

Knicht Gianella

Consultants in Executive Search and Board Appointments
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Press release

Knicht Gianella BoD Survey 2018/2019

Due to overaging and inadequate knowledge: new board members needed

- **Boards of directors are facing changes: due to issues like ageing and lack of skills and experience, companies are increasingly on the lookout for new board members.**
- **Increased competitive pressure is forcing boards of directors to deal more and more with an unstable market climate and profitability.**
- **The war for talents and pressure to improve efficiency are becoming a growing challenge – the demand on CEOs is rising.**
- **While the majority of companies are in the midst of digital transformation, the issue of cybersecurity has some catching up to do.**
- **Consensus models are gaining popularity as a way to remunerate members of the board of directors and management.**

Zürich, November 23, 2018 – The Executive Search company Knicht Gianella commissioned Dichter Research to conduct a representative survey, aimed at board members, for the fifth year in a row. The survey indicates that companies are facing growing competitive pressure. 160 board members from publicly listed companies and other large, non-listed Swiss companies participated in the survey. Together, they represent 627 board mandates.

Increased efficiency and war for talents

In recent years, the priority among board members was digital transformation and the changing of regulations. Meanwhile, it is becoming more and more necessary to tackle international competition, which is becoming more and more fierce. According to the survey, the focal point is a changing market environment and growing cost pressure in Switzerland. This has a direct impact on the activities of board members. They now must face the question of profitability, and can no longer simply delegate it to management, as they did previously. At the same time, they are passing the pressure on, and expect CEOs to prioritise improvement of efficiency and recruitment of suitably talented employees at all levels of the company. These are seen as the most important tasks for CEOs in 2018.

Digital transformation continues to be a crucial issue for boards of directors. 58% of the participating board members reported that their company is in the midst of digital transformation. In their own assessment, 19% of them are at the beginning of the process, and in 23% of cases, the transformation is

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at an advanced stage. Cybersecurity still needs to catch up. The survey determined that, as an adverse side effect of the technological transformation, cyber risks are not yet assessed as particularly relevant.

Overageing of boards of directors

The survey highlights that boards of directors in Switzerland are overaged, and that many members lack the necessary skills. 65% of the participating board members believe that members of the boards of directors will need to be replaced soon. 52% are of the opinion that somebody needs to be replaced on the grounds of age, and 26% believe that a change is necessary due to a lack of skills.

According to the survey, while the need for fresh blood is on the rise, recruiting new board members is also becoming more challenging. First of all, the requirements with regard to specialist knowledge, digitisation and complexity are increasing. Some 83% of respondents believe that the board needs to expand its 'digital literacy'. Half of the surveyed board members believe it would make sense to appoint digital natives to the BoD. Secondly, the required time and availability for a BoD mandate have multiplied significantly, compared to the past. Thirdly, the number of qualified candidates according to the search profile is dwindling. The retirement of the baby boomers further aggravates the bottleneck.

Sandro V. Gianella explains: 'The recruitment of new board members will become even more demanding over the next few years. The selection of new candidates is limited, and not only for reasons we are all familiar with. High demands are also placed on expertise, digital know-how, availability in terms of time, and independence. While, in recent years, certain deficits could be remedied by recruiting board members from abroad, the demand for Swiss board members is once again on the increase today – if possible, with international leadership experience.'

Consensus-capable remuneration models

According to the survey, the ongoing discussion about remuneration models has led to a paradigm shift. A total of 37% of the participating board members see a 'prompt need for action regarding the adaptation of existing remuneration models'. More than half state that the models need to be made more transparent. One third of the participants even believe that pure market models are outdated. They recommend models that are based on consensus, i.e. in agreement with various stakeholders.

Two-thirds of respondents firmly reject the CEO Pay Ratio that is being discussed abroad, which refers to the question of how CEO remuneration compares to the average income of employees. Some 34% consider the idea appealing or worth examining. The survey reveals that the introduction of such a model in companies is not likely to be voluntary.

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More women on the boards of directors

The discussion on guidelines with regard to gender representation has led to a rise in the proportion of women on the boards of directors of the participating members in recent years. The share of women in their main mandates is now 31%. The women are much younger than their male counterparts. Only 13% of female members are over the age of 60, whereas the percentage of male members over 60 is 51%.

Whereas in previous surveys pressure from the media and politics on the appointment of BoD mandates used to play a negative role, the participants find it less relevant today.

The study results can be found in German, French and English at

<http://www.knightgianella.ch/1/bod-survey/>

Contact:

Sandro V. Gianella

email: svg@knightgianella.ch

Telephone: +41 44 421 29 03

About Knicht Gianella

The executive search consulting firm Knicht Gianella focuses on the national and international direct search for executives and provides advice on filling key positions in management and on boards of directors. Founded in 1965 as a member of a US consultancy group, since the mid-nineties Knicht Gianella has been an independent, Swiss thinking and acting partnership with a boutique character. Knicht Gianella is often consulted for specific succession plans and new appointments where the process is sensitive. The success rate in recent years is 98 %, repeat business over 70 %. Over the last years, the two partners Sandro V. Gianella and Stephan Reifferscheid have successfully and sustainably filled approximately thirty positions at top management and board of director's level.