and acquisitions (M&A) to reinforce core competencies while shedding noncore businesses.



## Transformation

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# Shaping the future

CEOs attach great importance to including clear innovation targets in their business strategies and to collaborating more closely with academics, research institutes and new business start-ups.



# A balancing act

Businesses believe they use data and analytics accurately, effectively, securely and – crucially in light of upcoming regulations – are good at balancing issues such as data protection and transparency.



## Risks

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# Reassessing risk appetite



Third parties, supply chains and technology come top of CEOs' concerns regarding risk. Conversely, one-third of CEOs believe their growth strategies contain insufficient risk.

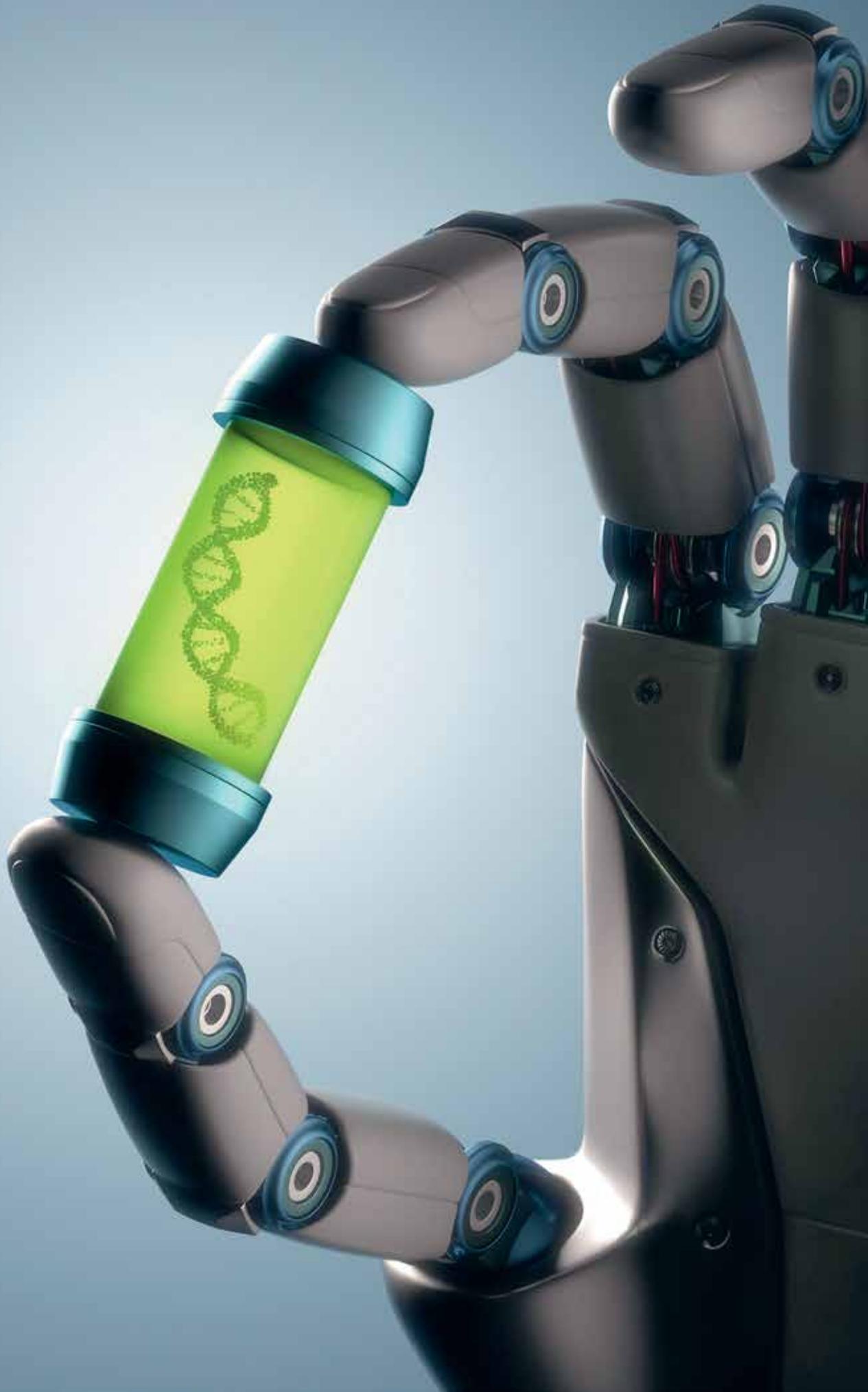


## Culture and people

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# Keeping the human touch

Healthy Swiss finances make it feasible to plug talent gaps by recruiting from competitors and outsourcing. They also enable businesses to keep the brakes on widespread automation.



# No time to rest

## Pressing concerns

Swiss CEOs clearly have strong views on what is needed to build sustainable businesses. They have extremely high confidence in economic prospects, a clear focus on innovation, and ambitious plans to ensure that headcount and skills keep pace. On the other hand, there is acknowledgement that growth strategies need to contain more risk, and that investments are needed to ensure solutions are delivered swiftly and appropriately to meet customers' needs. There is also a feeling that the next few years will be more critical for their industry than the previous half-century was. Reflecting on the wide range of opportunities and challenges ahead, what is it that keeps CEOs awake at night?



For all of the confidence expressed in Switzerland's growth prospects and in the growth of their individual businesses, CEOs are far from complacent about the future.

Their concerns show a healthy dose of recognition that firms must continue to work hard to remain the best at what they do. However, 92 percent of Swiss respondents were worried about the amount of time they personally have to think strategically about the forces of disruption and innovation shaping their company's future.

Perhaps Switzerland's relatively flat corporate hierarchies and involvement of a greater spread of staff in strategic work might help to shoulder the burden. Overall, helping CEOs to maintain the competitive edge over companies in other, less open and outward-looking business environments.

## Every Swiss CEO was concerned:

- About the impact of global economic forces on their business
- That the next three years will be more critical for their industry than the previous 50 years

## More than 90 percent of Swiss CEOs are concerned about:

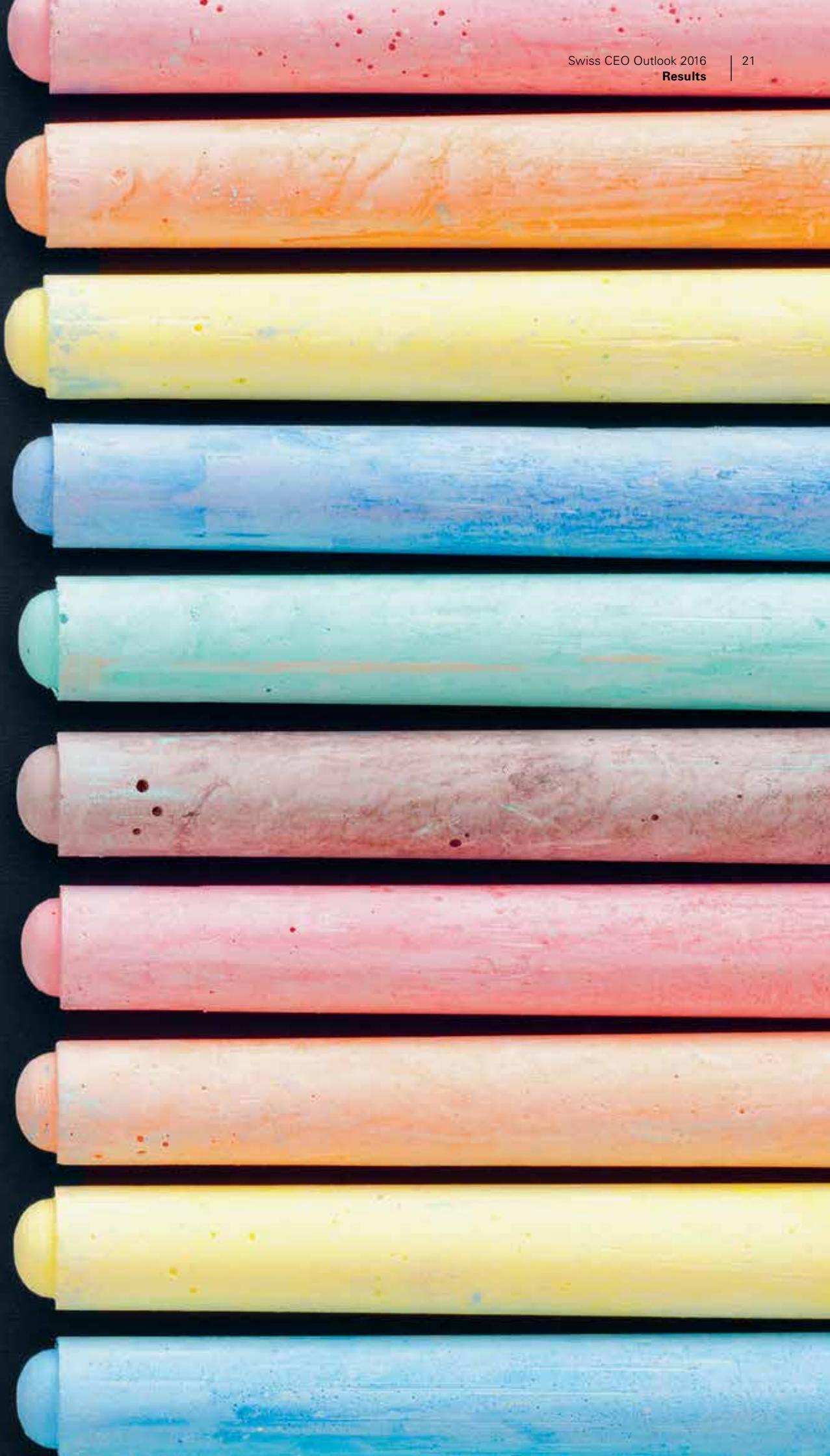
- Regulations inhibiting their growth
- Whether their organization is keeping up with new technologies
- Whether their organization is staying on top of what's next in services and products
- The quality of data on which they base decisions
- The ability of competitors to take business away from them
- Their customers' loyalty



# Survey results

The survey data published in this report is based on a survey of 1,268 CEOs from Australia, China, France, Germany, India, Italy, Japan, Spain, the UK and the US as well as 50 CEOs of businesses headquartered in Switzerland. Eleven key industries are represented.

CEOs were asked between 15 March and 29 April 2016 about their views of the forces and opportunities shaping the businesses they lead.



# Methodology and definitions



## Countries covered

### **Australia**

Brazil\*  
Canada\*

### **China**

Ethiopia\*

### **France**

### **Germany**

### **India**

Indonesia\*  
Ireland\*

### **Italy**

### **Japan**

Kenya\*

Malaysia\*

Mexico\*

Philippines\*

Rwanda\*

Singapore\*

South Africa\*

### **Spain**

### **Switzerland**

Taiwan\*

Tanzania\*

Thailand\*

Uganda\*

### **UK**

### **US**

Vietnam\*

\*The views of CEOs in this countries are included in the 2016 Global CEO Outlook.

## Methodology

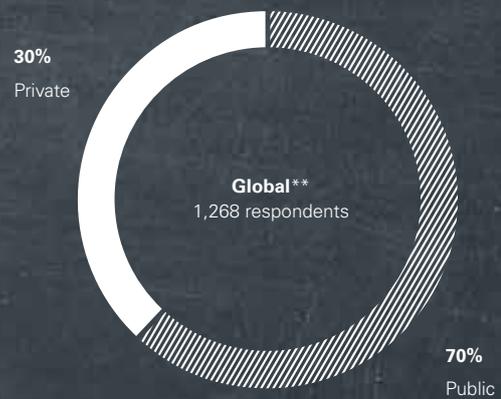
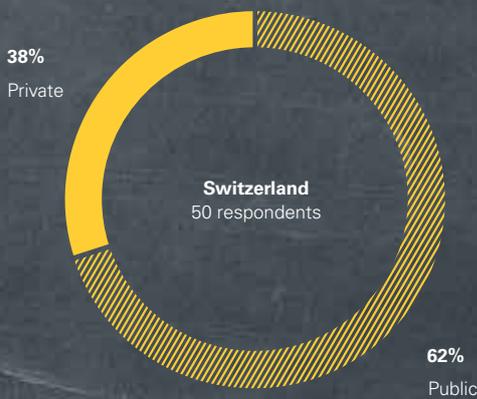
In March and April 2016, we conducted a survey of 1,268 CEOs from many of the world's leading companies, located in 10 of the world's largest economies, and 50 CEOs in Switzerland. Eleven key industries were represented, including automotive, banking, infrastructure, insurance, investment management, life sciences, manufacturing, retail/consumer markets, technology, energy/utilities and telecommunications. A total of 275 CEOs came from companies with revenues between USD 500 million and USD 999 million, 595 from companies with revenues from USD 1 billion to USD 9.9 billion, and 398 from companies with revenues of USD 10 billion or more. Around two-thirds represented public companies and one-third private companies.

## Definitions

The terms 'CEOs' and 'respondents' are used interchangeably for the purpose of this publication. Unless specifically stated otherwise, both terms refer to respondents to the Swiss survey – i.e. CEOs of businesses headquartered in Switzerland.

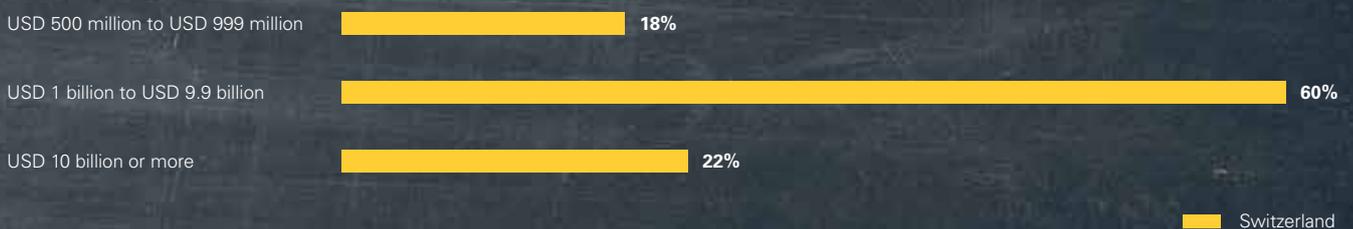
The term 'global' insofar as it is used in connection with the charts and survey findings presented in this report relates to the 10 countries named in this section (excluding Switzerland, which is presented separately).

### Is the business you represent public or private?



\*\* Global = Australia, China, France, Germany, India, Italy, Japan, Spain, UK, US.

### What are your firms' revenues in US dollars in its most recent fiscal year?



# Positive outlook prevails

## Growth and investments

**The Swiss economy is extremely outward looking, with exports representing 64 percent of the country's GDP\*. But in currently volatile markets, how do CEOs view the prospects for the Swiss and global economies generally, and for growth and staffing in their own businesses?**

Positivity abounds in the Swiss CEO community. More than 80 percent of CEOs expressed confidence in global economic growth prospects over the next three years. A similar number was confident about economic growth in Switzerland over the same period.

Confidence was even higher when CEOs considered growth prospects for their own businesses, with almost all respondents expecting expansion over the next few years. Swiss CEOs leaned heavily toward 'very confident' while CEOs in the rest of the world opted for 'confident'.

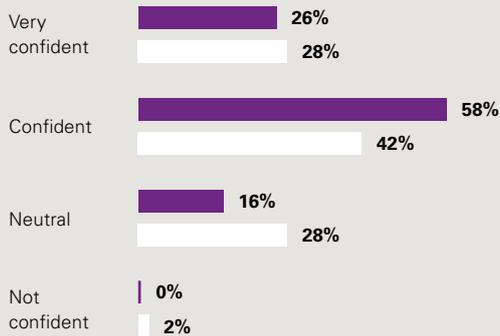
\* 2014, OECD, <https://data.oecd.org/trade/trade-in-goods-and-services.htm>

Please indicate your level of confidence in terms of growth prospects with the following:

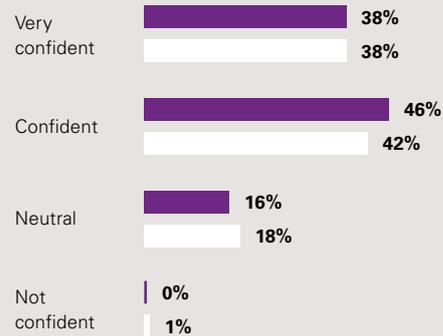
Over the next 12 months

Over the next 3 years

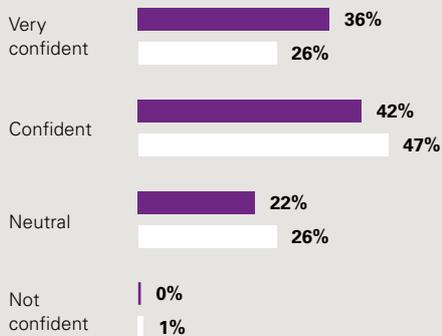
**Growth for the global economy**



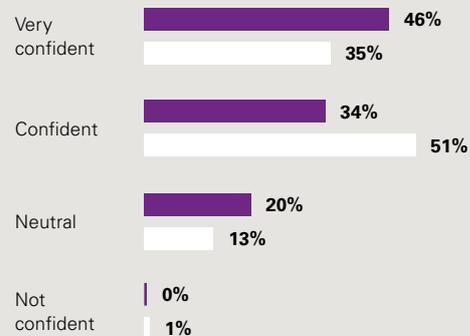
**Growth for the global economy**



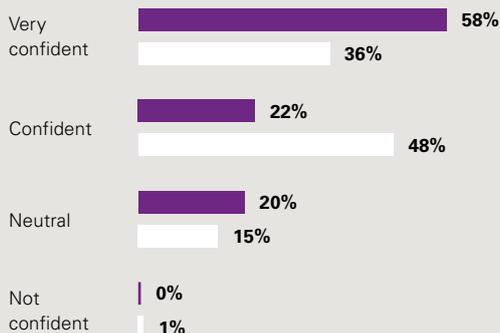
**Growth for your country**



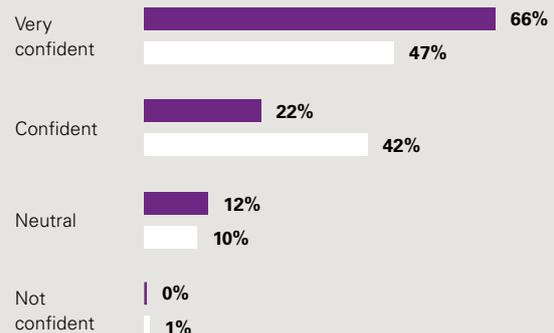
**Growth for your country**



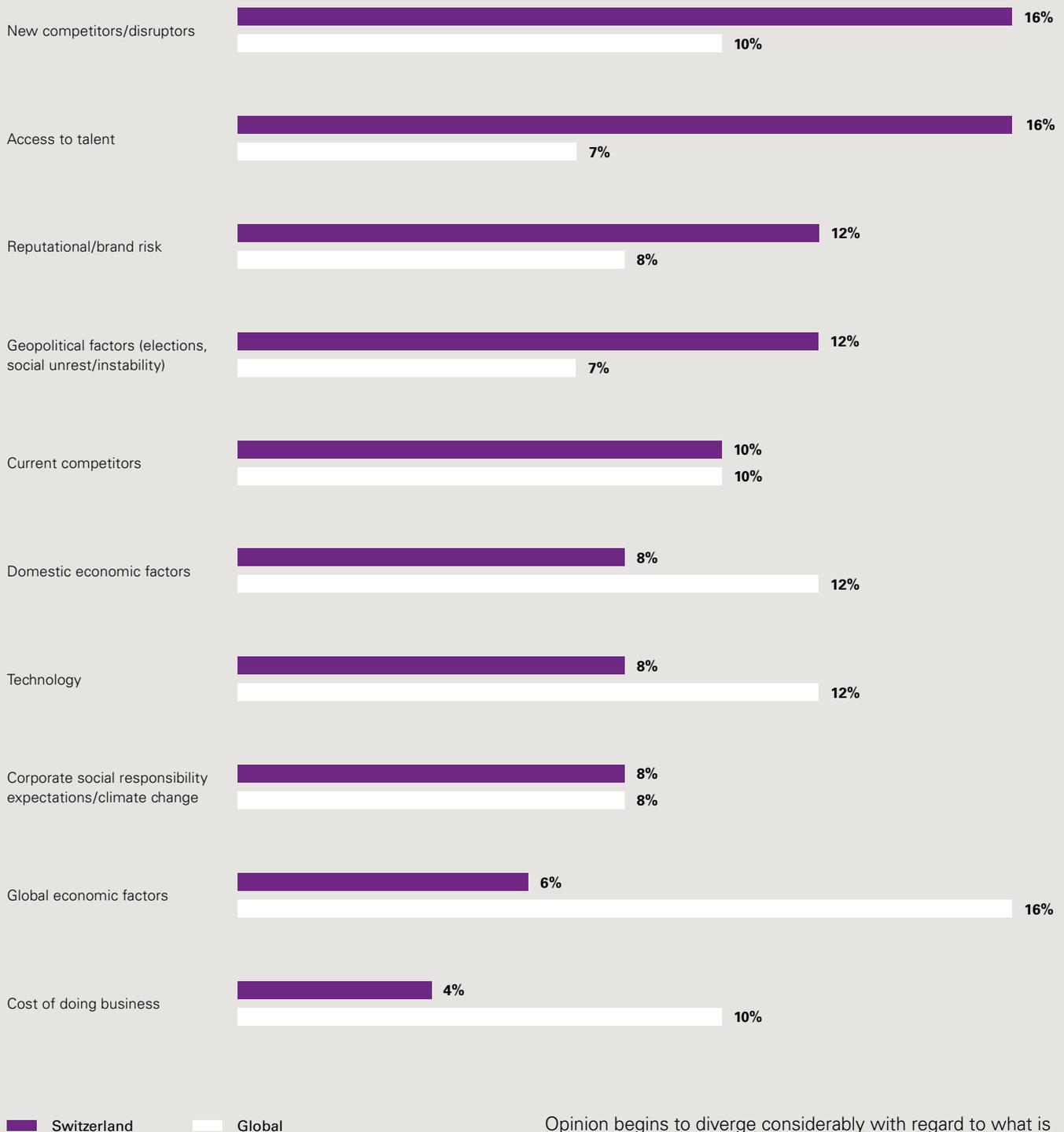
**Growth for your company**



**Growth for your company**



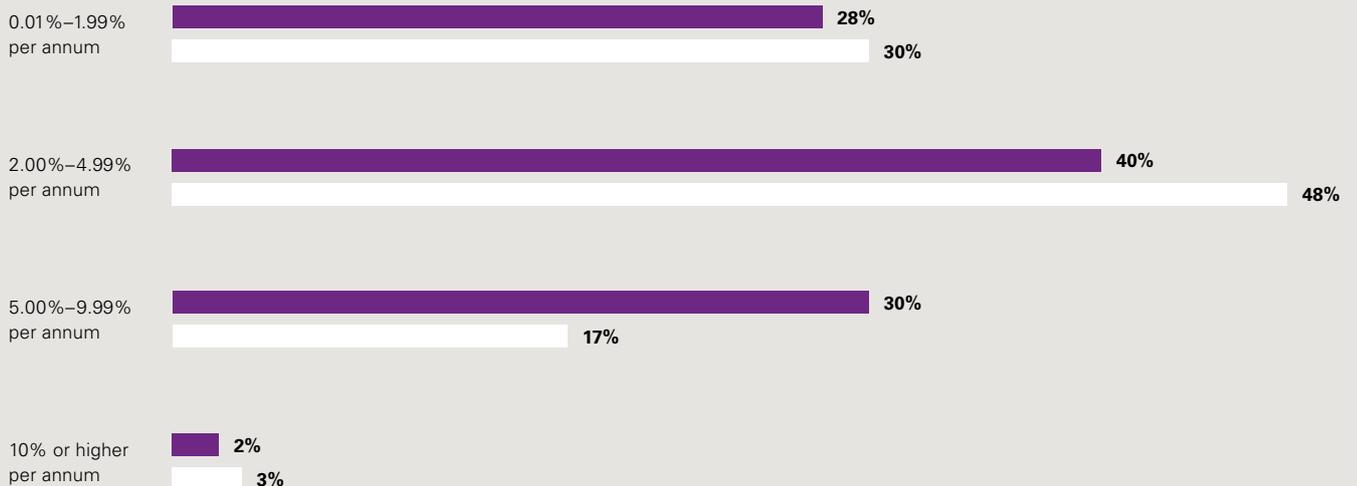
## Which of the following do you expect to have the biggest impact on the growth of your company over the next 3 years?



Opinion begins to diverge considerably with regard to what is most likely to impact companies' growth over the next three years. Individually, the biggest factors (new competitors/disruptors and access to talent) each attracted a maximum of 16 percent of respondents.

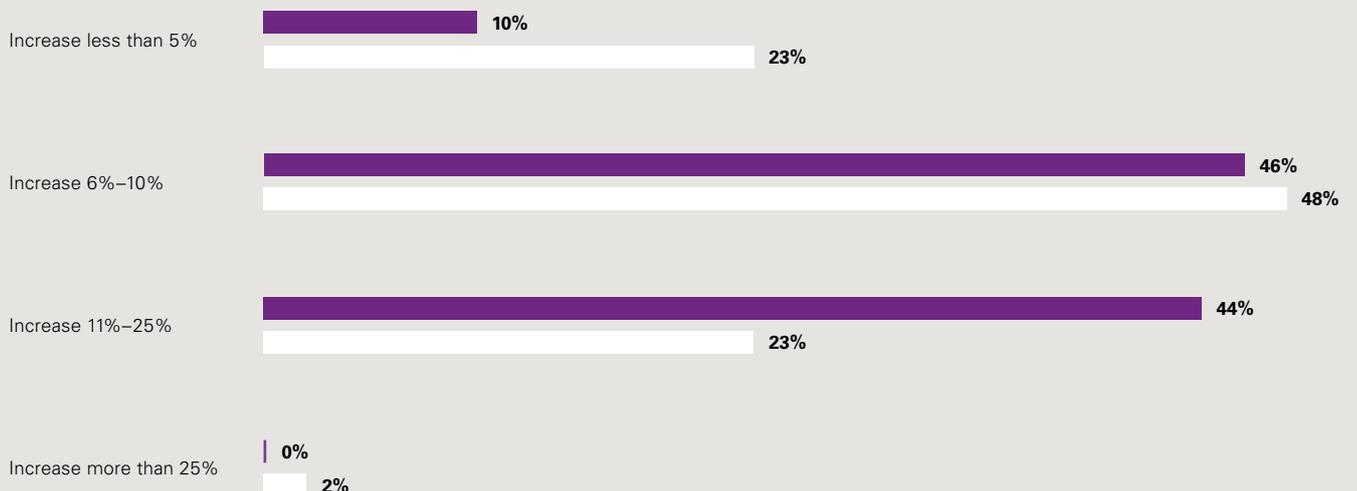
## What is your organization's outlook for top-line growth over the next 3 years?

Translating this into their organization's top-line growth over the next three years, seven out of ten Swiss CEOs believe it will yield between 2.00 percent and 9.99 percent per annum.

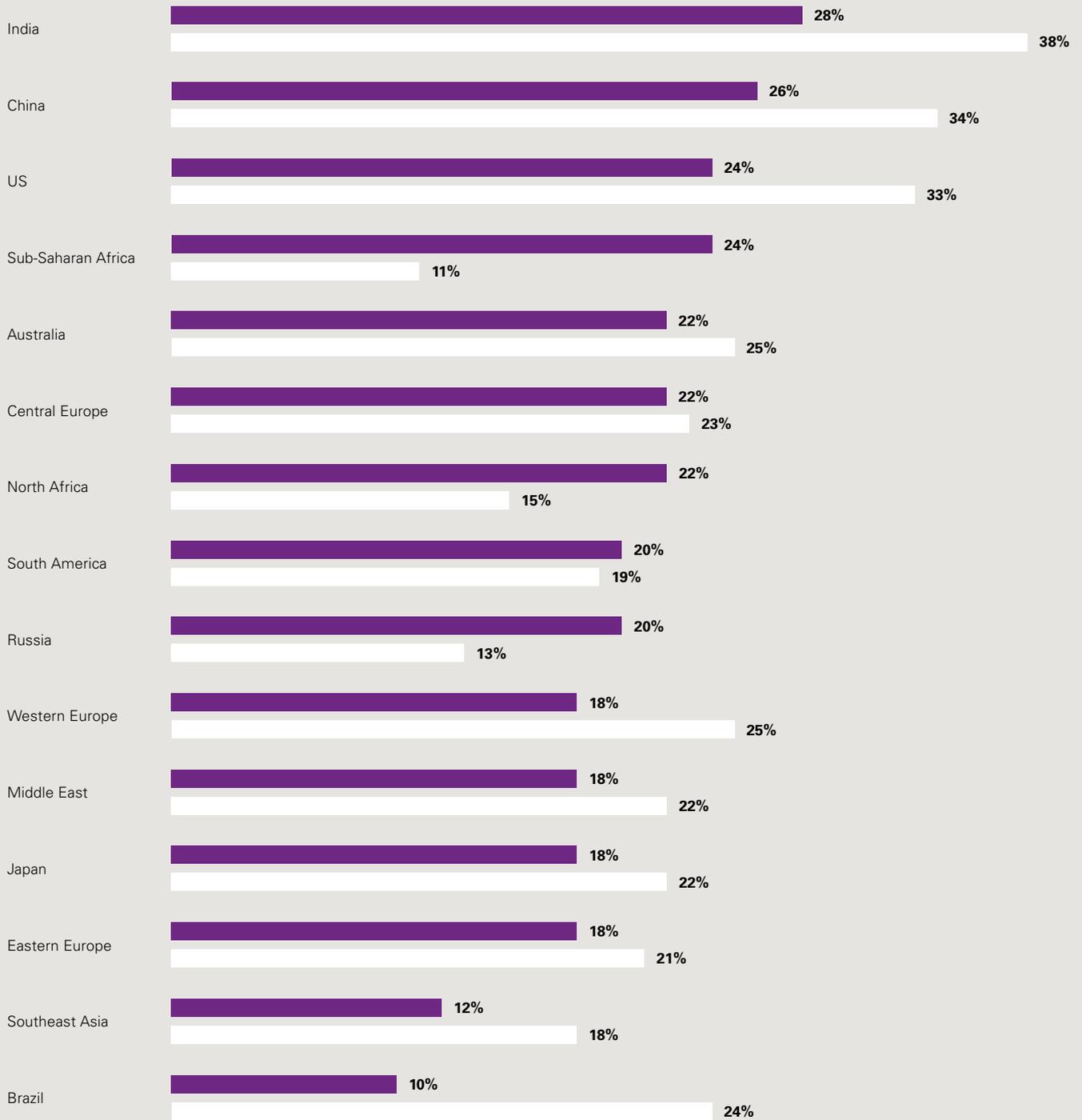


## How do you expect your organization's headcount to change over the next 3 years?

This looks set to encourage robust recruitment plans. No fewer than 90 percent of respondents expect their firm's headcount to increase by between 6 percent and 25 percent over the next three years. This begs the question of where these additional employees will be found, given Switzerland's resource-constrained economy.



## In which regions do you see the greatest potential for new market growth over the next 3 years?



When asked which regions represent the greatest potential for new market growth, India and China topped the list for Swiss CEOs. The US and Sub-Saharan Africa tied in third place, followed by Australia, North Africa and Central Europe. Despite the continued slowdown in China's growth, Swiss firms therefore appear to be keeping a keen eye on developing economies. By contrast, CEOs' responses globally concentrated much more on just India and China, followed by the US.

## Key takeaways

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- Swiss CEOs are generally more confident than their foreign counterparts regarding growth prospects.
- All Swiss CEOs expect top-line growth over the next three years, together with a substantial increase in headcount.
- Opinion is divided over what will most impact individual companies' growth, but new competitors/disruptors and access to talent top the list.
- India, China, Sub-Saharan Africa and the US are seen by Swiss respondents to have the greatest new market growth potential.

# Strategic priorities: investing to deliver

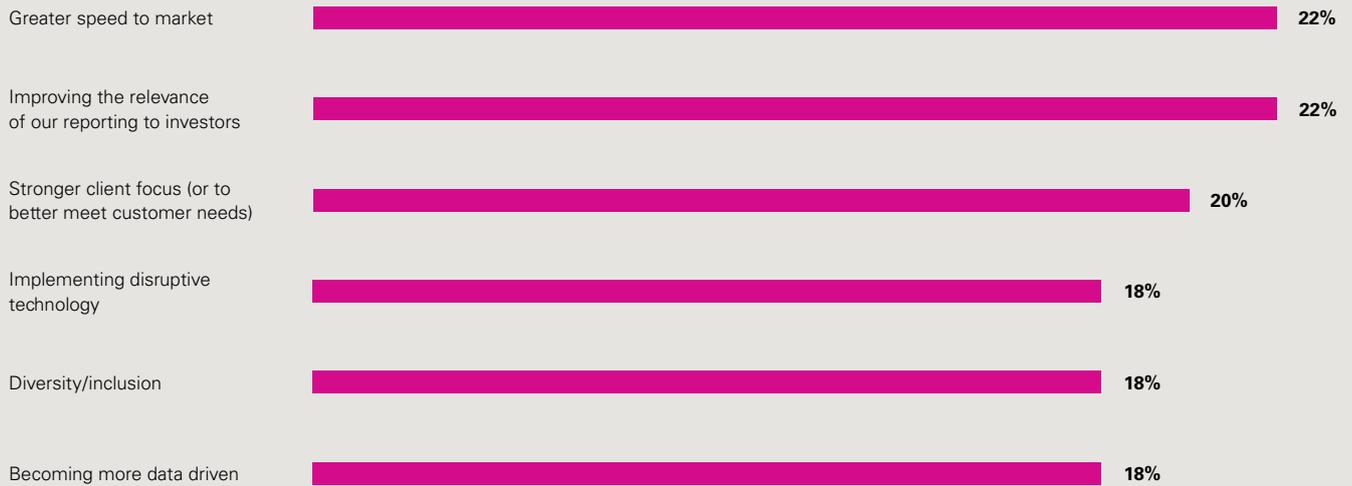
## Strategy

**CEOs experience a huge range of demands on their time. Which do they see as the critical strategic priorities, and how will they invest to deliver on them?**

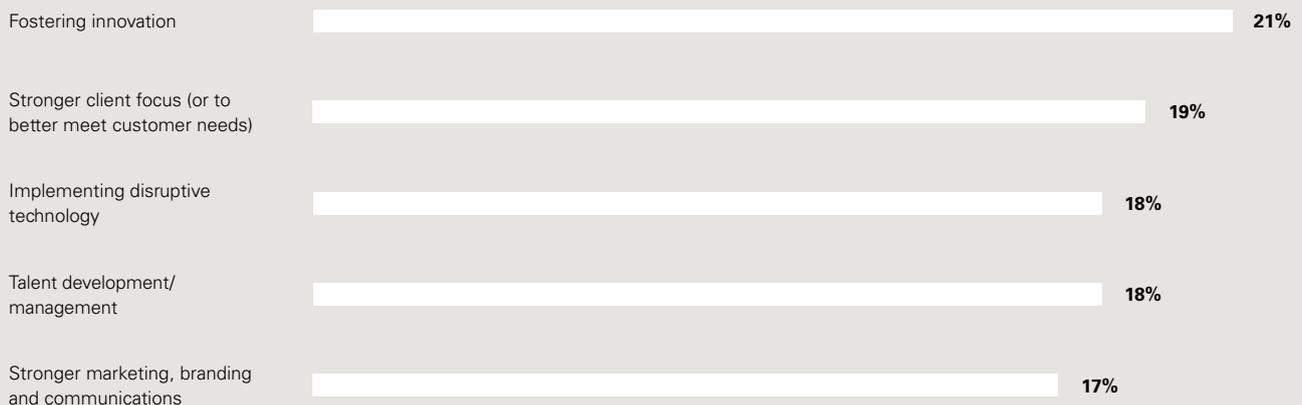
Achieving **greater speed** to market is the top strategic priority for one in five Swiss CEOs. Time to market has long been a key consideration in Switzerland, whose landscape is dominated by small and medium-sized enterprises and whose decentralized economic structure encourages closeness to customers and facilitates investor relations.

## Top 5 strategic priorities for your organization

### CEOs Switzerland



### CEOs Global

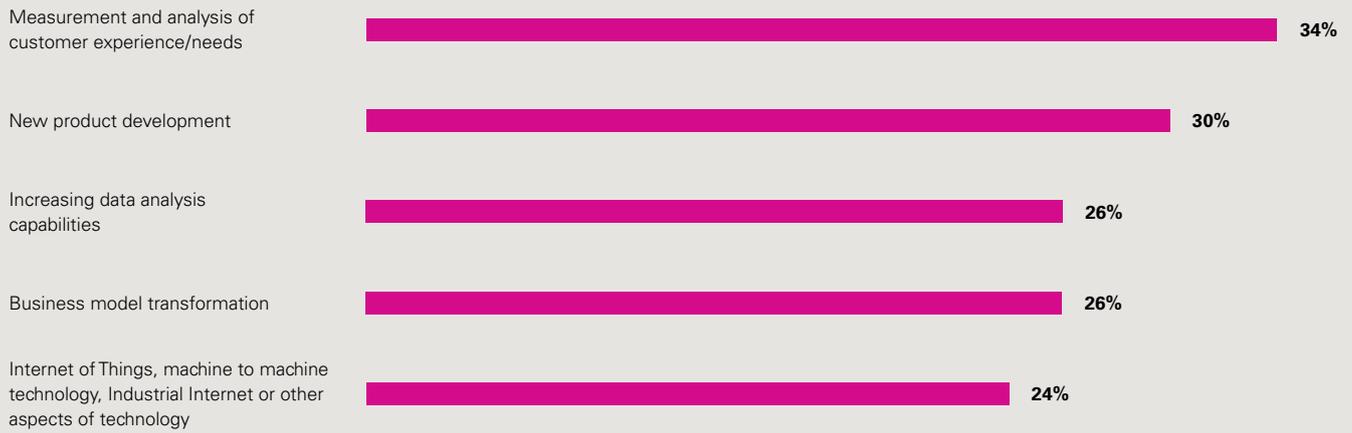


Close behind is the need to improve the relevance of reporting to investors and a stronger client focus. Among CEOs globally, the priorities are somewhat different. Here, it is the need to foster innovation that is most highlighted, followed by a stronger client focus. In Switzerland, the question is how CEOs plan to deliver on these strategic priorities, for instance by actively planning to enhance their capabilities.

## Top 5 areas to which you are devoting significant investment/ resources in the next 3 years

### CEOs Switzerland

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### CEOs Global

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One-third of Swiss respondents emphasize investments to measure and analyze customers' experiences and needs (compared to only one-fifth of CEOs globally). This ties to the third investment priority – increasing data analysis capabilities. In between the two is an area (new product development) that relies on useful insights from both. All three considerations must work in harmony to maintain or develop cutting-edge business solutions and offerings.

## Key takeaways

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- Greater speed to market and improving reporting to investors top Swiss CEOs' strategic priorities.
- A stronger client focus/better meeting customers' needs is high on the agenda.
- Swiss businesses plan investments to deliver on these priorities: notably, in the measurement and analysis of customer experience and needs, new product development and enhancing data analysis capabilities.

# Transactions to get the core right

## Mergers and acquisitions

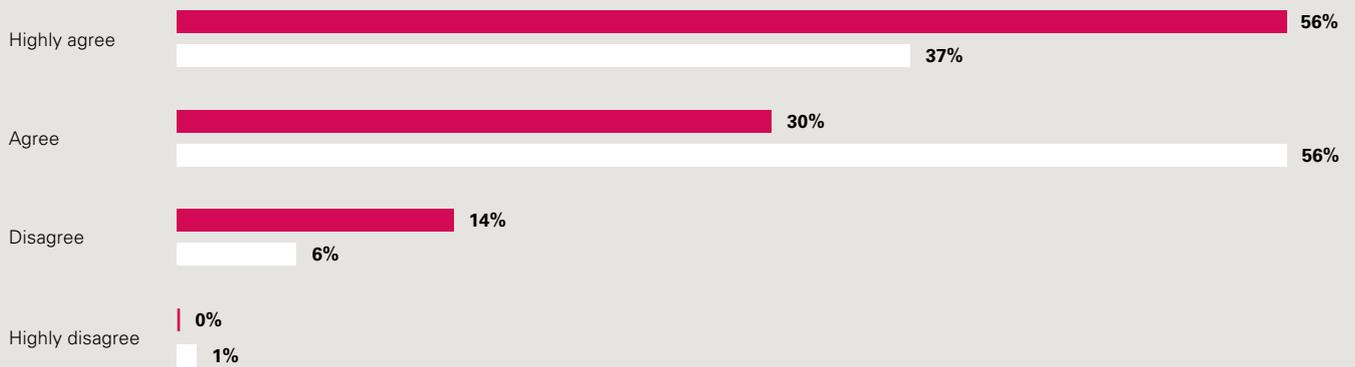
**CEOs have a wide variety of options at their disposal to deliver on their business objectives, including acquisitions, divestments, partnerships and joint ventures. But what form of transactions should be expected and how will they change the shape of businesses?**

Swiss businesses tend to be highly active M&A players on the world scene. Typically, they buy many more businesses abroad than foreign players buy in Switzerland.

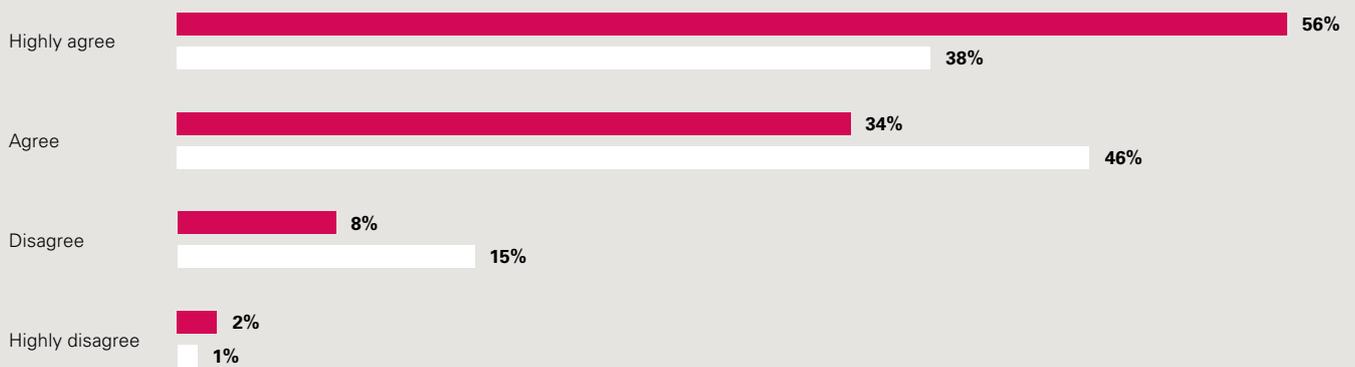
Over the next three years, around nine out of ten CEOs both in Switzerland and abroad plan to acquire new competencies in order to enter new areas such as customers, products or markets.

## To what extent do you agree with the following statements related to your company's core competencies over the next 3 years?

### We will be placing a stronger focus on core competencies



### We will be acquiring new competencies to enter new areas (customer, product, market)

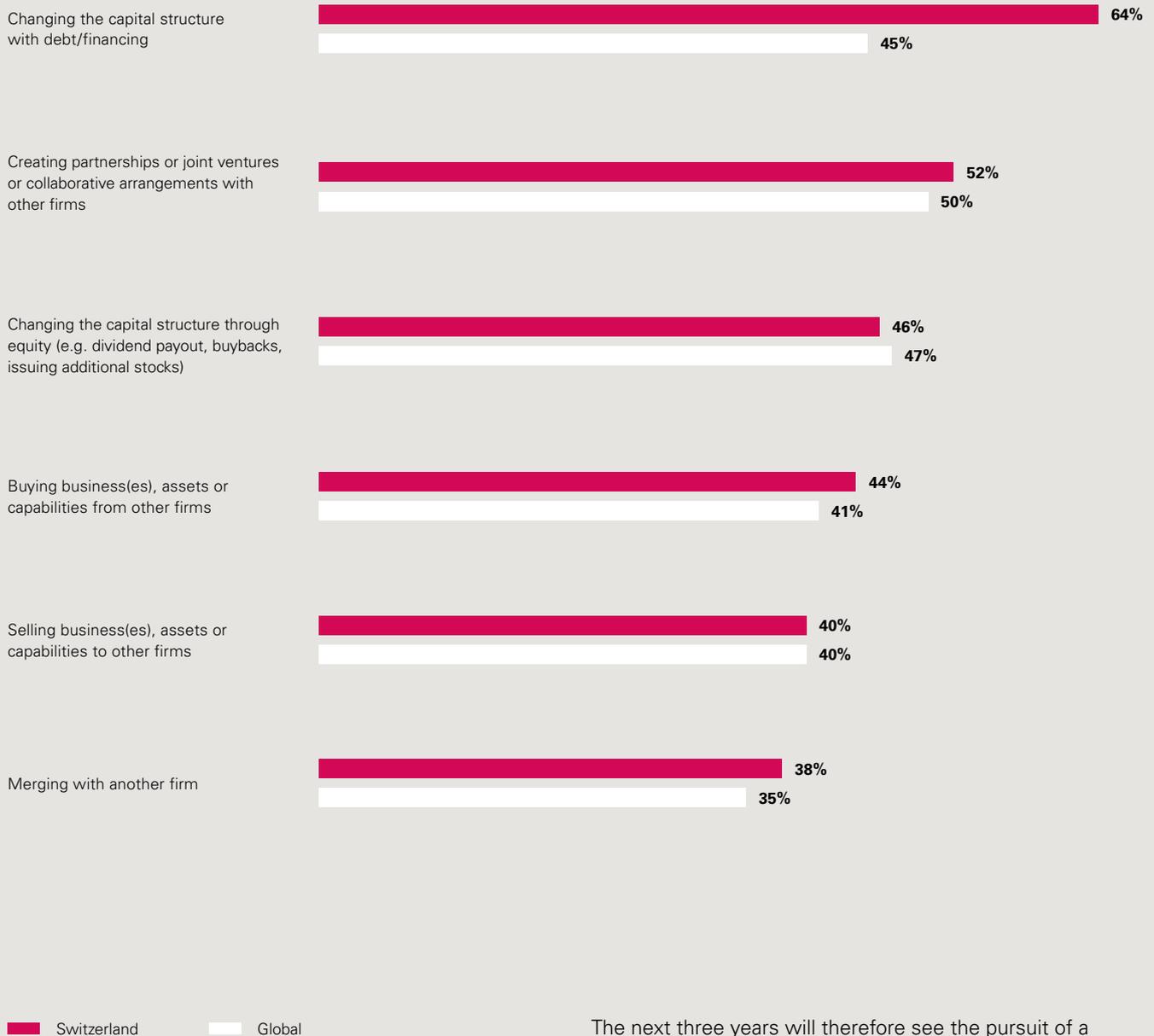


■ Switzerland    
 ■ Global

Not all transactions will be traditional acquisitions, however. While a sizeable proportion does expect to buy businesses, assets or capabilities, this will be coupled with actively disposing of noncore activities.

Half of CEOs also expect deals to take the form of partnerships, joint ventures or other collaborative arrangements with third parties.

## What forms of M&A or other significant deals do you expect to undertake in the next 3 years?



The next three years will therefore see the pursuit of a combination of inorganic, organic and collaborative-led growth that aims to bolster core activities and drive greater shareholder value.

While this is under way, keep a close eye also on firms' capital structures. Almost two-thirds of Swiss respondents (compared to less than half globally) foresee these changing in terms of debt and financing, and almost one-half in terms of equity.

Looking at the next 3 years, what statement best describes the company you lead?



**50%**  
 We are likely to be transformed into a significantly different entity

**50%**  
 We will be largely the same firm we are today



**41%**  
 We are likely to be transformed into a significantly different entity

**59%**  
 We will be largely the same firm we are today

It seems that change is imminent. The overall effect is that exactly half of Swiss CEOs expect their firm to be significantly transformed over the next three years.

## Key takeaways

- Almost all CEOs will focus more strongly on core competencies over the next three years.
- The vast majority of CEOs will also seek to acquire new competencies to enter into new markets, product or client segments.
- While inorganic growth will be a key driver of shareholder value, collaborative measures such as partnerships and joint ventures will be a key area of focus.
- Changes can be expected to capital structures in terms of both debt and equity as growth ambitions are pursued.
- More Swiss respondents expect to be significantly transformed over the next three years than their global counterparts.

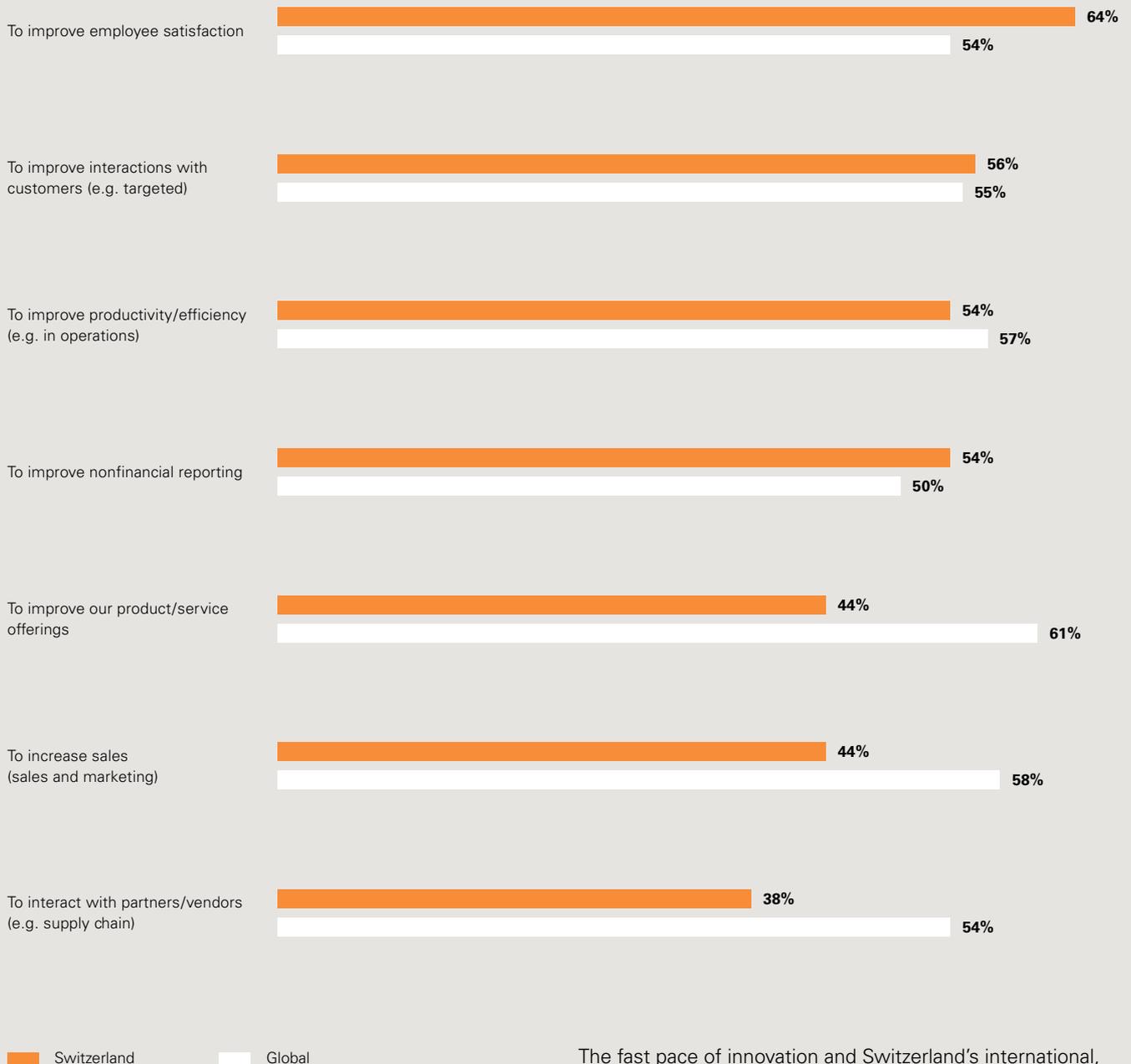
# A tried and trusted leader in innovation

## Transformation

**Few can deny that innovation is key to sustainable business, but there are many ways to introduce, encourage and manage innovative developments. As one of the most innovative economies in the world, what lessons does Switzerland offer?**

Swiss CEOs remain committed to innovation. In total, 84 percent (slightly higher than the global average) say that integrating clear innovation targets and objectives into their business strategy is important to drive successful innovation. Interestingly, they attribute less importance to having formal processes in place to generate or source ideas, or to progress ideas once they have been identified. Fewer than two-thirds of Swiss CEOs believe it is critical to specifically foster a culture of innovation.

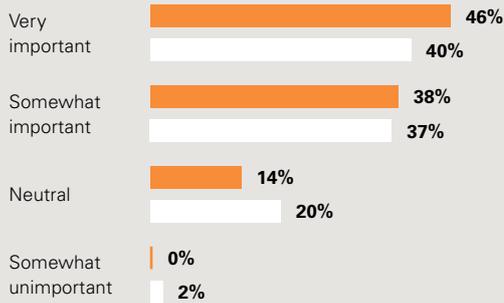
## Disruptive technologies can displace established market leaders by creating new markets and value networks. How does your organization currently make use of such technologies?



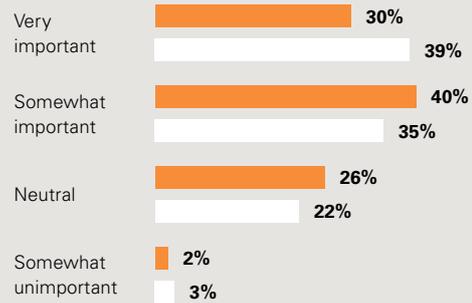
The fast pace of innovation and Switzerland's international, forward-looking orientation means CEOs are likely to have a keen eye on disruptive technologies. More than half of Swiss respondents say their organization uses disruptive technologies to improve productivity and efficiency, improve interactions with customers and improve employee satisfaction and nonfinancial reporting. Interestingly, fewer than half use it to directly improve product or service offerings.

## How important do you believe the following aspects are in your organization's ability to drive successful innovation?

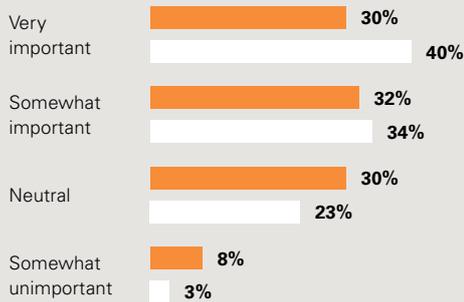
### Specifically including innovation in business strategy with clear targets and objectives



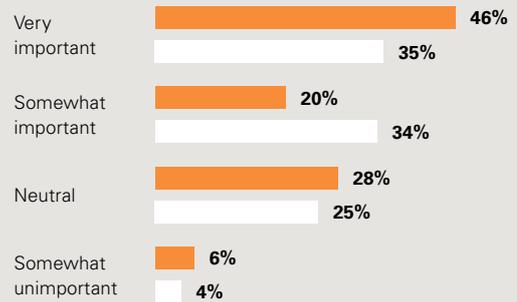
### Having a formal process to generate/source ideas



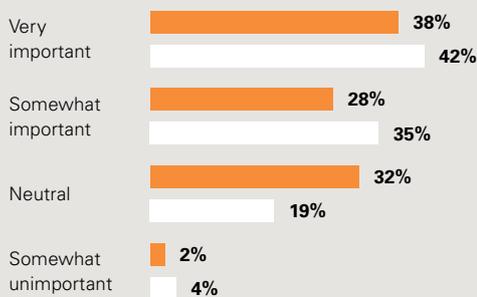
### Fostering a culture of innovation



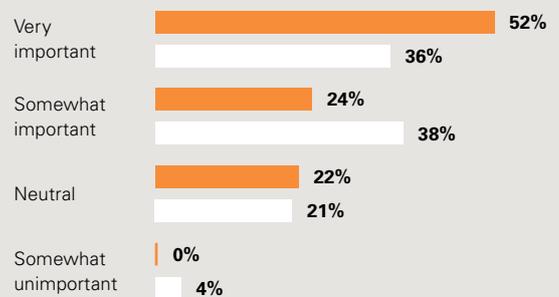
### Connecting in a beneficial way with start-ups



### Creating an environment that encourages risk-taking



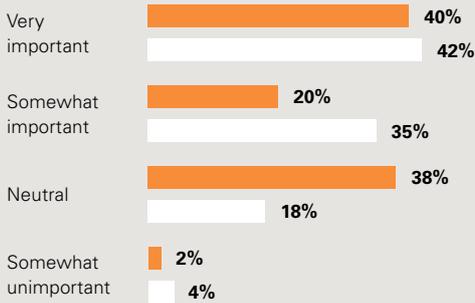
### Connecting in a beneficial way with universities and/or other research institutes



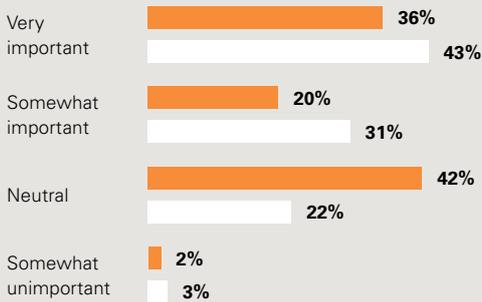
Rankings of Swiss competitiveness and innovative power suggest a successful approach to innovation. This may be due to highly skilled workers and typically flat hierarchies tending to lead to more staff being involved in strategic work. Three-quarters of CEOs state that collaboration with

academics, researchers and business start-ups is important – indicating a strong openness to new ideas. Given the importance of innovation to Swiss entities, it may be no surprise that 92 percent of CEOs said innovation is either the top, or in the top three, issues on their personal agendas.

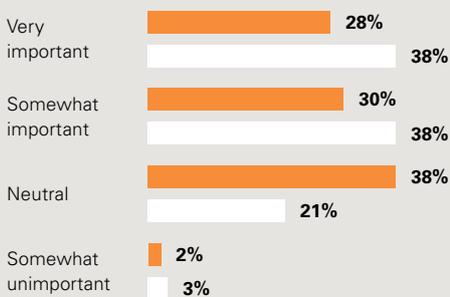
### Having a formal process to progress ideas to commercialization/implementation



### Management's innovation acumen



### Collaborating with external parties including customers, partners and suppliers



Switzerland Global

## Key takeaways

- CEOs are overwhelmingly of the opinion that clear targets and objectives for innovation in their business strategy is key to drive innovation forward.
- Almost all CEOs consider innovation to be among the top three issues on their personal agendas, though a sizeable minority places little emphasis on the need for formal processes to enhance innovation.
- Collaborating with business start-ups, academics and research institutes is important to the Swiss business community.

# An increasingly analytical approach

## Data and analytics

**The effective use of data and analytics is vital for process and cost efficiency, service and maintenance, strategy, change and compliance. To what extent do firms believe that their use of data and analytics is accurate, effective, secure and ethical?**

Many prominent Swiss industries – including financial services, pharmaceuticals and life sciences – are experiencing intensifying regulatory requirements. There are currently three significant data regulation projects in discussion by the Swiss authorities – the Telecommunications Surveillance Act, the Intelligence Service Act and the Swiss Data Protection Act. At the EU level, the General Data Protection Regulation is especially pertinent as it brings into force increased notification obligations and penalties for data breaches. Robust data and analytics usage is essential to effective compliance and good governance.

## Top 5 answers by CEOs on how is your organization using data and analytics

### CEOs Switzerland

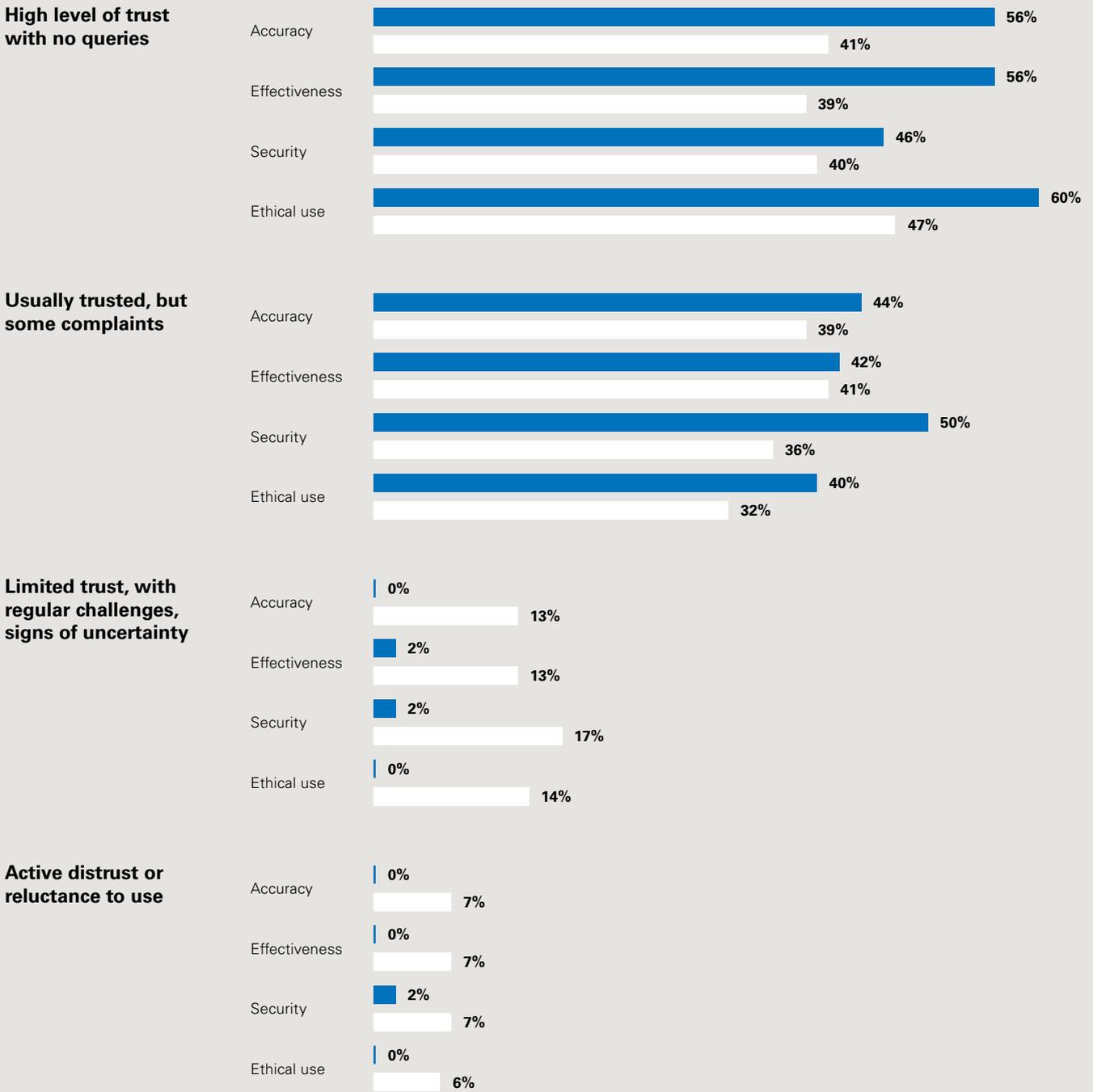


### CEOs Global



CEOs are fairly evenly split regarding the best uses of data and analytics. Top of the list is to aid with after-sales service and maintenance, followed by promoting process and cost efficiency, then driving strategy and change.

# To what extent do you trust the manner in which your organization uses data and analytics for each of the following?



The confidence of Swiss firms in their use of data and analytics is clear from respondents' answers with regard to its accurate, effective, secure and ethical use.

## How effectively is your organization using data and analytics (D&A) to improve performance?

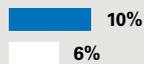
Considered a leader of D&A usage/  
 understanding customer behavior



Using D&A fairly effectively



Still evaluating our usage of D&A



■ Switzerland    ■ Global

Almost half of Swiss CEOs believe their firm's use of data and analytics is 'fairly effective', while a further 44 percent say their organization is a leader in this field (this compares to 30 percent globally).

## Key takeaways

- Many Swiss CEOs consider their organization to be a leader in the use of data and analytics.
- Swiss CEOs are generally more confident than their foreign counterparts in their use of data and analytics.
- Firms typically apply data and analytics most to after-sales service and maintenance, followed by achieving process and cost efficiencies.
- The ethical use of data - such as the balance between data protection and transparency - is seen as especially strong in Switzerland. This is critical given intensifying data-protection regulations.

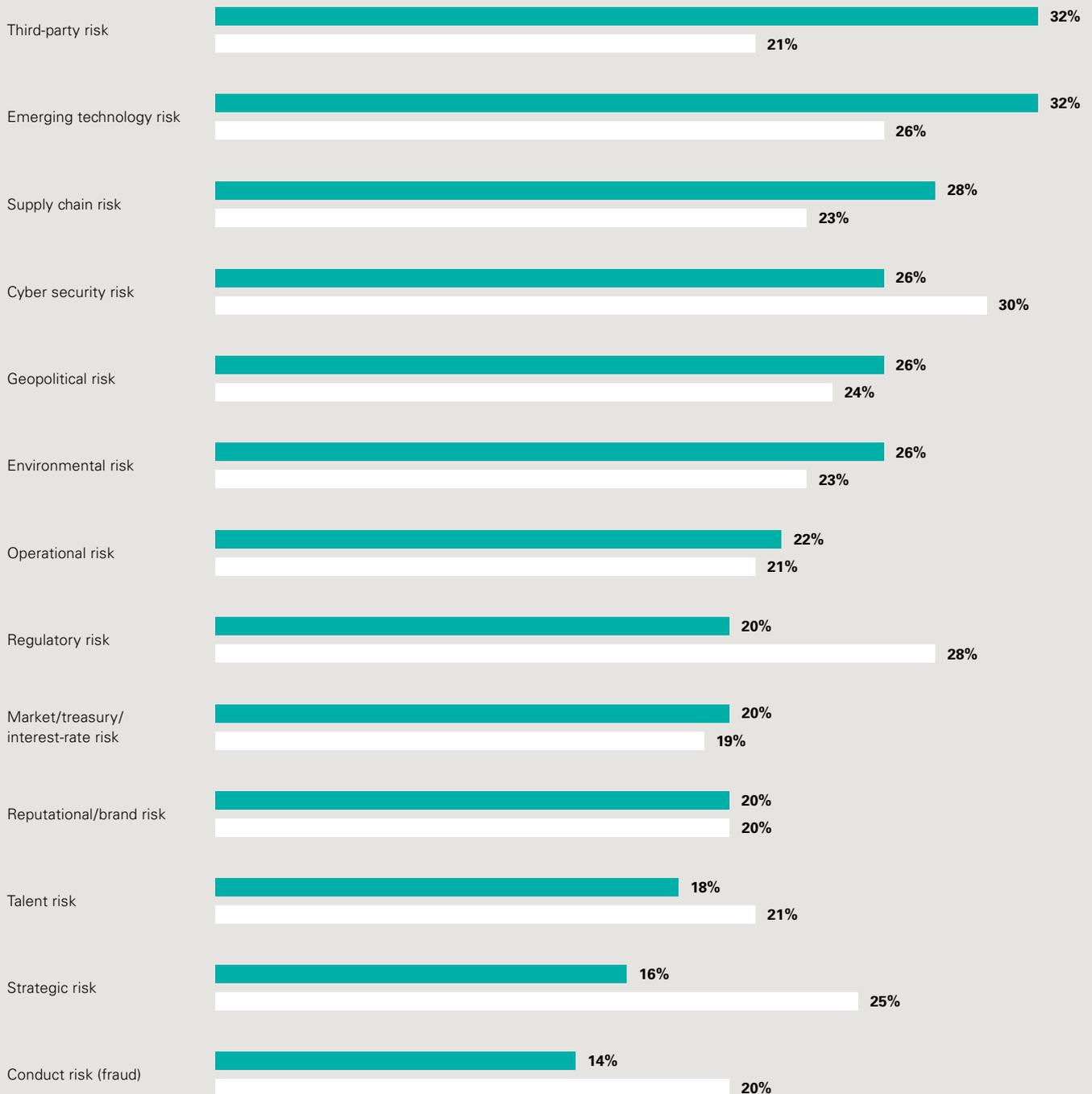
# Toward greater risk and better mitigation

## Risks

**Risks can emerge and spread rapidly in our globally connected world. How do CEOs perceive their organization's risk appetite, and what is their view of cyber risk in particular?**

External factors such as third-party risk and emerging technology risk are the highest on CEOs' agendas.

## Which of the following risks are you most concerned about?

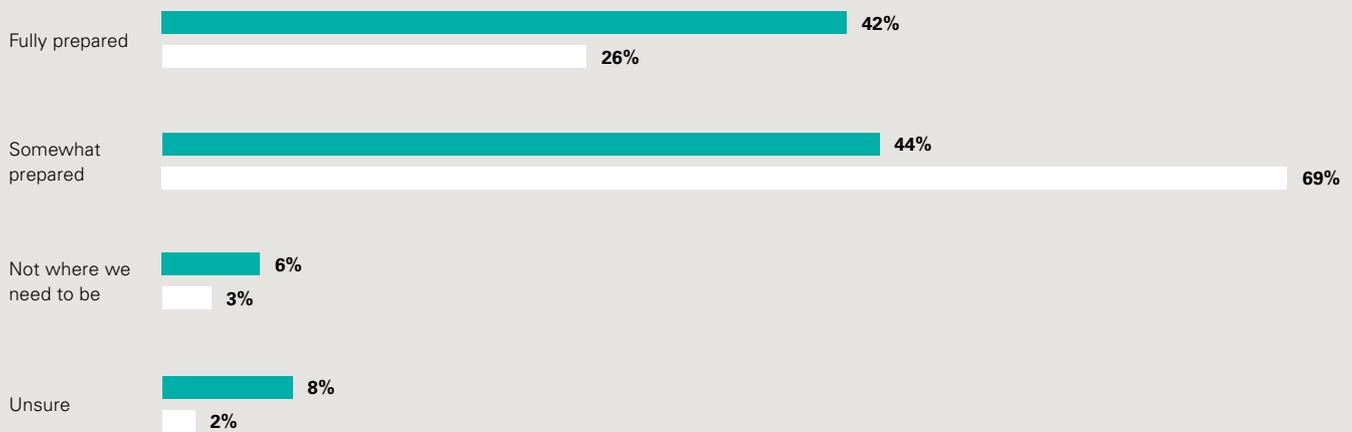


■ Switzerland    
 ■ Global

Interestingly, many more Swiss CEOs are concerned about third-party, supply chain and emerging technology risks than CEOs globally. The latter expressed greater concern than the Swiss over conduct risk, strategic risk and regulatory risk.

## How prepared is your company for a cyber event?

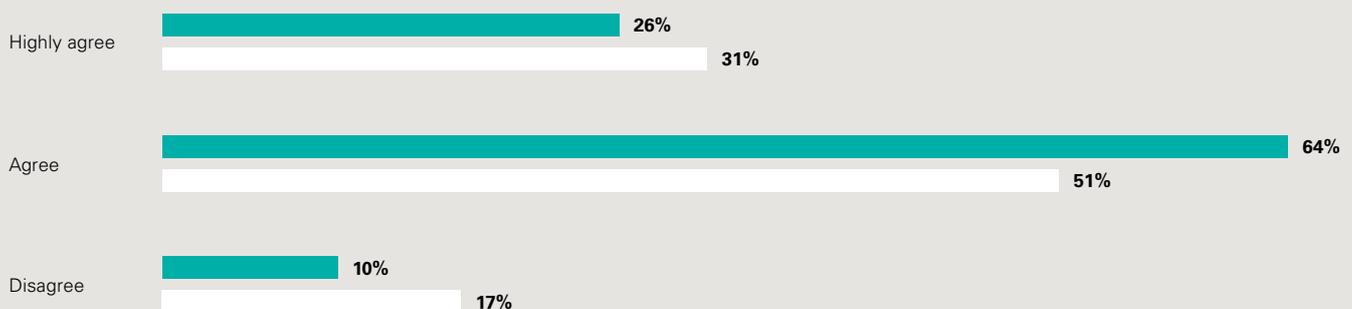
Cyber risk goes hand in hand with data security. It begs the question of how prepared CEOs feel their companies are for a cyber event. Perhaps surprisingly given the developing nature of this risk area and the relative rigidity of Swiss data-protection laws, 42 percent of Swiss CEOs (globally, 26 percent) feel fully prepared, while a further 44 percent (globally, 69 percent) feel somewhat prepared. Meanwhile, 6 percent acknowledge that they are not where they need to be.



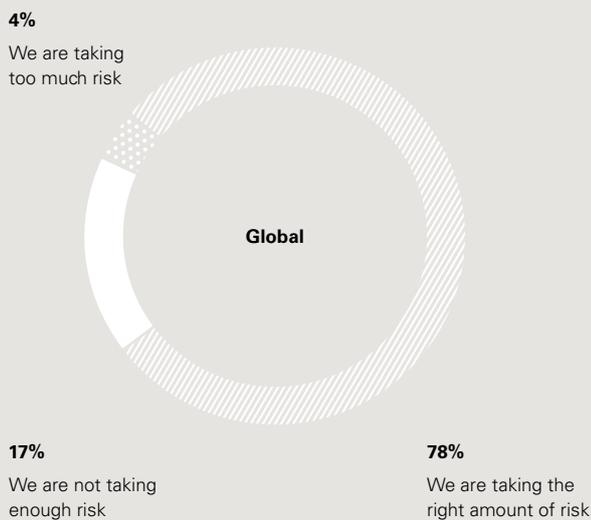
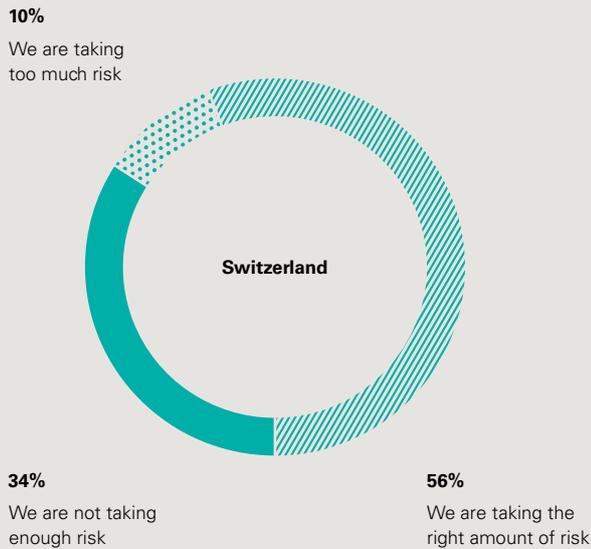
## To what extent do you agree that ...

**... you would be personally comfortable sharing with your peers experiences about a privacy breach at your organization to apply collective learnings to reduce risk?**

Perhaps in order to ensure such confidence is not misplaced, CEOs are overwhelmingly comfortable with the prospect of sharing with peers their organization's experiences of privacy breaches. This application of collective learning points could be promising in mitigating future risks. This demonstrates once more how open Swiss firms are to collaborative approaches.



## Which statement best describes your risk profile as it relates to your growth strategy?



More than half of Swiss respondents believe their firms take the right amount of risk, yet a sizeable 34 percent believe there is insufficient risk in their growth strategies. This compares to 17 percent of CEOs globally who consider their growth strategies to be too risk-averse.

## Key takeaways

- A sizeable number of Swiss CEOs believe their growth strategy should contain more risk. This is much higher than the global average.
- Swiss CEOs appear much more comfortable than their foreign counterparts with how prepared their company is for cyber threats.
- In the spirit of collaboration, CEOs around the world are overwhelmingly open to sharing information with their peers regarding privacy breaches in order to collectively learn and improve.

# Plugging the skills gap

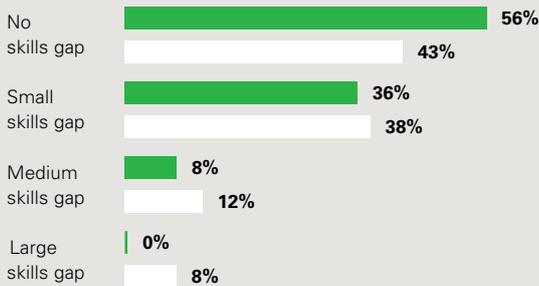
## Culture and people

**The strength of the Swiss economy is generally recognized as giving rise to a shortage of talent. How do CEOs see the impact on their organizations and how do they plan to fill any gaps?**

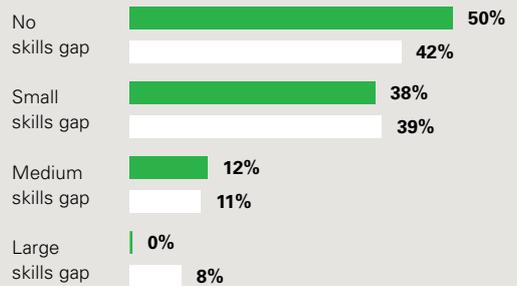
Despite a perceived shortage of talent due to the continued strength of the Swiss economy, it is notable that CEOs see only small skills gaps in their organization. Where skills gaps are noted, CEOs appear prepared to pay for a solution (recruiting from competitors or outsourcing) rather than consider automating processes.

# In the next 3 years, where do you see functional skills gaps in your organization?

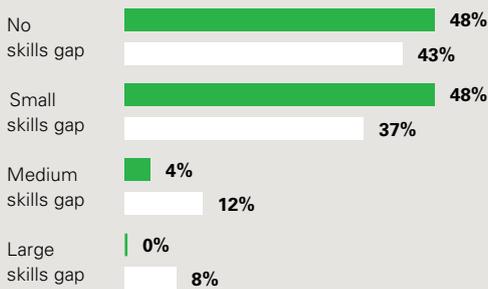
## Sales force



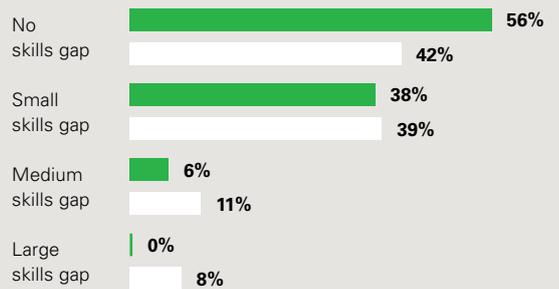
## Technology



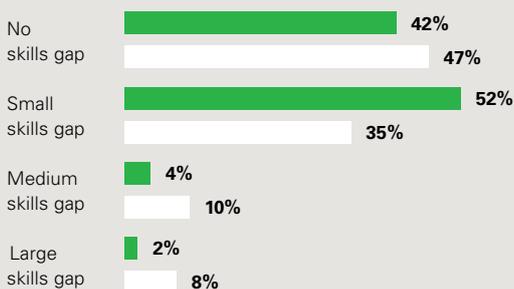
## Marketing



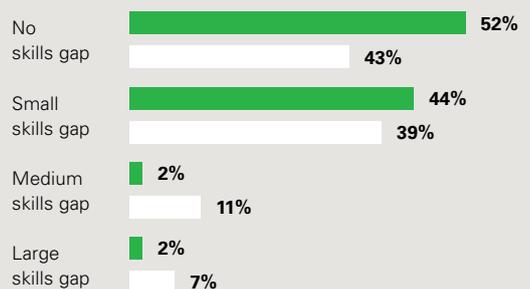
## Engineering



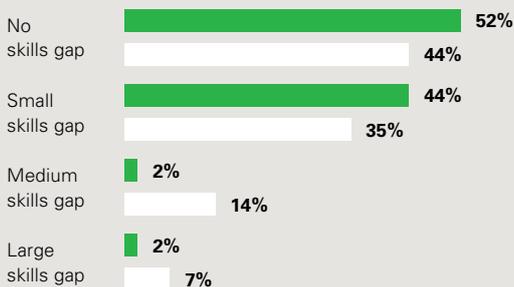
## Finance



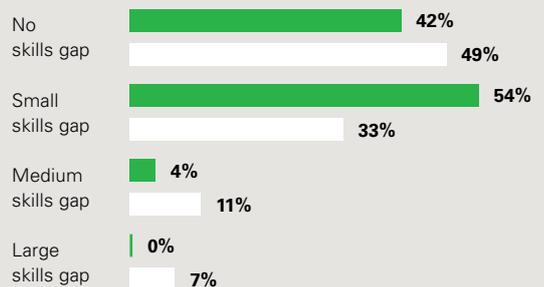
## Manufacturing/operations



## Research and development

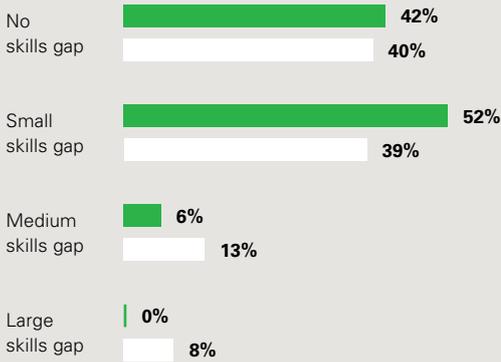


## Strategy

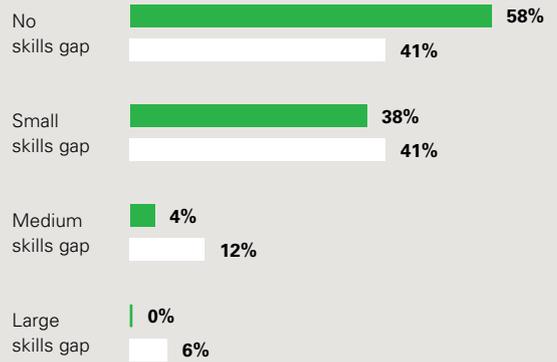


# In the next 3 years, where do you see skills gaps in regard to strategic priorities in your organization?

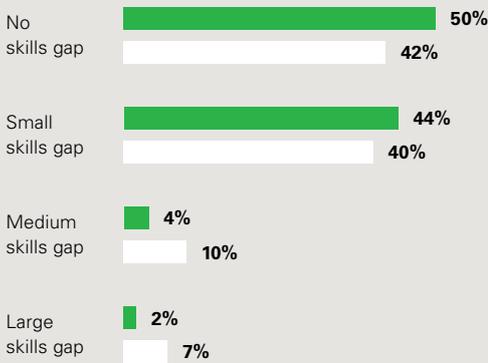
## Cyber



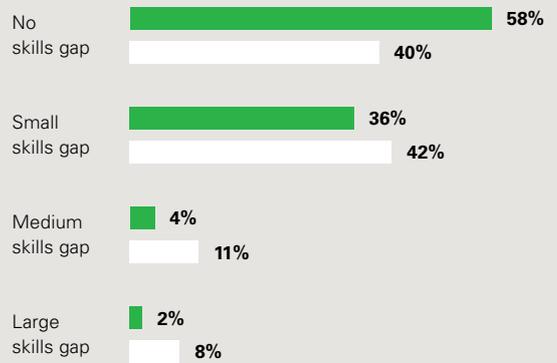
## D&A



## Digital



## Innovation



■ Switzerland
 ■ Global

Of the skills gaps identified, a spread of possible solutions is noted. The generally good financial health of Swiss firms may explain why CEOs are prepared to incur additional costs to secure the right resources. The top solutions for filling a skills gap are to hire away from competitors and to dedicate staff through insourcing.

## What are you doing to manage skills gap in the next 3 years?

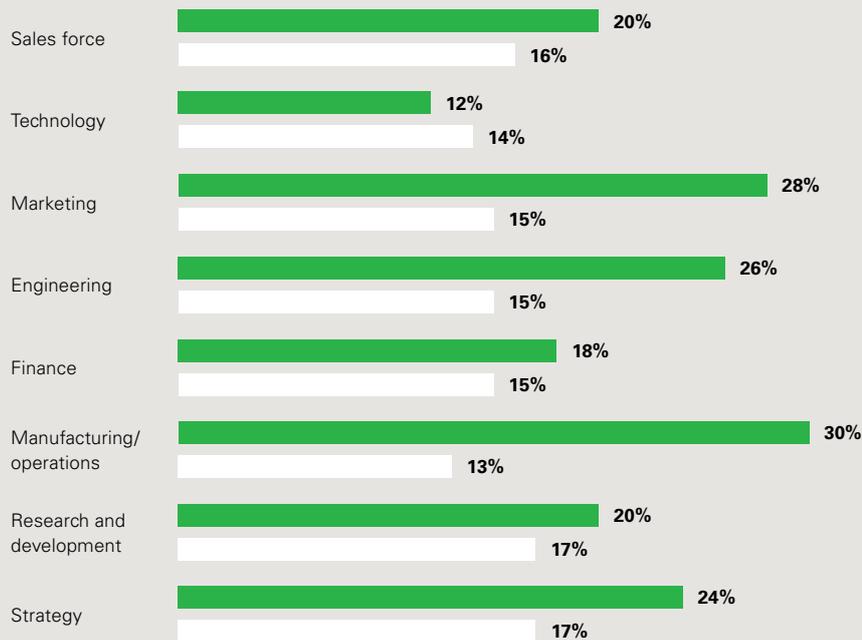
### CEOs Switzerland

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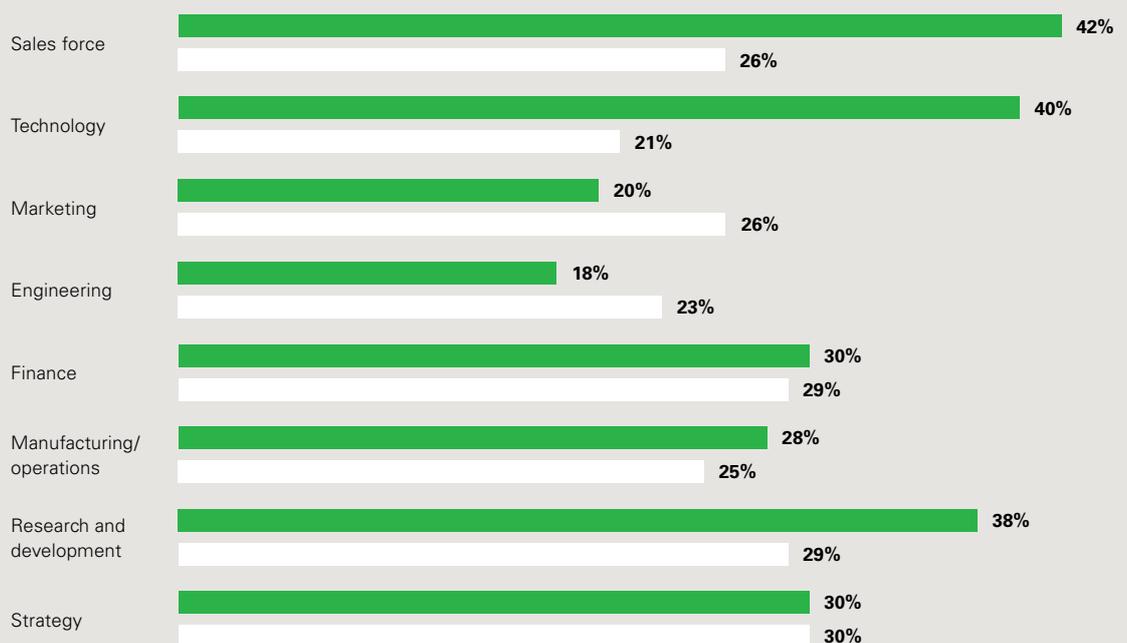


# What is the likelihood that automation/machine learning will replace at least 5 percent of your workforce in the following functional areas within the next 3 years?

## Unlikely



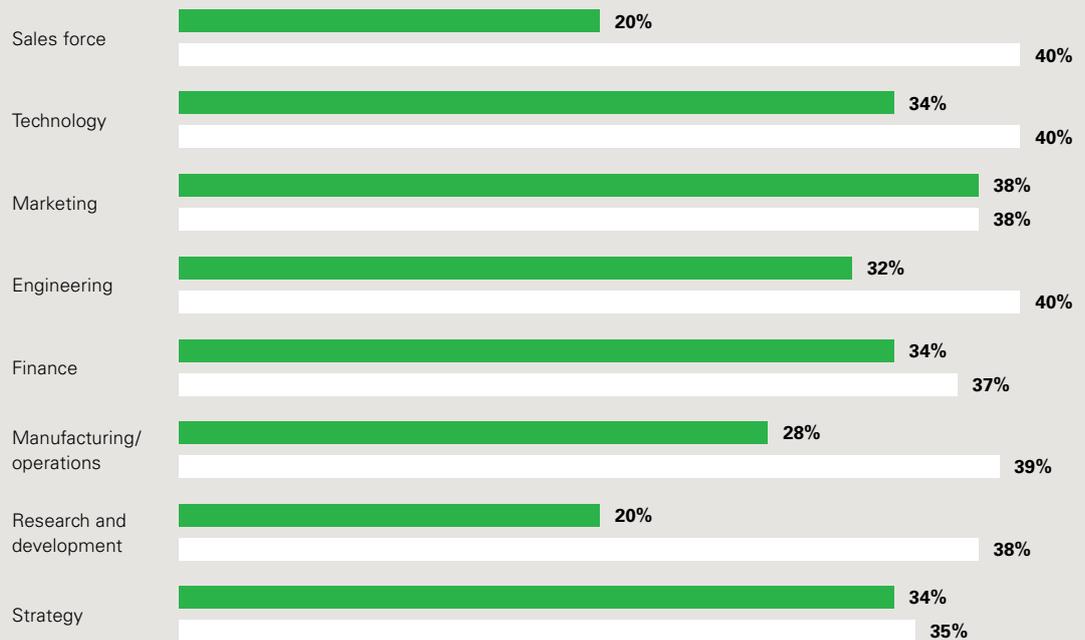
## Neither likely nor unlikely



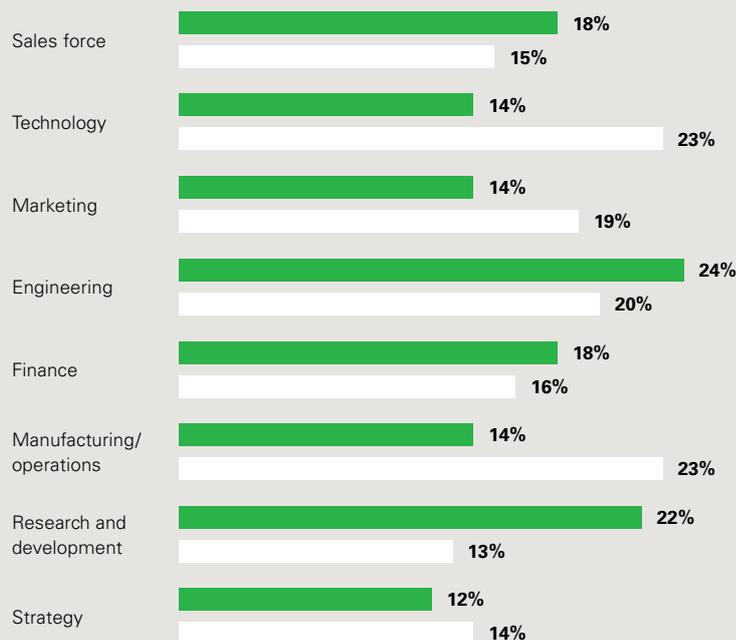
Across industries and national borders, the debate over automation rages. Automation is a long-standing approach in some manufacturing industries, but sectors such as financial services (e.g. robo-advice in wealth management) remain at the beginning of any industrial revolution. CEO opinion is split on whether automation will replace at least five percent

of their workforce over the next three years. Generally, Swiss CEOs seem unconvinced that automation will gain significant traction. This is despite Switzerland being a high-cost location. CEOs prefer to dedicate their skilled staff and to outsource noncore activities, meaning the prospect of large-scale automation is low.

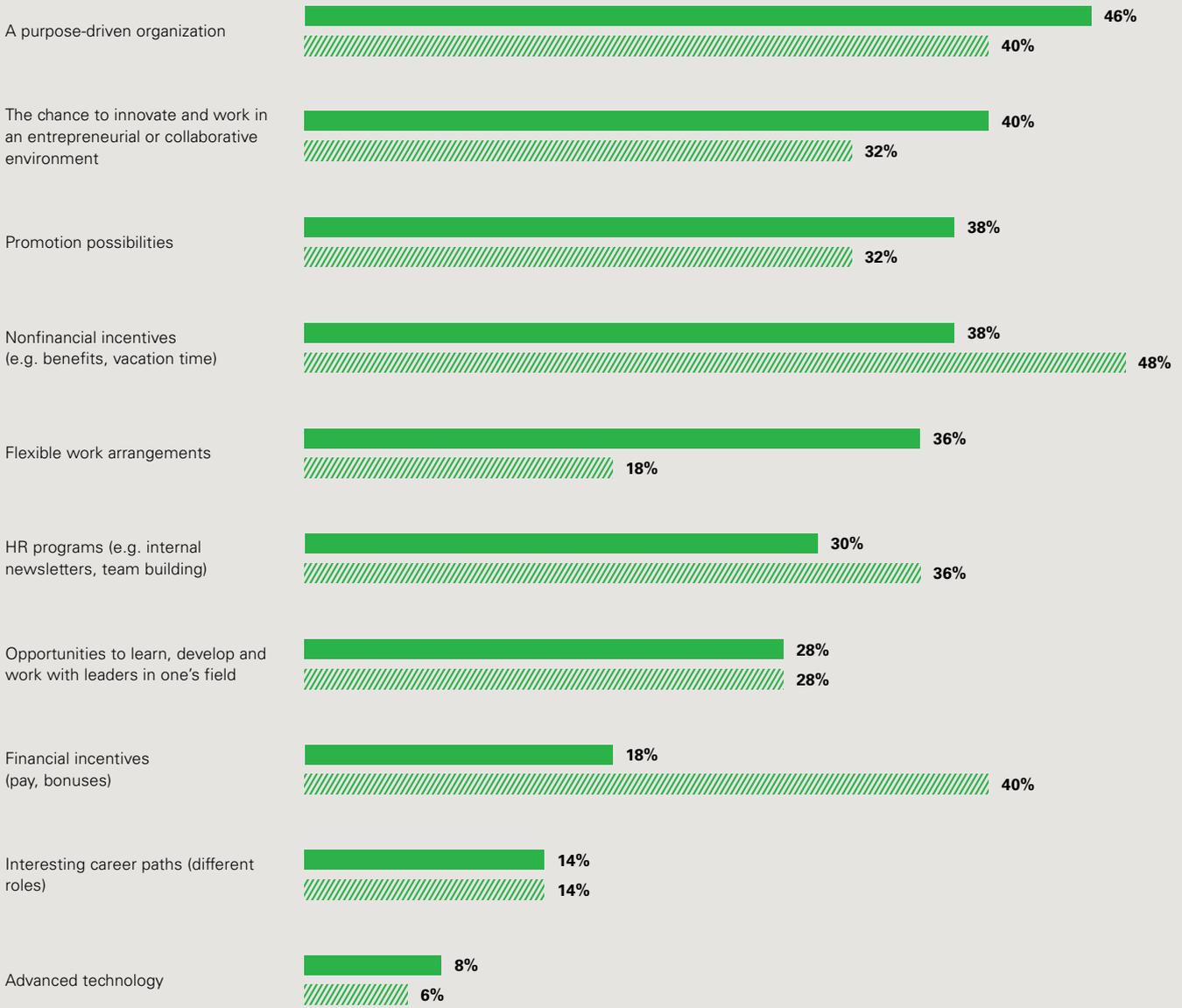
**Likely**



**Extremely likely**



## What are the most effective initiatives to attract and retain employees?



■ Attract employees\*    ▨ Retain employees\*

\*Swiss respondents

Both nonfinancial and financial incentives are useful tools for Swiss CEOs to retain talent. Nonfinancial factors include promotion possibilities, belonging to a purpose-driven organization and the chance to work in an entrepreneurial or collaborative environment.

To attract new employees, the softer factors mentioned above are key: to provide a sense of belonging to a purpose-driven organization as well as the chance to innovate and work in an entrepreneurial or collaborative environment.

## Key takeaways

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- CEOs do not see any major difficulties in filling skills gaps. They appear willing to pay their way through the problem by hiring staff from competitors.
- Nonfinancial benefits are the key way of retaining employees, followed by financial benefits and soft factors such as belonging to a purpose-driven organization.
- Soft factors are more important in attracting new employees.
- Automation is not expected to gain significant traction in Switzerland.

# Clarity on publications

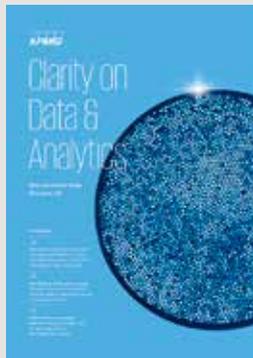
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## Latest issues

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Clarity on  
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