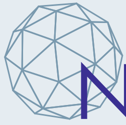


NICG Annual Conference on Board Dynamics

Governance Dynamism - The New Normal

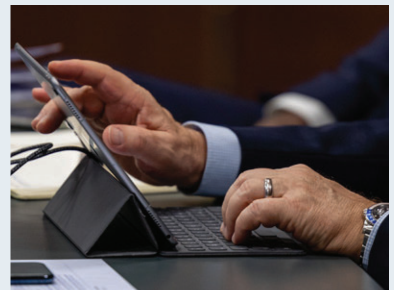
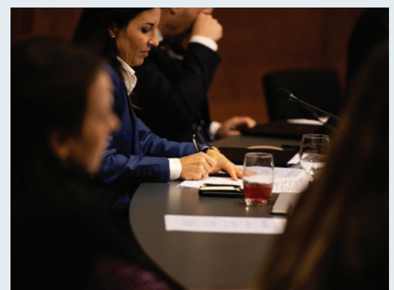
Conference Report

November 28th, 2022

Swiss Re Centre for Global Dialogue,

Rüschlikon / Zürich

Dr. Felix Horber
Swiss Re

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Governance Dynamism: The New Normal

In today's chaotic socio-economic situation, one must not forget that chaos is not always negative, reminded Prof. Dr. Michèle Sutter-Rüdisser, Academic Director NICG and independent Board Member, to the participants of the annual NICG conference. In board governance, questioning the status quo will lead to essential innovation. If «the impossible» is not brought up, there will be no growth towards new possibilities. How one ends up in a chaotic situation depends on internal and external factors. There can be a forced entry, similar to how board meetings were forced to take place online during the Covid-19 pandemic. The entry could be subconscious, similar to having no choice but to enter specific industries due to the current world situation. Or the entry into a chaotic environment was a conscious choice to take a leap and discover the opportunities in a new environment full of threats. Overall, the more conscious actors are of their environment, the more they must lose. Entering chaotic environments and following disruptive behaviour is necessary to make new advancements.

The purpose of the annual NICG conference, held at the Swiss Re Centre for Global Dialogue in Rüschlikon, is to contribute to academic and practice in corporate governance, in the light of emerging and important topics. As research and practice are not always perfectly aligned, an interconnection must be built. The conference follows three central aspects. First, it is intergenerational, with participants from different generations and backgrounds, from executive board members to students. Second, it is curious and open to the public, with the possibility to join the discussions freely online. Lastly, participation is free spirit and non-profit, and the speakers are fully independent, with interdisciplinary backgrounds, not biased nor limited in their ability to speak for themselves.

Sustainability and the board, the perspective of an insurer

Dr. Felix Horber, Group Company Secretary at Swiss Re, started the conference with an overview of Swiss Re and its sustainable position. The insurer's core business relies on reinsurance, corporate solutions, InsurTechs such as its iptiQ, and its over-150-year risk knowledge and market positioning. Swiss Re also has a long track of sustainability, publishing its first sustainability report in 1979. This reporting continued over the years and was formalised in 2007 when the company signed its adherence to the PRI. Additionally, Swiss Re announced its commitment to net-zero emissions by 2050 on its A&L side and by 2030 on its operational side. This will be achieved by reducing commitment to oil and gas companies.

The board of directors handles the sustainability strategy, whereas an advisory committee on management level is responsible for aligning sustainability activities. Additionally, sustainability was introduced as an additional quantitative positioning of the group.

The ethics of climate change, the perspective of philosophers

Prof. Dr. Martin Hartmann, Chair for Practical Philosophy at the University of Luzern, started his presentation with an analogy of his mother's neighbour laying concrete slabs on her lawn, killing the grass beneath it. He questioned whether this small behaviour of a single person would have an impact on the larger picture. Do these individual actions make a difference regarding the massive problem of climate change? Similarly, when another neighbour goes on a late-night ride, to go «joy guzzling», does this individual behaviour significantly impact climate change?

This question can be tackled from a moral perspective. If the activity is morally wrong, it can be criticised and actively worked against by others, and a moral obligation could be raised. But driving one's car today is not the only activity that harms the environment. Taking a flight, driving large vehicles and generally travelling long distances have disastrous consequences for the environment if done on a large scale. This has led to a new normal, where the new harms are everyday activities that will harm distant people in several different ways.

Avoiding causing harm is generally expected in society, no matter its form. Actions that cause harm to distant people should thus lead to a moral obligation to refrain from these actions. However, today's «new harms» have so far too few ethical restrictions, as their impacts are hard to visualise for the actors causing them. When the harms are difficult to notice and visualise, it becomes morally tricky to understand them. This has led to a new challenge for modern philosophy.

The average American is responsible for one two-billionth of current and near-term emissions. Consequently, the life of one American will cause the severe suffering and/or deaths of two future people through emissions. To get a moral obligation to reduce this impact, the consequences of the emissions must become more visible, as they are currently primarily indirect. On the one hand, one can directly assimilate carbon emissions with rises in the September Sea level but measuring the exact harmful impact per action is impossible. People can thus avoid moral responsibility through ignorance, blaming society, or claiming that their impacts are negligible on the global scale. Instead, the combination of all actions is harmful; thus, one individual should not be blamed, but society as a whole. But this punishment scheme is also not wholly appropriate, as not all people are related to one another. Additionally, although it is a collective action, it is not a group of people intentionally and purposively causing harm.

As global warming is a global challenge, it should be collectively solved, not on an individual basis. Instead of banning «joy-guzzling», people have a moral obligation to put pressure on the government and the regulators to engage them tackle emissions. As climate change is a chaotic system, small individual efforts can increase the prospects of something occurring, positively or negatively. Without individual or collective action for change, there will be no significant change.

Lastly, Dr. Hartmann discussed the responsibility of the government. He judges that «the alternative between individual and systemic responsibility is wrong.» There must be a bridge between individual and systemic responsibility, as the focus cannot solely lie on an individual, a government or a company. If individuals are not concerned, the government will not be either, nor will companies. Citizen and moral responsibilities must mutually engage each other to create an overall positive effect.

After his presentation, Prof. Dr. Hartmann was asked whether individuals, companies and the government are doing enough to avoid severe climate change, as the consequences might not be felt yet. Prof. Hartmann responded that the effects of climate change are already present with extreme heat waves and rising sea levels. It is known that there is a price to pay to continue with our current lifestyles. But it is tough to cause global behavioural change across society. Additionally, Prof. Hartmann was asked whether it is possible to be innocent in this society. He answered that especially people born in third-world countries and the youngest generations are innocent of the emissions caused by Western populations and the previous generations that emitted without consideration.

Panel I: Walk the Talk – Actions in ESG and Digital Transformation

Prof. Dr. Johanna Gollnhofer, Director of IMC-HSG, was invited to present the challenges that arise when communicating sustainability efforts. Today, sustainability is no longer only an optimisation challenge, it is a communication challenge. Many companies talk the talk by saying that sustainability is essential, but not all walk the talk by implementing, monitoring and communicating their sustainability efforts.

In research by PwC from 2019, it was found that 56% of board members found that too much time was spent on sustainability, which should instead be spent on operative profit margins. In 2022, this view has drastically changed, with most companies aiming to move to climate-neutral production in a short period. But how can a company effectively communicate its efforts?

The perception of the company and its efforts by external stakeholders is one of the most significant challenges to tackle climate change. Companies must communicate their efforts in a clear way for consumers to understand without misinterpretation and with the correct credibility. A recent example showed that REWE, a German supermarket chain, wanted to communicate its support of diversity by ending the sponsorship deal with the German Football Assocation DFB in reaction to OneLove armand spat, but it lacked the credibility to communicate and was accused of greenwashing.

The fear of misinterpretation is growing with companies, leading to the new phenomenon of green hushing, where organisations prefer not to report anything for fear of not being believed or not being credible enough. This puts into question the benefit of communicating sustainability efforts and what the best communication channels are.

Communication with internal stakeholders is essential. While most people feel that they talk about the same things, most people have different perceptions of sustainability and how to tackle climate challenges. Prof. Gollnhofer gave the example of a cucumber production company. Plastic allows for the longer preservation of products, preventing food waste. However, while plastic reduces food waste, it increases the amount of plastic waste. From a company perspective, it is vital to have adequate communication to convey the right message in such a situation, so that the consumer understands the differences in practice.

Focus on ESG in governance

Switzerland is the 16th highest emitter of carbon per capita in the World, reminded Dr. Hannah Hummel, Partner at HCM International. Swiss residents emit 14 tons of carbon per person per year, while the maximum allowed emissions to fight climate change effectively lie at 0.6 tons per year. While individuals can make behavioural changes to create a positive impact, there is a significant effort to be made by corporations, especially by banks. The Swiss banking industry is responsible for the same emissions as the airline industry. This is mainly due to the heating of offices and much travel, but most notably due to lending activities. While some companies have banned lending to some industries, banks continue to allow large polluters to grow even further. However, from a risk management perspective, climate risk is one of the most short-term with a high probability. Apart from posing financial risks, it also leads to reputational risks. But these risks also allow for new opportunities, through the development of new business models, digital transformation and newly developed goods and services. This change is also driven by increased regulation and transparency, soon the reporting of sustainability will be mandatory in the Swiss market.

So how should companies walk the talk? First, from a governance perspective, firms should continue discussing gender diversity. In the United States, these discussions are more prevalent than in Europe, with stock markets such as the NASDAQ having mandatory disclosure of gender diversity of board members. Regulators and proxies have different views, where a quota of 30% of board members must be female, proxy advisory firms such as Glass Lewis report that companies that do not meet the quota must only give an explanation but have no further consequences.

Second, the correlation between ESG targets and board compensation is still perceived as insufficient. But it has also been proven that there is a strong positive correlation between executive pay and a focus on ESG goals, which is believed to improve a company's performance. Research has shown that 74% of companies use ESG metrics in their executive compensation. Still, when it is included, it is compensated through 71% of short-term incentives (STI) and 16% long-term incentives (LTI). Compensating primarily on a short-term basis takes away incentives to realistically tackle long-term climate challenges. Looking at Switzerland, 42% of all companies implement ESG metrics in compensation, and on the SMI, 75% employ them. The social and governmental impacts are primarily in focus, with the environmental aspect being integrated into the fewest companies.

Companies must currently face trade-offs from switching to more sustainable business practices. While production plants with low emissions will have lower profit margins, it will have a long-term positive impact. These trade-offs must thus be accepted and can be priced into the site's value. There are different ways to implement this change. Companies can reach societal expectations through trade-offs weighted through balanced scorecards, taking a cost approach, an assessment approach or a gateway approach.

Limited time for boards: How to walk the talk

Nina Spielmann, Director of Practice Management at McKinsey, continued with how to walk the talk. Change is inevitable and necessary for the development of a company. The question lies in how and who can adapt to change. Especially over the past 15 years, the board of directors have seen a significant shift in how they operate and handle a changing environment. This has come with increased stakeholder expectations, higher business complexity and intense market forces that pressure board members to create positive change and integrate sustainability into their firms' strategy.

There are three dimensions of how a board can be pushed to create more positive impacts. First, the board of directors must be very engaged. It was optional to have a very active board in the past, but this has changed over the years due to several controversies. After the fall of Enron, it was decided that the board of directors must be compliant and that fiduciary duties must be taken seriously.

Additionally, the average time spent per board mandate has increased and continues to rise today. As a result, many more companies rate their board as «very effective». On the topical level, boards still discuss the same matters, but involvement levels have increased, and board members are becoming more proactive.

Secondly, board interactions change. The nature of the collaboration between the board of directors and the executive board is changing, with communication between the two levels increasing over time. Although communication has increased, some actions that increase board effectiveness are not present enough in many companies. These actions are sufficient induction training for new board members, dedicated time for team building, establishing a culture of trust and respect, creating a 3-to-5-year succession plan for the board, and regularly engaging in self- or team-evaluation. Were these small actions to be implemented across most companies, boards would become more effective over time. Using this communication to integrate a serious ESG strategy into the company, the challenge should be present on board meeting agendas and deeply embedded into the company's strategy. Thirdly, there must be serious individual contributions by each board member. From preparing well for each board meeting to interacting with other board members, there must be intrinsic motivation to push forward. Once this motivation is present, there is the capability to discuss change and positive impacts with the board.

Panel I: Plenary Discussion

After their presentations, Prof. Johanna Gollnhofer, Dr. Hannah Hummel and Nina Spielmann were invited to hold a plenary discussion in which all participants could participate.

Prof. Gollnhofer was asked whether differentiating between internal and external sustainability communication can be dangerous if there are discrepancies in the content. She confirmed that it is essential that both communications convey the same message. Additionally, companies must also ensure that communication is consistent over time. There is currently a change in how sustainability is communicated, shifting from «we are sustainable» to «we are on our way to sustainability». Clearly communicating past, present, and future efforts to the consumer will reduce misunderstandings and informs stakeholders of the company's commitment.

Nina Spielmann was asked how conflicts of interest can be avoided when the board of directors and executive board collaborate very closely, when their roles are very distinct. She answered that the boards should work on their own, that the board's role should be redefined yearly, and that there must be a common understanding of the tasks and responsibilities of each board member. However, while the boards are independent, the board of directors should guide the management board and act as a sparring partner. The next question tackled digital literacy with board members. As data and digital tools are often used to make decisions, this competency must be acquired by the board of directors. Nina Spielmann answered that the board should be expanded with an additional expert or committee, but rather that these capabilities and understandings must be considered when searching for an adequate board member. To broaden the knowledge of the existing board, digital experts, external actors or advisory boards can be brought in to help implement digital tools into the company's strategy.

Dr. Hannah Hummel was asked why ESG metrics are not as present in LTIs, when climate risk is a long-term challenge. She answered that historically LTIs were hardwired financially linked plans, with little to no integrated non-financial metrics. But today, European companies are increasingly using non-financial data and accept the fact that not everything is measurable but rather that everything is assessable. Until now, this assessment has been complicated, as it requires a history and targets, but progress is being made.

A discussion about the role of and communication with the board ensued. Firstly, the communication between the executive board and the board of directors should be formal and structured. This can happen in a pre-planned and regular fashion, but it should not be daily. Ultimately, transparent communication between the two bodies is the most effective. When the board of directors takes the role of a sparring partner, the board should act as one and have one voice. This means that if only one member is approached, there must be a process of collaboration and mentoring for the board to effectively work as a good collaborator. Additionally, collaboration outside the boardroom can be allowed, when the two actors are experts in their field. Still, this communication must be disclosed transparently to avoid surprises for the other board members.

Lastly, the plenary discussion tackled the topic of ESG on the board level and whether there are already good examples of solid commitment to the new strategies. Especially in Nordic countries, boards are trying to implement their sustainable strategy. An example given was from one company where site visits were conducted by using a minivan as a mode of transport, and board members eating their lunch with the employees in the same cantina. But for the board to effectively implement ESG into their company's strategy, the members must have sufficient knowledge about the topic. Adequate opportunities for collaboration, frequent meetings and board training are thus necessary for this development. Additionally, when it comes to the communication of this development, the board must communicate as one body rather than an individual member bearing this responsibility.

Panel II: Non-Financial Reporting Requirements – Trends & Implications

Prof. Dr. Thomas Berndt, Director IFF-HSG, started his presentation with a reminder that climate change threatens not only our existence but also current business models and the economy. Sustainability and ESG reporting and targets are thus strongly related to companies' risk management, which is necessary to maintain existing business models.

In the near future, financial reporting and sustainability reporting will become equivalent. This will lead to two different types of currencies, monetary ones on the one hand and GHG emissions on the other. Sustainability reports take on various names, like ESG report, CSR report, integrated report or sustainability report. This heterogeneity makes the communication of efforts more difficult, especially when companies are following different standards, such as the GRI, SASB, TCFD, or a combination of them. In the European Union, sustainability reporting has been integrated into the financial reports of the largest companies, but the data it relies on is still unaudited.

Prof. Berndt proceeded to propose six theses on the challenges arising from sustainability reporting.

First, with an unmanageable variety of participants on the playing field of ESG reporting, switching from a shareholder to a stakeholder approach is necessary to continue creating value.

Secondly, with high complexity and high regulatory speed, all financial reports must be consolidated so that there can be a strong link between financial and non-financial data. Auditing this data should be mandatory too. In Switzerland, the Task Force on Climate-related Financial Disclosures (TCFD) is now required for sustainability reporting in the country. Corporate Sustainable Due Diligence (CSDD) is also present, forcing large entities to conduct sustainability due diligence on their business partners.

Thirdly, the preparation process and maturity level of ESG reporting are not yet on the same level as financial reporting. While environmental and governance reporting is well on its way, there is still a lack of social impact reporting in financial reports.

Fourthly, there is a great need to increase data quality and digitisation of ESG reporting processes. 33% of companies declare that the data for sustainability reports is incomplete, making auditing this data difficult.

Fifthly, ESG assurance is key for improving the quality of ESG reporting. Due to the efforts made by corporations, the expectations gap is being reduced, and the risk of greenwashing diminishes accordingly. Lastly, non-financial reporting and financial reporting must be integrated into each other. Sustainability reporting is mostly storytelling but should be presented through numbers instead.

In conclusion, for the transformation to occur, the economy needs capital markets, which require financial data that can be presented in financial and sustainability reports. With a continuous input loop, there are not only sustainability risks, but opportunities also present themselves.

How to deal with sustainability and non-financial reporting

David Chase Lopes, Managing Director EMEA at D.F. King, continued with trends in current sustainability reporting. Before the Covid-19 pandemic, the ESG movement started, and shareholders needed stewardship to understand the undertakings of their companies. In 2020, companies were primarily focused on financial risks and the pandemic. Still, since the end of 2021, the systematic risks have evolved, and companies were forced to focus on inflation, international conflicts, climate, societal and pandemic risks.

With these systematic risks that directly threaten the business's profitability, it becomes harder for firms to focus on non-financial reporting. A solution must thus be found to integrate non-financial focus into a profitable strategy.

While the first half of 2022 was very fruitful for most companies, this has shifted with the arrival of high interest rates, high energy prices and an international conflict close by. Board members should reflect on the profitable half of the year to convince them of the quality of the board, as the focus of shareholders shifts when times become difficult. This became even more challenging, as the market showed a strong pushback on ESG reporting standards and how to handle sustainability risks. Does it make sense, for example, for an executive of an automotive company to receive a high bonus for high sales numbers, when the products increase climate risks?

Regarding the international sustainability reporting standards, there is a straightforward battle for soft power about which model will become the global standard. In the European Union prescriptive models are more prevalent, while in the United States dictating models are preferred. It is thus in the interest of concerned companies to invest in the standard most beneficial to them, as the impact of the reporting method can be significant.

Lastly, the board must understand what investors expect as returns from the company and the sustainability reports. Additionally, the board must show that it is effective, something that is assessed yearly during the (re-)election of the board of directors. If an activist investor steps in, the sustainability and governance reports must be ready, and the board must be prepared to back them. If it is not ready to do so, the activist investor can gain the support of other shareholders and the board will not be re-elected.

Non-financial reporting standards

Dr. Daniel Lucien Bühr, Partner at LALIVE, continued with the real drivers of ESG reporting. While one might answer investors and other stakeholders, which are broadly defined, it is mainly demanded by employees and clients. Especially the youngest generation of customers, which is very aware of the present climate challenges, asks the most from an ESG perspective. But ESG is very broad and not only restricted to environmental challenges. The UN Sustainable Development Goals (UN SDGs) define 17 societal challenges, which companies can tackle and integrate into their ESG strategy. While environmental challenges are most focused on, social challenges are rarely on the minds of board members.

On the global scene, some standards already govern the governance of organisations. ISO 37000:2021, for example, is the only internationally applicable treaty for sustainability reporting, signed by 77 countries worldwide. The standard questions the role of the board and executive management and defines internal control systems. Then there are reporting initiatives such as the GRI, EU Taxonomy and the Swiss TCFD. As pioneers in sustainable reporting, these standards are currently most referenced to and thus significantly impact how the reporting is handled. New reporting standards are also being developed, with EFRAG being published in 2023, CSRD planned to receive a regulatory tightening, and the CSDD draft shows what the European Union expects in the medium term.

In Switzerland, the revision of the Code of Obligations (CO) will bring new regulations, for example prohibiting the utilisation of child labour and obliging gender diversity in companies. Additionally, article 716a revCO states that at board and executive levels, conflicts of interest must immediately be disclosed. The field of application of the revised articles of the CO has also expanded to include all listed companies, bond issuers and FINMA-regulated firms. It is expected that some of these companies have yet to realise that they must incorporate these new reporting standards in 2024. This is especially problematic, as false reporting will be considered a criminal offence committed by the board members. As a public offence and a criminal act, criminal complaints can be filed worldwide, increasing the pressure on board members.

This pressure will bring new challenges. First, one must analyse the adverse impacts in the field of non-financial reporting. Second, diligence must be applied to every action. Third, material risks must be immediately disclosed, including the threats they pose. As this will be a requirement in 2024, these material risks must be reported on and solved immediately to avoid future threats. The strict revision of the CO will tighten the responsibility of corporations. In the case of due diligence on conflict minerals and child labour, firms have a supply chain due diligence duty. If not applied correctly, the repercussions can be very severe. Risk management, KPIs and transparency are thus of utmost importance.

Panel II: Plenary Discussion

The three presentations by Prof. Thomas Berndt, David Chase Lopes and Dr. Daniel Bühr had three common themes. Firstly, non-financial and ESG reporting are highly complex and require a lot of additional resources and skills. Individual companies, but also accounting and law firms, must broaden their expertise to tackle these new regulations. Secondly, stricter reporting standards pose a profitability threat, as they require additional people, work and due diligence. Companies must integrate these additional expenses while remaining profitable and appealing to young talent. Thirdly, the role and power of regulators and reporting standards must be considered for future developments. In the European Union, for example, the definition of being «green» has changed a lot over recent years, impacting the behaviour of the gas and nuclear industries.

With all these additional challenges, pressures and individual responsibilities, is a board mandate still attractive for experts in their field? Especially when the reported data is incomplete, how can board members ensure that their actions are based on adequately measured data and dependent on the data provided by third parties?

After their presentations, Prof. Thomas Berndt, David Chase Lopes and Dr. Daniel Bühr were invited to hold a plenary discussion with the conference participants. The first question asked whether ESG will lead to the end of economic activity as it has been known until now. While for some businesses it will be the end, for others, sustainability creates the opportunity to redefine their assets and resources, becoming more profitable. Public Interest Entities (PIEs) must reorganise themselves, avoiding silo thinking and will decide what SMEs will be part of their value chains.

Boards of directors will decide whether to focus on ESG or remain profitable with the old business model and face the resulting conflicts. The most important aspect of this decision-making will be to stay transparent and explain to shareholders how value will continue to be created. Incentive plans are an effective way for this transition to happen in the best interest of all stakeholders. The most considerable difficulty of this communication arises from the fact that sustainability information is incomplete. It is thus essential to explain to stakeholders and investors how decisions are made. Additionally, there are more effective ways to tackle ESG challenges from a company perspective than focussing on all 17 SDGs. Firms should thus select a few that their business can act on, analyse appropriate metrics and consequences, and create a realistic approach to create a positive impact.

From a board perspective, the fiduciary duty to create value for shareholders and representing their interests will remain. Investors should thus continue to question whether the current business model and operations are profitable and fit for the future. For board members, the focus is ensuring that the business strategy is suitable for this new economy, and reporting on the operations is of secondary importance. Therefore, instead of focusing on compliance and the reason for the reporting will be of minor importance to the board. Consequently, it will continue to rethink the core business and adapt it to the current ESG challenges.

Lastly, the trio was asked whether Switzerland will be at a disadvantage from an ESG perspective due to the personal liability of board members in the case of inappropriate reporting. Rather than solely being a disadvantage, this liability will create more focus on the topic. Due to the challenge becoming so complex, a lot of backbone and independent thinking will be necessary from all stakeholders. Additionally, Swiss companies are forerunners in many aspects of sustainable development. Thus, the threat of criminal liability remains small in the country.

Chairperson Succession in Swiss Quoted Companies

Dr. des. Cornel Germann, Research Fellow at IFF-HSG, began by tackling the central question of board governance: «how to find a world-class chairperson?» The search for an adequate chairperson should follow a thorough and fair strategic process. Additionally to applying to the search for a new chairperson, it is also essential to have a succession strategy that covers the firm's short- and long-term vision. Overall, as a study by Fernandez-Araoz et al. (2021) showed, proper management and succession planning could add 1% of additional gains, so this effort can also add value to a company if done systematically. Based on a survey with 80 SPI chairpersons and head nomination committees and with a focus on the board chair, Dr. des. Cornel Germann's board governance research focussed on three dimensions: Competence,s Moderators and Voluntary Disclosure.

First, what are the competences of a chairperson? Personal and group leadership are of most importance. Integrity, low ego and strong values are good to have to hold serious discussions. A certain stamina is also required, as a chairperson should not only nod but also critically question and intervene during meetings. Additionally, technical competences are also necessary. The top three rated functional skills are HR, audit & finance, and ESG knowledge. Compared to board members, the chairperson must have a broad skill base, as they are the last line of defence. They must act as a gatekeeper when dealing with many stakeholders. Regarding competence definitions, companies will usually over profile, but must downsize the requirements after some time, due to a limited pool of potential candidates available. While economic performance criteria are still at the core, social and interpersonal skills will add value to the chairperson's profile.

Previous experience as a chairperson is usually not pre-required due to the limited candidate pool. Leadership experience also sees a downward demand trend, as this restricts the candidate pool through diversity and origin challenges. Most importantly, the chairperson should be able to challenge the members of the organisation.

Second, what are influential moderators in chairperson succession? Basically, there are four key dimensions to recognize: Firstly, independence is of utmost importance. There should be no bias in decision-making, and board members shouldn't be financially dependent on their mandate. Secondly, there must be either a search for a candidate with a «cultural fit» or a «cultural add» and it is essential for the incoming and outgoing chairperson to have a seamless change of power. Thirdly, using the network for reference checking is key. As a result, having a broad network is seen rather as a resource than a power game, as connections make it easier to know if a person is a fit for the job.

Third, what are the principles of voluntary disclosure in chairperson succession? In disclosing information about the succession (planning) of boards, most companies are reluctant as consequences are uncertain. In addition, they also rely on their own benchmarks and do not compare their reporting scheme directly to others. As a matter of fact, this leads to the result that, when a controversy arises, companies will preferably disclose the information of an individual person rather than of the organisation itself. As it is easier to replace a single person, these will usually receive the blame, and the company will move on – without the need for transforming their current processes in place.

As a key take away, in board chair succession there are specific implications to be considered. The (head of the) nomination committee should lead the succession process because this task is delegated to him / her / them and because actors should be independent. This yet shall not mean to fully exclude the former chairperson; he / she knows the position and forthcoming expectations best and thus can provide helpful insights when it comes to election procedures. The company secretary takes on a passive role, ensuring the processes are systematically followed. The CEO should be involved at the planning level, ensuring that the correct person fills the position and that the CEO and chair positions are not exchanged simultaneously. He / she yet should have no deciding power.

When board advisory services are employed, the parties should act as gatekeepers, ensuring the processes are professional, transparent and fair. Lastly, shareholders are only to a minor extent involved. If involved, they should be allowed to state their expectation and opinion. To conclude, Dr. des. Cornel Germann highlighted that most important and overall, the chosen chairperson must be the one that adds most value to the company and the board of directors.

After his presentation, Dr. des. Cornel Germann was asked whether technological competence is truly required for board members, as most of the data presented is financial data. He answered that the required skillset for board members is very dynamic and has changed over time, but the company fit will ultimately decide on the right person. Contrary to ordinary board member elections, the departing chairperson should not participate actively in the nomination of the following chairperson, in the sense of steering the process. Additionally to being sometimes nominated and elected by the AGM, financial services are required to consult with regulators before a person is eligible to be selected chairperson of the board. In practice, however, this does not considerably hinder the process, as in the majority of the cases the proposed person is accepted.

Dynamics in Healthcare

Dr. Anna-Sophia Beese, Scientific Project Lead at Careum Center for Health Literacy, gave an overview of the Swiss healthcare system. Today, 2.2 million people in Switzerland live with a chronic disease. 20% of people over 50 years old have multimorbidity, or have two or more chronic illnesses. This population-wide situation impacts society in many ways and leads to additional spending for the healthcare sector. One solution to ease the additional expenses and create a healthier community is developing an integrated healthcare system.

The current system is geared towards treating acute needs, not the prevention of diseases or special needs. Companies operate in silos, depending on the customer demands and only focus on the most profitable practices. In an integrated healthcare system, however, value creation is population oriented, focused on the quadruple demand for health. These systems also reduce the overall costs of healthcare. The theoretical foundation of an integrated system relies on bringing fragmented aspects together and is designed to create a unified delivery from the system. In a system with three or more entities, the cooperation can be very dynamic and fluctuating depending on the needs. Therefore, most network research is focused on network governance and the interplay between members.

There are three perspectives in network governance research. Firstly, governance as a structure explains the social behaviour between participants. Secondly, governance as a process focuses on the agency and activities of individual actors. Thirdly, governance as a practice focuses on practices to explain phenomena, instead of patterns or individual actors.

Through 33 semi-structured interviews, 153 documents, 37 non-participating observations and six reflection workshops, Dr. Anna-Sophia Beese researched how the identity of a network evolves over time. The research mainly focussed on the Integrated Care Network, founded in 2009 by 11 members to align healthcare services in Zurich. It was initiated by the municipal health department and still growing currently counting 35 members. Over the years, the self-description and the network itself have changed significantly. It was found that network identity is essential, as it can add value when it provides appropriate guidance and orientation to its members. Throughout the change, the network has found that specific actions can be taken to increase effectiveness. Firstly, direct network building should answer what the purpose of the collaboration is. Secondly, social locales should be established to understand the members' expectations of cooperation. Thirdly, while many members will be passive at the beginning, active participation is quintessential. Lastly, a certain commitment of the members should be created, to involve participants and effectively run the network.
Active participation of members was found to be the most crucial aspect of the network. Two years after the creation of the network, members came together for the first time to define expectations and set a strategy for collaboration. Additionally, communication channels, rooms for discussion and meetings between network members proved to create the most value. With this communication, the network was set up as a process model. There was a clear orientation, the actions of the members were in line with the goal of the network and value creation processes were aligned. However, over time this co-creation diminished, bringing the network to the brink of breaking up. In these dire times, network identity was discussed, leading to restructuring and re-strengthening the collaborative effort.

To conclude, network identity building sees increasing perception shifts, ultimately driving the collaboration towards becoming an integrated platform. Through these discussion platforms, players with different languages but common vocabularies could work together to reduce the silo mentality and ultimately create additional value for the healthcare system.

After her presentation, Dr. Anna-Sophia Beese was asked how companies in a vast healthcare system with many different regulations can find common ground and collaborate and create additional value. She answered that the Swiss FOPH is trying to develop solutions for integrated healthcare by introducing new regulations, but not all stakeholders support this. Additionally, in an integrated network, costs are strongly reduced, which should incentivise companies to create such a system. The network's funding has so far come from membership fees, which in return gives members access to the opportunities of the integrated system, namely reduced costs and additional value creation opportunities. While the research was primarily focused on the value creation for the integrated network members, these systems can also create additional value for consumers.

Business Dynasties' Succession Planning

To conclude the conference, Dr. Matthias Ch. Würsten, Strategic Planner at Baumann Springs, presented the challenges arising from succession planning in dynasties. Business dynasties are a combination of a family and a business that faces various challenges. Thinking about a family business, it is often observed that the company goes first and that the family has some kind of «weird attachment». In his research, Dr. Christian Ch. Würsten looked at the case of succession in business dynasties and how the business contributes to the process.

In modern business dynasties, a new vision has appeared, where the family and succession are in the centre and the business is considered the «weird attachment». The company acts in a socio-economic environment and must continuously change to it. Simultaneously, the family members face a more stable environment and must deal with successions, family unions and conflicts. Research has shown that this interplay of environments and family constructs is inefficient. However, against all odds, some family dynasties have been very successful over time. To answer how companies such as Hermes, BMW or Fiat survived over so many years, evolutionary theory might provide an answer. Instead of following a simple cycle of being born, living and dying, business cycles are different, going through variation, selection and retention. To complicate matters, no two firms are identical, thus by merging evolutionary theory with business evolution, different aspects emerge.

Firstly, two events can occur to create variation in a business dynasty. A new birth within the family will set the current leader's mentality to prepare the business for an inevitable succession to an inheritor. The second possibility is the entrance of a new member from outside the family. If successfully integrated, available resources for the company are expanded. In other situations, the chairperson is unhappy with a marriage, leading to the barring from the succession plan.

Secondly, the selection of the successor of the business dynasty leader can occur either before or after the current leader steps down. When selection occurs before power is handed over, competition between candidates can occur. Some dynasties successfully set up structures to avoid these fights, for example, by following growth structures throughout the company. If selection occurs after the leader steps down, conflicts can occur, and nomination committees can take over the task.

Thirdly, the retention of family members not elected as leaders of the company is essential to keep the balance between the two entities. In case of cooperation between successors and non-successors, new positions can be created for non-elected members to honour them within the dynasty. Alternatively, they can pursue their own business activities while leveraging ties to the dynasty to create value for themselves. In case of confrontation between successors and non-successors, non-elected members can either pursue self-actualizing careers unrelated to the dynasty or take on full confrontation with the newest leaders.

Overall, several crucial points should be taken into consideration in dynasty succession. An eye should be kept on the business. As a member of the firm, look out for family members, marriages and conflicts. For leaders, the succession's success depends on transparency and making decisions well ahead of time, including accommodating the non-successors.

After his presentation, Dr. Matthias Ch. Würsten was asked whether these points differ between private and public companies. He answered that the ownership structure does not matter. Instead, whether the family runs the company and not only owns it will create a familiar impact on the business. Some families built immense holding structures to keep ownership of the shares, ensuring the continuation of the dynasty.