

# The Supervisory Board of the Future



## **Risk Management 2.0**


Investors and the public are putting boards under pressure. In the expert report, Dr. Balz Hösly explains how these high expectations are met.

## **Hans Hess Interviewed**

The president of Swissmem provides insight into his experience as SB president and outlines the challenges supervisory boards face in the future.

## **Growth and Transformation in Poland**

Poland has established itself as an economic powerhouse in Europe. The economy is running smoothly, but the competition is becoming stronger. Polish boards must also be prepared.



"The turnover on Swiss supervisory boards will increase significantly".

Guido Schilling | guido schilling ag

# Professionalism Prevails

Independence, availability, transparency: Swiss supervisory boards must meet the ever-increasing demands of shareholders and the general public. They have accepted this challenge and work persistently on corporate governance to fully satisfy them. The SB today has primary responsibility for strategic development and risk management. Public criticism has rightly illuminated extreme examples of risky business strategies and horrendous SB pay. My daily work has taught me, however, that: Such excesses are the exception! The Swiss economy has made great strides in recent years in matters of corporate governance. Not only will the executive board be more professionally controlled and involved in strategic development, but many members of the supervisory board itself already maintain an impressively open culture of feedback.

The composition of the SB follows the corporate strategy! Even more companies will live up to this principle in the future. This requires a strong president who steers the supervisory board toward self-reflection, and uses vacancies to strengthen the board with regard to strategic challenges. For us, as executive searcher, this means engaging in an intensive exchange with our clients about the current situation and discussing future corporate challenges in detail. Each new appointment to the supervisory board is an opportunity to validate the existing mix of skills and define the job profile for the new member on that basis.

I have been accompanying this evolutionary process for years on supervisory boards in all industries of the Swiss economy. We are not searching for the best person for the present but the best person for the future. Therefore, in this issue of "schillingnews", I would not like to dwell on current trends but dare to look in to the future: What will Swiss supervisory boards look like in five years? How will they be structured and managed? You can learn more about this in the article, "The Supervisory Board of the Future".

One person who is not shying away from the tasks of the future is Hans Hess. In an interview, the experienced supervisory board president and president of Swissmem provides us with a look into the future of Swiss boards. He is convinced that the self-perception of supervisory boards is in a state of flux: Serving on the supervisory board, particularly as president, is no longer an honorary position but a profession. Personally, I am very pleased by this, because this new self-perception will make the supervisory board stronger: It can only benefit the company and the shareholders.

Guido Schilling



Managing Partner | guido schilling ag



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# The Supervisory Board of the Future



**Text:** Guido Schilling **photo:** Sfió Cracho

Faster, more professional, more independent – more and more demands are being placed on the supervisory board. It must prepare itself on three levels to meet those demands as a management board: orientation of skills, diversification and the continuous development of the board. The supervisory board president plays a key role in all of this.

Clichés die hard, even after the reality has long changed. This also applies to Swiss supervisory boards. Four meetings a year, lavish lunches with old friends from the military and the university; a small arrangement with far-reaching consequences made in the thick cigar smoke of the back room – some people think our supervisory boards still do business that way.

Any supervisory board member knows how little such distorted images have to do with today's reality – and not just because smoking is now banned in restaurants. The governance structure of Swiss companies has greatly improved in recent years. Dual roles as CEO and chairman have mostly become a temporary exception. Personnel cross-links between supervisory boards are no longer tolerated. Supervisory boards exercise more precise control over the actions of their executive boards and take a more active role in the strategic development of the company. The demands of the owners and the general public are continuously increasing. To enhance their performance, supervisory boards will evolve in three respects: They will be composed systematically according to skills. They will become more diversified and the board will be regularly reviewed and further developed.

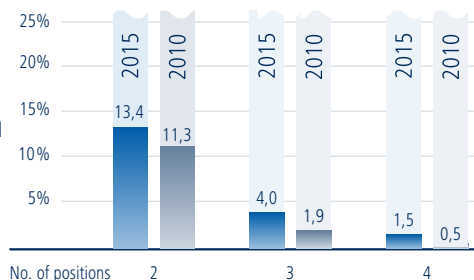
### More Independent and More Professional

No matter the sector or size of the enterprise, supervisory boards affirm that their job has become more demanding and time-consuming. The boards no longer meet just a few times a year. They work intensively on committees dealing with personnel, strategy and salary issues, which demands a lot of time. Companies therefore restrict the number of other boards that their supervisory board members can serve on: Geberit allows its supervisory board members to hold seats at five other for-profit organisations. Swiss Life permits its members to hold four seats at other listed companies.

## Multiple seats on Swiss SBs

There are more and more supervisory board members who hold seats on several boards at the same time. At the 100 largest Swiss companies, their numbers have grown from 13.7 % to 18.9 % since 2010.

Source: "schillingreport 2015", guido schilling ag



Companies now deliberately place emphasis on the independence of their supervisory boards: Many corporate guidelines prohibit board members from sitting on another supervisory board if there is already someone who sits on both boards. The board members are also expected to be economically and personally independent. To move their companies forward, they have to ask tough questions and talk openly about bad strategic decisions. Anyone who is dependent upon the income from his seat on the board or has too close a friendship with the president, however, will not want to create problems and will hold back criticism.

As a result of the high expectations placed by the companies on their boards, two new types of board members are emerging: The first group consists of experienced managers who have left their operational post at a relatively early age, perhaps 50, to work as a supervisory board member. They are not seeking to hold as many seats as possible but are strategically searching for companies at which they can sensibly contribute their accumulated expertise. They are generally very well educated and are ready to dedicate the time that being a supervisory board member requires today. In fact, with their specialised knowledge, they often assume duties within the board as experts. Professional supervisory board members who specifically rely on their previous leadership experience face the challenge of not losing contact with the actu-

al business operations. For them it is important to keep their leadership skills up to date either by working in politics or in associations, or to assume the presidency of a board.

## The demands of investors and the general public are increasing.

At the same time more and more companies encourage their executive board members to accept a seat on the supervisory board of another company. The managers gain valuable experience and a new perspective on their own work on the executive board. This benefits their company: For example, a CFO working on an audit committee has a better understanding of the procedures and needs of his own supervisory board.

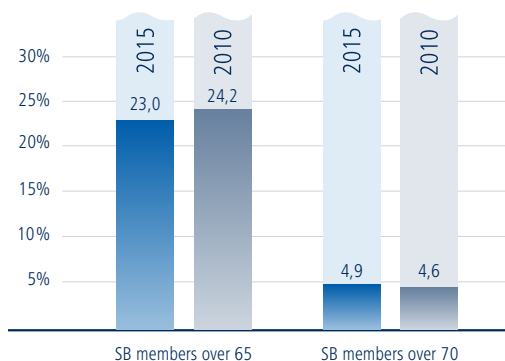
### Composing the New Supervisory Board according to Strategy

For supervisory board members to optimally fulfil their role as strategic designers and chief controllers of the company, there must be the right mix of specialists and people with leadership experience from similar-sized companies. The board combines these skills as a whole to provide the executive board with a worthy sparring partner for issues of strategic development and implementation.

## Responsibility Beyond Retirement Age

The chart provides information on the percentage of older supervisory board members. This has remained constant since 2010: 23% of Swiss supervisory board members are over 65, 5% are over 70.

Source: "schillingreport 2015", guido schilling ag



Today, the boards are assembled according to a clearly systematic procedure. The foundation is always the long-term corporate strategy, based on which the supervisory board establishes the skills necessary to meet strategic objectives. If, for example, an industrial company wants to evolve from a European niche player to a global market leader, it must appoint people to the board who already have experience with mergers and acquisitions and have supervised a market expansion to the U.S. or Asia. If the company wants to provide full systems and services instead of components, then it needs supervisory board members whose work experience helps them understand the needs of new customers. Such a list of desired skills must be matched with the current situation. In this way, gaps in skills can be identified and offset by new appointments.

In practice, of course, the renewal of the board raises some challenging questions. It can be assumed that this niche player's supervisory board cannot keep up with the growth strategy it has established for the company: No board member has worked Asia for very long, none has personally overseen a large corporate takeover or been deeply involved in the service industry. In this case, change is clearly necessary. Should a new member

replace a current one – possibly against the latter's will? It would be simpler to expand the board, but this approach would be more expensive and tend to be cumbersome and inefficient. The trade-off is somewhat different for each company, so there is no easy answer. Changes on the board will tend to increase, while turnover time will decrease. "Riding out" a term will become a thing of the past. Many companies today have already set an age limit for supervisory board members, which is frequently 70. Term limits will also be established, so that supervisory boards must resign after 10 or 12 years. The major federal enterprises, Swiss Post, Swisscom and SBB, already have such rules, and powerful shareholder representatives such as Ethos are starting to require it.

### Supervisory board members must be able to ask tough questions.

These formal restrictions facilitate the renewal of the board, but static rules are not enough for the professional development of supervisory boards. The supervisory board must foster a culture of change. Board

members must ask themselves: What contribution do I make to the company? In what areas could my skills be of even more use? Such a culture must be fostered in particular at the level of supervisory board president. The latter must require regular self-evaluations of his team: After the annual strategy review, the president and his team must ask themselves whether the current makeup of the board is meeting the new challenges, and draw conclusions from the responses.

A supervisory board president must bring very good human qualities to the job. It is not easy to tell an esteemed and worthy board member that he will be replaced under a new strategic alignment to make room for a person who has the newly desired skills. The president needs strong leadership skills: He must actively demand performance from his supervisory board members during and between meetings. Today, it is no longer enough for supervisory board members to study a thick bundle of documents before a meeting that is filed away in a binder along with the minutes a week later. Ideally, the president would regularly communicate with the board members, bring them together with the executive board, turning them into valuable sparring partners: The Chief Financial Officer will discuss the liquidity situation with the head of the audit committee, the HR chief the latest developments with top talent with the nomination committee, as well as succession planning for key positions.

### The Mix Makes the Difference

Good network, technical and industry knowledge have long been important criteria for the appointment of a new supervisory board member. In the future, modern companies will put more emphasis on soft factors and on the adequate social diversity of the supervisory board. Diversity is an issue that is often reduced to having women adequately represented on the board, while it is absolutely fundamental to have a diverse

board overall: Board members should have different educational backgrounds, careers, personalities and – in the case of international companies – nationalities. Women and men, older and younger, full-time and part-time board members see the company from different perspectives and bring a different contribution to develop solutions. The board requires visionaries and practitioners, designers and controllers, doers and thinkers to provoke those constructive and critical discussions, which bring hidden problems to light and lead the company to the top over the long run.

## A diverse board makes more balanced decisions.

More and more boards are voluntarily undertaking to choose a good mix for three reasons. First, they hope it will increase performance. Causality is not easy to prove, but the intuition is clear: Bring in supervisory board members with the same background and they will raise the same issues when analysing strategic challenges, and overlook the same risks. A diverse board tends to make more balanced decisions. Secondly, the company benefits from a larger pool of candidates. The chances of finding the best increase when there are more potential aspirants to choose from. Thirdly, public pressure plays a role. The Swiss Code of Best Practice for Corporate Governance already stipulates that a supervisory board should ensure "the appropriate diversity of its members". It specifically requires that men and women should serve on the supervisory board. The statistics in this year's "schillingreport" show that there has already been a pronounced change: A third of the supervisory board members appointed in 2014 were women. The percentage of foreigners on the boards of international companies is consistently high.

## Demanding Search

Independent, competent members who complement the board socially and temperamentally: finding such all-rounders for the supervisory board is not easy. Because the higher the standards are, the fewer contenders there are who can meet them. Therefore, the pool of candidates must be expanded to avoid lowering those standards.

This is precisely what Swiss companies are doing now. When searching for candidates, they are increasingly looking beyond the ends of their noses: In earlier days, supervisory board members were primarily recruited from the company's own "old boys" network. Other candidates, particularly women, rarely emerged on the shortlist. Today, nomination committees are more open to considering candidates they have never personally met. Most often, the committees have a precise list of requirements and can search for the person who most suitably complements the board. The biggest challenge facing them is finding the right candidates outside of their own network. This cannot be done magically with hastily arranged searches, but only by means of long-term succession planning.



## Guido Schilling

Executive searching is his passion

Guido Schilling has been advising well-known companies, organisations and public corporations for over twenty-five years. With guido schilling ag, he specialises in filling top positions at senior management levels and in the placement of supervisory board members. As one of the leaders in his field, Guido Schilling constantly seeks dialogue with people. Clients also value him as an entrepreneur and benefit from his proven knowledge of the industry and his experience as a supervisory board member of service organisations and an NPO.

Guido Schilling is affiliated with the "IMD International Search Group". This union of independent and owner-operated executive search companies is at the disposal of the clients of guido schilling ag and schilling partners ag to conduct international research and fill top positions abroad.



**Transparency at the Top.** Since 2006, the schillingreport of guido schilling ag has surveyed the 100 largest Swiss companies regarding the composition of their executive boards and various aspects of executive board members. Supervisory boards have been included in the survey since 2010. The schillingreport also includes all Swiss Market Index (SMI) companies, which are examined separately as subgroups along with women, foreigners, as well as CEOs and supervisory board presidents. The current report can be ordered free of charge, and presented upon request.

# "Supervisory board member is a job"



As a long-time supervisory board president at renowned industrial enterprises, Hans Hess has witnessed the great changes on Swiss supervisory boards over the last 10 years. The president of Swissmem is convinced that the board must continue to evolve and become more professionalised. Not least, the mentality of supervisory board members must change: "Many still do not see membership on the supervisory board as a job but as an honorary position".

**Text:** André Müller **photos:** Günter Bolzern, bolzern.tv | Comet Group AG | Kaba Group AG

**schillingnews: To begin, we would like your opinion on several issues. What was your initial experience on a supervisory board like, and what has changed since then?**

Hans Hess: The work has completely changed since I was an executive in the 1980s and had my first inside view of a supervisory board. After the review of the Swiss Code of Obligations in the mid-1990s, the composition of supervisory boards became more systematic and professional. Membership on the supervisory board has also become more demanding in terms of both the material and the time, and this trend continues. Both the executive

as well as the supervisory board must keep up with the ever faster pace of business. Four ordinary board meetings a year is no longer enough to meet the ongoing challenges. Moreover, it is fundamental for board members to be available for the significant amount of time required in special cases such as a crisis or a merger.

**With ever greater expectations being placed on the supervisory board, more demands are placed on the "leadership role" of the president, both in terms of substance and time. What has this been like for you?**

It is clear that the president has a key role. He leads the SB and has an influence on collaboration between the SB and the executive board. Nevertheless, I am personally critical of the trend toward making the post of president a full-time job: There is a risk that a stronger supervisory board president working 100% of the time will weaken the CEO and take over the latter's job. A company does not need two full-time bosses, with both the SB president and the CEO working 100% of the time and earning similar salaries. The advantage the supervisory board has is that it stands outside the "forest" while the executive board is inside. The current trend is for the SB presidency



of a listed Swiss company to be a 50% position. In my view, it should be limited to 50%.

### **Should an SB president have previously worked as a CEO?**

I do think that a president must have leadership experience, and it would be better if that experience were in a business field similar to that of the company it presides over. CEO experience is ideal, but not mandatory. Above all, SB presidents must be familiar with the business model and be able to rely on their instincts and experience, as well as the facts: When they assume the presidency of a company, they must be able to sense relatively quickly whether and where it “stinks”.

### **And if the CEO becomes SB president of his own company?**

In this case there is a risk that he has become accustomed to operational myopia after 5 to 10 years as CEO and simply continues, giving the new CEO little room for his own ideas. Of course, the many years of experience as CEO are valuable to the company. Ideally, the old SB president would manage the new CEO for 1 to 2 years before he resigns his post to the old CEO. This way, the new CEO can develop his own ideas and try things his predecessor did not want to.

“The position of SB president should be limited to a maximum of 50%”.

### **What about the other members of the supervisory board. Do they need executive experience too?**

No: They need a general management perspective, which they can acquire as consultants or otherwise. It is even dangerous if they all work and think alike: Diverse personal and professional experiences combined with a good skills mix are what make the difference in the end for the strength of an SB.

### **We have a great need to catch up.**

A key task of a president is to anchor this system in skills planning. At Comet, we are precisely at the point at which we are asking ourselves how the executive and supervisory boards should be set up in five years. We are asking ourselves: What skills and what mix do we need in 2020? How do we cover the necessary skills with a reasonable number of people? Our discussions of strategy serve as the basis for these questions.

### **Do you believe that someone should first be a member of the supervisory board for a period of time before becoming president?**

Membership on the supervisory board is a profession today, and the presidency all the more so. And the job of the SB president is very different from that of the CEO's. Someone needs to work as a member of the supervisory board first to discover whether or not he or she likes the job and the company. I flipped the switch when I finished my career as a CEO at age 50. I consciously brought myself up to speed on SB matters and took courses at the ZfU International Business School and at the University of St. Gallen, and studied the technical literature on relevant topics in depth. Many CEOs who directly became supervisory board presidents were never fully able to cast off their role as CEO – and probably became active in operations as presidents for that reason.

### **Should an executive board member be able to accept a seat on the supervisory board?**

Yes, it is valuable to change perspective and gain experience as an SB member. I say the same thing at my companies: If the CEO is securely seated in the saddle, he should be able to hold an external post – ideally one post, or perhaps two in certain cases.

### **When you look back at your own career as a supervisory board member: How important is it to have such a starting position?**



## Hans Hess

Supervisory board president  
Comet Holding AG | [comet-group.com](http://comet-group.com)  
Supervisory board president  
Reichle & De-Massari Holding AG | [rdm.com](http://rdm.com)  
President Swissmem

Hans Hess graduated in 1981 as a materials engineer at ETH Zurich. He earned his MBA in 1988 at the University of Southern California (USA), and in 2006 completed the Stanford Executive Program at Stanford University (USA). His professional career, which he began in 1981 as a development engineer at Sulzer, advanced quickly: He had already accepted his first management position in 1983 as the head of the Polyurethane Division at Huber + Suhner AG. In 1989, he joined Leica Microscopy Group as vice president, and in 1993 became chairman of the Leica Optronics Group. In 1996, he took over as CEO of Leica Geosystems AG, which he successfully brought to the stock market in 2000. In 2005, he left executive management and accepted his first SB seat at Comet Holding AG. In 2006, Hans Hess founded the management consulting firm Hanesco AG. He is supervisory board president at Reichle & De-Massari Holding AG and Comet Holding AG, as well as vice-president of the supervisory board at Burckhardt Compression Holding AG and a member of the Kaba AG supervisory board. Hans Hess is president of the industrial association Swissmem and vice-president of Economiesuisse.



Based in Flamatt, the Comet Group is a leading provider of X-ray, high-frequency and e-beam technology. In 2014, the group generated a turnover of 287.9 million francs.

When you start a career on the supervisory board, you do not acquire a portfolio of positions in three months. This process took several years in my case as well: Anyone who focuses on the positions that correspond to him must also be able to turn down many requests. When starting on the board, it is helpful to already hold one position and to take a second one within a short time: Then, one is not obliged for financial reasons to accept a position that they neither want to, nor should, accept.

#### **How important is it for supervisory board members to be independent?**

Independence is extremely important so that members can say what they want to – even at the risk of losing the seat. I don't want to deny them this, but my concern about highly paid supervisory board members is that they can no longer afford to live without the job and the standard of living that comes with it.

*"Independence is extremely important so that members can say what they want to".*

**How many members should a supervisory board have?**

The magic number of 5 supervisory board members that we often find at medium-sized companies will no longer be sufficient in the medium term due to ever more demanding challenges. Increasing complexity, as well as the demand for diversity, require a comprehensive mix. Even though supervisory boards readily work with committees, with five members they have very little room to manoeuvre. I would guess 7 will be the new magic number to provide the board with the right skills and clout.

#### **Let's talk about the evolution of the supervisory board. What is your position on term and age limits?**

The question of term limits is becoming more important. While age limits have been established, we will find more term limits in the future. I am in favour of this so that SBs are regularly renewed. Because: Pro-actively replacing supervisory board members always produces bad blood. Many still do not see the post as a job with a dynamic of incoming and outgoing members, but as an honorary position. Restrictions facilitate acceptance of this change in mentality. They are valuable because they contribute to the regular renewal of the board.

**When supervisory board members leave their executive roles, they can lose contact with the business operation. How have you maintained your "operational fitness"?**

Working several times intermittently as CEO has helped me tremendously. This has allowed me to become more familiar with the company while keeping in step with the business operation.

#### **That is an entirely different pace.**

It is an entirely different job!

#### **Will more people pursue a "supervisory board career" in the future?**

I would hope so. There are too many family businesses, but also medium-sized enterprises, that still have no professional SB, which would do them a lot of good. I am convinced that we will need more supervisory board members because of the increasing restrictions and the growth of the boards.

#### **How is a supervisory board judged today with respect to its work?**

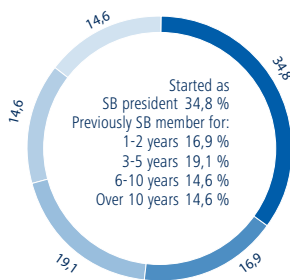
Most supervisory boards continue to maintain a system of collective self-assessment. Actual individual performance management is not the standard. But I think that is where we have to go! I have colleagues who successfully lead their supervisory boards by means of performance management. It is not easy: A supervisory board member does not have the same self-perception as an employee. But I think that is what has to be done in the future. This is the next step in professionalising the management of supervisory boards.



# Profile of SB Presidents

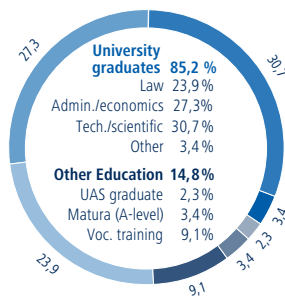
The president of the supervisory board has an absolutely central role in the company. It is therefore worthwhile to take a closer look at the people who head the supervisory boards of Swiss companies: How old are they? What kind of education do they have, and were they ever CEOs? Each year in the "schillingreport", guido schilling ag surveys the supervisory boards of the 100 largest companies in Switzerland. We present some of the highlights of those reports here.

## SB experience before becoming president



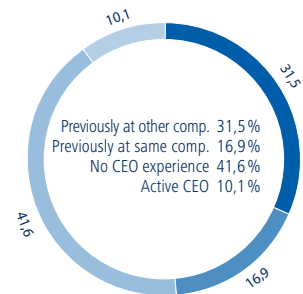
Two out of three SB presidents served as a member of a supervisory board. In 17% of the cases, they assumed the presidency after just 1 to 2 years. This might have been a planned training period. For many, there is a longer "lead time": Before they became president, 29% of the surveyed SB presidents had served more than five years, and 15% more than 10 years on the supervisory board.

## Educational background



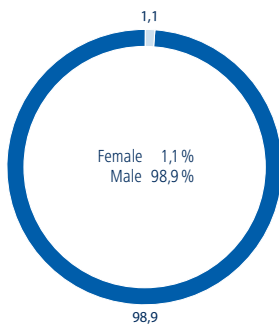
The choice of studies can clearly be divided into three areas: Most presidents have completed a technical/scientific, law or economics degree. Just 3% of SB presidents have a background in the humanities and other social sciences. Fifteen-percent of the surveyed SB presidents were successful without a university degree. Most of them began their careers with traditional vocational training.

## CEO experience



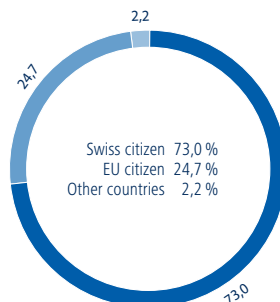
Executive experience is an important gateway for SB presidents: More than half the surveyed presidents were CEOs of a company during their careers – clubs and associations not included. It is not unusual for a company to appoint its own CEO as SB president. More frequently, SB presidents have experience as the CEO of another company. And 10% of SB presidents are also active CEOs.

## Gender



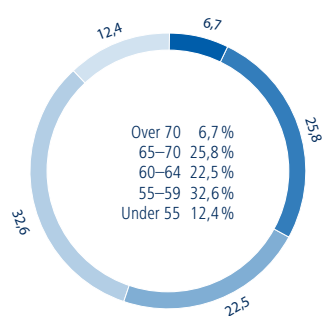
Swiss supervisory boards are rapidly catching up with respect to gender diversity. Last year, one in three new members of supervisory boards were women. There continue to be almost no women heading supervisory boards. Among the companies surveyed, just one had a woman supervisory board president: This is the Swatch Group, where the supervisory board president is Nayla Hayek.

## Nationality



The internationalisation of Swiss companies includes supervisory board presidents. Foreigners represent 27% of the surveyed SB presidents. Of them, 92% are EU citizens. In addition, one is a U.S. citizen and one is South African. So, a certain cultural proximity is still important for many companies. At 73%, Swiss citizens continue to make up the large part of SB presidents.

## Age



There is a significant age range among the surveyed SB presidents: The youngest was born in 1971, and the oldest in 1937. The average SB president is 61 years old – and has held the post for an average of five years, the same as the average CEO. There is a significant number of presidents between 55 and 59 (33%), 65 and 69 (26%) and 60 and 64 (22%) years of age. Of those surveyed, 7% of SB presidents are over 70, and 12% are under 55.

# The Supervisory Board's New Responsibility for Itself



In Switzerland, the supervisory board has overall responsibility for the company, most of which cannot be delegated. The shareholders and the general public have become acutely aware of this principle in recent years. Supervisory boards do well to anticipate the new “climate” with modern risk management and transparent corporate governance.

**Text:** Dr. Balz Hösly **photos:** MME | Franz Massard

The Swiss Code of Obligations is unmistakably clear: The supervisory board continues to be responsible for the overall management of a joint stock company. Even if the SB delegates company management to an executive board, which is regularly the case, it is still responsible for central tasks that “cannot be delegated”. For example, it cannot surrender its responsibility for the organisation or financial control of the company, especially the oversight of the executive board “regarding compliance with laws, statutes, regulations and instructions”. In plain language: If a company’s misconduct results in damages, this can be blamed on individual superviso-

ry board members if it is attributed to poor personnel selection, the organisation or the control structure.

This already strict monistic principle of corporate governance was expanded by the Minder Initiative against excessive remuneration approved by Swiss voters on 3 March 2013. Switzerland is currently the only country in the world in which corporate structural principles and guidelines for the compensation of senior management are enshrined in the constitution (!). It is also unique in that supervisory board members who violate these principles can be prosecuted and punished

with up to three years imprisonment and fines of up to six years of pay.

**A new sense of responsibility** – The public debate around the Minder Initiative has resulted in a new awareness of the liability of supervisory board members. Not only has the remuneration of executive and supervisory boards become a topic of public debate, but so has the subject of cronyism, and not just in politics anymore. The catchphrase: SB members on multiple boards with no proven performance record. There must be a balance of responsibility, performance, transparency and remuneration on supervisory boards.



Investment foundations and shareholder agents are exercising strong public pressure on companies that do not meet these new standards based on values. The supervisory boards of almost all public companies are therefore faced with a greater need to provide explanations with regard to company management and a demand by shareholders for professional procedures and structures. Emblematic of this trend is that the (disputed!) draft law of the Federal Council to implement the Minder Initiative stipulates a further tightening of corporate governance rules with respect to issues related to the initiative. The days of “muddling through” are definitely over for supervisory boards.

Anyone serving on or thinking of accepting a seat on a supervisory board today should be aware of the great responsibility it comes with and handle it professionally. The obligation to exercise diligence and the non-transferable responsibilities of supervisory boards established in articles 716a and 717 of the Swiss Code of Obligations weigh heavily. Gaps in knowledge or organisational shortcomings are not a sufficient excuse for failures, misfortune and mishaps at a company. Supervisory boards are not only responsible for the professional organisation of the company but, above all, for themselves.

It is essential for a supervisory board member to understand the company's risk situation. The following must be fully understood: To meet their responsibilities, supervisory board members must actively deal with the personnel, financial, operational and structural risks of the company's business activity, and maintain sustainable corporate management. Each supervisory board is therefore well advised (and legally obliged) to ensure coordinated and systematic risk management. A professional SB is expected to know the business model of his company from top to bottom. He must also take reasonable measures to manage the company transparently, and to ensure that the company acts respon-

sibly on the market and with the competition. Today's supervisory boards are aware of the benefits of an independent strategy, a coordinated, predictable risk policy and a risk-based corporate culture. Only with such principles and values can they stake out their operational freedom in managing the day-to-day business, and at the same time make competent and value-based decisions (together) regarding whether a specific strategic risk will be accepted.

**Reputation and communication** – Ultimately, awareness of modern corporate governance has increased significantly on Swiss supervisory boards: The composition, selection and remuneration of supervisory and executive boards, the transparency of the decision-making process, and professional risk management can be decisive for the company's reputation as a whole. And in the age of social media, reputation can account for between one third and one half of a company's value! The supervisory board must therefore ensure that the shareholders can understand it and its actions: Maintaining transparent and comprehensible corporate governance has become the basic task of every supervisory board, along with its responsibility to actively communicate this.

Many Swiss supervisory boards have taken responsibility for themselves and are conscientiously fulfilling their obligations. This is surely a step in the right direction. The requirements for transparency in corporate governance, for a clear strategy and the integrity of leaders also continuously increase as does the need for open and honest communication by the company. Supervisory board members are therefore faced with great, and even personal challenges, and would be well advised not to take this responsibility too lightly.



## Dr. Balz Hösly

**Corporate Lawyer and Supervisory Board Member**  
**Partner MME Legal | Tax | Compliance**

Dr. iur. Balz Hösly is a lawyer and partner at the renowned corporate law firm MME Legal AG in Zurich and Zug. He is a recognised expert in the area of strategic legal advice and corporate governance. Due to his many years of experience as CEO and as a supervisory board member, he puts his extensive knowledge of corporate governance matters to work as a lawyer. A risk-management specialist, he guides companies in matters of strategic development and restructuring, as well as in the pragmatic implementation of regulatory requirements. Hösly is president of the supervisory board at the location marketing agency Greater Zurich Area AG, as well as AG Hallenstadion, and is a member of the SB at Helvetia Holding AG and other smaller companies. Balz Hösly is a guest lecturer at the University of St. Gallen, at the Institute for Financial Services in Zug, and at ZfU International Business School in Thalwil, and is co-founder of the Supervisory Board Forum of the Europe Institute at the University of Zurich.



# Model Pupil Challenged



## Daniel Lewczuk

**President of the board / Owner | Executive Network Sp. z o.o., Warsaw | [www.executivenetwork.pl](http://www.executivenetwork.pl)**

**Member of the Board | IMD International Search Group**

The serial entrepreneur and executive searcher founded Executive Network in 2005. His company searches top executives for a wide array of sectors and offers additional services as board advisory and consulting and executive coaching. Daniel Lewczuk is supervisory board member at Kopex SA and Mostostal Zabrze SA, two large capital groups listed on the Warsaw stock exchange.

Poland has been an extraordinary economic star in Europe, growing all the way through the big recession that dragged down its EU partners. But amidst a consolidation in maturing sectors and the Ukraine crisis, big challenges lie ahead of Polish companies. This has affected their corporate governance: Supervisory boards assume a more active role in controlling and advising management.

**Text:** Daniel Lewczuk **Photos:** Daniel Lewczuk, Wikimedia, u.a.

Prior to an important parliamentary election, change is in the air in Poland, politically as well as economically. Although the Polish economy is still growing solidly at a pace of more than 3% of GDP per annum, the export industry is impacted by recessions in other countries and by the events in the Ukraine and Russia. Meanwhile, sectors like banking and pharma have been consolidating heavily. Polish companies need to be able to succeed in more and more competitive, maturing markets where margins are decreasing.

The boardrooms have adapted to this challenge. Supervisory boards, mandatory in publicly listed companies, used to have a simple representational function. Now, we witness a shift to a more active role. Furthermore, there is a tendency to create advisory boards, which are not required by the statutes: They strengthen the management teams, can act as door-openers and bring additional experience and knowledge to the table.

In Poland, supervisory boards usually consist of 3 to 6 members. They supervise the policies of the executive board and the general affairs of the company, considering the relevant interests of the company's stakeholders. The supervisory board advises the executive board and is in charge of corporate social responsibility issues which may be relevant.

When it comes to gender diversity, Poland is behind the game in comparison to many European countries: Well established international companies wish to diversify their boards, but there are only a limited number of less than 200 women who are playing key roles at the senior level in large companies.



The International Executive-Search-Network "IMD International Search Group" is represented in 40 locations worldwide in more than 20 countries and has more than 150 personnel advisers which makes it one of the largest networks of independent, owner-operated executive search companies.

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Diverse Poland: The biggest of the new EU member countries has 38.5 million inhabitants in an area of 312,679 square kilometres. Industrial complexes like the port of Gdańsk (top centre) and picturesque Old Towns like Toruń (top right) contrast with vast landscapes such as the Tatra Mountains (bottom right). The historical heart of the country may lie in Kraków (right, second from bottom), but the economic driving force continues to be its capital Warsaw (centre), where the modern skyline is eclipsing the socialist architectural heritage.



**Executive Search is Our Passion.** For more than 25 years, guido schilling ag has grown to become one of the leading executive search companies in Switzerland. The company specialises in filling select top positions at the supervisory board and executive management level. To fulfil this mission, Guido Schilling brings many years of experience as an entrepreneur and member of the supervisory boards of various service organisations. He understands his clients' needs from his own practical experience. Complementing the services of guido schilling ag is schilling partners ag, whose long-standing successful partners and their teams handle executive search orders at the corporate management level with a focus on the specific sector.

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**Transparency at the Top.** In 2015, guido schilling ag analysed for the tenth time the 100 largest Swiss companies regarding the composition of executive management, the supervisory board and various aspects concerning executive and supervisory board members. In particular, the "schillingreport" includes Swiss Market Index (SMI) companies, which were analysed separately. Since 2010, the report has also examined the composition of supervisory boards. The highly respected report serves companies, organisations, institutions and executives as a benchmark for the composition of executive and supervisory boards in Switzerland. The "schillingreport" can be ordered free of charge and presented upon request.

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