



SWITZERLAND – YOUR CENTER FOR OPERATIONAL EXCELLENCE

FOREIGN DIRECT INVESTMENTS IN SWITZERLAND

Capital stocks at year-end (book value), 2016

Country	Mrd. CHF
 EU	756.62
 Netherlands	322.78
 Luxembourg	193.95
 USA	124.2
 Austria	42.71
 France	37.87
 Germany	25.2
 Japan	5.26
 Italy	4.85

Source: SNB, 2018

INTRODUCTION

93% of US-based multinational companies are in the process of changing their business models, according to research by KPMG. **Focusing on strategic business model changes is of no use, however, unless the implications for the operating model are considered.** Not to mention the complex journey that is needed to implement change and realize value. Disconnects between business model strategy, operating model and the transformation journey can often lead to strategic promises being unrealized.

The challenge is not just about cutting costs. It is about driving revenue growth and funding this by delivering more radical and sustainable operational efficiencies. **Operational efficiencies include value chain re-engineering and gaining control of business complexities, leading to the significant financial benefits that a superior business model can yield.** Switzerland offers an exceptional number of advantages in this regard: a strategic location in the heart of Europe, a high standard of living and well-developed infrastructure as well as an attractive taxation system. These characteristics traditionally make Switzerland the country of choice for multinational corporations wishing to reorganize their European operations by establishing a centralized supply chain management company.

WHY SHOULD YOU CONSIDER SWITZERLAND?

Switzerland may be an ideal business location for:

- Multinational corporations developing new strategic business lines and looking for the best location for the associated new operating model
- Enterprises entering or expanding in the European or international market looking for an optimal location to develop and coordinate these activities
- Companies needing operating model flexibility to fit the continual evolution and alignment of strategic and financial objectives
- Companies needing to align their tax planning model with the Base Erosion and Profit Shifting (BEPS) regulations with regard to substance requirements

KEY TRENDS IN OPERATIONAL EXCELLENCE

Trend 1: Continuous business transformation

Business transformation has become a permanent activity for multinational corporations as they seek to continually evolve and align strategic and financial objectives with their business, operating, functional and human capital models. To adjust to this change, related operating models must be flexible.

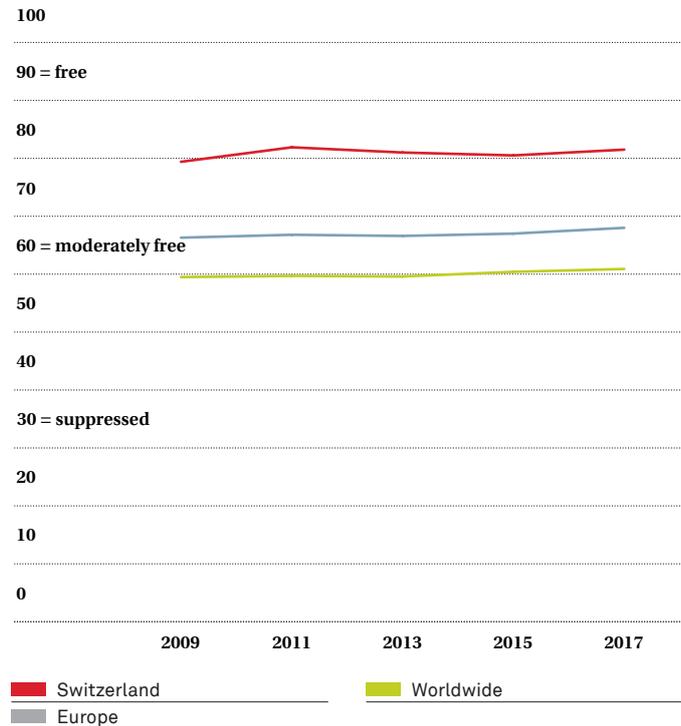
The challenge:

- To develop a new strategic business line or plan entry into European and international markets, creating the need for a flexible location to implement this new business model.

Why Switzerland:

1. Switzerland is currently working on a new bill concerning corporate taxation with the designation Tax Proposal 17 (TP17). TP17 intends to ensure that Swiss taxation modalities are in line with internationally established tax practices. At the same time, it will ensure a modern, attractive taxation and competition environment for companies operating in Switzerland, particularly for activities that are closely associated with a high degree of innovation, value creation and jobs.
2. Switzerland has a highly diversified and strong domestic industrial and service sector. It has an exceptional track record in adjusting flexibly to a changing business environment. This makes it the ideal environment for companies that are constantly in business transformation mode.
3. Switzerland has one of Europe's most flexible labor law systems which allows organizations to rapidly adjust to a changing business environment - a key attribute that makes the country resilient.

Freedom of the Labor Market



Source: Index of Economic Freedom, 2018

Case Studies:

Santen Switzerland SA is a subsidiary of Japan-based Santen Pharmaceutical Co. Ltd., a pioneer in ophthalmology and rheumatology with more than 3,000 employees worldwide. Santen Switzerland opened in 2014 in Geneva, choosing this location to run its new business line. The flexible regulation and overall business-friendly environment offered by Switzerland were among the key reasons for Santen's choice of location.

Onyx Pharmaceuticals International GmbH is a subsidiary of US-based Biogen Inc. The group, which develops and manufactures therapies for people suffering from serious neurological, autoimmune and hematologic disorders, relocated part of its business to Switzerland. Onyx found that the country offers easy access to talent, a favorable and flexible labor market and an established life science community.

Trend 2: Industrialization

A highly trained and productive workforce is necessary to deliver effective industrialization, simplifying, standardizing and consolidating processes in order to reduce operational complexity, cut costs, enhance client service and improve the bottom line.

The challenge:

- To industrialize your processes in a highly competitive environment, from a location where you can move forward quickly at your desired pace.

Why Switzerland:

A constant focus on efficiencies due to a comparatively high cost base has made Swiss companies among the most efficient in the world. Features which support industrialization of operational processes in Switzerland include:

1. A generally very well-educated and international workforce that can manage industrialized processes and provide high levels of productivity
2. An excellent IT infrastructure including strong data protection to run e-commerce and big data analysis

Case Study:

UBS AG, a Swiss global financial services company co-headquartered in Zurich and Basel, relies on its employees' skills to deliver the service demanded by its clients. Switzerland is the largest importer of cross-border staff for UBS. Some 21,000 people – 35% of its around 62,000 global staff – work in Switzerland. A mobile and international workforce helps UBS to handle its international business efficiently.

Trend 3: New regulations

The volume of new regulations and legislation aimed at controlling or influencing free economic enterprise is growing exponentially across industries on a national and international scale. Examples include new multinational and bilateral treaties on Base Erosion and Profit Shifting (BEPS) and laws to regulate the financial sector or commodities trading.

The challenge:

- To protect your business against potentially damaging political and regulatory changes.

Why Switzerland:

1. The country's strongly federal political system limits central governmental power in favor of the cantons (states). Together with a traditionally skeptical stance toward strong government, Switzerland maintains a comparatively free and market-oriented business environment. Leading international indices rank Switzerland near the top for ease of doing business.
2. Switzerland's economic freedom score is 81.7 Switzerland thus achieved fourth place in 2018. Switzerland has enjoyed economically "free" status since 2010.
3. With a debt ratio of around 39% (relative to GDP, 2018), Switzerland is one of the least heavily indebted countries in Western Europe.
4. A competitive and modern tax system which is compliant with international standards.
5. Efficient and transparent regulations underpin a favorable business environment and support diversified economic growth. Openness to global trade and investment is firmly institutionalized, reinforced by a dynamic financial sector and a well-functioning independent judiciary. Switzerland has a strong tradition of reliably protecting property rights, and the legal system is transparent and applied evenly. Effective anti-corruption measures are in force.
6. New regulations are often subject to a democratic vote. In Switzerland, different interest groups often represent the interests of companies based in the country. Further, companies that are set to be affected can comment on drafts of new legislation. As a consequence, new regulations can favor the business sector.

