

Will innovation and digitization completely restructure our business lives?

**Swiss business leaders
in dialogue**

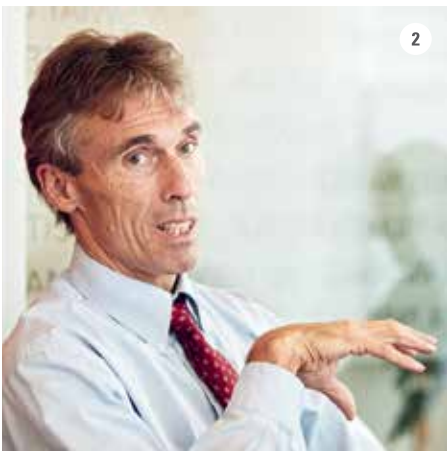
The future of the business world – the big unknown we are all so eager to discover. What drives us? Which factors determine our lives and economic ties? These are the questions we look at during a round table with Heinz Baumgartner, CEO of Schweiter Technologies AG, Severin Moser, CEO of Allianz Suisse Versicherungs-Gesellschaft AG, and Stefan Pfister, CEO of KPMG Switzerland. The discussion was moderated by René Lüchinger, Publisher-in-Chief, Blick Group.

Interviewee

- ❶ **Stefan Pfister**
CEO, KPMG Switzerland
- ❷ **Severin Moser**
CEO, Allianz Suisse
Versicherungs-Gesellschaft AG
- ❸ **Heinz Baumgartner**
CEO, Schweiter Technologies

Presenter

- ❶ **René Lüchinger**
Publisher-in-Chief, Blick Group



René Lüchinger Which issues will have the biggest impact on Switzerland's economic future?

Heinz Baumgartner I'm convinced that innovation will be the most important long-term value driver, regardless of which industry you look at. Of course that goes hand in hand with the question of what the customer of tomorrow's needs will be. Since innovation is always driven on the customer side, that means we have to be in a position to understand customers and anticipate their needs.

Can this principle also be applied to the advisory business where the concept of innovation is more abstractly defined than in the manufacturing industry?

Stefan Pfister In the advisory business, we have to identify the challenges facing our clients as early as possible so that we can develop innovative, forward-looking solutions. This can only happen if we have enough qualified resources, in other words enough specialists, who ultimately determine our capacity to provide our services. And lately, this set of required capabilities, know-how, experience and skill has been rapidly changing. Right now the current challenge to our business model is the fact that we must, to a large extent, develop the specific specialist skills that we need in-house through training and professional development programs. The education market simply doesn't offer the rapidly evolving qualifications that we need.

Severin Moser Despite the fact that the insurance industry also offers a relatively abstract product, our business is still based on the principle of innovation and the early identification of



new client needs. Yet innovation in our industry doesn't just happen at the product level, it's also found in interactions with clients and in claims handling processes.

What exactly does that mean?

Severin Moser That means clients want to be able to communicate with us twenty-four hours a day, seven days a week, regardless of whether they need to submit a claim, take out a policy or request an offer. Clients are caring less and less about agencies' traditional opening hours. Plus geographical autonomy is important nowadays. The younger generation of clients is less interested in having insurance agents make traditional house calls and visit comparison sites and online insurance coverage calculators instead.

The term "digitalization" is currently dominating the discussion about future scenarios. Not merely in the sense of new distribution channels, but also with regard to the development and production of goods and services. What are the implications for your industries?

Heinz Baumgartner Digitization will change our business, but this change won't happen nearly as rapidly as is generally predicted. In our branch of industrial manufacturing we will have intelligent components like façade elements that detect outdoor weather conditions and relay them to the climate control system inside the building.

So that means a sharp increase in the added value of individual components, right?

Heinz Baumgartner That's correct. Digitalization offers huge opportunities for the manufacturing industries in that regard, but there are some drawbacks too.

What comes to mind?

Heinz Baumgartner: On the one hand there are questions regarding data protection and data security that need to be cleared up and, on the other, we'll eventually reach the point where computers will be making and implementing more and more decisions – decisions that had previously been evaluated and carried out by humans.





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CEO, KPMG Switzerland

That gives rise to entirely new legal and ethical questions, for example when it comes to the concept of self-driving cars.

Industry has begun replacing field staff with virtual service staff accessible via smartphone. Are virtual KPMG advisors or auditors just around the corner?

Stefan Pfister That's actually already a reality in a few countries and in areas

with a low degree of complexity. Digitalization is a hot topic for us at KPMG and it's permeating our business on three levels. First, we're asking ourselves how data analytics and digitization can generate added value for our clients. The advisory sector needs to assume some kind of pioneering role here and examine which elements of the digital universe are potentially useful to clients and which are not. Second, we're working to find the best possible way to apply

the technology we use by focusing on process optimization and topics like big data processing. Third, we're taking a critical look at how we organize our work environment and assessing our employees' profiles. Here, we're asking ourselves if digitalization will require more or fewer specialists in the future. Or rather, will it call for specialists with a different set of qualifications? In any case, these three areas are making our business development process quite dynamic.

Tell us more about big data.

Stefan Pfister Actually, right now nobody really knows where this road is taking us or what kind of information we can generate with the enormous volume of data that we're collecting, storing and feeding into new algorithms. We'll know more in another five years. Still, I see huge potential not only in the areas of audit and advisory but also in terms of new product and service development both in Mr. Moser's insurance industry and in Mr. Baumgartner's industrial manufacturing. For those of us working in the audit business, for instance, big data means continuously asking ourselves which additional insights can be gleaned from our audit activities and how this information generates value for our clients. For example, we can help companies access previously unknown information that could facilitate monitoring at the board of directors level while also supporting and simplifying management decisions.

So auditors are being replaced by machines at the lower levels, but when it comes to interpreting the results and advisory services, automating the professional profiles at KPMG is nearly impossible.

Stefan Pfister Certain routine tasks will be automated in auditing as well. Yet the same thing holds true for tomorrow as it does for today: we will still need the very best people in the business. What's new, however, is the growing need for these people to have an affinity for IT which allows them to correctly interpret and apply both the workflows and the results. In this regard, it's not only essential that we continuously adapt our own in-house training and professional development programs but also that, longer term, the education system also catches up.

Mr. Moser, to what extent are you able to prepare your sales staff for the new digital world? After all, contact with clients has been quite a bit more down-to-earth in the past.

Severin Moser The new potential opened up by technology affects us along the entire value chain. Not only will our products change radically but also the way we lead our clients to these products and guide them throughout the entire client experience. This aspect is much more pronounced in a retail market than in purely B2B relationships. It also affects internal processes. We're currently testing applications, for instance, that can assess and appraise auto damage claims. Traditional claims adjusters who are sent to a garage to assess damage sustained by cars involved in an accident will do this less frequently in the medium term and will be reassigned to other tasks within the company instead. And I agree completely with Stefan Pfister on one point: well-qualified staff can be retrained and given responsibility for new tasks. One question we ultimately need to answer at a societal level is what will happen to the lower levels of the value chain? The simple jobs lost to automation? I don't have an answer to that question yet, either.

To what extent will digitalization change insurance products? A claim will always be a claim.

Severin Moser Take car insurance, for example. Today you pay a flat annual premium. In the future, the premium might be calculated dynamically based on your driving style, frequency of use or the terrain where you drive your car. All of this data can be read out of a car in real time. And if these parameters reveal a correlation to the probability of a claim, your premium will be flexibly

based on those parameters in the future. Another example is international logistics. In the future, every intermodal container will transmit data indicating its position or even its internal temperature and humidity. That will be enormously helpful in reducing loss and damage, increasing transparency and enabling flexible, individual pricing.

Compared to its global competitors, where does Switzerland stand in terms of its role as a pioneer in digitalization? Can we keep pace with other hotspots around the world?

Stefan Pfister Metaphorically, the first train has already left the station. Switzerland and the Swiss economy are now trying to make sure they're on the second train. The problem is, though, that we're kind of shooting ourselves in the foot with regulatory frameworks and tax laws, for instance, that aren't really very favorable for start-ups. But ours is a learning society and right now there are a lot of positive things happening in our country like the "digitalswitzerland" initiative or the fintech movement in the financial industry.

Heinz Baumgartner The question of where Switzerland stands in relationship to other locations is a tough one, though. If you ask me, there's one central aspect that always precedes any business or political actions: self-determination! Self-determination leads to autonomy and autonomy leads to initiatives. And this capacity for self-determination is something we surrender bit by bit.

Is digitalization in Switzerland actually triggering a loss of jobs in the country, are they just being shifted or is it even possible that jobs relocated to low-wage countries just a few years ago might return to Switzerland?

Heinz Baumgartner Yes, jobs will be lost. On the other hand, however, new job profiles will also appear. Whether the same workers will be able to transition into the new job profile and meet the new requirements is doubtful.

Are young people in Switzerland getting the right education or does our education system lag behind the current and future requirements of the business world?

Severin Moser I have two daughters who just recently graduated from high school. So far, secondary school curricula include shockingly little on the topic of digitalization. In fact, they don't address it at all. If you ask me, seniors in high school should be introduced to the skills they need to cope with digital trends. The way I see it, programming should become a mandatory, systematically incorporated part of the curriculum. Parallel to that, corresponding professional profiles and apprenticeships need to be created in the dual education system.

Stefan Pfister I agree wholeheartedly. Although I think one of the reasons behind this deficit is that none of us – and by 'us' I mean everyone from politics, business, trade associations and educational institutions – is able to completely grasp the full scope of these developments. I'm sure it's also a generational issue because none of today's decision makers are digital natives.

Are any of our neighboring countries doing any better?

Severin Moser I spent five years living and working in Germany and didn't see any approaches that looked promising. That in itself means this could be a huge opportunity for Switzerland to

take on a leading role in this area, just as we have done so often in the past. Switzerland's three-pillar pension scheme is still the envy of many countries. Our small size, federalist system and the quicker, more flexible decision-making channels we have as a result could help put us a step ahead of other big nations. From that perspective, I don't foresee a grim future for Switzerland at all. We have the capacity to respond intelligently to major changes.

Heinz Baumgartner To a large degree, we're training people for the wrong jobs in Switzerland. Whereas a job advertisement posted by ABB looking for a mechanical engineer might attract three applicants, a thousand people reply to one ad for a social worker posted by the City of Zurich. We have to work together to fix this situation. And if the political system is too slow to bring about the necessary changes, it's up to companies to build up the right skill sets through internal training and professional development.

How is digitalization changing your role as CEO and leader?

Heinz Baumgartner My professional life definitely became more fast-paced and transparent. I'm expected to respond and make decisions with a much shorter turnaround time, the other side of the coin being that these decisions are more susceptible to errors. I, myself, still use a traditional paper planner, am not present on social media platforms and only a selected circle of people know my mobile phone number. Yet, I'm still living a happy life and have lots of friends ...

Stefan Pfister I'm a bit more open about this and even have my mobile number printed on my business card.

It's important to me that my people can easily reach me so I don't turn my phone off on the weekend or when on holiday. I've found a way to deal with constant availability that works for me. When I'm on vacation, I feel better if I spend an hour a day checking my emails rather than being completely offline for two weeks. But, what we should keep in mind is that every business is a relationship between people that is built on trust. Technology gives us fantastic tools, but will never take the place of a personal discussion between two people. Because of this belief, my leadership style is heavily based on face-to-face communication with employees.

Severin Moser Growing digitalization has hardly changed my leadership style at all. Of course I take advantage of the possibilities offered by modern-day technology, but the way I lead and approach people hasn't changed.

What can we expect from the big buzzword "Internet of Things"?

Stefan Pfister That's a hot topic right now. Here, too, we feel our role is that of advisor and facilitator of new approaches and opportunities in the world of digital interaction, one key aspect of which is data security. How will access to information, whether bank data or even surveillance cameras, be encrypted and transmitted? Not all of the players on the world economic stage have developed an awareness of these topics yet.

The integration of "Things" into digital communications must have a direct impact on industry, doesn't it?

Heinz Baumgartner Yes, of course, however the concept praised as a



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futuristic vision under the term "Internet of Things" has actually been a reality in industrial production for the past ten to fifteen years. Here I'd like to mention intelligent façades. Another example includes large manufacturing machines equipped with internal cameras so that if there is an error or technical breakdown on a machine in India, technicians in Switzerland can look straight into the heart of the machine. I think what's new about all of this, is that the idea will also start affecting people's everyday lives.

At the industrial level, on the other hand, it's old news.

[Will we be seeing self-driving cars on streets and pilotless airplanes in the sky any time soon?](#)

Heinz Baumgartner A lot of possibilities will be opening up soon from a technical standpoint, but in the end, people have to have confidence in the technology and that's where we still have a long way to go.

Stefan Pfister Artificially replicating the inner workings of the human brain is still no easy task. Our judgement, for instance, is frequently better than a computer's could ever be. Data processing is one thing, correctly interpreting data and events is an entirely different story. I really can't imagine a scenario in which our day-to-day lives are taken over completely by machines and computers as being realistic or conceivable – thank goodness!