SWITZERLAND’S TOP500 2018

THRUST INTO THE DIGITAL FUTURE

Beyond efficiency – winning with talent, technology, and the ecosystem
Companies are investing heavily in digital capabilities to capitalize on new opportunities for growth and improved performance. But, despite widespread recognition of the digital imperative, few Swiss companies are moving quickly enough or undertaking the fundamental organizational transformation that is required to build digital businesses.

This is a central finding of the annual Switzerland Top 500 report, produced by Accenture Research and ETH Zurich’s KOF Swiss Economic Institute. The research also shows that the best performing companies are those that are investing in externally-focused digital capabilities, which enable them to “pivot to the new”—reimagining and reinventing the way they do business.

In the following pages we describe how Swiss companies can accelerate their digitization and close the gaps with their top-performing peers. We identify four areas in which top performers differentiate from their peers to fully realize the potential of digital technology:

- They have an outwardly-focused strategic perspective on digital investments—investments that help them reinvent the way they do business.
- Their investments are “asset-light”—focused on software-based technologies and data.
- They put people first and augment hard skills with the soft skills needed for teamwork, creative problem-solving and innovation.
- They are extroverts—participating in an ecosystem of partners to co-create customer-focused innovations.

We hope this report will serve as a wake-up call for the companies that are not yet top performers—and for the Swiss economy as a whole—to commit to the hard work of transformation and capability building that is needed to compete in the New.
THE PATH TO HIGH PERFORMANCE IS CHANGING.
NOW IS THE TIME TO LEARN FROM THE BEST AND WIN IN THE NEW.

- GROWTH CHAMPIONS
- HOW TOP PERFORMERS DO IT
- WHERE MOST SWISS FIRMS ARE LAGGING
- THREE STEPS TO WIN IN THE NEW
GROWTH CHAMPIONS

Financial performance analysis
This year’s analysis found 40 Growth Champions – firms that outperform Swiss companies overall and their industry competitors in top-line growth and profit margins. Because of the fundamental differences between financial and non-financial sectors, we divide Growth Champions into financial and non-financial firms.1

There are significant differences among champions from different non-financial industries (Figure 1). Non-financial Growth Champions recorded average top-line growth of 8.2%, compared with just 0.5% for the average non-financial firm. Profit margins of non-financial Growth Champions averaged nearly 11% (Figure 2).

Among financial companies, 12 companies—11 banks and one insurance company—qualified as Growth Champions. This year’s Growth Champions in banking recorded average growth in total assets of 8.6% (return on assets averaged 0.7%). This compares with a 2.8% gain in assets and 0.5% return on assets for all Swiss banks in the survey (Figure 2). In Insurance, Growth Champions averaged a 2.4% gain in gross written premiums and profit margins averaged 11.7%. This compares with 1.0% gains in gross written premiums and margins of 6.6% for all insurers.

We note that in both financial and non-financial categories, the list of Growth Champions changes considerably from year to year. Only 29 of this year’s 40 Growth Champions were Growth Champions last year, 18 companies in the past 3 years, and 11 in the past 4 years.

1 To identify Switzerland’s Growth Champions, we studied the financial key performance indicators (KPIs) of the 989 largest Swiss firms, as given in the Top 500 list compiled by Handelszeitung. 281 of these firms are from the Banking and Insurance industries, while 708 represent other segments of the Swiss economy. Our analysis then identified companies as Growth Champions if they achieved an yearly top-line growth and profit margins in the 2012-2016 period above the corresponding averages of the overall sample and the firms’ direct industry peers. The list of this year’s Growth Champions is available upon request.

Source: Accenture Research on Capital IQ, annual reports, and Handelszeitung Top500 — see About the Research for further details.
Figure 1: Revenue growth and profit margins of non-financial services growth champions
Revenue CAGR and Profit Margin Matrix (Growth Champions by industry, past 5 years, selected companies highlighted)

Source: Accenture Research on Capital IQ, annual reports, and Handelszeitung Top500 for non-financial services Growth Champions — see About the Research for further details.

Figure 2: Financial performance analysis, growth champions and peers

<table>
<thead>
<tr>
<th>Non-Financial</th>
<th>Banking</th>
<th>Insurance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues CAGR(^1) past 5 years</td>
<td>Total Assets CAGR past 5 years</td>
<td>GWP(^2) CAGR past 5 years</td>
</tr>
<tr>
<td>8.2%</td>
<td>0.5%</td>
<td>8.6%</td>
</tr>
<tr>
<td>Profit Margin past 5 years</td>
<td>Return on Assets past 5 years</td>
<td>Profit Margin past 5 years</td>
</tr>
<tr>
<td>10.9%</td>
<td>3.9%</td>
<td>0.7%</td>
</tr>
</tbody>
</table>

\(^1\) Compound Annual Growth Rate
\(^2\) Gross Written Premium

Switzerland's TOP500 GROWTH CHAMPIONS | 6
Digital is your new reality.
Learn from the best to win in the New
Digital is the new reality of business and companies are making substantial investments to digitize their operations and build new digital business models. But simply spending money on digital technology will not make a company a performance leader.

Underinvesting in digital—being a ‘follower’—is not smart. Our econometric analysis of more than 5,000 Swiss firms across nine industry sectors over the course of 12 years (2005 – 2017) shows that a 1% increase in digital investments is associated with a 1.5% increase in gross profit—but only for firms with above-average per-employee investments.

Further analysis reveals that the benefits of investing in digital begin to decline for companies that overinvest. This suggests that investing in digital at a level above industry peers is necessary but not sufficient for achieving profitability gains. This leads us to investigate other factors, such as strategic orientation, adoption of new information technologies, possession of relevant skills, and participation in the ecosystem to better understand profitability differences in the age of digitization.

There is a sweet spot at which digital investments pay off. Companies win by avoiding under- or over-investing and by matching the right amount of investments with the right focus.

Figure 3: Digital investments and profitability

Figure 4: Digital investments across industries

1 Source: Accenture Research on KOF Swiss Economic Institute’s data from the enterprise panel, N=5524 firms — see About the Research for further details.
2 Digital investments comprise expenditures in Swiss Francs in hardware and software. Gross profit is calculated as total revenue minus total cost (cost of goods sold plus labor cost).
3 Firms in the 50th percentile, i.e., above the median in their respective industry according to digital investments per employee in Switzerland.
WHAT SETS TOP PERFORMERS APART?
TO REALIZE THE FULL POTENTIAL OF INVESTMENTS IN DIGITAL, TOP PERFORMERS DIFFERENTIATE THEMSELVES IN FOUR DIMENSIONS

To discover what distinguishes top-performing Swiss corporations, we first analyzed five years’ worth of articles about Handelszeitung’s Top500 companies. We also scanned job postings on company websites. Based on keywords in these documents, we identify four traits that set companies apart: outward-focused strategic orientation, software-based technology and data, forward-looking skills, and ecosystem thinking.

In the next pages, we present further analysis of these four dimensions using the KOF Swiss Economic Institute’s digitization survey data, which provided deeper insights into how some leading companies unlock more value than peers do in the digital age.

PERCEPTION OF GROWTH CHAMPIONS REFLECTS WISE INVESTING CHOICES
Using text analytics, we see that media coverage of Growth Champions is more likely to include the terms growth strategies, new technologies, new skills, and open innovation1 (Indexed data, Peers = 100)

<table>
<thead>
<tr>
<th>Growth Champions</th>
<th>Peers</th>
<th>15% difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>115</td>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>

1 Frequency of discrete articles over the past five years on Handelszeitung’s Top500 companies that use keywords related to growth strategies, new technologies, and open innovation (via Factiva), and job postings on company websites demanding new skills were used in a composite index — adjusted for company size — to compare perception of Growth Champions and peers.

OUTWARD-FOCUSED STRATEGIC ORIENTATION
SOFTWARE-BASED TECHNOLOGY AND DATA
FORWARD-LOOKING SKILLS
ECOSYSTEM THINKING
According to this year’s research, top performers differentiate from peers by using digital investments to pursue outward-focused goals and capitalize on new growth opportunities.

**Top performers use digital to:**
- Build new business models
- Increase market flexibility
- Launch new products and services quickly
- Increase market and customer knowledge
- Attract best young talent
- Create a more engaged workforce

Top performers continue to invest in digital for efficiency gains, but they devote a smaller proportion of digital investment to such internal efforts than their peers (Figure 5).

**Figure 5: Drivers of digitization**

Q. Which goals do you pursue with your digital investments? (% of respondents indicating ‘yes’; response ‘yes/no’)

<table>
<thead>
<tr>
<th>Goal</th>
<th>Outward-focused goals</th>
<th>Inward-focused goals</th>
</tr>
</thead>
<tbody>
<tr>
<td>New business models</td>
<td>49%</td>
<td>14%</td>
</tr>
<tr>
<td>Increase flexibility to the market</td>
<td>91%</td>
<td>8%</td>
</tr>
<tr>
<td>Increase customer knowledge</td>
<td>62%</td>
<td>16%</td>
</tr>
<tr>
<td>Decrease time-to-market</td>
<td>29%</td>
<td>3%</td>
</tr>
<tr>
<td>Attract best young talent</td>
<td>43%</td>
<td>22%</td>
</tr>
<tr>
<td>Motivating working tasks</td>
<td>63%</td>
<td>16%</td>
</tr>
<tr>
<td>In-house process integration</td>
<td>71%</td>
<td>2%</td>
</tr>
<tr>
<td>Reduce personnel cost</td>
<td>49%</td>
<td>9%</td>
</tr>
<tr>
<td>Increase in-house efficiency</td>
<td>77%</td>
<td>8%</td>
</tr>
</tbody>
</table>

Source: Accenture Research on KOF (ETH Zurich) / Chair of Work and Organizational Psychology (ETH Zurich) / School of Applied Psychology (FHNW) digitization survey conducted in Sept. 2016. Top performers are companies that outperform 90% of their industry peers in gross profit per capita in 2015, N=47; Others, N=469 — see About the Research for further details.
TAKING DIGITAL BEYOND EFFICIENCY

Figure 6 graphically depicts how top performers differentiate from peers when it comes to the goals of their digital investments. For example, in CMT, 20% more top-performing firms (than peer firms) pursue digitization to build new business models, while only 9% more of top performers than peers use digitization to increase efficiency (similarly, 39% more to attract the best young talent, while only 7% more to reduce personnel cost). The largest percentage point gap between how performance leaders and peers are investing is seen in pharma and healthcare, where the leading companies outspend peers by 57% to 61% in areas such as new business models and increasing customer knowledge.

There is variation across industries, but a clear pattern emerges: increasingly, firms are driving differentiated performance by making digital investments to capitalize on new growth opportunities. These findings suggest that the best performing Swiss firms have largely maximized efficiency benefits from digital and are ahead of their peers in using digital to reinvent the way they do business. These companies are in a better position than their peers to withstand the disruption that is occurring in virtually every industry. They are using digital to remain relevant to customers and markets, and attract the best young talent, and participate in digital ecosystems.
## Taking Digital Beyond Efficiency

**Figure 6: Drivers of digitization across industries**

Percentage point difference between Top performers and Others (Based on the survey question ‘which goals do you pursue with your digital investments?’, see Fig. 5)

<table>
<thead>
<tr>
<th>OUTWARD-LOOKING GOALS</th>
<th>INWARD-LOOKING GOALS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>NEW BUSINESS MODELS</strong></td>
<td><strong>INCREASE CUSTOMER KNOWLEDGE</strong></td>
</tr>
<tr>
<td>Chemicals &amp; Natural Resources</td>
<td>13.2</td>
</tr>
<tr>
<td>CMT</td>
<td>20.0</td>
</tr>
<tr>
<td>Construction</td>
<td>28.6</td>
</tr>
<tr>
<td>Consumer Goods &amp; Services</td>
<td>4.2</td>
</tr>
<tr>
<td>Financial Services</td>
<td>9.6</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>-6.2</td>
</tr>
<tr>
<td>Pharma &amp; Healthcare</td>
<td>57.1</td>
</tr>
<tr>
<td>Retail</td>
<td>11.1</td>
</tr>
<tr>
<td>Travel &amp; Transp. Services</td>
<td>7.2</td>
</tr>
</tbody>
</table>

**Source:** Accenture Research on KOF (ETH Zurich) / Chair of Work and Organizational Psychology (ETH Zurich) / School of Applied Psychology (FHNW) digitization survey conducted in Sept. 2016. Top performers are companies that outperform 90% of their industry peers in gross profit per capita in 2015, N=47; Others, N=469 — see About the Research for further details.
When it comes to technology investments, there is a clear differentiation between top performers and others. The top performers are making significantly bigger investments in "asset light" software technologies, such as analytics, CRM, supply chain management, and social media (Figure 7). These software-based intelligent applications change how companies operate and grow.

The investment gap between performance leaders and other companies is narrower when it comes to complex machine-based IT hardware, such as 3D printing, internet of things, robots, and autonomous vehicles. Interestingly, we also find that overall, the penetration of machine-based IT across the Swiss economy is low (Figure 14).

### Figure 7: Percentage point difference of adoption of digital technologies between top performers and others

<table>
<thead>
<tr>
<th>Technology</th>
<th>Top Performers</th>
<th>Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business analytics</td>
<td>22.5</td>
<td>15.7</td>
</tr>
<tr>
<td>Customer relationship management</td>
<td>18.2</td>
<td>11.9</td>
</tr>
<tr>
<td>Supply chain management</td>
<td>18.7</td>
<td>13.8</td>
</tr>
<tr>
<td>External social media</td>
<td>14.6</td>
<td>10.8</td>
</tr>
<tr>
<td>Internal collaboration support system</td>
<td>6.5</td>
<td>4.3</td>
</tr>
<tr>
<td>E-Purchases</td>
<td>6.6</td>
<td>3.3</td>
</tr>
<tr>
<td>Rapid prototyping</td>
<td>5.9</td>
<td>4.1</td>
</tr>
<tr>
<td>Autonomous vehicles</td>
<td>5.9</td>
<td>3.9</td>
</tr>
<tr>
<td>Robots</td>
<td>3.3</td>
<td>1.3</td>
</tr>
<tr>
<td>3D printing</td>
<td>1.3</td>
<td>0.0</td>
</tr>
<tr>
<td>IoT</td>
<td>1.0</td>
<td>0.0</td>
</tr>
<tr>
<td>All Software-based IT</td>
<td>6.6</td>
<td>4.0</td>
</tr>
<tr>
<td>All Machine-based IT</td>
<td>2.8</td>
<td>1.0</td>
</tr>
</tbody>
</table>

Source: Accenture Research on KOF (ETH Zurich) / Chair of Work and Organizational Psychology (ETH Zurich) / School of Applied Psychology (FHWN) digitization survey conducted in Sept. 2016. Top performers are companies that outperform 90% of their industry peers in gross profit per capita in 2015, N=47. Others, N=469 — see About the Research for further details.
In a digital, increasingly connected world, top performers use data from diverse internal and external sources to drive efficiency, connect better with customers, refine their offerings, and discover new strategic opportunities.

Our research found that:

- 92% of top performers (compared with 80% of firms in the rest of the sample) use digital technology investments to advance analysis of internal data.

- 81% of top performers (compared with 72% of firms in the rest of the sample) use digital technology investments to improve data sharing between different corporate functions.

- 70% of top performers (compared with 66% of firms in the rest of the sample) use digital technology investments to advance the analysis of external data.

- 64% of top performers (compared with 54% of firms in the rest of the sample) use digital technology investments to advance the automated exchange of data with external partners.

<table>
<thead>
<tr>
<th>Function</th>
<th>Top Performers</th>
<th>Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>Analysis of internal data</td>
<td>92%</td>
<td>80%</td>
</tr>
<tr>
<td>Interconnection of data between functions</td>
<td>81%</td>
<td>72%</td>
</tr>
<tr>
<td>Analysis of external data</td>
<td>70%</td>
<td>66%</td>
</tr>
<tr>
<td>Automated exchange of data with external partners</td>
<td>64%</td>
<td>54%</td>
</tr>
</tbody>
</table>

**Source:** Accenture Research on KOF (ETH Zurich) / Chair of Work and Organizational Psychology (ETH Zurich) / School of Applied Psychology (FHNW) digitization survey conducted in Sept. 2016. Top performers are companies that outperform 90% of their industry peers in gross profit per capita in 2015, N=47; Others, N=469 — see About the Research for further details.
We compared the importance of employee hard skills, innovation skills, and soft skills for digitization in the top performing firms vs. other companies.

In addition to hard skills—the baseline capabilities for everyone competing in the digital age—soft skills and innovation skills emerge as key differentiating factors between top performers and the rest of the sample:

- The greatest difference between top performers and peers (on average 9%) is in the importance that leaders place on soft skills such as social and communication skills, autonomous decision making, and leadership.

- Top performers were more likely (on average by 6%) to say that innovation skills, such as interdisciplinary thinking and acting, mastering complex working content, and participation in the innovation process, are important.

- The smallest gap (on average 5%) between top performers and other firms was in hard skills, such as technical competency, problem-solving, and process know-how.

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**Figure 9: Importance of skills for digitization**

Q. Which employee skills are important for your organization with regard to digitization? (% of respondents indicating ‘important/very important’; response scale 1–5)

<table>
<thead>
<tr>
<th>Skills</th>
<th>Top Performers</th>
<th>Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>Process know-how</td>
<td>73</td>
<td>58</td>
</tr>
<tr>
<td>Problem-solving skills</td>
<td>68</td>
<td>60</td>
</tr>
<tr>
<td>Technical competency</td>
<td>70</td>
<td>62</td>
</tr>
<tr>
<td>Interdisciplinary thinking and acting</td>
<td>66</td>
<td>58</td>
</tr>
<tr>
<td>Mastering complex working contents</td>
<td>56</td>
<td>50</td>
</tr>
<tr>
<td>Participation in the innovation process</td>
<td>55</td>
<td>48</td>
</tr>
<tr>
<td>Social and communication skills</td>
<td>44</td>
<td>38</td>
</tr>
<tr>
<td>Autonomous decision-making</td>
<td>51</td>
<td>43</td>
</tr>
<tr>
<td>Leadership competency</td>
<td>29</td>
<td>31</td>
</tr>
</tbody>
</table>

**Hard Skills** ▲ +5%

**Innovation Skills** ▲ +6%

**Soft Skills** ▲ +9%

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Source: Accenture Research on KOF (ETH Zurich) / Chair of Work and Organizational Psychology (ETH Zurich) / School of Applied Psychology (FHNW) digitization survey conducted in Sept. 2016. Top performers are companies that outperform 90% of their industry peers in gross profit per capita in 2015, N=47; Others, N=469 — see About the Research for further details.
IT’S ALL ABOUT PEOPLE

Figure 10 depicts the differences in perception about important skills between top performers and other companies in various industries. For example, in chemicals & natural resources, 32% more top performers than other companies said employee social and communication skills are important for digitization.

The gaps vary by industry, but top performers consistently place a higher value on soft skills and innovation skills—in only two sectors (CMT and construction) technical competency emerges as the most important differentiating factor. This suggests that as all companies adopt digital technologies, the basis of competitive advantage is shifting from advanced technical skills to more “human” skills that involve teamwork, communication, creativity, and ingenuity.

### Figure 10: Importance of employee skills for digitization across industries
Percentage point difference between Top performers and Others (Based on the survey question ‘Which employee skills are important for your organization with regard to digitization?’, see Fig. 9)

<table>
<thead>
<tr>
<th>Industry</th>
<th>Social and Communication Skills</th>
<th>Participation in the Innovation Process</th>
<th>Technical Competency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chemicals &amp; Natural Resources</td>
<td>32.0</td>
<td>-2.0</td>
<td>12.0</td>
</tr>
<tr>
<td>CMT</td>
<td>-1.7</td>
<td>23.3</td>
<td>26.7</td>
</tr>
<tr>
<td>Construction</td>
<td>16.5</td>
<td>23.7</td>
<td>29.0</td>
</tr>
<tr>
<td>Consumer Goods &amp; Services</td>
<td>-0.5</td>
<td>0.7</td>
<td>-16.2</td>
</tr>
<tr>
<td>Financial Services</td>
<td>1.0</td>
<td>11.4</td>
<td>7.6</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>16.3</td>
<td>6.8</td>
<td>0.2</td>
</tr>
<tr>
<td>Pharma &amp; Healthcare</td>
<td>37.5</td>
<td>25.0</td>
<td>25.0</td>
</tr>
<tr>
<td>Retail</td>
<td>40.7</td>
<td>7.1</td>
<td>6.4</td>
</tr>
<tr>
<td>Travel &amp; Transp. Services</td>
<td>-15.2</td>
<td>-18.1</td>
<td>-38.1</td>
</tr>
</tbody>
</table>

Source: Accenture Research on KOF (ETH Zurich) / Chair of Work and Organizational Psychology (ETH Zurich) / School of Applied Psychology (FHNW) digitization survey conducted in Sept. 2016. Top performers are companies that outperform 90% of their industry peers in gross profit per capita in 2015, N=47; Others, N=469 — see About the Research for further details.
USE THE ECOSYSTEM AND WIN

An important element of success in the digital age is the ability to tap into resources in an ecosystem of customers, competitors, universities, and suppliers, to name but a few. The ecosystem provides quick access to new ideas, skills, talent, technologies, customers and markets. Not surprisingly, we find that top performers are better than their peers at tapping into their ecosystems for knowledge. (Figure 11). They are also tapping on average a combination of more external sources for their innovation activities.

Figure 11: Importance of external innovation sources
Q. Which external sources of knowledge are important for your innovation activities? (% of respondents indicating 1–4 from ‘not important’ to ‘very important’)

<table>
<thead>
<tr>
<th>Source</th>
<th>Not Important</th>
<th>Very Important</th>
</tr>
</thead>
<tbody>
<tr>
<td>CUSTOMERS</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Top performers</td>
<td>11</td>
<td>36</td>
</tr>
<tr>
<td>Others</td>
<td>10</td>
<td>28</td>
</tr>
<tr>
<td>COMPETITORS</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Top performers</td>
<td>13</td>
<td>53</td>
</tr>
<tr>
<td>Others</td>
<td>15</td>
<td>9</td>
</tr>
<tr>
<td>UNIVERSITIES</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Top performers</td>
<td>19</td>
<td>30</td>
</tr>
<tr>
<td>Others</td>
<td>33</td>
<td>9</td>
</tr>
</tbody>
</table>

Source: Accenture Research on KOF (ETH Zurich) / Chair of Work and Organizational Psychology (ETH Zurich) / School of Applied Psychology (FHNW) digitization survey conducted in Sept. 2016. Top performers are companies that outperform 90% of their industry peers in gross profit per capita in 2015, N=47; Others, N=469 — see About the Research for further details.

87% Top performers (% respondent)
78% Others (% respondent)

1 The survey asks the respondents if they utilize innovation relevant knowledge from the following 12 sources: customers, suppliers, competitors, universities, other research institutions, firms from same enterprise group, consulting companies, conferences and scientific literature, fairs and exhibitions, information networks, technology transfer offices, patent offices.
Top performers pursue more co-innovation with partners, such as competitors, universities, customers, and suppliers, compared with their peers. In particular, our research found that:

- 17% of top performers had R&D partnership with firms from other industries (compared with 6% of peers)
- 8% of top performers reported R&D partnerships with firms from the same industry (compared with 2% of peers)

This result reflects the blurring of industry lines and underscores that business success may increasingly depend on smart partnerships beyond traditional industry boundaries for co-innovation.

**Figure 12: R&D partnerships**

Q. Did you pursue R&D collaborations with the following partners in the past 3 years?

(% of respondents indicating ‘yes’; response ‘yes/no’)

<table>
<thead>
<tr>
<th>R&amp;D partnerships</th>
<th>Top Performers</th>
<th>Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>R&amp;D partnerships with firms from same industry</td>
<td>2</td>
<td>17</td>
</tr>
<tr>
<td>R&amp;D partnerships with firms from other industries</td>
<td>6</td>
<td>42</td>
</tr>
<tr>
<td>R&amp;D partnerships with universities</td>
<td>29</td>
<td>33</td>
</tr>
<tr>
<td>R&amp;D partnerships with customers</td>
<td>25</td>
<td>33</td>
</tr>
<tr>
<td>R&amp;D partnerships with suppliers</td>
<td>19</td>
<td>33</td>
</tr>
</tbody>
</table>

Source: Accenture Research on KOF (ETH Zurich) / Chair of Work and Organizational Psychology (ETH Zurich) / School of Applied Psychology (FHNW) digitization survey conducted in Sept. 2016. Top performers are companies that outperform 90% of their industry peers in gross profit per capita in 2015, N=47; Others, N=469 — see About the Research for further details.
WHERE MOST SWISS FIRMS ARE LAGGING

While top performers move in the right direction, evidence points to critical gaps in the Swiss economy
Leaders in most industries recognize that digital technology is a critical tool for innovation and disruption. Across industries and across the world, companies are using digital technology such as data analytics and AI to discover new ideas for innovation and speed up R&D.

However, among the Swiss corporations we surveyed, digital investment in R&D appears to be a low priority. When asked which corporate functions have been impacted by digital investment, only 29% said R&D, while 82% said administration (Figure 13).

Just 29% say that digital is transforming their R&D

**Figure 13: Impact of digitization on corporate functions**

Q. Which corporate functions have been impacted by your digital investments? (% of respondents indicating ‘yes’; response ‘yes/no’)

<table>
<thead>
<tr>
<th>Function</th>
<th>% Impacted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administration</td>
<td>82%</td>
</tr>
<tr>
<td>Marketing</td>
<td>69%</td>
</tr>
<tr>
<td>Procurement</td>
<td>66%</td>
</tr>
<tr>
<td>Production</td>
<td>62%</td>
</tr>
<tr>
<td>Warehouse/Logistics</td>
<td>59%</td>
</tr>
<tr>
<td>R&amp;D</td>
<td>29%</td>
</tr>
</tbody>
</table>

Source: Accenture Research on KOF (ETH Zurich) / Chair of Work and Organizational Psychology (ETH Zurich) / School of Applied Psychology (FHNW) digitization survey conducted in Sept. 2016, N = 845 — see About the Research for further details.
ADOPTION OF NEW TECHNOLOGY IS SLOW

Switzerland has consistently ranked near the top of the Global Innovation Index. Yet, we find that adoption of many new technologies—from IoT, to 3D printing and autonomous vehicles—has been slow (Figure 14).

The reasons for this are laid out in Figure 15, which shows that the biggest barrier is the lack of qualified personnel, followed by uncertain payoff, and the perception that the organizational and technical changes that accompany the adoption of these technologies are too complex.

Figure 14: Adoption of digital technologies
Q. Which digital technologies are used in your organization? (% of respondents indicating ‘yes’; response ‘yes/no’)

Source: Accenture Research on KOF (ETH Zurich) / Chair of Work and Organizational Psychology (ETH Zurich) / School of Applied Psychology (FHNW) digitization survey conducted in Sept. 2016, N = 845 — see About the Research for further details.

1 Global Innovation Index, https://www.globalinnovationindex.org
TALENT IS THE BIGGEST CHALLENGE TO TECHNOLOGY ADOPTION

While the talent gap holds back investment in digital (Figure 15), Accenture's global research finds that only 3% of executives intend to significantly increase investment in training and reskilling in the next three years. Anecdotal evidence suggests that the outlook in Switzerland is no different.

However, Switzerland may have less of a skills gap than other countries: in 2016, 2017, and 2018 it topped the Global Talent Competitiveness Index in the ability to attract, develop and retain talent.2

Lack of qualified personnel emerges as the top barrier for digitization

Figure 15: Barriers of digitization
Q. Which factors hinder digitization in your organization? (% of respondents indicating ‘hindering/very hindering’: response scale 1–5)

<table>
<thead>
<tr>
<th>Factor</th>
<th>% of respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lack of qualified personnel</td>
<td>68</td>
</tr>
<tr>
<td>Combining of different technologies is organizationally too complex</td>
<td>66</td>
</tr>
<tr>
<td>Workflow and processes are not suitable for digitalization</td>
<td>66</td>
</tr>
<tr>
<td>The gains from digitalization are not clear</td>
<td>64</td>
</tr>
<tr>
<td>Combining different technologies is technically too complex</td>
<td>64</td>
</tr>
<tr>
<td>Lack of financial means</td>
<td>59</td>
</tr>
<tr>
<td>Potential applications of digitization are not clear</td>
<td>57</td>
</tr>
<tr>
<td>Maturity of digital technologies is low</td>
<td>56</td>
</tr>
<tr>
<td>Security concerns</td>
<td>55</td>
</tr>
<tr>
<td>Corporate culture is not supporting digitalization</td>
<td>53</td>
</tr>
<tr>
<td>Decision-making process is decentrally organized</td>
<td>42</td>
</tr>
</tbody>
</table>

Source: Accenture Research on KOF (ETH Zurich) / Chair of Work and Organizational Psychology (ETH Zurich) / School of Applied Psychology (FHNW) digitization survey conducted in Sept. 2016, N = 845 — see About the Research for further details.

1 Shook, E. & Knickrehm, M. Reworking the revolution, Accenture (2018)
2 Global Talent Competitiveness Index, https://gtcistudy.com
SOFT AND INNOVATION SKILLS ARE UNDER-PRIORITIZED

Using intelligent technology to reinvent how you do business requires investing in people and reskilling the workforce in both hard and soft skills. Interpersonal social and communication skills are critical for innovation in diverse teams and the ability to master complex content is essential for effectively applying knowledge in new ways and boosting innovation. In our research, we find that Swiss firms significantly under-prioritize social competencies and human ingenuity (Figure 16). In short, firms are investing a lot in digitization but may be placing inadequate emphasis on the soft skills needed to make the best use of digital technology and information.

![Figure 16: Importance of skills for digitization](image)

Q. Which employee skills are important for your organization with regard to digitization? (% of respondents indicating ‘important/very important’; response scale 1–5)

<table>
<thead>
<tr>
<th>Hard Skills</th>
<th>Innovation Skills</th>
<th>Soft Skills</th>
</tr>
</thead>
<tbody>
<tr>
<td>Process know-how</td>
<td>44</td>
<td></td>
</tr>
<tr>
<td>Problem solving skills</td>
<td>41</td>
<td></td>
</tr>
<tr>
<td>Technical competency</td>
<td>41</td>
<td></td>
</tr>
<tr>
<td>Interdisciplinary thinking and acting</td>
<td>40</td>
<td></td>
</tr>
<tr>
<td>Mastering complex working contents</td>
<td>34</td>
<td></td>
</tr>
<tr>
<td>Participation in the innovation process</td>
<td>33</td>
<td></td>
</tr>
<tr>
<td>Autonomous decision making</td>
<td>28</td>
<td></td>
</tr>
<tr>
<td>Social and communication skills</td>
<td>27</td>
<td></td>
</tr>
<tr>
<td>Leadership competency</td>
<td>16</td>
<td></td>
</tr>
</tbody>
</table>

Source: Accenture Research on KOF (ETH Zurich) / Chair of Work and Organizational Psychology (ETH Zurich) / School of Applied Psychology (FHNW) digitization survey conducted in Sept. 2016, N = 845 — see About the Research for further details.

Only 27% said that social and communication skills are important for digitization
Companies may underprioritize soft and innovation skills for the digital future because their investments are largely focused on process improvement.

Our data show that the vast majority of firms are still using new IT systems for efficiency and less for unlocking new opportunities for growth through new business models, accelerating time to market, increasing customer knowledge, and attracting the best young talent.1

Only 36% said that they invest in digital to build new business models

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1 Note: The appreciation of the Swiss franc against other currencies on June 15th, 2015, increased the pressure on efficiency, as firms exposed to international markets react to a real appreciation of the currency with the introduction of process innovation that reduces production cost (Kaiser et al. 2017).

---

**Figure 17: Drivers of digitization**

Q. Which goals do you pursue with digitization? (% of respondents indicating ‘yes’; response ‘yes’/’no’)

<table>
<thead>
<tr>
<th>Goal</th>
<th>% of respondents indicating ‘yes’</th>
</tr>
</thead>
<tbody>
<tr>
<td>New business models</td>
<td>36</td>
</tr>
<tr>
<td>Decrease time-to-market</td>
<td>26</td>
</tr>
<tr>
<td>Attract best young talent</td>
<td>23</td>
</tr>
<tr>
<td>Motivating working tasks</td>
<td>38</td>
</tr>
<tr>
<td>Increase flexibility to the market</td>
<td>52</td>
</tr>
<tr>
<td>Increase customer knowledge</td>
<td>48</td>
</tr>
<tr>
<td>Increase internal flexibility</td>
<td>84</td>
</tr>
<tr>
<td>Value chain integration</td>
<td>34</td>
</tr>
<tr>
<td>Process integration</td>
<td></td>
</tr>
<tr>
<td>Reduce personnel cost</td>
<td>73</td>
</tr>
<tr>
<td>Increase in-house efficiency</td>
<td>45</td>
</tr>
<tr>
<td>Increase transparency of operations</td>
<td>55</td>
</tr>
</tbody>
</table>

**Outward-focused goals**

**Inward-focused goals**

Source: Accenture Research on KOF (ETH Zurich) / Chair of Work and Organizational Psychology (ETH Zurich) / School of Applied Psychology (FHNW) digitization survey conducted in Sept. 2016, N = 845 — see About the Research for further details.
The digital revolution redefines how we work and live. In Switzerland, as in other countries, one of the most important impacts is in labor demand: digital technology raises the demand for higher-skilled talent and reduces demand for those with lower skills. In the survey, 12% of firms reported an increase in hiring due to digitization and 10% reported a decrease (78% said workforce size is unchanged). But 20% of the firms reduced the number of low-skilled workers (in contrast, only 1% reduced the number of university graduates), while 13% increased the number of university graduates, 23% hired more graduates from specialized "applied universities," and 20% hired more employees with degrees from technical schools.

20% said that they reduced the number of unskilled workers as a consequence of digitization efforts.

Figure 18: Impact of digitization on workforce
Q. How did the number of employees in your organization change as a consequence of increased digitization in the past 3 years? (% of respondents indicating ‘much decreased, decreased, unchanged, increased, much increased’; response scale 1–5)

- University Graduates: 86 (13), 10% increased or much increased
- Applied University Graduates: 76 (23), 10% increased or much increased
- Technical School Graduates: 78 (20), 10% increased or much increased
- Apprentices: 81 (12), 10% increased or much increased
- Unskilled Workers: 78 (20), 10% increased or much increased
- Interns: 90 (2), 10% increased or much increased

Source: Accenture Research on KOF (ETH Zurich) / Chair of Work and Organizational Psychology (ETH Zurich) / School of Applied Psychology (FHNW) digitization survey conducted in Sept. 2016, N = 845 — see About the Research for further details.
ACT NOW AND WIN IN THE NEW

Comprehensive actions to navigate the digital landscape, close gaps, and put the Swiss economy ahead of the game
THREE STEPS TO WIN IN THE NEW
COMBINE THE POWER OF NEW TECHNOLOGIES, TALENT, AND ECOSYSTEMS

1. **INVEST WISELY TO ROTATE TO DIGITAL TECHNOLOGIES**
   Today, the focus of digital investment should be on growth opportunities. Set goals and strategies for digitization that go beyond efficiency. Make asset-light investments in software technologies that enable innovation and new business models. Make data and analytics a top company priority.

2. **INVEST IN A ‘NEW-SKILLED’ WORKFORCE**
   Winning companies use digital to innovate and respond quickly to customer needs and market shifts. This requires a workforce that is technically competent, but also well-schooled in the soft skills that enable creativity and effective teamwork.

3. **BE AN EXTROVERT IN YOUR ECOSYSTEM**
   The digital enterprise has a large footprint in an ecosystem of competitors, suppliers, partners, customers, etc. Top performers are bold players in their ecosystems, collaborating on innovation, tapping into talent and expertise, and contributing to industry groups.
ABOUT THE RESEARCH

A UNIQUE COMBINATION OF VARIOUS DATA SOURCES AND METHODS TO DISCOVER BOLD INSIGHTS

5 DATA SOURCES
- S&P Capital IQ platform
- KOF Swiss Economic Institute’s Surveys
- Handelszeitung’s Top500 database
- Annual Reports
- Dow Jones’ Factiva global news database

A MIX OF METHODS
- DATA SCIENCE
  Text analytics; web scraping
- ECONOMIC MODELING
  Panel econometrics

34 INDUSTRIES
- Grouped into 9 industry sectors

Switzerland’s TOP500
ABOUT THE RESEARCH

GROWTH CHAMPIONS ANALYSIS BASED ON HANDELSZEITUNG’S TOP500 LIST

To identify Switzerland’s Growth Champions, we studied the financial key performance indicators (KPIs) of 989 of the largest Swiss firms, as provided in the Top500 list compiled by Handelszeitung. 281 of these firms are from the Banking and insurance industries, while 708 represent other segments of the Swiss economy.

From this overall sample, we considered firms as potential Growth Champions if their top-line and net profits data were available for the years from 2012 to 2016, and if they were headquartered within Switzerland. Real estate companies were not included because of their highly volatile results.

Our analysis then identified companies as Growth Champions if they achieved a yearly top-line growth and profit margins in the 2012–2016 period above the corresponding averages of the overall sample and the firms’ direct industry peers.

Firms’ top-lines were measured as total assets for banks, gross written premiums for insurance firms and revenues for all other companies. Profit margins were calculated from the firms’ net incomes and corresponding top lines.

ECONOMIC VALUE MODELING BASED ON KOF SWISS ECONOMIC INSTITUTE SURVEY DATA

We built a proprietary panel data econometric model to investigate the relationship between firm performance and digital investments. We estimate the relationship between those key variables in first differences.

This allows us to exclude biased estimation results due to unobserved factors such as long-term strategies, culture, management quality or experience of the employees with new technologies. This estimation strategy is immune to any time-invariant omitted variable bias like the regular firm-fixed effects estimator. Performance is measured by the change in gross profits of a firm over two periods in time. Digital investments comprise expenditures in Swiss Francs in hardware and in software. We split the sample into “leading” and “follower” firms in terms of digital investments.

Leading firms are the top 50 percent (i.e., above the median in their respective industry) according to digital investments per capita in Switzerland. The model runs on a unique panel data set from KOF, that includes financial and investment data for 5500+ Swiss companies across 34 industries from 2005 to 2017. We use the differences of the variables over two periods (t;t-1) in our estimation.

We also enriched our analysis with data from the 2016 digitalization survey to identify how top performers from KOF’s digitization survey differentiate themselves from their peers with regard to digital, particularly in terms of strategic orientation of their digital investments, adoption of digital technologies, employee skills for digitalization, and innovation activities in the ecosystem. Top performers are the top 90% (in their respective industry) according to gross profit per capita in Switzerland. Gross profit is calculated as total revenue (before tax) minus total cost (cost of goods sold plus labor cost). Revenue corresponds to income from interest, commercial and commission business/services business for banks; gross premiums - gross insured losses + net investment income for insurance; gross fee income for professional services, and revenues for all other companies.

KOF’s digitization survey was conducted in September 2016 by KOF, the Chair of Work and Organizational Psychology (Prof. Grote) at the Department of Management, Technology, and Economics at the ETH Zurich, and the University of Applied Sciences and Arts Northwestern Switzerland (FHNW), School of Applied Psychology (APS)(Prof. Waefler).

All data examined from KOF was anonymized and no access to firm-specific data was provided.
ABOUT THE RESEARCH
1500+ FIRMS (KOF’S 2016 DIGITIZATION SURVEY)

HQ IN SWITZERLAND

77% German speaking
18% Italian speaking
6% French speaking

SECTOR

27% Manufacturing
15% Consumer Goods & Services
12% Communication, Media, and Technology (CMT)
11% Construction
10% Chemicals & Natural Resources
8% Retail
8% Travel & Transportation
10% Financial Services
12% Pharma & Healthcare

SIZE, ANNUAL REVENUE (2015)

29% Less than CHF 10m
28% CHF 10–30m
16% CHF 30–100m
15% CHF 100–500m
12% More than CHF 500m
5% CHF 1–10m

Switzerland’s TOP500

Wilson, J. H. & Daugherty, P. (2018). What changes when AI is so accessible that everyone can use it? https://hbr.org/2018/01/what-changes-when-ai-is-so-accessible-that-everyone-can-use-it


Switzerland’s Top500: Fueling transformational growth. Accenture (2017)


Global Talent Competitiveness Index. https://gtcistudy.com

Global Innovation Index. https://www.globalinnovationindex.org/


BE MORE.
DO MORE,
SEE MORE,
The Future Belongs

to Intelligent Operations

NEW APPLIED NOW
1       |       REINVENTING APPLICATION MANAGEMENT

Omar Abbosh  |  Paul Nunes  |  Vedrana Savic

LEADING
IN THENEW
DISRUPTION

Power of
Harness the
Essential than ever.
Application management is more
Complexity, more coercive and efficient
Business environment surging in
World. With both applications and the
High-velocity, software-driven business
Applications are the main drivers of a
Management
Reinventing Application
Intelligent Technologies.

Expertise, human ingenuity, and
Business process and industry
A holistic approach that integrates
Operations, organizations must take
To successfully transform their
Intelligent Operations

To voluntarily transform their
Organizations, companies must take
A holistic approach that integrates
Business process and industry
Hybrid, human ingenuity, and
Intelligent technologies.

In an era of digital disruption, organizations are challenged to
Pivot towards new, scalable
Businesses while transforming
Existing operations. Companies
That master the Wise Pivot are in
The best position to drive the
Most value out of their core
Business and pursue new
Business activities.

Future Workforce

In the age of digital, business success
Will increasingly depend on people
And machines collaborating with each
Other. To succeed, organizations must
Reimagine work, pivot their workforce to
New growth models and ‘new skill’ their
People to do more valuable work.

Ecosystems - Cornerstones of
Future Growth

In today’s competitive business
Landscape, companies cannot go it
Alone. They need the help of partners
That bring unique capabilities, data,
Customers and industry knowledge that
can be a source of innovation. Industry
Leaders are recognizing the power of
Ecosystems—a proven construct that
can drive growth.

Human + Machine

As humans and smart machines
Collaborate ever more closely, work
Processes become more fluid and
Adaptive, enabling companies to change
Them on the fly—or to completely
Reimagine them. AI is changing all the
Rules of how companies operate.

Your Role in the Ecosystem

Tremendous value lies in how
Organizations leverage ecosystems. To
Capture the next wave of value
Creation, companies need to identify
Industry-specific opportunities and
Team with the right industry partners
to deliver targeted solutions.

Exponential IT

To get to a state of Exponential IT,
Companies must boost their IT Agility to
Respond fast to change, capitalize on
New opportunities, create new revenue
And reduce costs. It means mastering
New technologies to enable innovation—
Better and faster than the competition.

Agile Workforce

The key to workforce agility lies in a
Strategy that puts people first, enabled
By technology. With an eye on business
Outcomes, leaders will develop talent
Strategies that help liberate human
Potential to shape an agile workforce—
One able to confidently face the
Changes ahead.

Make your Wise Pivot to the New

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Operations, organizations must take
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Reinventing Application
Management

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Leading in the New

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Trapped value, disrupting every company
And industry. Responding to the present
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Intelligent Operations

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