ceo*

the magazine for decisionmakers. march-may 2005

Biotech file. Success through innovation: Swiss companies take the lead.
ETH Zurich. How do you become world class? By making your visions a reality.
Weisse Arena AG. Edging the competition for guests, overnight stays and image.
Coop. Hansueli Loosli: Staying competitive without forsaking quality.

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Markus R. Neuhaus,
CEO PricewaterhouseCoopers, Switzerland

Change is in the air. By working hard, generating good ideas and daring to take risks, innovative entrepreneurs are meeting the future head on.

In the past year we have watched many Swiss companies embark in new strategic directions. This reorientation is now being put into practice with concrete schemes, and as assurance and advisory service providers we are able to support many companies in this process. Change is in the air.

The last two issues of ceo magazine featured articles on Swiss firms investing in new regions — such as China and Russia — as a way of ensuring future prosperity. The biotech industry is a good example of a new sector in which Switzerland has been successful in achieving a leading position. By working hard, generating good ideas and daring to take risks, innovative entrepreneurs and researchers are meeting the future head on. How individual firms in this industry will fare is still uncertain. But already Switzerland is providing the environment needed for young companies to assume world leadership in their field.

Innovation in politics and management is also required to maintain these strengths and build on them. Voting tendencies over the last few years have made it obvious that voters will reject too ambitious plans as well as excessive demands. A policy of small steps is more likely to lead to success. However, even these small steps make it possible to keep up with international competition – by increasing the pace of the steps and taking more steps more quickly. Simplifying relationships with the EU through the second round of bilateral agreements is the next important stage.

Switzerland's future will not be determined by politics alone. The business community must find its voice, make itself more clearly understood and demonstrate its commitment. Even as the field of activity for many companies becomes more global, the responsibility for balancing politics, business and society at home remains. Business has a particular role to play in ensuring that Switzerland continues to lead in a climate of increasing global competitiveness.

The future of Switzerland will also depend to a large extent on how well and how quickly its transformation into a "knowledge society" can be achieved. ETH Zurich, the Swiss Federal Institute of Technology, is an impressive example of a university producing results that are of value beyond the ivory tower of science. Its ambition is to be one of the top universities in the world and to create a network in Switzerland that links business and society with the aim of promoting a lively exchange of teaching and research ideas.

This is the right approach, for to turn knowledge into the equity that drives growth in our national economy, science must combine with enterprise. Business and science can bring about this transformation by working in tandem, and it is the job of business to supply the entrepreneurial spirit. In her interview, professor and entrepreneur Jane Royston paints a rather bleak picture of the state of entrepreneurship in Switzerland. It is up to all of us to prove the opposite. And it can be done largely outside the political arena.

I wish you a stimulating read.

Markus R. Neuhaus

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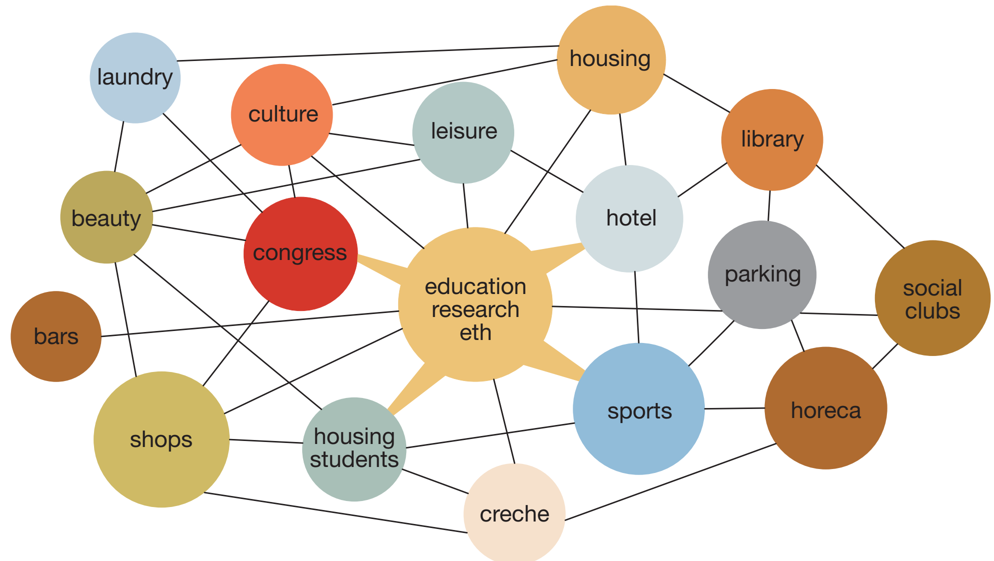

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Lars-Christer Olsson, CEO UEFA: The only way to maintain our legitimacy as the governing body of European football is through a properly functioning democracy.

Swedish-born Lars-Christer Olsson (53) is the highest-ranking working manager within UEFA. He is responsible for management of UEFA's administration at the headquarters in Nyon. As chief executive of UEFA, Olsson participates in meetings of the Congress, the UEFA Executive Committee and other UEFA committees.

The philosophy of UEFA is to continuously improve in all areas, and also to be the leaders in everything that we do. We have no choice – otherwise others will challenge our legitimacy as the governing body of European football. For this reason, we strive to have an ever-improving, modern and democratic system of governance – which includes being transparent. Good governance, including transparency, is also required from us by the political authorities. For example, the European Union member states (who now make up almost half of UEFA's 52 members) have recognised both sporting specificity and the autonomy of sports-governing bodies (such as UEFA), but they do so only on the basis that we run ourselves in a democratic and transparent manner (European Council, Nice 2000).
To illustrate the importance of transparency to UEFA, I would like to compare UEFA with some of the biggest European professional football clubs. In accordance with our legal structure (a non-profit-making association in accordance with the Swiss civil code), UEFA is not required to publish financial information. Despite this, UEFA publishes a detailed budget and set of audited accounts each year in its annual report and accounts (publicly available). In contrast, many of the richest European clubs, despite being listed on the stock exchange, do not disclose their spending on player salaries – and that is the single biggest cost of their business! Clubs do, however, publish a figure for total wages and salaries, but this can be 50-100 percent as high again.

In contrast, in the annual report and accounts of UEFA, you can see in detail what we spend and receive – down to the details of what we spent on, say, trademarks or translations in the previous year. In addition, all relevant statutes, communications and regulations of UEFA are freely available to the world at large on our website www.uefa.com. We therefore like to think that we are at least one step ahead of the clubs as far as transparency is concerned! We are proud to be viewed as a transparent and open organisation, and one that has never been accused of corruption. This has always been part of the UEFA belief system – but it is also, as already mentioned, an increasing necessity in the modern world. Discretion has always been at the heart of UEFA's philosophy for another reason. UEFA is an "association of associations" and, as such, our philosophy is one of subsidiarity, delegation and empowerment of the national football associations – federalism rather than centralism.

This belief often requires discretion because, for example, the UEFA Executive Committee or CEO may have a particular view on a given subject. For example, it is not UEFA's place to issue a press release on any issue of significance in any major footballing country – where such an issue can be dealt with locally by the national association without interference "from above" by UEFA. UEFA is always prepared and ready to intervene if asked to do so by a member, but wherever possible, such issues should be dealt with locally. After all, UEFA belongs to its members, not the other way around. In this way, UEFA exercises discretion. While this may bring a lower profile in the short term, it should bring moral respect and authority in the long run.
A further key area of discretion for UEFA (or any football association) is that of separation of powers. Since UEFA is organised as a democracy, there is a separation of powers that is normal for any democracy. Therefore, we have a legislative (the Congress or assembly), an executive (the Executive Committee and CEO), and an independent judiciary (the disciplinary bodies). In order to keep these different parts of the football democracy separate, it is easy to imagine the need not only for discretion, but also for complete separation. Consequently, the UEFA Executive Committee, CEO or administration cannot influence or interfere in any way with the work of the disciplinary bodies.

Finally, because the governing body of European football sits "in the middle" as a neutral observer and arbitrator, we have therefore historically been asked to arbitrate or settle disputes. This role obviously requires discretion.
To conclude, for the reasons laid out above, transparency and discretion are not only part of UEFA's philosophy, they are also an obligation and a necessity. The only way for us to justify our autonomy, and to maintain our legitimacy as the governing body of European football, is through a properly functioning democracy with transparent principles for the governance of our sport. But we must exercise this transparency with discretion. In any case, as with any democracy, it will be our members – and everyone with an interest in football – who will be the final judges of whether we have found an optimum balance between the two. //

Photo: Mathias Braschler

forum2. transparency/discretion

Walter Knabenhans, CEO Julius Bär Holding: Transparency must also have its limits because excessive transparency could inflict damage upon the company.

Walter Knabenhans (55) was managing director, chief risk officer and member of the expanded board at the Credit Suisse Group. In 1998 he moved to the Julius Bär group and since 2001 he has been president of the group and chief executive officer.

Transparency is a dual and multi-layered management tool for any company, which impacts all management tasks and responsibilities. The multi-dimensional function of company management, which should be regularly controlled by a team while attaching particular tasks and responsibilities to the CEO, results in a whole range of information and communication requirements that should lead globally to optimum transparency in that company.

By dual transparency I mean the fact that tasks should be visible within the company as well as in the public domain. This emphasises the responsibility of the head of the company with regard to all stakeholders. There should be transparency for employees in the firm's internal relations – transparency with regard to company strategy, choice of location, key research themes, product ranges, markets, personal qualifications and choices, promotion policies and salary structures. For an employee transparency, in the true sense of the word, means being recognised and understood. Optimum transparency creates trust and is a fundamental source of motivation.

Transparency is also the basis of trust outside the company and it is required when dealing with shareholders, customers, suppliers, the authorities – from tax to environmental protection, tariff partners or industry associations, stock market control for public limited companies, and official regulatory bodies for banks, both at home and abroad.

Transparency is particularly important from the perspective of an asset management bank quoted on the stock market which is markedly influenced by family shareholders. The family's long-term association with the company should be made known. The clientele must also be granted transparency with regard to the basic company culture and investment policy, the content of the services offered and the resulting costs. Like many other types of company, a bank has the problem of offering not real testable products but future services. This requires a high degree of trust from the customer which must be constantly justified through transparency.

However, considerable problems can be generated by the wide-ranging span of information which constitutes the transparency of the company as a whole. In each individual case the question must be weighed whether any information should be given at all, to which recipients and at what juncture. Regulations on ad hoc publicity for public limited companies are the best-known example of how good intentions are an inadequate basis for judgment, and this can only be achieved through meticulous adherence to all rules. From this angle a policy of misinformation does nothing to create trust but can even compromise or destroy it, with all the negative consequences which that implies, such as sanctions inflicted by shareholders.

Transparency requirements are not only subject to pre-defined laws but also to changing moral and ethical aspects. Something that is flawless from the point of view of the law may nevertheless still be interpreted negatively and receive an unfavourable response from elements of the public. Transparency has a constantly changing dimension, there is no clearly defined status and there are no comprehensive rules.

When searching for the optimum information and communications policy as well as optimum transparency, a constant balancing of benefits and risks, advantages and disadvantages is required. Transparency must have its limits, because an excess of transparency could potentially or immediately damage the company. To some extent, the legitimate desire for protection in the private sphere also applies to a company.

This private sphere for a company is a highly immaterial possession, comparable to the legally based patent law and the protection of "intellectual property". No company can be expected to disclose results of research and development, technical expertise, sensitive details of planned company strategies, in short – all comparative competitive advantages, without restrictions. The "see-through company" is not a valuable alternative in a world which propagates exposé journalism in many other areas of life to satisfy envy or pure curiosity. //

Photo: Mathias Braschler

An explosion in innovative high-tech laboratory research.

The Swiss biotech industry is world-renowned and enjoys a high potential for growth. But only a few companies are able to make the breakthrough to success. A brief survey of the industry.

Text: Bernhard Raos
Photos: Thomas Eugster

Even the soberest of Federal Councillors such as Joseph Deiss waxes lyrical when referring to the Swiss biotechnology industry. “Together, we are world class”, were the words chosen by the Minister of Economic Affairs at the launch of the common Internet platform serving the biotechnology industry www.swissbiotech.org. Indeed, the first “Swiss Biotech Report” produced in 2004 under the patronage of the State Secretariat for Economic Affairs also portrays a rosy picture. With a total of 227 companies, of which 139 are purely biotech companies, Switzerland is ranked sixth in Europe and ninth in the world. No other country in the world has a greater density of biotech companies in proportion to its population. And Switzerland also heads the field in terms of quality. At the end of 2003, 20 products were in Phase III – approaching the final hurdle prior to receiving marketing approval. In Europe only the United Kingdom has achieved a better performance.

At the end of 2003, in terms of business volume and the stock market value of quoted biotech companies, Switzerland had taken second place in Europe behind the United Kingdom, with sales of EUR 2.2 billion and market capitalisation of EUR 9 billion. Furthermore, the Swiss biotechnology industry is creating jobs. It currently employs over 13,000 people, with 8,000 of these in this country.

Roland Maier, in charge of research at the holding company BB Biotech, stresses that “Swiss companies need fear no comparisons”. For example Serono, based in Geneva, is the largest biotech company in Europe. However, the most important biotechnology location, with the greatest level of commercialisation, is the USA where stock exchange quoted companies produce some three quarters of the total business volume. The major players in the industry are Amgen, Genentech and Biogen.

But despite such acclaim, biotech companies are fragile plants. “I am convinced that in five to ten years, most of the companies, even the ones quoted on the stock exchange, will not exist in their present form anymore,” said Maier. Of some 3,000 biotech companies in the world, fewer than 100 are profitable. The sector is heading strongly into the red. Most companies – in Switzerland a third of them are less than five years old – are still expending huge amounts of capital. In a company employing 50 people, that represents an average of CHF 15 – 25 million a year. This is caused by the high cost of research over the many years it takes before a drug can reach the market – this may take 10 – 15 years at a cost of between CHF 400 and 800 million.

Founders of biotech companies are aware of the risks. “If we have not made it in three or four years, we never will,” said Wolfgang Renner, CEO of Cytos in Zurich. At 0.5 percent of the gross domestic product, the biotech industry makes a relatively small contribution to the Swiss economy. And in its industry analysis, major bank Credit Suisse believes that the jobs engine will slow down in the future. “We believe that the annual growth in employment will slow down from its current 30 percent to around 10 percent.”

Although the younger companies tend to make the headlines, it is the larger pharmaceutical groups that carry out a large proportion of the work in the field of biotechnology. And the major pharmaceuticals are sponsoring both small and medium-sized companies in a variety of ways. For example Roche has withdrawn from the field of anti-infective drugs and outsourced or sold their licences to companies such as Basilea and Arpida (see page 16). The Novartis Venture Fund handed out start-up money to companies such as Speedel (see page 18), so that they could continue the supernumerary projects following the Ciba/Sandoz merger. In this way the pharmaceutical groups are outsourcing their development risks while retaining control. They thus secure the licence and use their sales organisation and financial power to be the first to bring new drugs onto the market. The junior partners benefit from milestone payments and from their share of the selling price – but naturally only in the case of success. If biotech SMEs market their own products, these tend either to be specialist products for a restricted market, or new development and production platform technologies.

Anyone choosing to leave the shelter of a university research department or a well-financed research job at a major pharmaceutical company to set up a spin-off operation will experience some chill winds at first. In Switzerland, start-up capital from public funds is comparatively thin on the ground, and since the high-tech bubble burst, private backers such as venture funds have tended to invest mainly in companies whose drugs have already got through the initial clinical stages. Add to this the fact that while those who set up biotech companies are excellent scientists, they have a lot to learn about managing a company. Alice Huxley, CEO and founder of Speedel, talks of the “Darwinian principle”: Only the fittest survive. But according to the Credit Suisse industry report, this has its good points. If the state cornucopia were to be overgenerous to young companies, they could run the risk of becoming overburdened. “Only those companies that are able to break away from public sponsorship and find private investors will enjoy lasting success.”

Is Switzerland a good location? With some of the major pharmaceutical companies based here and with several university faculties in Switzerland, the pool of home-grown and foreign expertise is sizeable. Most young companies are multicultural melting pots with people from 20 different nations, as is the case at Speedel, based in Basle. This mix of cultures and diverse educational paths bears fruit. There are occasional complaints about the tedious work permit procedures for foreign employees.

The deep fragmentation of the industry into its three main clusters in Basle (BioValley), Zurich (MedNet) and Lake Geneva (BioAlps) is controversial. Opinions range from the “superb framework conditions” according to seco, to an “unnecessary dissipation of energy”, as stated by Jean-Pierre Rosat, CEO of Apoxis. And the general scepticism of the public for gene technology puts a statutory thumbscrew on the industry. Protagonists such as Rosat are critical of this. “Biotechnology is the industry of the 21st century. Progress cannot be held back.” If it is too harshly regulated, companies will move to other countries where the regulations are less inflexible. //

Network biotechnology

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report biotech2.
company profile apoxis:

The cell tamers.

If Apoxis in Lausanne manages to break through, it will revolutionise cancer treatment. But the new company, holder of the Swiss Technology Award 2004, still has a long way to go.

From the outside you cannot see what is going on behind the walls of the office building in Lausanne’s Sévelin area. One of the companies, with offices and laboratories which occupy a whole floor, is Apoxis SA. Entry into the heart of the research area requires the wearing of shoe protectors and occasionally of ICU-type breathing masks – standard for certain processes which have to be conducted in clinically sterile conditions. In the laboratory section there is also an animal testing station where mice are kept in separate boxes, and there is a stronger smell here.

For Jean-Pierre Rosat, who has been the CEO of Apoxis since the middle of 2002, this one floor of operations is only a single step in the first lap: “We will soon need more space and will have to employ more staff” – there are currently 42, and 18 months ago there were barely half a dozen. Experts are of the opinion that most new companies in the biotech field will have disappeared within five years. 42-year-old Rosat has a confident response to this prognosis: “We are better than the others. We have excellent scientists and good management, and our pre-clinical trials promise good results.”

Apoxis currently has 42 employees. Just 18 months ago the staff numbered barely half a dozen. Jean-Pierre Rosat, CEO of Apoxis: “We have excellent scientists and good management, and our pre-clinical trials promise good results.”

What is Apoxis researching and developing? The modified company name stands for their programme, so-called apoptosis (the programmed death of cells). Apoxis is working to correct the frequent programming errors. The biotech company specialises in so-called tumour necrosis factors (TNF). In simple terms this involves re-starting the cell motor with the correct key when the cell motor has dropped out, for example in cancers. Apoxis is developing proteins as a type of cell medicine – when injected it recognises the cancerous cells, docks there and triggers their death without harming other types of cells. The natural mechanism is thus reconstructed, and all this takes place without expensive surgical intervention and irksome chemotherapy, which are standard nowadays for many tumours.

Apoptosis involves a process which is important for survival. The suicide programme deals with a balance between the dying off and development of new cells. If too few of the worn-out cells die, this can damage the human immune system or cause illnesses such as diabetes.
If too many cells die there is the risk of degeneration as with Alzheimer's or Parkinson's disease, and if the cells multiply unchecked then the cancer proliferates.

This is therefore a broad area of activity for cell researchers and specialists in basic biological processes, such as Jürg Tschopp – a professor at the University of Lausanne, and his colleague in Geneva, Lars French. The research duo founded Apoxis in 1999 as a spin-off. Today both are members of the board, and they bring their expertise whilst allowing the management to "work independently", as CEO Rosat puts it.

Rosat, who is himself the founder of several companies and a scientist with a PhD in immunology as well as a Master's Degree in Technology Management, needs this freedom. He prefers to be the boss of a small company rather than the number two in a larger concern. Easy-going in manner, Rosat describes his position thus: "This is my ego trip. I enjoy taking on responsibility and making decisions. My task is to put the right people in the right positions."

Indeed, even the Swiss establishment believes in the newcomer from Lausanne. In 2004 Apoxis received the Swiss Technology Award, the most important award in this field, contested by a total of 58 teams. The Technology Award is the initiative of the Cantons, and the Federal Government is one of its sponsors.

Apoxis has already sold two proteins from the TNF family by licence to the American biotech company Biogen. If these compounds pass the various clinical phases and new medicines are developed from them, then Apoxis benefits thanks to corresponding contracts. At the same time they are developing other TNF molecules in Lausanne themselves. Initial clinical trials are planned in 2005.

In spite of its initial successes and a global cancer market with a current potential of USD 20 billion, there is no easy money for Apoxis. CEO Rosat is quick to criticise: "The Swiss biotech market is far too fragmented, and there is no government aid available to speak of. Gaining approval for foreign experts is a tedious process here." Apoxis' chief investors up to now have been two joint-stock companies from Sweden and France. Instead of investing in new technologies, the preference for subsidies in this country tends to be with outdated structures such as agriculture, much to Rosat's irritation. He finds such prevailing conditions more burdensome than his seven-day week at Apoxis. He describes this as fun, and laughs. He relaxes in the evenings at home by cooking for his wife and two children. //

Apoxis SA, Lausanne
Homepage: www.apoxis.com
Founded: 1999
Number of employees: 42
Chief investors/capital acquired: HealthCap, Banexi Ventures Partner, total CHF 11.75 million
In the pipeline: Pre-clinical projects for cancer, inflammation and autoimmune diseases
CEO: Jean-Pierre Rosat

report biotech3.
company profile cytos:

The immunisers.

With its vaccines for nicotine addiction, Alzheimer's, high blood pressure and skin cancer, Cytos – based at Schlieren in Canton Zurich – has set itself very high standards. Initial clinical tests have seen success.

Wolfgang Renner (right), CEO of Cytos, and his financial director, Jakob Schlapbach put their money on the success of immunodrugs. But “only 10 percent of the products that have got through the clinical phase, ever make it to the market.”

Researchers are learning from mice. In animal trials, when endorphin – the happiness hormone – is supressed in baby mice, they do not react when they are separated from their mothers. A normal youngster gets extremely distressed without its mother – it wants to suckle, because suckling makes it happy. The same effect can be seen in smokers. “We use this mechanism in our vaccines,” explains Wolfgang Renner (37), CEO and founder of Cytos in Schlieren in Canton Zurich. The vaccine “Immunodrug CYT002-NicQb” is currently undergoing clinical safety and effectiveness trials with 300 smokers at the St Gallen cantonal hospital. Said Renner: Nicotine creates an effect only because the body contains what is known as a receptor that responds to the addictive drug. “The vaccine forms antibodies to neutralise the nicotine.”

Over 1.2 billion people smoke throughout the world. According to estimates tobacco consumption costs around 5 million lives every year and billions in health care. A successful vaccination against the addiction would be a blockbuster success. Sharing the options, Renner and his team would then be extremely well set up. And the shareholders too – Cytos has been quoted on the stock exchange since 2002 – would be rubbing their hands with glee.
But what happens if CYT002-NicQb is a total flop? Renner, who holds a doctorate in molecular biology, and his financial director, Jakob Schlapbach, are keeping their feet on the ground. “Only 10 percent of the products that have got through the clinical phase ever make it to the market.” So Cytos never builds its future on a single product. A total of six immunodrug candidates – all vaccine based – are currently undergoing, or will shortly be undergoing, clinical development. Experiments on animals for vaccines against arthritis, obesity and high blood pressure have been successful. Novartis already holds a commercial licence for an immunodrug against Alzheimer’s, and can now move to the clinical development stage.

The Cytos business operates as follows: Medicines for the mass market, with their high development costs, are outlicensed to well-capitalised pharmaceutical companies;

on the other hand Cytos wants to market some individual specialist products itself. Renner and Schlapbach are convinced that with their well-filled pipeline, they will achieve success. They believe it will still take three or four years until the breakthrough comes. If it does not, the company will cease to exist in this form.

Why has Cytos concentrated exclusively on vaccines? Renner projects onto his office wall a PowerPoint presentation showing the age pyramid for Switzerland in 2050. In that year the over-85s will be the biggest age group in Switzerland. Throughout the world there are more than 2 billion people over 60 years of age. “If in future we don’t want to waste away en masse from chronic diseases, then we need to prevent degenerative illnesses such as Alzheimer’s. And we need to do it before the first symptoms appear,” explained Renner. The most effective and the cheapest way of doing this is by administering a vaccine.

The people at Cytos are proud of their own new production facilities at the handsome company headquarters in Schlieren – the hub of Switzerland’s biotechnology industry. The production facilities include a 90-square-metre cleanroom working area, meeting the highest of demands. Cytos is investing millions and is moving full speed ahead. The company is still spending much more money than it earns. But this does not worry financial director Schlapbach or his boss. “No established pharmaceutical company would have developed so many drugs with so little money in such a short space of time.” //

Cytos AG, Schlieren

Homepage: www.cytos.com

Founded: 1995

Number of employees: 109

Principal shareholders: Wolfgang Renner, GLS LP Investment, HBM Bioventures, Novartis Research Foundation

In the pipeline: vaccines for nicotine addiction, high blood pressure, arthritis, obesity, Alzheimer’s, all currently in the clinical phase (Phases I/II) and in pre-clinical development

CEO: Wolfgang Renner

The bacteria killers.

Antibiotics are increasingly losing their effectiveness.
In the battle against resistant bacteria, Arpida, based at Münchenstein, has several irons in the fire.

In a former warehouse on the outskirts of Münchenstein, in Canton Baselland, at first glance little stands out from the norm. A row of laboratories contain apparatus for mixing substances, and for cooling and heating bacterial cultures. Lab technicians and scientists busy themselves under so-called fume hoods with pipettes, recording results as they sit in front of their computer screens. But what looks like mere routine is for the staff at the biotech company Arpida a race against time. “The antibiotics crisis is intensifying. We are developing drugs to combat multi-resistant bacteria,” explains Dieter Gillessen. The co-founder, chief operating officer and director of Arpida is a former Roche research scientist.

The development is particularly dramatic in hospitals. In the USA alone 90,000 people die from infections contracted in hospital. The elderly and those recovering from recent operations are particularly affected – by pneumonia or septicaemia. Since more and more bacteria are becoming resistant to the usual antibiotics, the risks are increasing. Some bacteria are already indicating multiple resistance, where three or more different drugs have no effect.

The news from the Arpida laboratory has awakened great hopes. Some years ago Arpida acquired the research molecule Iclaprim from Roche. This too is thanks to the former Roche research scientists who are among the founders of Arpida. Since then Iclaprim has passed the first two clinical test hurdles (Phases I and II). The final clinical study (Phase III) before the official approvals procedure is about to begin. Arpida has the necessary expertise and sufficient capital.

“It is looking very good,” says Harry Welten, financial director. The former banker refers to the statistics. In four cases out of five, anti-infectives that have successfully got through the second clinical phase are successful in reaching the market as a drug. And Iclaprim compares well against the “gold standard”. Arpida’s drug has been compared with vancomycin, which is always administered where there is multiple resistance to bacteria.

So why develop a new drug if it’s only as good as the old one? Finance director Welten is in his element as he replies: “Iclaprim has a broad range and works against Gram-positive and Gram-negative strains of bacteria. Our drug is also a bactericide, that is to say it kills bacteria. Many of the competitor products simply stop their growth.” And Iclaprim is one of the few drugs that can be administered either intravenously or orally.

In the USA hospitals generally pay the costs if a patient becomes infected while an in-patient. With resistant bacteria this represents an average of USD 45,000 per

"The antibiotics crisis is intensifying. We are developing drugs to combat multi-resistant bacteria." Dieter Gillessen, co-founder of Arpida, COO, director and former research scientist, with his financial director, Harry Welten (right).

patient. As Welten says, quite simply:"If the length of a stay in hospital can be reduced and the patient can be discharged after a few days, with drugs they can take orally, hospitals can save around half of the usual costs."

Other drugs in the pipeline are just as promising. One example is a product for general practitioner use which works on common infections such as pneumonia and eliminates resistant bacteria. To reinforce its R&D strengths, in the autumn of 2004 Arpida took over Combio, the Danish chemical technology company, with which it had been nurturing a close partnership. The takeover was achieved by means of a share-exchange deal.
Since its foundation a total of CHF 140 million have been invested in Arpida in three rounds of investment. The company is believed to be capable of market success. The sales potential for Iclaprim alone is around USD 500 million per annum. For some years Arpida has been a hot candidate for the stock exchange. CFO Welten remains uncommitted: "Whether and when there will be an IPO will be decided primarily by the market and by our investors." //

Arpida Biotech AG, Münchenstein
Homepage: www.arpida.com
Founded: 1997
Number of employees: 73
Principal investors/acquired capital: Alta Berkeley, CDIB, HBM BioVentures, HealthCap, Partners Group, Temasek Holdings, Novo, swissfirst Bank and others, total CHF 140 million
In the pipeline: Highly effective anti-infectives in clinical (Phase II) and pre-clinical development
CEO: Khalid Islam

report biotech5. company profile speedel:

The blood pressure reducers.

Everything staked on a single card, yet still in the game:
With its blood pressure reduction drugs, Speedel, the start-up company from Basle, has cleared the first hurdles.

"Do you measure your own blood pressure every week?" we ask. Alice Huxley, CEO and founder of the Basle-based biotech company Speedel, looks briefly at her director of research, Peter Herold, and both laugh out loud. "We haven't time for that." Still laughing, Huxley adds: "My blood pressure is probably too low." And for the boss of a company specialising in drugs to combat hypertension, that is a provident remark.

The subject is serious indeed. Throughout the world some 200 million people suffer from high blood pressure. And since people are getting progressively older, the risk will increase in the future. Most of those affected do not even know that they are suffering from the complaint that can be the cause of a "sudden death". Only one person in two of those treated for high blood pressure is adequately controlled with the treatments available today. "There is no universal drug to help everyone," says Huxley.

Speedel – short for "speedy development" – specialises in compounds called renin inhibitors. Renin is the key enzyme for regulating blood pressure. "Imagine it as being

Speedel has eight patents, 27 patent applications and a pipeline containing several products in different phases. Alice Huxley, CEO and founder, with research director Peter Herold (centre): "There is no universal drug to help everyone."

like an avalanche coming down a mountain. The higher up you take action, the better the braking effect is," explains Herold. So renin is at the top of a cascade. For technical reasons it has not been possible before now to produce a drug to provide such treatment.

Speedel has found a solution. Its renin inhibitor Aliskiren was clinically effective in patients with high blood pressure. So convincingly, that Novartis has safeguarded the rights. Since March 2004 Novartis has been carrying out a broad-based study with patients in so-called phase III – the final stage before market approval can be given. According to this schedule, the first renin inhibitors could be introduced onto the world market in 2007.

Aliskiren is a shining example of enterprise and how the system of give and take can work in the pharmaceutical business. Alice Huxley, a biochemist, was a manager at the former Ciba, and with her team was already working in the field of renin inhibitors. Then came the merger with Sandoz to form Novartis, and the survival of the renin project was under threat. Huxley, who is persistent by nature, would not let go. She convinced Novartis management to release Aliskiren and to outsource it to the newly founded company Speedel. The Novartis Ventures Fund provided the starting capital, and in return retained a call-back option on Aliskiren.

If it is a success, Novartis holds a trump card. And Speedel benefits from the milestone payments payable with back-licensing as the work advances. But the biotech company can really only start earning serious money if Aliskiren comes onto the market as a drug, bringing in regular sales-related royalties. The prospects here are illustrated in Diovan, the blood pressure reducer from Novartis. This blockbuster drug is earning CHF 3 billion a year in sales.

"To begin with, we were a one-product company. If the initial clinical phase had failed, the whole company would have ground to a halt. But I was always convinced that we would succeed," says Huxley. The most difficult stage was the period after Speedel was founded in 1998. Identifying and persuading investors, finding staff with a pioneer spirit and organising the company – if it's a matter of survival, you learn very fast.

And how are things today? 27 patent applications and eight patents, a pipeline containing several products in different clinical and pre-clinical phases, and drugs active at three different levels of blood circulation. With Speedel Experimenta in Allschwil, winner of an enterprise award in 2004, the company has a research unit whose efficiency is well above the average. Branches in the USA and Japan forge contacts with principal markets.

Since it was founded Speedel has enjoyed revenues of some CHF 180 million from operational earnings, capital investment and convertible loans. This money is enough for three years of operation. Meanwhile, highly qualified people are approaching the company to make unsolicited applications for jobs. If everything goes according to the business plan, the private company will be converted to a public limited company. Huxley is not specific about the date of the IPO. The 47-year-old executive, who, besides her full-time job, also looks after a family with two children, believes firmly that "we must allow ourselves enough time, but we must not miss a single day." //

Speedel AG, Basle
Homepage: www.speedel.com
Founded: 1998
Number of employees: 57
Principal investors/secured capital: DSM Venture Fund, Novartis Ventures Fund, total CHF 180 million
In the pipeline: Clinical (Phases II and III) and pre-clinical drugs for blood circulation and metabolic disorders
CEO: Alice Huxley

trend. professional entrepreneur

Jane Royston[1], professor for entrepreneurship and innovation on entrepreneurial spirit as a key to the commercial future. Her view that the Swiss might miss the boat is controversial.

"A country that doesn't encourage young companies will lose its ability to compete."

Interview: Iris Spogat Kuhn

ceo Magazine: What would have to happen for more young specialists to set up companies?

Jane Royston: The parents of our students are teachers, doctors, lawyers, officials, managers and employees, and very few of them come from an entrepreneurial background. This type of life plan is missing in Switzerland. We need new examples and concepts for the future, and this begins with schools and the media. More information, more role playing and more positive examples are required. An awareness of the profession of entrepreneur has to be created in society, and young people need to be inspired to venture into such an exciting field. My 10-year-old daughter would like to be an entrepreneur, but I bet she is the only one in her school who does!

[1]After studying mathematics at the London School of Economics, Jane Royston began her career as a manager at the chemical company DuPont de Nemours. In 1986 she struck out on her own and founded NatSoft, an IT service company which has developed into the largest service provider in western Switzerland and which she sold to a partner in 1996. Since 1999 Jane Royston has been professor for entrepreneurship and innovation at the Swiss Federal Institute of Technology in Lausanne, and since 2002 president of Create Switzerland, a national entrepreneurship programme. She has two daughters and sits on many committees, including the Federal Commission for Innovation and Technology.

So is Switzerland the right country for the entrepreneur?

It is an absolute paradise for entrepreneurs! It is possible to set up a company here in a matter of days. Taxes are low. Salaries are high, yet people work longer than in other countries. It is also simple to employ and, if necessary, to dismiss people. And anyone setting up a business, who makes a success of it and sells it on, is not taxed on this money.

And what is the catch?

That it is so difficult to set up a new business. Who provides the necessary start-up capital for young entrepreneurs in this country? That is not the role of the banks who, I believe, take a lot of flak in this respect – it is the job of the state! In other countries the establishment of a new generation of entrepreneurs is recognised as an important task for the future – and therefore given the appropriate financial backing. I wonder where Switzerland will stand in ten years time in relation to Germany, since our neighbour has been investing billions in young entrepreneurs.

What is your prognosis?

We are lagging behind and losing our ability to compete. Politicians have to be persuaded that it is of the utmost importance to actively encourage young companies in the business sectors of the future. Moreover, efforts are required to guarantee a new up-and-coming generation of entrepreneurs. If this does not happen, I think the outlook is grim.

What do you think would persuade politicians?

Unfortunately, it has to be a real crisis which would presumably make the whole country aware of the importance of a solid base of technology companies and highly specialised innovative SMEs to ensure survival. Competitors from the new EU countries are already forcing prices, and in quite a few industries we cannot keep up. We have to successfully establish ourselves in a market which creates employment and guarantees high salaries.

Five years ago the Chair of Entrepreneurship and Innovation was set up at the Swiss Federal Institute of Technology in Lausanne and you are its director. What have you achieved since then?

I am particularly proud of the 100 high-tech start-ups which our former students have set up since then. We have also managed to

"In other countries the establishment of a new generation of entrepreneurs is recognised as an important task for the future – and is therefore given the appropriate financial backing. I wonder where Switzerland will stand in 10 years time in relation to Germany, since our neighbour has been investing billions in young entrepreneurs."

initiate a series of lectures for freshmen, and in the meantime over 50 percent of new students at ETH Lausanne have opted for entrepreneurship as a chosen subject.

Why does Switzerland require more young entrepreneurs?

The Swiss economy consists primarily of SMEs and some big long-established and very significant companies. On the whole, there is a good mix of industries but not a very healthy blending in terms of age and size and there is not much movement. If one or two pillars of the economy were to crumble, there is nothing to replace them. Furthermore, many large companies are increasingly shifting their production abroad. What will happen to Switzerland if this continues? If we do not manage to build up a new generation of successful technology companies which might fill future gaps, then I envisage that we will have big problems.

Why technology companies in particular?

A study was recently published in America which stated that a job in the area of new technology leads to one or two posts in other fields. Efficient technology companies therefore guarantee well-paid local employment, and thus increased wealth, in Switzerland. The most important resources in our country now are intelligence and a high level of education. Our engineers and scientists are excellently equipped for global competition!

Are engineers and scientists particularly suited to founding companies?

In Switzerland it is scientific thinking that is a focus for technical training and not economic thinking. These are two different worlds. However, an entrepreneur needs profound business expertise, and this is where there is a need for action! And only a few people feel the calling to entrepreneurship. In Finland in the 1970s, 80s and 90s a survey was conducted to find out the percentage of people who felt they were attracted to being entrepreneurs. The result was 2 percent, irrespective of the decade and the prevailing economic situation. If you divided up this 2 percent into engineers and scientists who have a good business idea, this would probably represent one person a year, and of course that is nowhere near enough!

Is general rethinking required?

I see a positive development with regard to thinking in this country. Compared to five years ago, entrepreneurship today is a familiar term and also one that has positive connotations. What is missing is action. Encouraging entrepreneurship must become at least as great a concern for politicians as maintaining the dairy industry or the army.

What do you think would be a forward-looking programme for promoting this?

Ultimately the sum of the aspects discussed here – creating an awareness of the profession of entrepreneur, implementing economic aspects in training, guaranteeing state financial injections for start-ups. In Israel, for example, there is a USD 400-million-a-year programme for supporting innovative technology companies. The state has a share in returns – therefore USD 200 million flow back into the coffers. That is no mean feat, and an excellent investment indeed in the economic future of the country!

Do you have any tips as to how young entrepreneurs can find support in Switzerland?

Gathering good people around them and securing top coaching. Clever young entrepreneurs look for five skilled board directors and pay each one CHF 20,000. They thus gain the expertise and the network of five experts for the salary of a single member of staff. //

The winter sports magnate.

The Flims Laax Falera region is the largest ski area in Switzerland – and profitable to boot. The people of Grisons keep their wits about them in the competition for guests, overnight stays and maximum image appeal. Their secret weapon is Reto Gurtner, the dynamic CEO of Weisse Arena AG.

Photos: Roth und Schmid

Text: Corinne Amacher

At 100 square kilometres the region of Flims Laax Falera is one of the biggest ski resorts in the world. The Weisse Arena Group has experienced a huge upturn in the last few years. Enjoying a turnover of CHF 65 million and a million guests a year, the company offers highly attractive tourist packages.

It was a first-rate publicity stunt. During a few mild days at the beginning of November – some people were driving around in convertibles – two off-road vehicles caught the attention of passers-by in the Zurich and Basle areas. The cars, with Grisons number plates, which seemed to be winding their way haphazardly around the streets, had a meter-thick layer of snow on their roofs, their bonnets had a sprinkling of snow on them and icicles hung from their wing mirrors. People looked on puzzled, then read the lettering on the car doors – "Flims Laax Falera" and grinned. The artificial snow looked deceptively real in the flat country, and the message was being put out that the winter season had begun up in the mountains.

Creating an enviably hip image

"Advertisers can do amazing things for us," says Reto Gurtner, CEO of Weisse Arena AG, which incorporates the skiing areas of Flims, Laax and Falera. From small advertising campaigns up to large building projects, Gurtner fiercely promotes the region's profile at all levels. With him as the driving force, the Weisse Arena Group has experienced a huge upturn over the past few years. Enjoying a turnover of CHF 65 million and a million guests a year, Weisse Arena is the biggest ski operator in Switzerland and also one of the most profitable. Compared with other famous resorts such as Lenzerheide or St Moritz, it also has an enviably hip image. There is no winter sports region which attracts as many young people as the gently slanting slopes of the Surselva Valley.

Reto Gurtner has practically single-handedly built up the skiing region into an Alpine business which is home to the most important tourist attractions. The 50-year-old from Grisons is the majority shareholder of Weisse Arena AG and the president of the board, managing director as well as CEO. Gurtner's comment is laconic on this concentration of power: "The organisation allows me to make swift decisions and to press ahead with my projects unimpeded."

It all started with the Crap Sogn Gion Mountain, which was a favourite for skiing and snowboarding thanks to its gentle gradient. Reto's father, Walter Gurtner, wholesale butcher and president of the commune of Flims, started up with small ski lift equipment in the 1960s and soon made it his aim to open up the Vorab glacier, in order to be able to offer guests all-year-round snow. He originally wanted to develop Vorab along the shortest route from Flims via Nagens with two large aerial cable cars, but hoteliers in Flims opposed the proposal. He therefore pursued this scheme in Laax, where he was welcomed with open arms. Hardly anyone believed at the time that he would be successful, but Gurtner senior quickly launched what was then the largest cableway in the world with private funding, and very soon afterwards the glacier was developed.

Staging mountain experiences

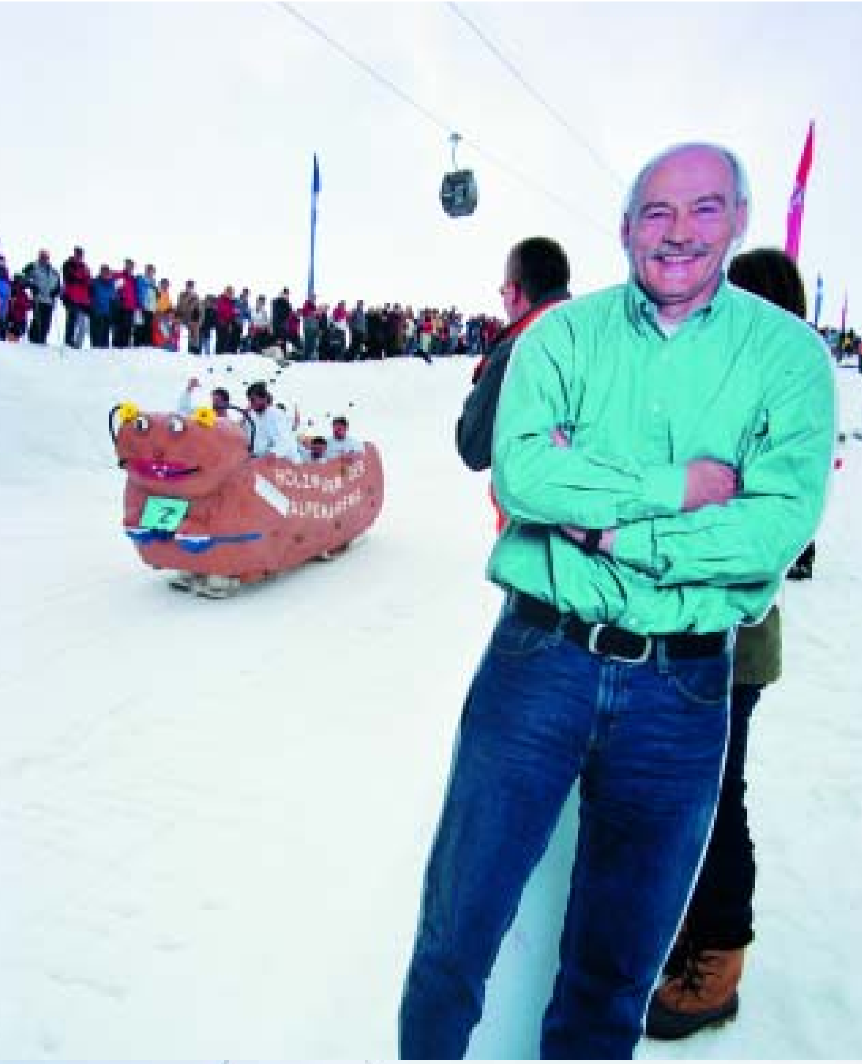
It had not been envisaged that Reto, the oldest of three children, would enter the company, but this is exactly what happened. He studied business administration at St Gallen and law at Berne and initially wanted to pursue a career as a business lawyer. However, even as a young student his father included him on the board of the family business so that his son could practise the application of economic theory which he had learned at university, i.e. restructuring the accounting. Sometimes both of them would travel to the French Alps where they were inspired by Emile Allais, who had built up the big French tourist destinations.

When his father died in 1983, Reto was predestined to be his successor. It was now up to him to realise his father's greatest dream – the merger of the Laax and Flims mountain railways into an all-encompassing ski area. It was only in 1996, after some opposition had been overcome, that the amalgamation of the two rival regions took place. With pistes 220 kilometres in length, it is one of the big continuous skiing areas in the world, but the efficiency of transport alone is not sufficient in the competition to be the foremost winter sports resort. "People don't come to travel in the lifts," says Gurtner, "they visit for the experience in the mountains." For him this meant "I had to start by setting a scene to convey this experience to them."

Offering fun places for snowboarders

And this is why Reto Gurtner sees himself as director on a natural stage "with the best backdrop scenery which is constantly changing with the weather and seasons". To choose the performers he conducted market research and looked at the trends. Whilst momentum was slowly being lost on the traditional ski circuit, a subversive alternative scene was developing in the USA and later in Europe, which inspired Gurtner both as an individual and a businessman. Mega-fleece-wearing teenagers, who were making the pistes unsafe with extra-wide snowboards, represented precisely the target group he was looking for – young, sporty, active, communicative – and ready consumers.

The boss put all his energy and creativity into winning favour with the snowboarders. In the USA he bought the Pipe Dragon, a high-tech snow machine allowing the construction of perfect half-pipes. He employed the dance label Ministry of Sound and other big acts and thereby gained valuable free advertising on MTV.



50 kilometres of glass fibre cable have been laid on the mountain, making real-time data from the cash registers of the mountain railways, the ski schools, restaurants and equipment hire shops available to management. The data are collated using a unique customer card with which guests can access all Weisse Arena services.

He organised high-profile snowboarding events and placed his fans in the Riders Palace boarders' hotel.

Packaging sports and leisure activities

This irony is typical of Gurtner: It is a hotel garni but is called a palace like the Palace in St Moritz. The CHF 10 million hotel opened up at the valley station in Laax in December 2001 after much planning and a short construction phase. In contrast to musty guest houses, young fun-loving sports enthusiasts were offered the level of comfort they are used to at home, although with slightly less space. The futuristic hotel has 75 rooms from basic dormitories to luxurious suites. To appeal to the multi-media-oriented youngsters, Gurtner entered into a partnership with the Japanese electronics entertainment company Sony, which equipped the rooms with PlayStations and DVD players.
From a business perspective these hip lodgings are particularly important for transport operations. Arrangements can only be made by booking, which constitutes a minimum of one overnight stay plus two mountain railway tickets for two days. The price is re-set daily according to supply and demand and is published on the Internet. Added to the 20,000 overnight stays sold by the Riders Palace every winter, there are at least as many rail journeys. The hotel thereby makes a contribution to covering the costs of Weisse Arena, because the costs for operating the mountain railways remain the same – just like for flights – irrespective of the number of passengers.

To complete his range of services, Gurtner has integrated other tourist providers into his company. He set up Mountain Adventures AG (MAD), a firm which offers a whole package of sports and leisure activities that had previously been sold individually by ski and snowboarding schools and the mountain railways. Anyone wishing to take a holiday in Flims Laax Falera today can use it as a one-stop shop for snowboarding or ski courses, skiing equipment or even booking the hotel.
Hiring equipment has been brought up to date – whereas customers used to have to wait an eternity in the back room of a sport shop for hired ski boots to be adjusted, Gurtner offers modern materials and straightforward service at NTC Rent, his new technology centres. NTC Rent is booming, and its growth rate has reached double figures.

Facts and figures on Weisse Arena

Weisse Arena AG runs the Flims Laax Falera ski area, which at 100 square kilometres is one of the biggest winter sports regions in the world. The company, managed by majority shareholder Reto Gurtner and registering over a million guests, last year achieved a turnover of CHF 65 million and a net profit of CHF 2.7 million. The group consists of three divisions – the mountain railways, which take guests up over 3,000 metres to the Vorab glacier; the hospitality division, which includes the designer Riders Palace hotel, amongst others; and the fast-growing leisure section, offering rental and sales of ski and snowboarding equipment. Weisse Arena owns half of Mountain Adventures AG (MAD), which gives instruction in skiing and snowboarding.

MAD and NTC Rent are perfectly suited for gathering customer data. Concerned mothers hand the ski instructors their mobile numbers without question when they drop off their child, and when hiring skis, the young enthusiasts do not hesitate to give information on their shoe size and favourite skis. These are extremely valuable details that are fed straight into the central database and which form complete customer profiles over the course of time. Gurtner already has 200,000 such profiles stored, which are, as he states, "unique in the Alpine region". Since 50 kilometres of glass fibre cable were laid on the mountain, data management has also been available in real time from the cash registers of the mountain railways, the ski schools, restaurants and equipment hire shops.

Collecting and analysing customer data

The data are collated using a unique customer card with which guests can access all Weisse Arena services. The customer may also give online evaluations of friendliness or cleanliness in restaurants, pistes and railways using this card, which has therefore improved transparency. The profiles help Gurtner to focus his range of services and to build customer loyalty for Weisse Arena by way of targeted benefits or incentives. Loyal snowboarders can receive an upgrade at the Riders Palace, which has three levels of comfort just like an airline. VIP guests have access to a reserved parking place at the valley station until 11 am.
Reto Gurtner never rests on his laurels – he is always throwing himself into something new with boundless energy. At Casa Primo, the headquarters of Weisse Arena, architectural models and plans can be viewed behind a curtain – the work of Gurtner. In the large car park at the Laax Valley station a CHF 70 million American-style resort is planned in the next few years, with holiday apartments and hotel service, restaurants, bars, shops, an entertainment centre and even an ice rink. Accommodation will be arranged around this – not kitsch chalets but bare stone cubes, designed without extra features such as balconies. The buildings will look just like they had been rolled down into the valley from the huge rocks of Crap Sogn Gion, and Gurtner calls them the "Rolling Stones". //

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High expectations of the auditor: Value and limits of the audit

The complexity of the duties facing the auditor has grown in line with the heavily increased demands on companies. Expansion of regulatory provisions creates new tasks in the collaboration between companies and their auditors.

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Sensational business collapses have revived the topic of the so-called expectation gap in auditing – in contrast to the past, however, in the wider context of the Corporate Governance debate. A variety of examples have impressively demonstrated the need for functioning Corporate Governance procedures and high-quality corporate financial reporting in a market economy, raising the question of the auditor's role. Here there is a gap between public expectations of the auditor and his actual duties and their implementation. The difference between expectation and reality is more or less pronounced among different groups who are directly involved in the corporate reporting process to the financial markets: owing to their different functions, board members, management, banks, rating agencies, regulators and legislators all have their own picture of the auditor's duties. On the other hand, the general public frequently has the impression that, in issuing their report, auditors not only confirm the correctness of the financial statements, but also the correctness of the business strategy. If the company goes into bankruptcy or serious fraud is discovered, the first questions are: Where was the auditor? Why did he not warn of the danger in good time?

Trend

Stephan A.J. Bachmann is Leader, Assurance, Geneva.

The putative failure of the auditor can be compared pictorially with the failure of a high jumper. Either the bar was set too high, or the leap was not good enough. From our viewpoint both are valid: expectations are too high, and audits can be further improved. The gap that exists must be closed from both sides.

Clear communication of the auditor's duties

The auditor's duties must be seen in the context of the entire corporate reporting chain (see diagram page 30). The audit represents an important assurance element in the communication between companies and financial markets. Its function is, however, restricted to an audit of the financial reporting. Only if all participants perform their duties professionally and the individual elements in the reporting chain interact can confidence in the reliability of financial reporting and the quality of the supervisory bodies be restored. Improving the quality of financial reporting and the audit is therefore a core element in the present reforms at the international level and in Switzerland.
The introduction of Corporate Governance guidelines and their disclosure in reports, extension and harmonisation of accounting principles and auditing standards, and strengthening of government and regulatory supervisory bodies responsible for ensuring observance of accounting principles and auditing standards represent significant advances.

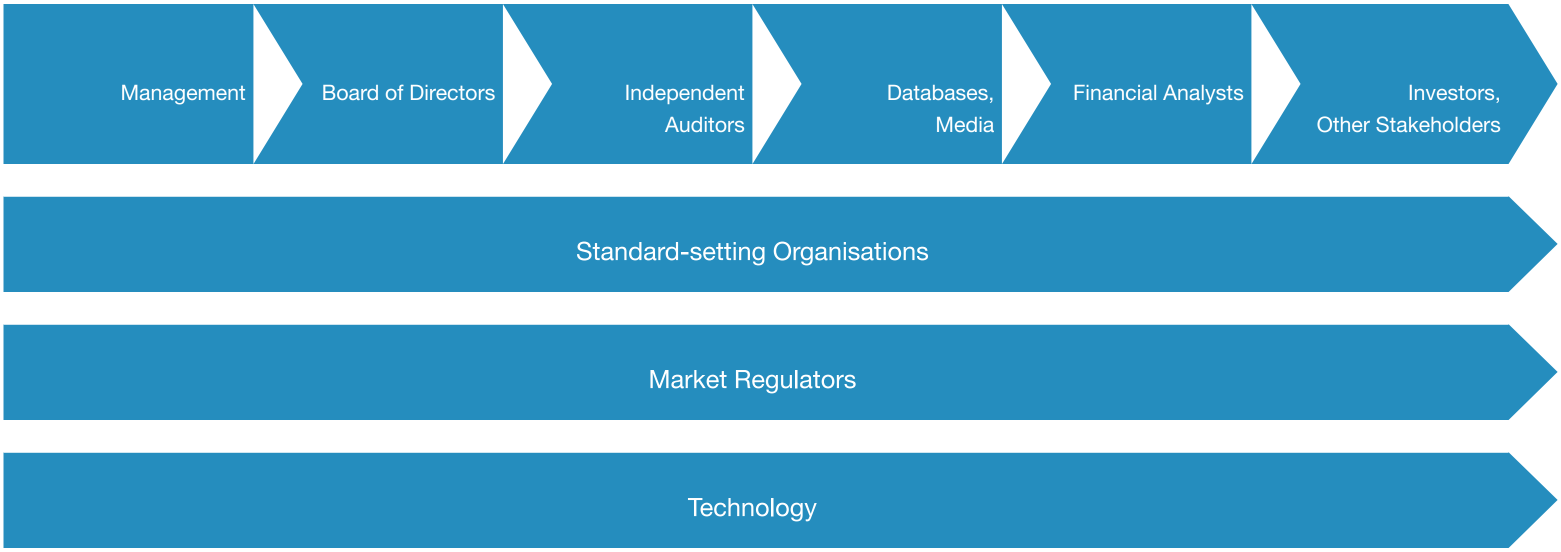
The current revision of the statutory auditing framework in Switzerland specifies and extends the auditor's duties. In future a company must provide proof of a functioning internal control system and undertake a risk assessment. The auditor must then examine this information. These additional audit areas raise the bar for the high jumper yet again, but they are aimed precisely at increasing the quality of corporate reporting and strengthening the force of the audit.

Improving the quality of the audit

The complexity of the auditor's duties has grown in the last decade in parallel with increasingly heavy demands on companies in a rapidly globalising economy. The continuing development of accounting principles and their application places even greater emphasis on cooperation between companies and their auditors.
On the other hand cost pressures have resulted in many companies placing audits with the lowest bidder. The Swiss auditing profession as a whole has not adequately grasped how to communicate the need for, and the added value of, thorough, high-quality audits and to promote them in the marketplace.

Among the more obvious effects of the current reforms in the USA (Sarbanes-Oxley Act, see page 31) are the increased time it will take to conduct an audit and a concomitant increase in audit fees. The willingness of Swiss businesses to bear the time and cost burden of enhancing Corporate Governance is growing. This also includes external audits, which support this process to a higher standard and more comprehensively than previously.

The Corporate Reporting Chain:



The Swiss profession has reacted to this development. The revised Independence Guidelines lay out rules for preserving auditor objectivity and independence. In addition the Swiss Institute of Certified Accountants and Tax Consultants has brought the new Swiss Auditing Standards (PS) into harmony with the International Standards on Auditing (ISA). Continuing education for auditors is continually being updated to take account of the new requirements. The measures adopted by the profession in Switzerland and at the international level must be seen in the context of a number of similar projects affecting other market players, such as codes of conduct for rating agencies and financial analysts. Furthermore, individual auditing firms have expanded their internal quality control and assurance procedures and intensified their internal training, e.g. concerning accounting principles, internal controls and auditing procedures. The auditing profession welcomes the fact that self-regulation is being complemented by government supervision and revisions to the statutory framework. The creation of a government supervisory body will help to enforce auditing standards and guarantee independence and to support high-quality auditing in the long run.

Professional cooperation is called for

For the high jump to be successful and the bar not to fall, everyone involved must follow the aim of high-quality corporate reporting and auditing. Most important, the new Corporate Governance must be implemented and lived in companies.

For auditors, the Audit Committee assumes an important role. The Audit Committee has the task of monitoring the quality of financial reporting in its own company; but it is also the competent body for assessing the quality and independence of auditors. For example the Audit Committee reviews the permissibility of non-audit services by auditors in order to find a balance between available synergies (e.g. auditors' knowledge of their clients) and preservation of independence (e.g. not auditing their own work). Furthermore it is the responsibility of the Audit Committee, together with management, to confirm the appropriateness of the audit's scope and to approve the related audit costs. In order to be able to carry out these duties, the time and technical requirements must be established as well as a clear understanding of the Audit Committee's duties. In their future interactions auditors must clearly and straightforwardly communicate to the CEO and CFO as actual preparers of the financial statements and to the Audit Committee as supervisory body their evaluation of all audit areas.

For Corporate Governance and reporting to fully benefit from the audit requires that management, Audit Committee and auditors have the courage to openly discuss critical matters concerning accounts, internal control and risk management. //

Summary

In a market economy every business activity is associated with risks. Companies collapse for many different reasons, such as strategic errors and a competitive environment. These an auditor cannot prevent. But he can ensure that reports describe emerging economic difficulties promptly, transparently and properly. The challenge is therefore to aid the wider public in understanding economic interrelationships and the different roles in the Corporate Governance process and to provide information about the social value and limits of auditing in the functioning of financial markets in our market economy.

The Sarbanes-Oxley Act: Challenge and opportunity

Companies perceive the provisions of the Sarbanes-Oxley Act (SOA) as a burden. It is worthwhile looking at the advantages: by complying with the SOA it is often possible to make a quantum leap in internal control.

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Compliance, the observance of all internal and external regulations, is regarded by companies as a burden and an additional cost. This applies particularly to the provisions of the Sarbanes-Oxley Act. As a result of the concept of the SOA, the related cost and the deadlines to be observed, ensuring compliance with the SOA is primarily a technical challenge for the companies concerned that can be overcome by good project management.
But it is worthwhile widening the horizon to include the strategic question whether the objective of compliance alone makes technical and financial sense. By complying with the SOA it is often possible to make a quantum leap in internal control. However, internal control is scarcely a final objective, but a subset of enterprise-wide risk management (ERM). The structures and processes created by SOA projects, as well as the know-how acquired, are an excellent basis for comprehensive risk management.

Compulsory reading for listed companies

The Sarbanes-Oxley Act is the most important US legislative revision affecting capital market participants since enactment of securities legislation in 1933 and 1934. The law, which was passed with astonishing speed in response to the now-familiar corporate scandals in the USA, affects any company listed on a US stock exchange. Its objective is to restore confidence in “corporate America”, inter alia by means of very strict rules on Corporate Governance. The intention of the SOA is to improve the accountability, transparency and security of US securities markets. In Switzerland only 14 large companies are directly concerned along with many Swiss subsidiaries of international groups that are listed on US stock exchanges. The SOA defines strict obligations for the auditors of these companies, but also influences the Swiss Corporate Governance debate. Its provisions radiate far beyond its actual field of applicability. Certain provisions of the SOA are expected to become a standard that other big and listed companies will not be able to ignore. This applies particularly to the COSO II Framework for Enterprise Risk Management, which was published on 29.9.04 and co-authored by PricewaterhouseCoopers. COSO II is a conceptual development of the COSO I Framework for Internal Control and already today represents a globally accepted benchmark for risk management.

The CEO and the CFO are responsible for the internal control

One of the most radical innovations of the SOA is that management (CEO and CFO) must have their responsibility for financial reporting certified (Section 302 of the SOA). Included in this certification is also responsibility for the quality of the internal control system (ICS). In the event of infringements draconian penalties are foreseen – imprisonment for 10 to 20 years and fines up to USD 5 million.

The effectiveness of the internal controls must be periodically evaluated by management and their conclusions published in a separate report, commencing with the financial statements for 2004 (Section 404 of the SOA). US stock exchange listed companies whose head office is situated outside the USA (so-called Foreign Private Issuers, FPI) have an additional year to comply with the SOA 404 requirements (for financial years ending on or after 15 July 2005). This applies basically for the 14 Swiss companies mentioned above. SOA 404 reporting by management must be examined by the auditor and reported on. The current draft of the Swiss Auditing Law (RAG) also foresees that companies will periodically be required to perform a risk assessment to be attested by the auditor.

Preliminary experience in the USA has shown that these SOA 404 requirements involve considerable extra work, both for companies and their auditors. According to a survey of 224 US companies carried out in July 2004 by FEI (Financial Executives International; www.fei.org),

Compliance
Risk

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these companies expect to spend on average 25,668 internal man hours in connection with their 404 preparations. The internal work reported by the companies is in direct proportion to the size of the company measured by turnover, i.e. companies with less than USD 100 million turnover estimated 2,143 hours on average, while firms with more than USD 5 billion turnover quoted about 73,312 hours. In the same survey in January 2004 the participants had reckoned with an internal time requirement on average of only about 12,265 hours. In addition the 224 companies surveyed in July 2004 expect outside consulting of 5,067 hours on average as well as an additional increase in the annual external audit fee of about 53 percent.

Professional project management saves time and money

Practice has shown that SOA 404 projects are frequently carried out using a six-phase approach:

1. Establish the project organisation and scope
2. Document and evaluate process and control design (GAP analysis)
3. Eliminate control weaknesses
4. Test effectiveness of the internal control system (ICS)
5. Sign-off and management reporting (SOA 404 certification)
6. Attest and reporting by auditor (SOA 404 report)

In particular, to ensure that the project is completed as smoothly and efficiently as possible and also in view of the auditor's work, it seems to us essential that the procedure and the auditor's requirements be integrated into the SOA project at an early date. This includes for example coordinating the scoping and the approach to achieving the objective of the project and timely communication of identified control weaknesses, including any corrective measures proposed by management.

Irrespective of the relevant legal requirements a good ICS also offers many advantages from the company's viewpoint:

- Process security is enhanced.
- The documentation produced can be used for additional optimisation and efficiency improvements.
- Effective controls help to avoid fraud and embezzlement.
- The ICS represents an important element of an ERM system.

Important SOA prescriptions for public companies (issuers)
Issuers, Boards of Directors and management are affected in particular by the following provisions:

CEO/CFO certification: Sworn statement that all financial statements and other reporting comply with stock exchange regulations and the "True and Fair View" concept

Submission of a report by management on the effectiveness of the ICS

Severer penalties for fraudulent manipulation of financial or other reporting

"Whistle-Blower Hotline": protection for employees who report inaccuracies in financial statements

Prohibition of loans to board members and management

Management obligation to return bonuses and other variable salary elements if the issuer subsequently has to correct its consolidated financial statements

SEC's option to ban delinquent board members or management from working for SEC-registered companies

Duty to report immediately changes in the financial or operating position

New requirements for the composition and duties of the Audit Committee (AC), including
– Stipulation that the AC have a finance expert among its members
– AC responsibility for the selection, remuneration and monitoring of the group auditor
– Approval of non-audit services by the group auditor by the AC (Pre-Approval Process)

Ban on procuring certain, clearly defined consulting services from the group auditor

An opportunity that companies cannot afford to miss

The topic of internal control is not new in Switzerland. For example corporate law defines the design of the accounting system, financial control and financial planning, to the extent they are necessary for management of the company, as being a non-transferable duty of the Board of Directors (OR Art. 716a). Furthermore, Item 3.7 of the Corporate Governance guideline of the SWX includes information and control instruments for management. The "Swiss Code of Best Practice for Corporate Governance" issued by the Swiss Business Federation economiesuisse also deals with the subject of internal controls. The draft of the new auditing law published in June 2004 also includes the ICS as an additionally prescribed audit object. In the past internal controls were examined as part of a risk-oriented audit approach only insofar as the auditor intended to rely on them, because it was not efficient to perform analytic testing in the area. Now the entire ICS will be a prescribed audit object also in Switzerland, which in the long run – similarly to the situation in the USA – will result in substantially higher costs for the companies audited and for their auditors.

Focusing on the ICS also involves risks. A company should not take the ICS to be a risk management system and think itself secure, because the ICS concentrates only very narrowly on financial processes. Numerous risks that a company must manage if it wants to be successful are not covered by the SOA and certainly not by SOA 404.

Seen from this vantage, it would be a pity not to replicate in other areas of the enterprise the concepts introduced in internal control (COSO I) as the starting point for an ERM and to extend the scope in the sense of COSO II. In this way the resources invested in SOA compliance can certainly create additional benefits for the company. //

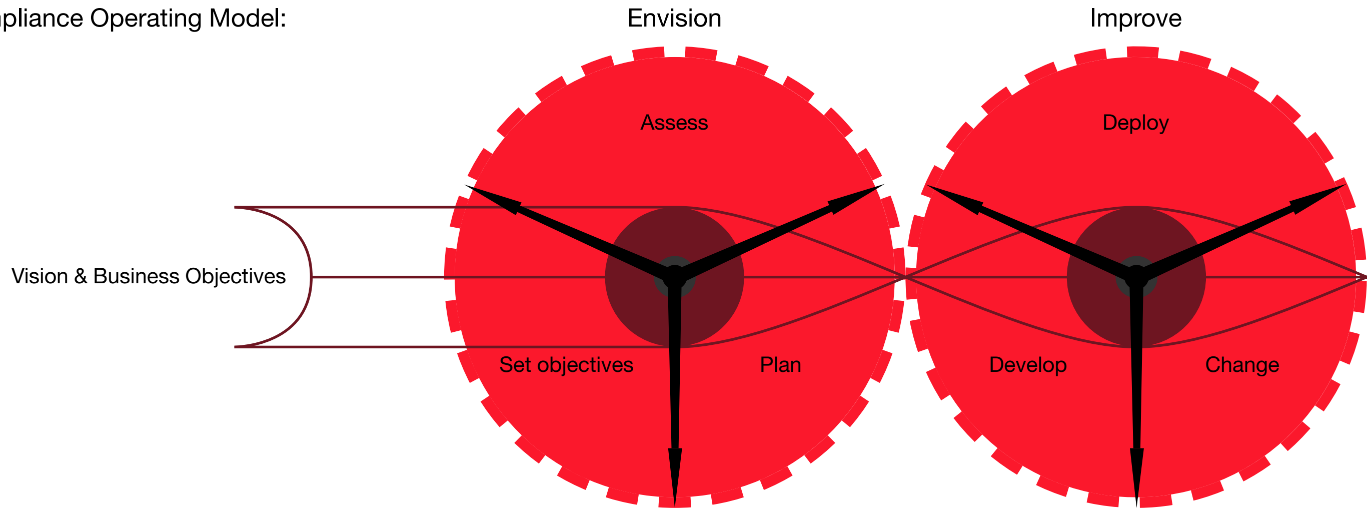
Summary

The SOA poses a major challenge for both the companies concerned and their auditors. As a rule, complying with the legal requirements entails significant effort. For auditors they mean in part a new approach to the audit with a substantial extension of the area to be covered. We are, however, of the opinion that, on the basis of good planning and coordination with clients at all management levels – starting with the Board of Directors and the Audit Committee – this task can be achieved. Intensive and regular communication among all parties involved and careful implementation of all project steps will be critical for success. In addition, an important foundation stone will have been laid for the development of an ERM.

Important SOA prescriptions for audit firms
Auditors are affected in particular by the following additional provisions:

- Registration with the newly created Public Company Accounting Oversight Board (PCAOB), which is established and supervised by the SEC
- Observance of PCAOB standards; quality controls and inspections of the auditing firm and disciplinary measures
- Submission of working papers, also of foreign auditing firms, on whose reporting as part of the group audit reliance is placed (on demand of the PCAOB)
- Sanctions by the PCAOB against the auditor (fines, reprimand, ban on acting as auditor)
- Rotation obligation for the Lead Engagement Partner every five years
- One year cooling-off period for employees of the auditing firm before taking up certain key positions (CEO, CFO, etc.) with a client
- Examination of reports prepared by management about the effectiveness of the ICS

Governance, Risk & Compliance Operating Model:



Information technology: The CIO as risk manager

Rapid technological development compels IT managers to pay greater attention to operational risks, to IT Governance, to improving service and to optimising costs. Today right at the top of the CIO's agenda are risks that can have a negative impact on a company's reputation.

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More rapidly than anyone could have expected, the information society envisioned by a few technology enthusiasts has become everyday reality. Information technology (IT) unobtrusively permeates all aspects of modern life, is constantly changing them and is far from reaching its limits. Many industries – for example music and films – face radical revolutions in their business models. The telecommunications industry enables creation of globally networked business processes, but at the same time it is faced with the task of reinventing itself. We are all learning to adapt our behaviour to the possibility of permanent accessibility and unlimited mobility.

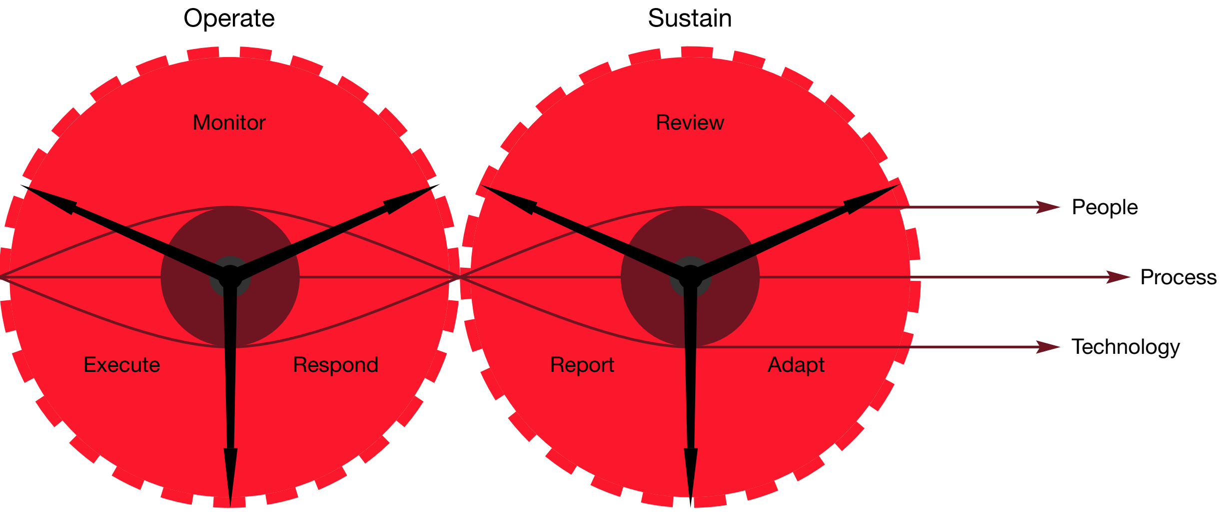
Pierre V. Brun is Partner, Advisory, Zurich.

Only a short time ago more and more funds in Swiss companies were flowing from year to year into corporate IT. One consequence was that IT became a resource critical to a company's existence; if it is not available and reliable, scarcely any larger undertaking can survive operationally. But IT costs have also now reached the point where every additional investment has to be carefully weighed and operating costs overall reduced. The general opinion today is that expensive technology alone does not necessarily contribute to making one's own products better and more competitive.

Three examples of significant risk factors:

Is your IT organisation under control?

A company's IT assets are not only tangible and intangible assets; increasingly they represent liabilities that can incur both unexpected and substantial costs. For example the cost of searching for, processing and analysing all information relevant to a specific transaction increases proportionately with the number of electronic documents. Uncertainty as to what is business-relevant and where in the company such documents are to be found, if needed, is widespread. In one of the few cases that became public during the last year more than 22 million e-mails and documents had



For good Corporate Governance the wheels of the “Governance, Risk & Compliance Operating Model” must engage with one another. Together with employees and processes, technology is an important “transaction belt” in this area.
It plays a decisive role in all phases in achieving a company’s vision and business objectives – from targeting through development, to implementation and sustainable safeguarding.

to be processed, which alone resulted in costs exceeding EUR 100 million.

An up-to-date inventory of the systems, applications, data and the personnel and contractual IT resources in use and available would have been useful in this case – but up to now only about 10 percent of all businesses have been able to successfully implement IT asset management, although the additional benefit for virus protection, emergency planning and the control of systems and applications is obvious. The quantity of all kinds of electronic information in a company is increasing incessantly. New legal possibilities permit the complete abandonment of hard copies. Vast storage systems and clever search algorithms alone will not be adequate protection against the numerous surprises that will occur when searching for, finding and processing electronic information in years to come.

Do-IT-yourself with error potential

Reductions in IT budgets, in some cases massive, during the last few years are to a large extent the result of genuine rationalisation measures. Projects that do not demonstrably contribute to the company’s success have been terminated, investments in state-of-the-art technology postponed, the number of external staff cut. A less well-known consequence of this development is that enterprising end-users are increasingly taking the initiative and handling transactions that are critical to the business via e-mail, with the help of Excel tables, or by means of other applications procured locally. One encounters this “shadow” IT particularly frequently where business processes have scarcely been standardised and high flexibility or quick reaction to market developments are called for.

The risks involved in such self-made solutions have not as yet been systematically recorded, but the effects can be considerable. In a few well-known cases companies have had to subsequently correct their already published quarterly results because errors in complicated spreadsheets had not been recognised in time. The costs of, and time spent on, change management, safety precautions and system controls are not included in such self-made solutions. That makes them attractive in the short run, but in the longer term they become a major business risk.

Yet there are ways and means for even smaller departments to ensure data integrity. In such cases the CIO is in demand as risk consultant.

Loss of control over the extended enterprise

Whether outsourcing or only outtasking – the tendency to optimise corporate capacities by links to suppliers and dealers is unbroken. IT is concerned in two respects. First, parts of IT itself are frequently outsourced to third parties, while at the same time third parties’ systems and applications should be linked to the outsourcing organisation’s own infrastructure. Managing processes, roles, responsibilities and technology over two or more organisations is for all involved a very complicated task both technically and with respect to governance. IT management is here confronted by new tasks, for the solution of which at present there is little positive experience and scarcely any “best practice” examples. The CIO does have available a growing number of comprehensively conceived control frameworks and standards. But these collections of controls overlap or contradict themselves in many respects and therefore cannot be adopted indiscriminately. The dynamics of legal and regulatory requirements also hampers implementation of effective IT governance. In any event the company retains the overall responsibility for the operational risks accepted in the course of outsourcing. The CIO will therefore wish to understand exactly and to communicate the responsibility of IT. //

Summary

As a rule risks are measured along the axes “likelihood of occurrence” and “impact”. But for IT risks this matrix is inadequate – risks must first be discovered in the company before they can be addressed. The CIO has an exciting and not entirely riskless task ahead of him.

The 5-minute expert: Topical business terms illustrated with examples from research by PricewaterhouseCoopers

Property markets

Property prices in Europe have in the past few years increased disproportionately by comparison with average incomes in the respective countries. In the European region prices are expected to rise by 1.75 percent in 2004 and 2.25 percent in 2005. In Switzerland 2004 saw an increase of 1.75 percent, the result of low interest rates and the global economic recovery. For 2005 an increase of 2.0 percent is expected. Source: "European Economic Outlook, October 2004", Pricewaterhouse-Coopers.

www.pwc.ch -> Press Room -> Press Releases

Stock exchange listings

According to PricewaterhouseCoopers' analysis "IPO Watch Europe, Q3", during the period from July to September 2004 the European stock exchanges recorded the largest number of new listings in a quarter for years. From July to September 118 companies ventured to become members of European stock exchanges; in the prior year, by comparison, only 34 did. The number was also significantly higher than in the second quarter, when 96 new listings were added. In Switzerland Ypsomed was quoted with an issue volume of EUR 122 million. Information about "IPO Watch Europe, Q4":

www.pwc.ch -> Press Room -> Press Releases

PPP initiative

Public Private Partnership (PPP) is an integrated approach to providing public services. The decision for a PPP is as a rule made following an appropriate economic comparison. PPP projects can result in substantial time savings in realisation as well as cost savings. Furthermore PPPs also have the potential to avoid planning failures on major projects. At PricewaterhouseCoopers' suggestion a PPP Initiative Switzerland was launched in spring 2004. The basic study is being undertaken and financed equally by seven partners from the public sector and private industry. The operational project management is the responsibility of PwC Advisory, with the help of a UBS team and a support group from business, politics and the administration. The study is designed to demonstrate what PPP is, its development and benefit potential in Switzerland and what is needed to help PPPs to flourish in Switzerland. Publication of the basic study is scheduled for the end of the first quarter 2005.

Divestments

Most enterprises invest a great deal of time and energy in mergers and takeovers, while too little, or too late, attention is frequently paid to exit options. Yet divestments are becoming more important throughout the world. This area is the subject of the PricewaterhouseCoopers study "Divestment for Growth", which evaluates the experience of CEOs and managers of leading businesses in Europe, Asia, Africa and the Middle East. 47 percent of managers hold the view that the majority of divestments are initiated because the parent company concerned has no other choice. These unavoidable divestments of unprofitable business divisions are the result of the parent company's need to reduce its debt burden, the increasing competitive struggle within the industry and recession. 57 percent of managers see divestments growing within their industry. 89 percent of managers hope for competitive advantages from mergers and takeovers and 83 percent from divestments. On the other hand 71 percent state that an optimal sales price for the business division is achieved in less than half of all transactions. Only 42 percent of enterprises have a divestment strategy; a mere 3 percent have a team of experts to deal with the disposal of unprofitable business divisions.

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Transfer pricing: The taxman is interested in how you implement your strategies!

Management decisions with global effects are now everyday events. The tax authorities look closely at every change – supported by local and global transfer pricing rules.

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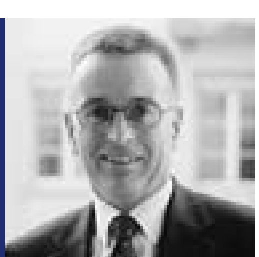
Many enterprises review their strategies and structures critically in order to align themselves with changes in the business environment. Opening up new markets, relocating functions or divisions to other countries (e.g. Eastern Europe, Asia), introducing new organisational and management structures or acquiring new businesses are frequently the consequence. Such changes have a direct impact on the exchange of values and assets within a company – and that is where the transfer pricing problem begins.

Transfer pricing policy: A compulsory subject for the management of companies with international operations

Tax administrations and organisations, such as the OECD, are endeavouring to stop the outflow of local tax substance or to distribute it among states based on generally accepted principles. The recently published draft on the allocation of profits to permanent establishments and the introduction in the near future of new US service regulations are only a few important development steps in this direction.

Safer tax
International
business



Norbert A. Raschle is Partner, Tax & Legal, Zurich.

As a consequence it is absolutely essential for companies to include transfer pricing in all their activities – from planning to operational implementation of changes. A four-stage procedure is recommended:

1. Analysis

This first stage is a matter of gaining a detailed overview of the current transfer pricing situation within the company. Questions relate mainly to the following areas: transfer pricing policy, value creation chain and business model, transfer pricing risks resulting from existing inconsistent business models, charging of services that do not meet the “arm’s length” test and observance of local rules relating to documentation.

When acquiring a company, especially during due diligence it is important to identify differences between the acquirer’s and the acquiree’s transfer pricing policies. Such differences may for example be the consequence of different management structures or production and distribution strategies, which in the ensuing integration process must be brought into harmony with the transfer pricing policy and methodology.

2. Optimisation

In most cases operational changes offer a “window of opportunity” to optimise transfer pricing and to present a business case to push through the tax authorities sustainable adjustments. In the optimisation stage questions dealt with may consider in particular how the transfer pricing structure is to be designed in the areas of production, sales, intellectual property (trademarks, know-how, etc.) or management costs against the background of operational changes. Especially for companies with existing operations in Switzerland or activities planned for foreign, tax-advantageous locations, interesting global or regional planning models (e.g. principal or hub structures) exist.

Issues such as utilisation of tax loss carry-forwards, retention of existing rulings with tax administrations, minimisation of transaction taxes or tax-effective capital gains on asset transfers and customs questions may have a crucial impact on the final transfer pricing policy. Furthermore, the future transfer pricing structure may critically affect the acquisition structure when purchasing new businesses or companies.

3. Implementation

Proper implementation of transfer pricing in connection with operational changes or company acquisitions can make a decisive contribution towards a later sustainable defence against local tax authorities and towards the avoidance of risks with corresponding financial consequences.

Transfer pricing management for reorganisations and acquisitions:

Analysis	Optimisation	Implementation	Defence
- Existing transfer pricing policy - Business model/ organisation/ value drivers - Existing risks and inconsistencies - Transfer pricing policy of the target for acquisitions	- Evaluation of alternative transfer pricing models - Business case/ “window of opportunity” - Treatment of tax “conversion issues” - Impact on acquisition structure	- Transfer pricing mechanism - Localisation of the global transfer pricing model - Negotiation with tax authorities - Systems / change management	- Documentation of global transfer pricing policy - Fulfilling local documentation rules - Documentation of operational changes - Minimisation of risks from the past

It is a matter inter alia of adapting the global model to local circumstances, establishing the price-setting mechanism or negotiating with tax administrations. Valuations in connection with asset transfers (e.g. intellectual property, customer lists, markets, etc.) or strategies for defending the non-payment of compensation are other matters.

During the implementation stage as well impacts on other areas, such as the adaptation of IT systems, the interests of minority shareholders in individual group companies (e.g. joint ventures) or support for the transfer pricing policy by local management, should not be underestimated.

4. Defence

Proper optimisation and implementation also create the basis for efficiently drawing up the documentation required to fulfil local rules that apply in most cases. It is sensible to differentiate between documentation of operational changes (e.g. under German legislation the documentation of extraordinary business transactions) and annually recurring transfer pricing documentation. An important matter in this connection is the onus of proof, which, if documentation is available for a tax audit, usually lies with the tax authorities. //

Summary

Transfer pricing should already be taken into account by the competent management at the planning and decision stage in connection with major corporate changes and acquisitions. This strategy ensures that transfer pricing rules to which the substance of the business model is subject are fulfilled globally, that tax optimisation potential is exploited efficiently and that later, more expensive tax reorganisation can for the most part be avoided.

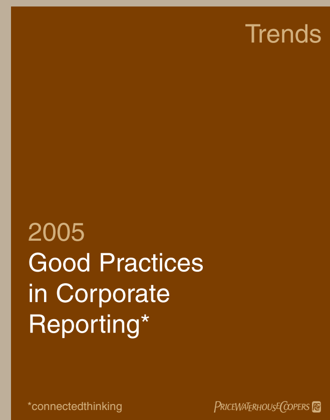
Events, publications and research.

Publications:

PricewaterhouseCoopers: "Where we stand"
The Annual Report of Pricewaterhouse-Coopers (PwC) in Switzerland on the financial year 2003/04 follows the ValueReporting Framework that PwC has developed in order to provide a framework for value-oriented corporate reporting. It includes illuminating information about the market environment, strategy and objectives, and the development of PwC's value drivers. "Where we stand" can be ordered free of charge in three national languages and in English from sonja.jau@ch.pwc.com.

"2004 Global Annual Review" of PricewaterhouseCoopers International is published in English and can be ordered free of charge from sonja.jau@ch.pwc.com.

Global CEO Survey 2005
PricewaterhouseCoopers has published the eighth "Global CEO Survey". For this study, 1,300 renowned CEOs worldwide were surveyed on current business challenges. The publication "Global CEO Survey 2005 – Bold Ambitions, Careful Choices" is in English and can be ordered free via sonja.jau@ch.pwc.com.



Transparency in annual reports
The sixth edition of the brochure "Trends 2005 – Good Practices in Corporate Reporting" by PricewaterhouseCoopers gives an insight into exemplary annual reports of companies throughout the world. The brochure can be used by companies as a tool in developing future-oriented reporting. It demonstrates the sovereign approach to transparency and communication – against the background of ever more complicated requirements and international regulations. In "Trends 2005" for the first time two Swiss examples are included: UBS and Swiss Re. "Trends 2005 – Good Practices in Corporate Reporting" is published in English and can be ordered for CHF 90 from sonja.jau@ch.pwc.com.

A comparison platform for risk management
Worldwide businesses are increasingly taking a close look at various aspects of Enterprise Risk Management. Up to now, however, a common platform and general principles have been lacking. With the book "Enterprise Risk Management – Integrated Framework" in collaboration with PricewaterhouseCoopers, the Committee of Sponsoring Organizations of the Treadway Commission (COSO) has now created a knowledge base. The book is published in English, costs USD 50 and can be ordered at www.coso.org.

Event:

Swiss Economic Forum: Setting the Right Priorities
Over the last six years the Swiss Economic Forum has become one of the most important events for entrepreneurs and innovators in Switzerland. Sponsored by PricewaterhouseCoopers, the theme of this year's meeting is "Setting the Right Priorities". A highlight of the forum will be the presentation of the Swiss Economic Award, the most prestigious prize given to new companies in Switzerland.

Date:
Thun and Interlaken: 26/27 May 2005

For further details, forum registration and award application guidelines:
www.swisseconomic.ch

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ETH Zurich has big plans – according to the motto “open for society, open for business”, Switzerland must open up as a think tank and become networked worldwide.

How to become world class:

ETH Zurich manages through continuous improvement.

Downsizing, production outsourcing and competition from aspiring threshold countries even in the services sector – what does all this mean for Switzerland’s future? As an economic location this much is certain – Switzerland will undergo dramatic changes in the years to come. The best-case scenario is that once this development is completed, it will be an economy with added value that relies more strongly on the production factors of knowledge and innovation than it does today. The essential engine for change is an institution which is of decisive significance for the future of this country – namely ETH, the Swiss Federal Institute of Technology in Zurich. It is a Swiss trump card in the international struggle for prosperity in the 21st century. Here we will show how this flagship Swiss university maintains its course.

BLUE-C enables worldwide telecollaboration. Thanks to this technology, Professor Gerhard Schmitt is present in 3-D in virtual space. He lectures his students in the USA or "appears" as a delegate at conferences.

Text: Kaspar Meuli
Photos: Noe Flum

Gerhard Schmitt has welcomed around 11,000 people into his office in the last seven years. This is an incredible number – but Schmitt estimate has to be correct for he is, after all, a professor of architecture as well as the university's vice-president, and it is due to his role within senior management that he receives this never-ending stream of visitors. The office of the ETH vice-president for planning and logistics, with its view over the rooftops of Zurich, deals with everything that constitutes the lifeblood of ETH, from budget and space planning and new projects to the vision of its future.
According to a recent article in "Das Magazin" about power and influence in Zurich, ETH is an "underrated giant". The university could be compared to a company with regard to size. With a budget of CHF 1.1 billion, it employs 6,000 staff, including 360 professors, and currently has 12,500 students enrolled.
Can this huge educational institution really be compared to a large company? "In many areas, it can", says Schmitt. There are strong parallels in strategic direction. "We have to recognise future developments in research and make investments as appropriate, but because these developments cannot be anticipated, we take the same risks as a company." According to Schmitt, the ETH has to re-consolidate its strengths time and again. Examples of recent changes in direction are the massive extension of the entire systems biology department and the establishment of a department for management, technology and economics.

World-class research and science

The objective which ETH is pursuing in constantly improving its structures is clear – research and teaching at a world-class level. ETH Zurich wants to be the best and is declaring this aspiration in a downright non-Swiss manner. "What do we have to do to become even better?" asked ETH president Olaf Kübler, for example, in the 2003 annual report. "Our international image must become stronger and more lasting, not only discreetly in the scientific arena and through its policymakers but also in international public perception." For in the near future, ETH Zurich is convinced that the European university and research landscape will undergo fundamental changes. There will only be a small group of world-class universities, and the revered Zurich institution, which is currently celebrating its 150th anniversary and which used to be affectionately called "Poly", will be one of these.

21 Nobel Prize winners to date

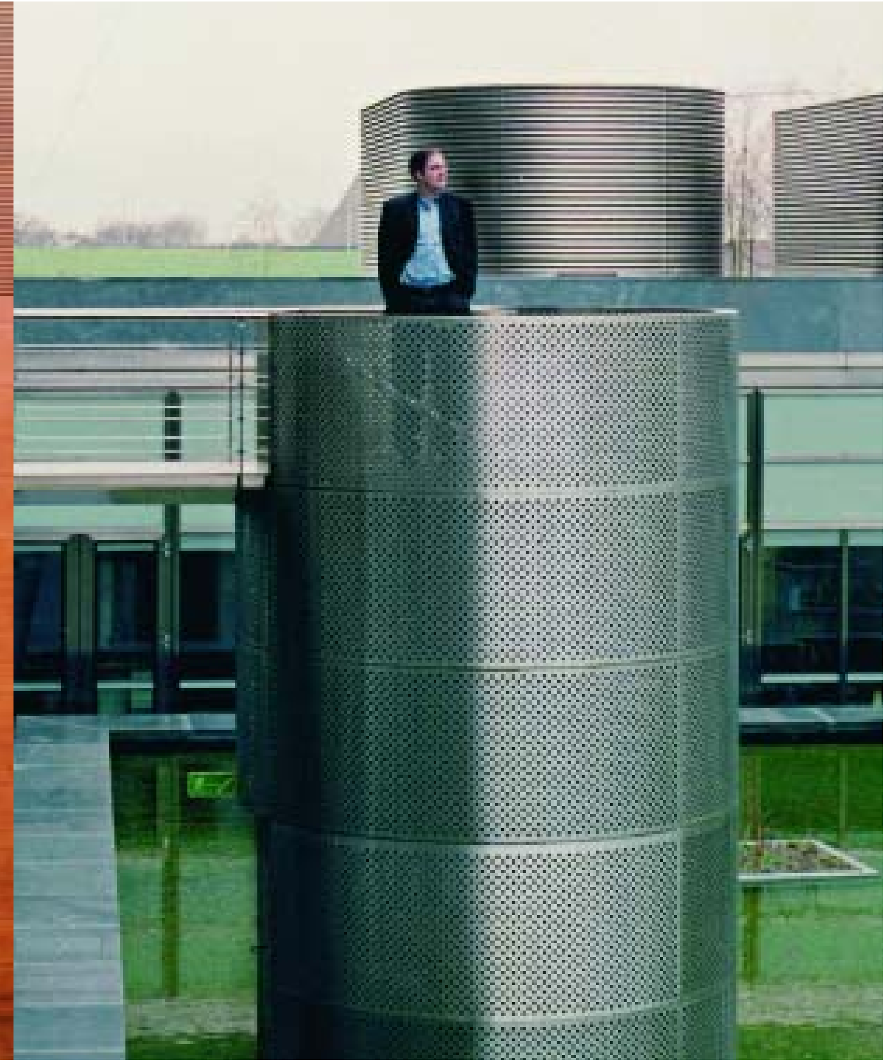
The actual benchmark for the success of ETH as a knowledge management institution is the "scientific output", as Gerhard Schmitt puts it – the quality of research publications, degree examinations and theses. According to the head of planning at ETH Zurich, in contrast to businesses no quantitative goals can be set in this core area. Nevertheless he indicates figures which prove an enormous increase in efficiency – in the past ten years the number of scientific publications has risen by over 90 percent, and completed theses by more than half, and all this has taken place with a financial increase of only 10 percent.
And there is yet another figure which the university is pleased to highlight – this "Big League in a Small Country", as they describe themselves on the homepage of their website, has produced 21 Nobel Prize winners up to now. Incidentally, with only a few exceptions all of them were conducting research in physics or, like Kurt Wüthrich – the last ETH Nobel Prize winner in 2002 – in chemistry.
It is no wonder that ETH is proud to congratulate itself upon this prestigious research record, because what really counts for this flagship of the Swiss universities is something that is more or less indefinable, namely its reputation. This standing is important not only from the perspective of the business world, i.e. the future employers of the students, but also in the sphere of politics, which grants the school its means, and especially in the realm of academe. For what keeps the star of ETH bright is the attraction which it holds for brilliant professors and gifted post-graduates from all over the world.
It is only logical then that the recruitment of new professors is a matter for senior staff.

"We have to recognise future developments in research and make investments as appropriate, but because these developments cannot be anticipated, we take the same risks as a company."

The 30 or so new appointments each year are indeed the main concern of Olaf Kübler. "If a university succeeds in headhunting excellent people," says the ETH president, "it achieves greater respect as an institution – very much like a football club."
There is a substantial difference though between the stadium and the campus – money. A top researcher is not going to be lured to Zurich with a megasalary, for ETH is unable to negotiate with regard to earnings as they have to follow certain rules. No professor earns more than CHF 250,000 per annum. The leading American universities, which, as private institutions, are not tied into salary scales, tend to be considerably more generous.
What makes top people sit up and listen when an offer is made from Zurich is the location. The scientific environment for each subject and its related areas is particularly stimulating at ETH. There is also the urban quality of life which European scientists sorely miss in America, despite all the career opportunities. "In the USA even smaller state universities can offer crazy money," suggests the Austrian head of the Institute for Particle Physics at ETH, Felicitas Pauss, "but who wants to grow old in these places?"

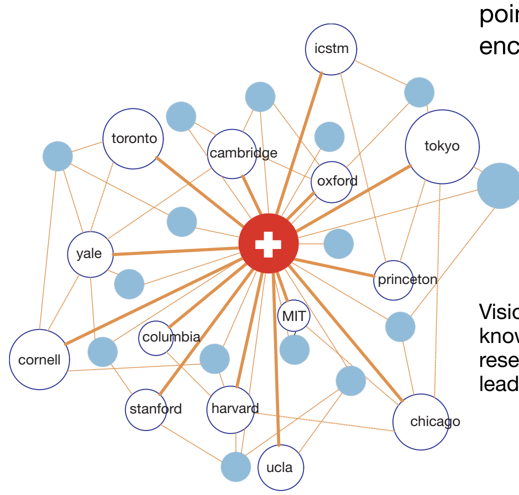
Ideal conditions for professors

However, the rush to move to Zurich is not usually determined by the lake and the cultural aspects but by the university's terms and conditions – factors such as laboratory equipment and support staff, which have a major effect on the scientific success of a top researcher. With the attractive packages that ETH can secure in this area, it has been dealt a good hand. Zurich offers generous space as well as technicians who supply customised equipment for experiments, which professors elsewhere can only dream of. But even more important is the number of staff, who are mostly permanently employed at ETH, thus precluding the permanent searching for external research funds which characterises the everyday life of professors in the USA. The comparison with the USA is not merely coincidental. In the view of vice-president Gerhard Schmitt, ETH Zurich is in direct competition with three large university clusters – the San Francisco Bay area, the Boston group and the British Oxford/Cambridge pairing. It is particularly satisfying for Zurich when someone transfers from one of these competitors, for example from



Felicitas Pauss is an experimental physicist at the Institute for Particle Physics at ETH. In 1997 the Austrian became director of the institute and, in 2000, full professor. In the last few years she has also received tempting offers from other universities, but she has remained loyal to ETH. Her reasons for staying in Zurich are the "stimulating scientific environment", the "very sound reputation of ETH worldwide, particularly in the different fields of physics", and last but not least the good quality of life in Zurich. "Finding a top university in a city with an attractive cultural offering and good international transport connections is no mean feat."

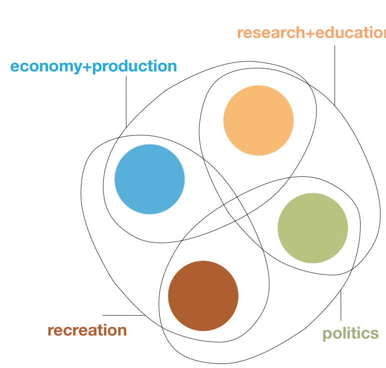
"The decision to come to Zurich," says David Basin, "was an easy one to make." Since 2003 David Basin has been a full professor of information security, and prior to this he taught at the University of Freiburg in Breisgau. What was it that led to the move? "First and foremost, ETH has a top reputation as one of the leading universities in the world and this also applies to the department of computer science. Second, my area – information security – is not only a theoretically fascinating subject but is also of considerable practical significance. At ETH many opportunities have arisen for me to work with people involved in business and management." Basin had no sooner arrived in Zurich than he was instrumental in setting up the Zurich Information Security Centre (ZISC). Run by ETH and various companies, the joint project, which is now managed by Basin, coordinates research and training in the area of information security. As the professor of computer sciences points out, this is a good example of ETH's many years of experience in applied research paying off.



Vision of the future: Switzerland as a centre of knowledge which benefits from synergies between research and business in a worldwide network of leading universities.

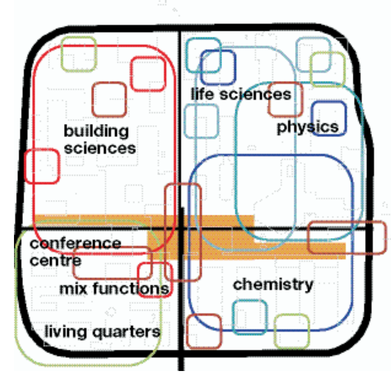
Peter Seeberger had just been promoted to full professor at the Massachusetts Institute of Technology (MIT). "Actually," the German chemist relates, "I had achieved everything I could in the USA." There followed two offers, one from Munich and one from Zurich, and Peter Seeberger had to weigh them up. In short, "ETH really has something quite special to offer". What prompted Seeberger to relocate to Zurich in 2003 were terms and conditions which would enable him "to undertake truly leading-edge science", namely a highly qualified staff, a first-class infrastructure and an environment that is extremely exciting for an organic chemist. This includes universities, Zurich hospitals and Basle pharmaceutical industry. "The pressure to perform at ETH is no lower than it was at MIT," says Seeberger. His bosses and colleagues insinuated that his departure would mean the end of a promising scientific career, but he is now intent on proving that the opposite is true.

Cell biologist Sabine Werner has been a full professor at ETH since 1999. Why did she take up the call to come to Zurich? Because the scientific environment is "extremely good", she answers. Various offers from ETH were enough to draw her away from her German homeland, as well as the exciting scientific cooperation between different institutions which is to be found in Zurich. An example of this is the collaboration between ETH and the university hospital, where Sabine Werner has encountered great interest in her specialist field, the molecular mechanisms of tissue regeneration. ETH won the biologist's heart on her first visit. "During the appointment procedure I felt straight away that they had gone to a lot of trouble, and everyone took the time for detailed discussion. This is in contrast to German universities, where there is usually just one presentation after which everyone disappears."



In Science City various areas will be interlinked – yellow stands for research and science, green for administration, blue for companies and start-ups, and brown for living and culture.



Planning for Science City in Hönggerberg, Zurich: university campus and academic cultural quarter with ideal working and living conditions.

the Massachusetts Institute of Technology. This is where biochemist Peter Seeberger came from, and at 38 years he is already being cited as a potential Nobel Prize winner. He was attracted by the outstanding reputation of ETH in his subject: "There is nothing to compare with it in organic chemistry within Europe," and one should not forget the sizeable staff here.

Positioning strategy set in motion

In the battle for academic figureheads there are also defeats. The loss of the English geologist Alex Halliday, for example, who came to Zurich in 1998. With more than thirty publications in the prestigious journals "Science" and "Nature", he is a heavyweight in his subject, and now he is returning to England. His departure to Oxford is ostensibly for family reasons, notwithstanding the recent investment of CHF 10 million in new laboratory equipment by ETH according to the wishes of this star player. Halliday was enraptured by the "best-equipped isotope-geochemical laboratory in the world" at its inauguration three years ago. ETH Zurich is on its way to the top but it is not immune to setbacks, and it is envisaged that it will be some time before it hits the heights: "We have given ourselves the objective of being one of the top three universities in Europe and one of the top ten in the world within the next thirty years," says Olaf Kübler, "and we are on the way to achieving this." As CEO of the university, Kübler, who incidentally stands down at the end of this year, has set a real positioning strategy in motion. This includes, for example, a "dual career" office, which supports families of foreign professors in their move to Switzerland. But marketing is also a current theme at ETH – and an

"Our aim is to make Zurich a city of science and Switzerland a country of science, which will be as well known around the world for its research as it currently is for its banks."

appropriate unit is being set up which, above all, will seek to attract talent from abroad, for a university can only shine internationally if it attracts overseas students. In spite of all this the managers at ETH emphasise their institution's connection with Switzerland at every opportunity, and with good reason – the university receives 90 percent of its support from the state and, in contrast to the cantonal universities, is financed by the federal government.
Not so the top English and American universities, which flourish largely through private funding. Now ETH wants to operate in the same way. Largely unnoticed by the public, it founded the so-called ETH Foundation last year. According to head of planning Gerhard Schmitt, the aim of the charity is "to establish a new tradition in order to ensure long-term expansion". In real terms ETH Zurich wishes to award itself investment capital to fund the growth which the federal government can no longer finance using the fund's interest. The university primarily has former students in mind, along the lines of the American model. Erstwhile ETH students have recently been intensively canvassed, particularly via the magazine "Alumni Focus" and the "ETH Bulletin", as well as through business lunches and the setting up of alumni networks in the USA and Berlin.
Gerhard Schmitt does not wish to reveal how successful the search for funding has been. However, the stakes are high – in the long term the proceeds should contribute "at least 20 percent" to the budget – thus not millions but billions in funding capital must be found. The entrepreneur Branco Weiss recently demonstrated what the commitment of the wealthy might be – those "who hold the good of ETH and with it Switzerland as a research location close to their heart". The chemical engineer made a contribution of CHF 23 million to his former university. This is earmarked for the construction of a new laboratory for computer sciences, a "key area in achieving international competitiveness" which, according to an ETH communiqué, should be up and running in 2006.

Science City in a country of science

However, the building of the e-science lab is the impetus for the advent of Science City – the catchy description of the future vision of the university. This is an ambitious construction and development plan that will make the existing ETH site in Hönggerberg into an "academic cultural district" by the end of the decade. Thanks to investments of CHF 250 million today's rather bleak campus will not simply be a place to study and do research but also to live, which will also embrace the population of Zurich. Accommodation for 1,000 students is planned as well as a conference centre, restaurants, sports facilities and places to shop.
But this is not all – the vision is even greater. Its promoters envisage that Science City will become the platform for networking the great educational institutions of the city. "Our long-term goal," says Gerhard Schmitt, "is to make Zurich a city of science and Switzerland a country of science: a country that will be as well known around the world for its research as it currently is for its banks." And this much is clear – ETH Zurich wants to be the indisputable leader of this research strategy. //

Interview: Franziska Zydek
Photo: Dominic Büttner/pixsil

ceo Magazine: Up until 2003 Coop continually won market share and increased its turnover. A downturn has been forecast for 2004. Should you change your strategy?

Hansueli Loosli: In 2004 Coop's turnover went down slightly. The reasons for this were the acquisitions of EPA and Waro, which resulted in several closures, along with decreases in turnover through reorganisation at the front end. Such takeovers always require adjustments, as illustrated by the idea of "regrouping for the offensive". Added to this was a 2 percent drop in prices, which benefited customers. The third factor was the economy-driven decrease in spending among consumers. A complete change of course was therefore out of the question, because copying others just results in a poor copy. However, it is obviously the case that adjustments are always required, and this is what makes the job interesting.

Coop is associated with quality, organic products and sustainability as well as higher prices. If Coop wishes to survive in the globalised retail sector, it has to bring its prices down. Do organic products, social ethics and low prices go together?

We are already cutting our prices. We are able to do this because reorganising the Coop Group from 14 regional co-ops and a headquarters into a single customer-focused company has made us more efficient. We are lowering our margins but we are not compromising our quality – and we will not only defend our position as a successful market leader for organic products in the future but also expand it.

Coop now has a low-cost line of products...

Since January we have also offered the low-cost line "Prix Garantie". This provides a complete range of products at all price levels, consisting of the low-cost line "Prix Garantie", Coop own brands, other branded items and flagship labels such as Coop Naturaplan.

What exactly is "Prix Garantie"?

The low-cost line is essentially made up of currently listed products whose cost has been lowered but that have not themselves been changed, that is, we do not reduce the quality. "Prix Garantie" fish fingers consist of white fish fillets and not "fish pulp". The "Prix Garantie" shoulder of ham is made from real ham from the shoulder and not from "cooked pork".

Do Coop sustainability standards apply to this line?

Since 2003 Coop has had guidelines for ecological and social-ethical procurement which are part of the quality agreement and are therefore compulsory for all our business associates. We have two key themes for implementing and controlling compliance – on the one hand we want to ensure that our flagship labels in particular completely fulfil these requirements; on the other hand we proceed based on risk, that is we concentrate on countries and sectors where breaches of International Labour Organization (ILO) agreements are most likely to be dealt with.

Where will your company be in five years' time?

Coop will still be the quality provider in 2010, with a large and full range, including fresh products. Furthermore, Coop will still offer a choice between Coop "Prix Garantie", Coop own brands, other branded items and Coop flagship labels such as Coop Naturaplan. And in the future, Coop will also run a tight point-of-sale network that ensures closeness to the customer and that with its various formats will meet the needs of consumers. All these measures should differentiate us from and raise us above our competitors, because neither a basic hard discount range of 700 items nor a point-of-sale network of eleven supermarkets can adequately cater to the Swiss population, which demands wider choice.

And the new plans abroad?

Thanks to the joint venture with the German company Rewe in the catering and wholesale field, we are entering into a new but nevertheless related area of business which has a good outlook for growth. This move means an initial strategic and commercially significant commitment abroad with potential for development.

How will turnover develop with regard to sustainable products?

Our vision remains as it has always been – to achieve a turnover of CHF 2 billion up to about 2010, with Coop Naturaplan, Coop Naturaline, Coop Oecoplan and Max Havelaar. We see quite a potential for growth here and want to further expand our uncontested strong lead position in sustainable products.

The Zurich rating agency Inrate places Migros slightly higher than Coop in ecological matters. What is your assessment?

It is interesting that Coop, like our rival, is far above the industry average – but all

Coop. Hansueli Loosli, chairman of the board, on competition, innovation, sustainability and the future, as well as his conviction that

“Copying others makes you a poor copy.”

other providers are a long way below. At this high level the small differences are therefore somewhat incidental. What is not in question is that Coop is the leader with regard to sustainable products, and Migros is number one from the vantage of technical environmental protection.

Where do you see potential for improvement?

Coop has made great efforts in the areas of POS and logistics in order to reduce resource consumption. However, some of these endeavours have been neutralised by a higher level of service, for example longer opening hours and a higher proportion of fresh convenience foods, necessitating more fridges at points of sale, and two deliveries of bread and sometimes also of fresh products per day. We thus effectively have to compromise between our claim to offer our customers the highest level of service and our need to be frugal with resources. We also see potential for improvements in packaging, but here we are also in a difficult position vis-à-vis the needs of customers on the one hand, who are placing increasing importance on the convenience aspect – resealable, smaller and lighter packaging and changing trends in catering – and ecological aspects on the other hand.

Where do you stand personally with regard to ecology and sustainability? Are you aware of your ecological footprint?

In my ten years at Coop I have been lucky enough to learn a few things with regard to sustainability and ecology. I not only stand fully behind Naturaplan, Naturaline, Oecoplan and Max Havelaar, my family and I are also regular and committed consumers of these products. I wouldn't presume to evaluate my own ecological footprint.

Coop faces some tough competition. Your "sustainable" product lines will have to pay off. Do they do better than the other product lines?

Coop is also in tough competition in terms of its flagship labels. We have to work every day to convince our customers that it is worthwhile paying more for an organically grown apple, for meat from animals that have been raised humanely or for fair-trade coffee. The higher outlay in the area of communications and advertising for training sales staff and for increased efforts in quality assurance demands that the absolute margin on the flagship labels be higher than for the standard range. But of course it is the market which determines the outcome. Fruits and vegetables, for example, where we intentionally apply the same margin as we do for conventional organic produce, show that this cannot always be achieved.

It is a fact that Naturaplan products account for 14 percent of the total turnover of groceries, and 7 percent of these are organic. What are the margins like for them?

It is hard to make general statements about margins because they depend on actual, seasonally fluctuating product prices and the market situation. Coop would like to see all stages contributing to the added value of Naturaplan products be able to cover their label-related additional costs.

How are Coop Naturaplan, Coop Naturaline, Coop Oecoplan and Max Havelaar developing in comparison with 2003? Will the high growth rates (+13 percent) for Coop Naturaplan hold in the medium term?

For 2004 we can also report double figure growth rates for these four brands. These products are as much in demand as they have always been. Consumers are clearly ready to pay more for discernible added value. For example in 2005, the 10-year anniversary of Coop Naturaline will accentuate this brand and benefit it.
Obviously, gratifying growth rates will not continue unchecked for these products, but the products are and will remain the central bearers of our growth and image.

> "Consumers are clearly ready to pay more for discernible added value."

For your part, will you increase cost pressure on branded item manufacturers and other suppliers?

It is clear that we must negotiate more stringently than ever with our suppliers. If we compare the EBIT and profit margins on large brand item manufacturers with those of the retail trade, then the retail margins are clearly smaller. In addition, in Switzerland we have to pay considerably higher prices to multinational providers than our competitors abroad. Clearly some believe "the Swiss" are richer and can therefore pay more. At the end of last year, various large manufacturers announced price increases, sometimes quite publicly, despite the general economic situation. If prices are under pressure today in Switzerland, then not only we but also those before us in the chain must do their share so that the Swiss retail sector retains its competitiveness and Swiss consumers are not disadvantaged. That is obvious to us. We conduct these negotiations with business associates on the basis of our new "code of conduct". We are the only ones in Switzerland to do this.

Is that consistent with the Coop standards in matters of sustainability?

The requirements of Coop do not differ intentionally from other current standards for the mainstream range. This allows Coop to use synergies with other European retailers when implementing their standards. Thus Coop requires fruit and vegetable providers to have EurepGap certification, and it joined the Business Social Compliance Initiative on 1 January 2005. In a few years we are expecting the fulfilment of minimum social conditions to be taken for granted, just as efforts in the area of food safety and hygiene are today. All good retailers will have to produce evidence that they can guarantee adherence to social standards for their product lines – and we want to be among the good retailers!

“We cannot and do not wish to compromise the end quality of products!”

According to its feasibility report, in the compromise between price and sustainability Coop wants to offer the best of what is feasible on a large scale. So where do compromises have to be made?

Take meat, for example – we have seen that we could never provide the amounts of organic meat required. The only compromise which we have made in this respect is to do with feed – in the blue Coop Naturaplan line the feed used does not come from organically run operations. All other conditions such as regular exercise, humane rearing and strictly controlled feed and so on are just as strictly adhered to and independently controlled for the blue line as they are for the green. Another example is bananas – it has taken considerable efforts on our part in the fields of procurement, logistics and quality assurance to be able to make the complete switch to certified fairtrade bananas under the Max Havelaar label, because we cannot and do not wish to compromise the end quality of products!

You have explained that, for example, suppliers from the Far East but also a large vegetable supplier from southern Spain do not fulfil the Coop codex for sustainability. Since 2003 there have been Coop guidelines for “social, ethical and ecological procurement”. What are the actual consequences of this?

Experiences since 2003 in the fields of textiles and horticulture have shown us that the implementation of our procurement guidelines must be viewed as a process in which one business associate is already very far advanced but others are still at the beginning. Our aim is to bring as many business associates as possible into line, introducing improvements in stages through agreed corrective measures and leading some of them towards certification according to SA 8000. Information on these gradual improvements should also be put across with even greater transparency in the future. We will only break off business relationships if suppliers have no understanding of our expectations and make no effort from their side. With this procedure we are conforming to the principles of the BSCI, where efforts in the fields of sensitisation, training, advice and regulation can be packaged together. We also see the need for close cooperation with the public sector and NGOs. The great challenge consists directly in helping business associates to comply with the national laws in force. If this is secured first then we are one important step further!

The proportion of truck kilometres for the distribution of Coop goods has risen constantly, but for the first quarter of 2004 Coop recorded an increase in rail kilometres – has this reverse trend been corroborated?

This trend reversal has been corroborated for the whole year and should also hold for the next two to three years. The reason is the new logistics strategy, with central warehousing and active promotion of rail transportation by Coop, as well as improved services from SBB (Swiss Federal Railways) Cargo.

Coop wants to reduce CO_2 emissions by a third by 2010. Does this goal still apply?

Coop was the first retail sector company to conclude decreasing target agreements with the EnAW (Industrial Energy Agency), which are recognised by the Confederation and which would free the Coop establishments (28 production plants and distribution centres) from a CO_2 incentive tax. A saving of 16 percent was agreed for these operations, while a saving of almost 30 percent is envisaged for the points of sale. This should be enabled by energy-efficient equipment, particularly within the context of point-of-sale reorganisation.

You employ around 50,000 staff. Are wages at Coop coming under pressure alongside prices?

With CoopForte, Coop has introduced a fundamental reorganisation of the company, which makes us more efficient and competitive. This rearrangement should be practically complete by the end of 2005, except for the opening of the new distribution centre in Aclens which is to take place in 2006. Being a cooperative, we have no shareholders to whom dividends must be paid, and the efficiency profit therefore benefits staff as well as customers. As one of the few retail companies with a collective employment agreement, we are aware of our responsibility. Indeed, there is great pressure to compete, and we cannot fulfil excessive wage increases. But nor should the price war be conducted at the expense of pay. This should be secured by increases in productivity.

One final question: Will you still be working for Coop in five years’ time?

I have no intention of leaving Coop. I have an exciting job which continues to challenge me, and I want to bring this company even further forward. My vision is governed by the general principle of wanting to reach the top together. Coop must become the best major wholesale distributor. //

The Global Fund supported expansion of delivery of tuberculosis DOTS treatments at the Holy Trinity Medical Centre, Accra, epitomises the Ghana programme objective of scaling up provision of services through private-public partnership in areas where access to public resources is limited.

Global partnership: Seeing a window of opportunity in Ghana

A small, tropical nation, Ghana suffers from a serious shortage of resources necessary to combat the triple disease threats of malaria, tuberculosis and HIV/AIDS.
With a per capita healthcare expenditure of USD 7 and only one doctor for every 23,000 people, Ghana's ability to fight infectious diseases is limited without international assistance.
Ghana, which in 1957 became the first country in colonial Africa to become independent, was the first recipient country to fulfill the Global Fund's conditions and received its first disbursement of funding in January 2003.
In December 2002, Ghana signed grants with the Global Fund for HIV/AIDS (USD 5 million over two years) and tuberculosis (USD 2.3 million over two years). A later grant in July 2003 was signed for malaria (USD 4.6 million over two years). Ghana met all the Global Fund's requirements for disbursement in record time, receiving monies within a month of signing the grants for tuberculosis and HIV/AIDS. The first two grants are now entering the renewal process to extend the grants into their second three-year phase, which requires proofs of performance to date validated by local fund agents such as Pricewaterhouse-Coopers. Extension of these two grants will release a further commitment of USD 12.6 million.

Three factors have proven key to Ghana's success in using Global Fund grants to establish solid foundations for its programme: long-standing experience with public-private partnerships, a relatively decentralised government and top-level political support provided to Global Fund financed efforts.

With the support of the Global Fund, Ghana is scaling up its prevention efforts and launching more effective treatment programmes in a redoubled effort to save lives. The country's efforts to date using Global Fund resources provide enormous hope for the future.

Grant progress against milestones

- 153 people living with HIV/AIDS have been trained to provide home-based care in their communities.
- 6,698 people have received voluntary counselling and testing services for HIV.
- 332 pregnant women and, later, their babies received treatment to prevent mother-to-child transmission of HIV.
- 1,173 people living with HIV/AIDS received antiretroviral treatment.
- 2,000 health staff were trained in the DOTS treatment strategy for TB.
- 94 TB clinics were renovated and equipped.
- More than 4,440 people were treated for TB under DOTS in the public and private sectors.

To ensure that the money is channelled properly, the fund has appointed local fund agents (LFAs). PricewaterhouseCoopers acts as LFA all over the world.

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PRICEWATERHOUSECOOPERS

ceo forum/transparency/discretion

Lars-Christer Olsson
“We are proud to be viewed as a transparent and open organisation – UEFA has never been accused of corruption!”
06

Walter Knabenhans
“To some extent, the legitimate desire for protection in the private sphere also applies to a company.”
08

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