

# Multinational Companies in Geneva and Vaud

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## Growth Engine at Risk!





# NOTE TO THE READER

This study picks up from where we left off three years ago, when we examined (in the course of three studies) the relationship between multinational companies (MNCs) and Switzerland. Our first study, *Foreign Companies in Switzerland: The Forgotten Sector* (2006), introduced foreign companies as a small but fast-growing sector within the Swiss economy. Our second study, *Multinational Companies on the Move: How Switzerland Will Win the Battle!* (2007), explained Switzerland's success in attracting MNCs while illustrating the vulnerability of the Swiss economy to MNCs should they relocate elsewhere. Our third study, *Creative Switzerland? Fostering an Innovation Powerhouse!* (2009), investigated how Switzerland could increase its attractiveness to MNCs by sustaining its position as the best place for innovation.

In this study, we focus on Geneva and Vaud, cantons that have two of the strongest economies in Switzerland, in order to illustrate the mutually beneficial relationship between MNCs and Switzerland and the high stakes involved in this relationship.

Geneva and Vaud (and the surrounding area, known as the "Lake Geneva region") have provided an advantageous environment for MNCs, thanks to, among other things, their good quality of life, highly skilled workforce and focus on innovation. MNCs represent a vital part of these cantons' economies, contributing over 40 percent of GDP in 2010 (more than the 36 percent MNCs contributed to total Swiss GDP). MNCs are not only the growth engine of wealth and employment, they also contribute significantly to the local knowledge economy and their communities.



While the relationship between these two cantons and MNCs has deepened, there are signs of an adverse change in direction. Many features that have made these cantons appealing to MNCs are in decline. Also, the global competition over MNCs is intensifying as many countries step up their value propositions and attractive packages to MNCs.

In light of these developments, Geneva and Vaud cannot afford to assume that their past success with MNCs will continue. There is no room for complacency. It is vital that Geneva and Vaud take the necessary political action to increase their competitiveness as ideal business locations for MNCs. This study recommends four critical initiatives for doing so.

We believe our new study will make a timely and insightful contribution to the topic. Your comments and feedback would be highly appreciated.

Martin Naville

*Chief Executive Officer, Swiss-American Chamber of Commerce*

Elmar Wiederin

*Chairman, Senior Partner and Managing Director, The Boston Consulting Group (Switzerland)*

Philip Schulze-Smidt

*Partner and Managing Director, The Boston Consulting Group (Switzerland)*

Emre Ozcan

*Consultant, The Boston Consulting Group (Switzerland)*

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# EXECUTIVE SUMMARY

**Switzerland provides multinational companies (MNCs) with an ideal business location.** Switzerland offers an array of advantages to MNCs: a central location in Europe, a stable political and fiscal environment, a well-developed infrastructure, a good quality of life, a highly skilled and multilingual workforce, an attractive tax system, and a business-friendly government, in addition to a long-standing focus on innovation and investment in R&D. In addition, when it comes to attracting MNCs, Switzerland not only has the know-how, it also sets the standard. For the past three years, the World Economic Forum's Global Competitiveness Report has ranked Switzerland the most competitive economy in the world.

**The benefits flow both ways—Switzerland provides an advantageous business environment for MNCs, and they in return make major contributions to the Swiss economy.** The numbers tell the story. In 2010, MNCs accounted for 36 percent of the total Swiss GDP. More than 30 percent of the \$129 billion in additional GDP created in Switzerland between 2000 and 2010 came from new entries or expansions of MNCs. During that time, the share of GDP contributed by foreign MNCs increased from 9 percent to 14 percent—with an annual growth of 8 percent (compared with the national average of 3 percent). In terms of employment, foreign MNCs have outpaced the national average by a factor of six and are responsible for the creation of every second new job in Switzerland. Also, close to 75 percent of R&D investment in Switzerland comes from MNCs. There is no doubt that MNCs are major contributors to Switzerland's robust GDP growth, low unemployment, and reputation as a world leader in innovation.

**In Geneva and Vaud, the mutual benefit is even more pronounced: MNCs account for more than 40 percent of GDP and contribute significantly to the creation of wealth, employment, and cultural life in these cantons.** Again, the numbers reveal the extent of the economic benefits that MNCs bring to the Lake Geneva region. In 2010, MNCs were responsible for 43 percent of Geneva's GDP and 41 percent of Vaud's GDP—up from 35 percent and 33 percent, respectively, in 2000. Further, MNCs accounted for 67 percent of the increase in GDP in Geneva and 63 percent of the increase in GDP in Vaud between 2000 and 2010. In addition, foreign MNCs were the main drivers of employment growth. Between 2000 and 2010, foreign MNCs increased employment in Geneva by 8 percent annually (compared with the cantonal average of 2 percent), and they increased employment in Vaud by 7 percent annually (compared with the cantonal average of 1 percent). In both cantons, MNCs created two-thirds of all new jobs between 2000 and 2010. In addi-



on, MNCs help local businesses by purchasing their goods and services. And MNCs' contributions go beyond job and wealth creation: They are engaged with, and provide additional benefits to, their communities through sponsorships of cultural and sports events, support for charities, and volunteer work in schools, among other activities.

**There is no room for complacency, however, in light of changes that are making the Lake Geneva region less attractive to MNCs than it used to be.**

Importantly, the great appeal of the overall "economic package" offered to MNCs—a combination of cost, productivity and taxes—is eroding. The strong value of the Swiss franc has reduced the competitiveness of operations in Switzerland for many MNCs by increasing their already high local costs. Export-oriented industries are particularly affected. And Geneva and Vaud, which are both export-oriented cantons, are under pressure. The productivity of the Swiss labor force is also lagging, with one of the lowest growth rates among OECD countries. Moreover, attractive tax incentives are under attack. Both the European Union and the United States are exerting pressure on Switzerland to eliminate tax advantages given to MNCs and harmonize corporate tax systems. These changes are occurring at a time when global and regional competition for MNCs is intensifying. It is common practice for MNCs to shift business units to new locations in order to stay competitive. Roughly every five years, MNCs reevaluate the optimal locations for their various units and functions, thereby increasing the pressure on governments to aggressively attract foreign MNCs and retain MNCs currently in their countries. The result is an escalating global race to be the most attractive business location.

**If Geneva and Vaud lose the competition for MNCs, the results will be serious.** Because of the high concentration of MNCs in Geneva and Vaud, they will be more adversely affected than other Swiss cantons should there be a negative development with MNCs downsizing their presence or leaving altogether. A significant loss in the number of MNCs in Geneva and Vaud would undermine these cantons' prosperity, weaken their focus on innovation, and lead to an outflow of investments and highly skilled personnel. The effects will be long-term, significant, and difficult to undo. The rapid increase in the number of new jobs in Geneva and in Vaud (each around 24,000 over the past decade) could go the other way just as quickly. The recent announcement that Merck Serono will be closing its Geneva headquarters demonstrates how suddenly and forcefully this change could take place.

**We recommend four key initiatives to further increase the attractiveness of Geneva and Vaud to MNCs.** We call upon the political authorities and business associations of Geneva and Vaud to implement the following four initiatives to maintain and improve the standing of these cantons as attractive and preferred business locations for MNCs.

1. *Establish interdepartmental task forces in Geneva and Vaud to meet MNCs' immediate issues.* Executives at MNCs in Geneva and Vaud have identified seven key areas in which they would like to see improvement—most of which cut across departments within the cantonal governments in Geneva and Vaud. These areas are (i) investment in infrastructure, (ii) ease of immigration of highly-skilled employees, (iii) administrative processes, (iv) tax incentives, (v) availability of affordable housing, (vi) personal security, and (vii) a stable business-friendly environment. In light of the immense importance of these matters to the economies of Geneva and Vaud, we recommend the creation of a dedicated interdepartmental task force in each canton to resolve these issues in a coordinated and effective manner.
2. *Increase cooperation between Geneva and Vaud in order to create a joint MNC strategy.* Just as the operations of MNCs often cross cantonal borders, so too do many of the issues MNCs have identified. Most of the solutions, also, will involve both Geneva and Vaud, and there will be much to gain from close cooperation between these two cantons. For this reason, we recommend that both cantonal task forces coordinate their work very closely, jointly addressing the most important issues.
3. *Promote industry clusters of excellence.* By fostering the establishment of clusters of expertise, Geneva and Vaud can distinguish themselves from other attractive business locations and become global leaders in selected fields. The presence of strong industry clusters would increase the bonds MNCs currently have in the region, attract other MNCs in the same sectors, and help incubate and develop new ones (start-ups). For this reason, public administrators, elected officials, and agencies in Geneva and Vaud should make additional efforts to cultivate promising clusters such as precision-engineering, commodity trading and life sciences (in Geneva) and medical technology, nutrition sciences, and IT (in Vaud) on top of the well-established clusters in luxury goods, fine chemicals, and wealth management in these cantons.

4. *Develop a comprehensive strategy to attract Asian MNCs.* Asian MNCs are growing their global footprint rapidly, and an increasing number of them are considering establishing management, R&D, and marketing units in Europe, especially in the areas of high-tech, trading, and chemicals—sectors of importance to Geneva and Vaud. Because Asian MNCs' expectations may be different from those of American and European companies, current processes for attracting MNCs to Geneva and Vaud may not be optimal. A comprehensive strategy is needed to capture the opportunities represented by Asian MNCs. It is important that the strategy be holistic so as to create a well-balanced MNC portfolio that will spread the risks and promote long-term, sustainable growth.

# SWITZERLAND AND MNCs: A WIN-WIN SCENARIO

When it comes to attracting multinational companies (MNCs), Switzerland not only has the know-how, it also sets the standard. The benefits flow both ways—Switzerland provides an advantageous business environment for MNCs, and MNCs make major contributions to the Swiss economy. Underlying these mutual benefits is a shared focus on R&D and innovation.

## Switzerland: Still at the Head of the Pack

As aptly attested to in a recent ad by the Azerbaijan Investment Office, "We're not Swiss, but we're perfect," Switzerland has become the "Harrods" of business locations for MNCs—a standard against which countries interested in attracting foreign investment and developing businesses measure themselves. Indeed, the World Economic Forum's *Global Competitiveness Report 2011-2012* has ranked

### EXHIBIT 1 | Switzerland Remains the Most Competitive Economy

Global competitiveness index: Top 15

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
1. Finland	1. Finland	1. Finland	1. Finland	1. Switzerland	1. US	1. US	1. Switzerland	1. Switzerland	1. Switzerland
2. US	2. US	2. US	2. US	2. Finland	2. Switzerland	2. Switzerland	2. US	2. Sweden	2. Singapore
3. Canada	3. Sweden	3. Sweden	3. Sweden	3. Sweden	3. Denmark	3. Denmark	3. Singapore	3. Singapore	3. Sweden
4. Singapore	4. Denmark	4. Taiwan	4. Denmark	4. Denmark	4. Sweden	4. Sweden	4. Sweden	4. US	4. Finland
5. Australia	5. Taiwan	5. Denmark	5. Taiwan	5. Singapore	5. Germany	5. Singapore	5. Denmark	5. Germany	5. US
6. Norway	6. Singapore	6. Norway	6. Singapore	6. US	6. Finland	6. Finland	6. Finland	6. Japan	6. Germany
7. Taiwan	7. Switzerland	7. Singapore	7. Iceland	7. Japan	7. Singapore	7. Germany	7. Germany	7. Finland	7. Netherlands
8. Netherlands	8. Iceland	8. Switzerland	8. Switzerland	8. Germany	8. Japan	8. Netherlands	8. Japan	8. Netherlands	8. Denmark
9. Sweden	9. Norway	9. Japan	9. Norway	9. Norway	9. UK	9. Japan	9. Canada	9. Denmark	9. Japan
10. NZ	10. Australia	10. Iceland	10. Australia	10. Australia	10. Netherlands	10. Canada	10. Netherlands	10. Canada	10. UK
11. Ireland	11. Japan	11. UK	11. Netherlands	11. Japan	11. Korea	11. Hong Kong	11. Hong Kong	11. Hong Kong	11. Hong Kong
12. UK	12. Netherlands	12. Netherlands	12. Japan	12. Netherlands	12. Hong Kong	12. UK	12. Taiwan	12. UK	12. Canada
13. Hong Kong	13. Germany	13. Germany	13. UK	13. Germany	13. Canada	13. Korea	13. UK	13. Taiwan	13. Taiwan
14. Denmark	14. NZ	14. Australia	14. Canada	14. NZ	14. Taiwan	14. Austria	14. Norway	14. Norway	14. Belgium
15. Switzerland	15. UK	15. Canada	15. Germany	15. UK	15. Austria	15. Norway	15. Australia	15. France	15. Norway

Source: World Economic Forum Global Competitiveness Report

Switzerland the most competitive economy worldwide for the past three years (2009–2011). (See *Exhibit 1.*) Many other international benchmarking studies also place Switzerland at or near the top of their rankings, including the Economist Intelligence Unit's Business Operations Risk Index, the International Institute for Management Development's World Competitiveness Score, and the Heritage Foundation's Economic Freedom Index.

The secret to Switzerland's success is hardly news. Switzerland offers an ideal mix of advantages to MNCs: a central location in the heart of Europe, a stable political and fiscal environment, well-developed infrastructure, a high quality of life, sustained investment in R&D, a highly skilled workforce, an attractive tax system, and a business-friendly public and government.

Since the mid-1990s, Switzerland has enjoyed robust economic growth, especially compared with other European OECD countries. While Switzerland's average annual real GDP growth rate (around 2.0 percent) has been lagging behind those of South Korea (4.4 percent) and Ireland (4.3 percent), Switzerland has outperformed its neighbors such as France (1.8 percent) and Germany (1.5 percent). Service industries constitute the largest share of Switzerland's GDP growth, offsetting the drop in agriculture and below-average growth in manufacturing. In 2010, 72 percent of Swiss GDP came from service industries (compared with 1 percent from agriculture and 27 percent from manufacturing).

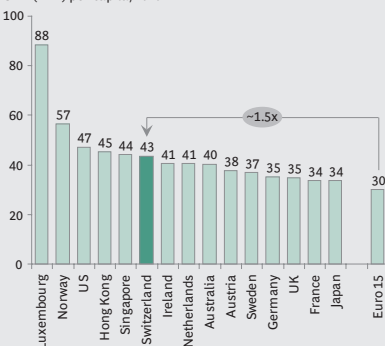
In terms of 2010 GDP per capita, Switzerland maintained its top position in Europe (coming in third after top-ranking Luxembourg and Norway) and placed sixth in the world after the United States, Hong Kong, and Singapore. (See *Exhibit 2.*) At around \$43,000, GDP per capita in Switzerland was 25 percent higher than that in the United Kingdom and Germany, and almost 50 percent higher than the euro zone average.

While the global financial crisis that began in 2008 has adversely affected the competitiveness of the Swiss economy (especially due to the recession in Europe and the increasing value of the Swiss franc), Switzerland has, by and large, coped with the crisis better than most of its peers. In 2010, Switzerland's unemployment rate (4 percent) was one of the lowest among OECD countries, and it was considerably lower than that of the euro zone average (10 percent) and the unemployment rate in the United States (9 percent). Further, Switzerland's unemployment rate

## EXHIBIT 2 | Switzerland Is Still One of the Wealthiest Economies

Swiss GDP per capita is ~1.5x more than that of Euro zone

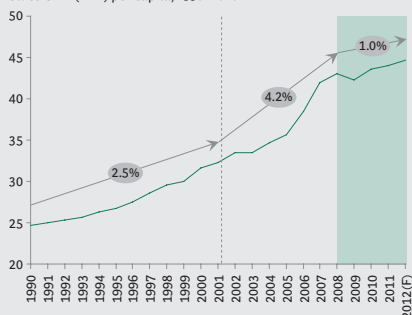
GDP (PPP) per capita, 2010



Source: EIU; BCG

2008 crisis ended Switzerland's high pace growth of early 2000s

Swiss GDP (PPP) per capita, 1990–2010



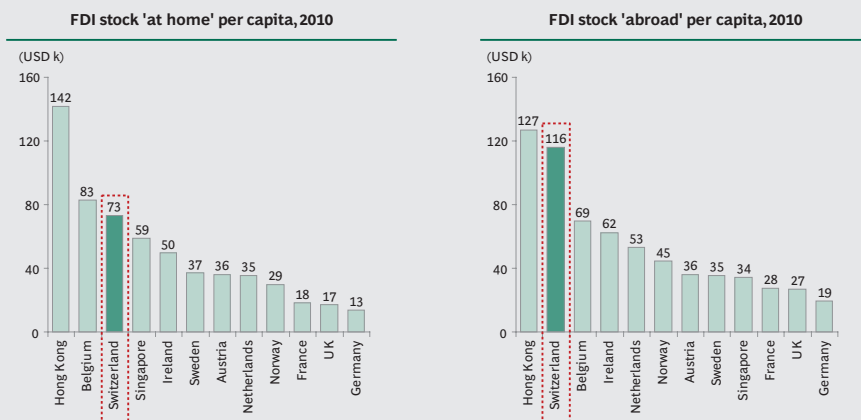
increased only marginally since 2008 (0.8 percentage point) compared with the euro zone average (up 2.5 percentage points) and the unemployment rate in the United States (up 5.0 percentage points).

In addition, Switzerland was running an almost zero-deficit budget in 2010, and its public debt (around 40 percent of its GDP) was one of the lowest among OECD countries. At around 11 percent, its government expenditures (as a percentage of 2010 GDP) barely changed since 2000, compared with an increase of 6 percentage points in the Netherlands (to 28 percent of GDP) and 5 percentage points in the United Kingdom (to 24 percent of GDP).

## The MNCs' Vital and Growing Contribution to the Swiss Economy

Since 2000, the Swiss economy has become increasingly international, primarily thanks to MNCs. Switzerland's export and imports combined reached 100 percent of its GDP. Foreign direct investment (FDI) inflows and outflows, which increased substantially between 2000 and 2010, are strong evidence of the increasing presence and assets of foreign MNCs in Switzerland. In 2010, FDI "stock per capita" in Switzerland (\$73,000) was one of the highest in the world—following Hong

### EXHIBIT 3 | FDI per Capita into and out of Switzerland Is Among the Highest in the World—Showing the Importance of MNCs to the Swiss Economy



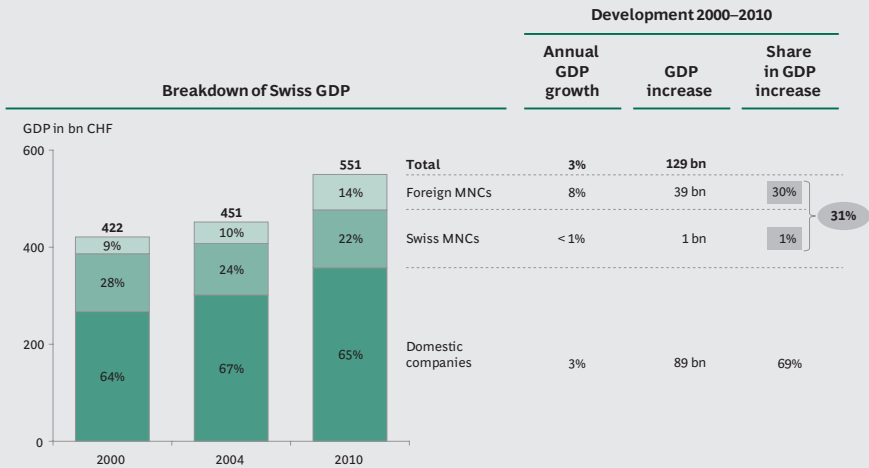
**Note:** FDI stock cumulative as of 2010YE  
**Source:** OECD; BCG

Kong (\$142,000) and Belgium (\$83,000). (See Exhibit 3.) It was roughly 25 percent more than that in Singapore (\$59,000) and more than double that in the Netherlands (\$35,000). Swiss MNCs also have strengthened their investments abroad: Switzerland's FDI stock per capita abroad (\$116,000) is the second highest in the world after Hong Kong (\$127,000); it is double that of the Netherlands (\$53,000) and triple that of Singapore (\$35,000). Also, Switzerland ranks at the top in terms of the number of Global Fortune 500 companies (1.9) per million inhabitants—only Luxembourg, which is home to one such company, has a better ratio.

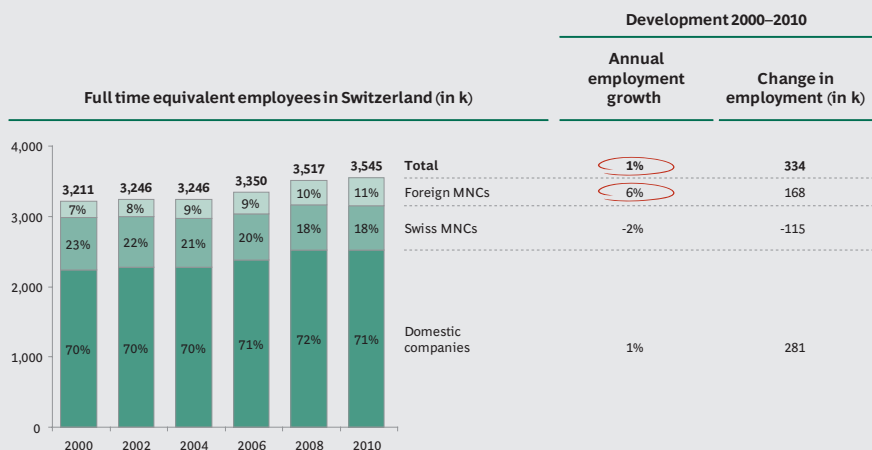
Perhaps the best testament to the growing "multinational density" in the Swiss economy is the increasing contribution of MNCs to Swiss GDP and employment growth. In 2010, MNCs accounted for 36 percent of the total Swiss GDP—14 percent from foreign MNCs located in Switzerland and 22 percent from Swiss MNCs.<sup>1</sup> (See Exhibit 4.) More than 30 percent of the \$129 billion in additional GDP created in Switzerland between 2000 and 2010 came from new entries or expansions of MNCs. During that time, the share of GDP contributed by foreign MNCs increased

<sup>1</sup> For the purposes of this study (as in our previous studies), we divided Switzerland-based MNCs into two categories: foreign and Swiss. Foreign MNCs are companies with operations or regional headquarters in Switzerland and global headquarters abroad (such as Procter & Gamble and Medtronic). Swiss MNCs are companies with global headquarters in Switzerland but with more than 25 percent of revenues coming from international operations and more than 25 percent of total staff located abroad (both measures apply cumulatively). Examples of Swiss MNCs are Nestlé and Tetra Pak. All other companies in this study are categorized as domestic companies.

## EXHIBIT 4 | MNCs Have Generated Almost One-Third of Swiss GDP Growth



## EXHIBIT 5 | Foreign MNCs' Annual Employment Growth Beat the National Average by a Factor of Six





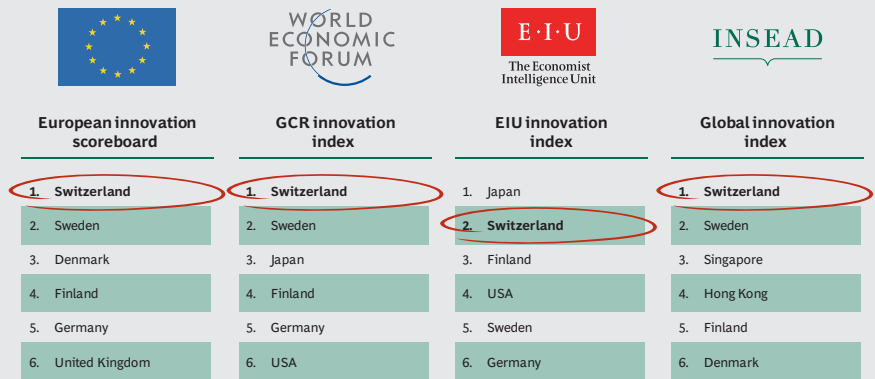
from 9 percent to 14 percent—with an annual growth of 8 percent (compared with the national average of 3 percent). In terms of employment, foreign MNCs have outpaced the national average by a factor of six and are responsible for the creation of every second job in Switzerland. (See *Exhibit 5.*)

Between 2000 and 2010, virtually all new jobs in manufacturing and 40 percent of new jobs in services in Switzerland were created by foreign MNCs. In 2010, these MNCs employed around 15 percent of the total manufacturing workforce and 8 percent of the service workforce in Switzerland. In addition, foreign MNCs created jobs in high-productivity sectors. For example, in manufacturing, the highest wage increases between 2000 and 2010 were in the chemicals, electronics, and precision engineering sectors, in which foreign MNCs have been dominant. Similarly, in services, the highest wage increases have been in financial services, telecommunications, and R&D, in which foreign MNCs have increased their presence most significantly.

Most of the foreign MNCs in Switzerland are of European or American origin. Of the available jobs at foreign MNCs, 81 percent are at European and 14 percent are at American MNCs. But the presence of Asian MNCs is increasing. Asian MNCs in Switzerland have had the highest job growth rate since 2003 (double that of European MNCs in Switzerland), followed by South American and Central American MNCs. U.S.-based MNCs have had almost flat job growth during the same period. Also, it is a myth that foreign MNCs in Switzerland are all large; in 2010, around 40 percent of them had direct investment stock valued below CHF 10 million.

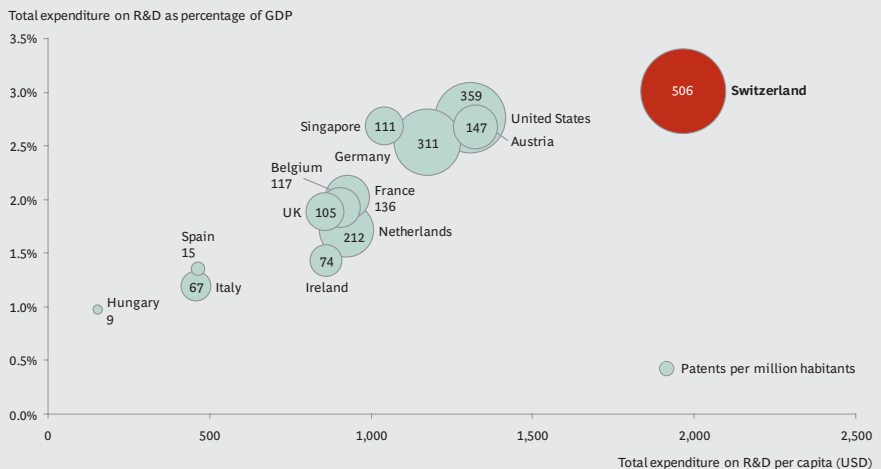
The contributions to GDP by Swiss MNCs in Switzerland declined from 28 percent in 2000 to 22 percent in 2010 (although the pace of decline has recently slowed). Further, between 2000 and 2010, Swiss MNCs provided fewer jobs in Switzerland. While Swiss MNCs have grown their employment abroad, the number of people they employ in Switzerland has decreased by 2 percent annually since 2000. Many Swiss MNCs have moved some of their business units and production sites to more advantageous locations that are closer to bigger markets, resources, and low-cost production locales. Nonetheless, Swiss MNCs continue to play an important role in the Swiss economy.

## EXHIBIT 6 | Switzerland Is Still the Best Place for Innovation



Source: EU Innometrics (2010); WEF (2011-2012); EIU (2009); INSEAD (2011)

## EXHIBIT 7 | Switzerland Invests Heavily in R&D and It Shows



Source: International Institute for Management Development (IMD); EIU (2010); BCG

## A Shared Focus on Innovation

Switzerland's success in attracting and retaining MNCs is no doubt related to its exceptional performance in innovation, as evidenced by its top rankings in many highly regarded international studies. *(See Exhibit 6.)*

Four factors are essential to creating a highly favorable environment for innovation and allowing Switzerland to sustain its strong R&D position:

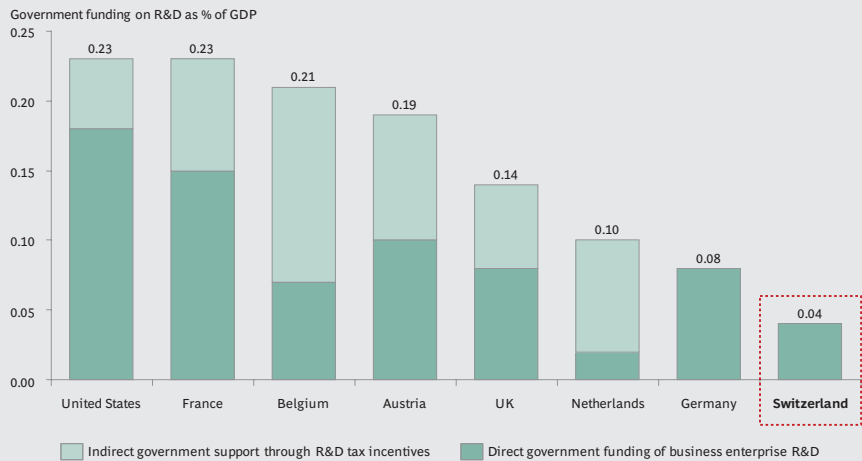
- By a large margin, R&D investment in Switzerland is the highest in the world on a per capita basis. *(See Exhibit 7.)* It is 50 percent higher than that in the United States and Austria—Switzerland's closest competitors on this front.
- Swiss laws and policy regarding the protection of intellectual property are outstanding, as reflected in the fact that Switzerland holds the highest number of patents worldwide and a leadership position in basic scientific research.
- Switzerland is home to some of the world's best universities and research institutions, which produce highly skilled experts and perform cutting-edge research.
- There are long-standing tradition and strong platforms for collaboration among universities and MNCs that facilitate the exchange of ideas, the flow of investments, and the creation of winning products and services.

While Switzerland's strong position in R&D has helped to increase the competitiveness of Swiss MNCs and attract foreign investment, MNCs are a major contributor to this success. For example, in 2010, Swiss government support and public funding for R&D were among the lowest in an international comparison.

*(See Exhibit 8.)* While the United States, France and Belgium spent more than 0.2 percent of GDP on R&D, and the United Kingdom and the Netherlands spent around 0.1 percent, Switzerland spent 0.04 percent. The private sector in Switzerland contributes 75 percent of the funding for R&D, and 95 percent of that private sector investment is contributed by MNCs—which means that almost 75 percent of the R&D investment in Switzerland comes from MNCs.

Thus, the increasing presence of MNCs in Switzerland and their investment in R&D is a key ingredient of Switzerland's well-sustained success in innovation. In other words, Switzerland has created a virtuous cycle: MNCs invest handsomely in R&D to make the Swiss economy the most competitive. This, in turn, attracts new MNCs to come to Switzerland and helps MNCs already in the country to expand their businesses in Switzerland—especially in areas that require high levels of innovation.

## EXHIBIT 8 | Swiss Government Spending on R&D Is Low Compared with That of Other Countries That Have a Strong Focus on Innovation



**Note:** 2010 data except US and Switzerland (2008)

**Source:** OECD; BCG

What is most striking about Switzerland's performance as measured by the *Global Competitiveness Report* is how the country has moved from a mediocre position (fifteenth in 2002) to the top (in 2011)—and managed to stay there. This is the virtuous cycle at work: As Switzerland has attracted more MNCs and created an ideal business environment for them, MNCs have expanded their presence and investments in Switzerland.

But this virtuous cycle is increasingly under threat due to many factors, including growing global competition over MNCs, which have the ability, experience, and incentive to periodically reevaluate the locations of their operations. How can Switzerland retain its position at the head of pack? What measures should it take to ensure that the virtuous cycle it has created remains intact?



# GENEVA, VAUD, AND MNCs: A WIN-WIN SCENARIO MAGNIFIED

The mutual benefits that result from the pairing of Switzerland and MNCs are magnified in the cantons of Geneva and Vaud. These cantons are thriving hubs of R&D and innovation, each with a high quality of life and a talented workforce that make them ideal locations for MNCs. In return, MNCs have become a powerhouse of economic growth in Geneva and Vaud and contribute to these cantons in ways that reach far beyond employment opportunities and wealth creation.

## Geneva and Vaud: Ideal Locations for MNCs

The Lake Geneva region, in which the cantons of Geneva and Vaud are located, brings to mind a picturesque landscape with quaint villages, a beautiful lake and mountains, an idyllic lifestyle, exceptional chocolate and watches, and ample avenues to enjoy the arts. The City of Geneva is known as a city of diplomacy, thanks to the presence of the United Nations and the Red Cross. Lausanne, the capital of Vaud, is also known as the Olympic Capital, because the headquarters of the International Olympic Committee is located there.

But there is much more to the Lake Geneva region: It is buzzing with international business, innovation, and entrepreneurship that have turned Geneva and Vaud into global business locations in the same league with London and Singapore. With a population of only 1.2 million, the Lake Geneva region more than pulls its



«Geneva and Vaud are great places to work and to live—this attracts many multinational companies.»

Michel Pettigrew  
*President of the Executive Board & COO, Ferring*



«"Made in Switzerland" globally stands for quality and accuracy—attractive attributes especially in manufacturing.»

Philippe de Korodi  
*COO, Parmigiani Fleurier*

weight by virtue of being the chosen location of many of the world's biggest MNCs. (See Exhibit 9.) It is from the cantons of Geneva and Vaud that 20 percent of Swiss patents have originated. And it is in this area that the world-renowned European Organization for Nuclear Research (CERN) has made its home.

There are many reasons why Geneva has been attractive to MNCs, among them the canton's high quality of life, central location and accessibility, cosmopolitan character (40 percent of residents are not Swiss), highly skilled workforce (and willingness of highly skilled people to move to Geneva), and the greatest density of international schools in the world. Also, Geneva has significant experience and successful administrative processes for working with MNCs, such as its "one-stop-shop solution" and "no-risk hiring" at its Economic Development Office. The satisfaction of MNCs currently in Geneva is probably the best advertisement for the canton. While Geneva has neither natural resources nor a port (nor a big population), it has retained and contributed to the growth of many MNCs over the years, and it has created outstanding industry clusters.

Vaud offers MNCs a high quality of life, an ample supply of talent, and strategic real estate sites. Many innovation-heavy MNCs, large and small, are attracted to Vaud because of its sophisticated R&D infrastructure and the extensive collaboration among universities and companies that takes place there. For example, the

## EXHIBIT 9 | MNCs from All Sectors Are Present in Geneva and Vaud

	Geneva		Vaud	
Consumer goods	<ul style="list-style-type: none"> <li>Bacardi</li> <li>Colgate-Palmolive</li> <li>Elizabeth Arden</li> <li>Expedia</li> <li>Japan Tobacco Int.</li> </ul>	<ul style="list-style-type: none"> <li>McDonald's</li> <li>Parmigiani Fleurier</li> <li>Procter &amp; Gamble</li> <li>Richemont</li> <li>PepsiCo</li> </ul>	<ul style="list-style-type: none"> <li>Audemars Piguet</li> <li>Chiquita</li> <li>General Mills</li> <li>Nestlé</li> </ul>	<ul style="list-style-type: none"> <li>Nissan-Infiniti</li> <li>Philip Morris Int.</li> <li>SC Johnson</li> <li>Starbucks</li> </ul>
Financial services / insurance	<ul style="list-style-type: none"> <li>BPE Rothschild</li> <li>Citigroup</li> <li>HSBC</li> <li>J.P. Morgan</li> </ul>	<ul style="list-style-type: none"> <li>Lombard Odier</li> <li>Merrill Lynch</li> <li>Pictet &amp; Cie</li> <li>UB Privée</li> </ul>		
Healthcare / Medical technology	<ul style="list-style-type: none"> <li>Covance</li> <li>Edwards Lifesciences</li> </ul>		<ul style="list-style-type: none"> <li>Ferring</li> <li>Medtronic</li> <li>Monsanto</li> </ul>	<ul style="list-style-type: none"> <li>Shire</li> <li>Stryker</li> </ul>
Industrial goods	<ul style="list-style-type: none"> <li>Alcoa</li> <li>Alimenta</li> <li>Caterpillar</li> <li>DuPont</li> </ul>	<ul style="list-style-type: none"> <li>Firmenich</li> <li>Givaudan</li> <li>LEMI</li> <li>SGS</li> <li>STMicroelectronics</li> </ul>	<ul style="list-style-type: none"> <li>Bobst Group</li> <li>Eaton</li> <li>Honeywell</li> <li>Norsk Hydro</li> </ul>	<ul style="list-style-type: none"> <li>O-I Europe</li> <li>Oil-Dri</li> <li>Parker Hannifin</li> <li>Tetra Pak</li> </ul>
Technology / Media / Telecommunications	<ul style="list-style-type: none"> <li>Dell</li> <li>Electronic Arts</li> <li>Hewlett Packard</li> </ul>	<ul style="list-style-type: none"> <li>Thomson Reuters</li> <li>VeriSign</li> <li>Yahoo</li> </ul>	<ul style="list-style-type: none"> <li>Cisco</li> <li>Kudelski</li> </ul>	<ul style="list-style-type: none"> <li>Logitech</li> </ul>
Energy & traders	<ul style="list-style-type: none"> <li>Bunge</li> <li>Cargill</li> <li>Mercuria</li> <li>Vitol</li> </ul>	<ul style="list-style-type: none"> <li>Louis Dreyfus Comm.</li> <li>Noble Group</li> <li>Trafigura</li> <li>Transocean</li> </ul>	<ul style="list-style-type: none"> <li>ADM</li> </ul>	

**Note:** List includes selected examples of MNCs with global or regional HQs in Geneva and Vaud  
**Source:** AmCham; BCG

École Polytechnique Fédérale de Lausanne (EPFL), located in Vaud's capital, has been instrumental in the incubation of many start-ups and in the expansion of MNCs in sciences, technology, and engineering. In addition, the canton is home to some of the biggest Swiss MNCs, such as Nestlé and Tetra Pak, which are continuing to expand their local footprints. Vaud's MNC portfolio also is quite diversified, including food manufacturing, retail, electronics, medical technology, and pharmaceuticals. What's more, the MNCs in Vaud are active in high-productivity sectors with substantial growth potential, which is important for sustainable job and wealth creation in the region and provides a reliable source of income to the cantons and federal government.



«Our company strives for Swiss virtues like quality, service, and precision. Geneva combines internationality and "Swissness" like no other place.»

Jean Luc Debuman  
*SVP Communications & IR, SGS Group*



«Romandie is an ideal location for our business. The quality of life is very high, there is a large pool of highly skilled people, and Switzerland offers economic and political stability.»

Rob ten Hoedt  
*President EMEA & Canada, Medtronic*



«Geneva and the surrounding region are without competition in Europe when it comes to combining quality of living and business environment.»

Karin Carpentier  
*Global Head of Corporate Sales & Accounts and Managing Director, Thomson Reuters*





«The workforce is generally very flexible. But staff that has lived in the region doesn't want to move elsewhere. This speaks volumes about the quality of life in the region.»

José Lorente  
*President, O-I Europe*



«Geneva offers an excellent infrastructure, a good standard of living, and a highly talented, diverse, and multilingual workforce—prime conditions for attracting multinational companies.»

Tómas Sigurðsson  
*President European Region and Global Primary Products Europe, Alcoa*



«Geneva is certainly a cosmopolitan business city—arguably the most cosmopolitan in Switzerland—and perfectly suited to our organization.»

Jean-Christophe Hyvert  
*VP Finance EMEA, Newell Rubbermaid*



«Nyon is a great location—local and cantonal authorities have always been very supportive and diligent.»

Luis Merizalde  
*President EMEA, General Mills*

## EXHIBIT 10 | Geneva and Vaud Have Enjoyed Strong Economies and Rapid GDP Growth

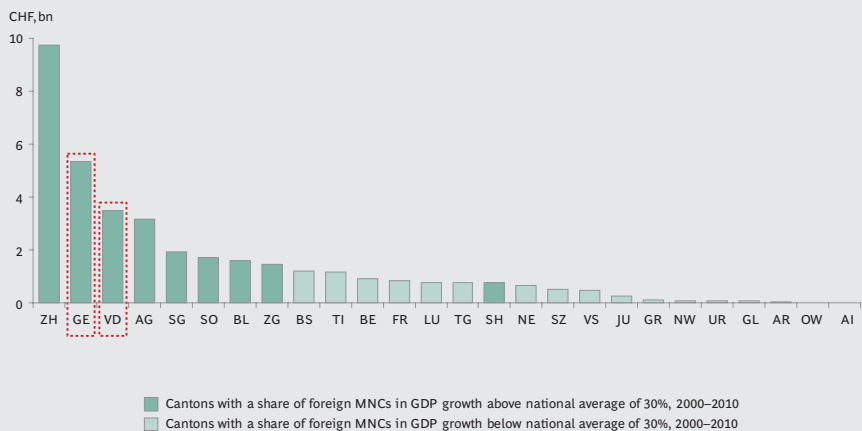


**Note:** GDP in current year prices

**Source:** SNB; BFS; BAK Basel Economics; BCG

## EXHIBIT 11 | Foreign MNCs Contributed Significantly to GDP Growth in Geneva and Vaud

Increase in cantonal GDP generated by foreign MNCs, 2000–2010



**Note:** GDP in current years

**Source:** BFS; SNB; BAK Basel Economics; BCG

## MNCs in Geneva and Vaud: A Powerhouse of Economic Growth

Geneva and Vaud stand out among Swiss cantons in terms of size and growth. In terms of cantonal GDP in 2010, Vaud ranked third and Geneva ranked fourth, following Zurich and Bern. Among the larger cantons of Switzerland (along with Basel-City), Geneva and Vaud recorded the fastest GDP growth between 2000 and 2010. (See *Exhibit 10.*) There is a connection between the growth in wealth and employment in Geneva and Vaud and the presence of MNCs in these cantons. In 2010, most of the foreign companies in Switzerland were located in Geneva and Vaud, as well as in Ticino and Zurich. Between 2003 and 2009, Geneva and Vaud came in second and third, respectively, in terms of the number of foreign MNCs that relocated their headquarters to Switzerland, topped only by Zug<sup>2</sup>.

Between 2000 and 2010, foreign MNCs generated 30 percent of the net increase in Switzerland's GDP (\$39 billion)—and almost 25 percent of that comes from Geneva and Vaud. While the largest contribution by foreign MNCs to Swiss GDP growth was in the canton of Zurich, foreign MNCs also generated significant GDP growth in the cantons of Geneva and Vaud. (See *Exhibit 11.*) Also, in terms of foreign MNCs' contributions to cantonal economies in 2010, Geneva ranked second-highest (at 22 percent), closely following Schaffhausen (at 23 percent) and surpassing the national average by 50 percent. (See *Exhibit 12.*)



«Western Switzerland is the Swiss California. Think about prime location, quality of life, and innovation!»

André Kudelski  
*CEO & Chairman, Kudelski*

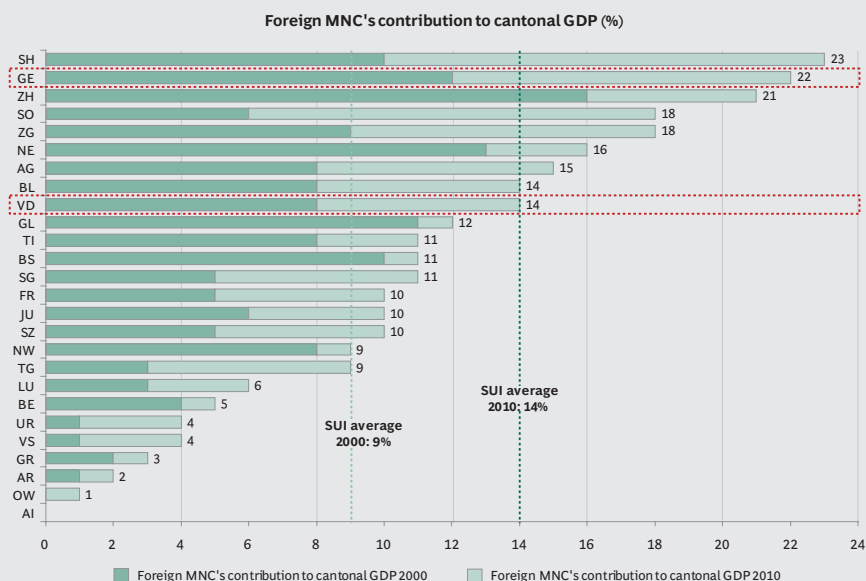


«Innovation is P&G's lifeblood and at the heart of our development strategy. Globally, our company invests \$2 billion a year in R&D. The Lake Geneva region benefits from an unrivaled tradition as a center of excellence and innovation, and it represents both an important factor for P&G's success and a very valuable pool for recruiting.»

Frédérique Reeb-Landry  
*General Director, P&G Geneva*

<sup>2</sup> See Arthur D. Little, *Headquarters on the Move*, 2009.

## EXHIBIT 12 | Foreign MNCs' Contributions to GDP in Geneva and Vaud Have Grown—and Their Contribution to Geneva's GDP is the Second Highest Among the Cantons



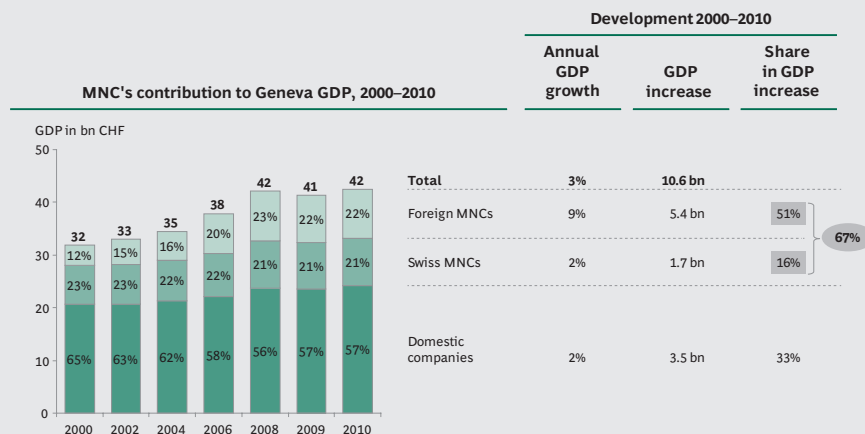
**Note:** GDP in current year prices

**Source:** SNB; BfS; BAK Basel Economics; BCG

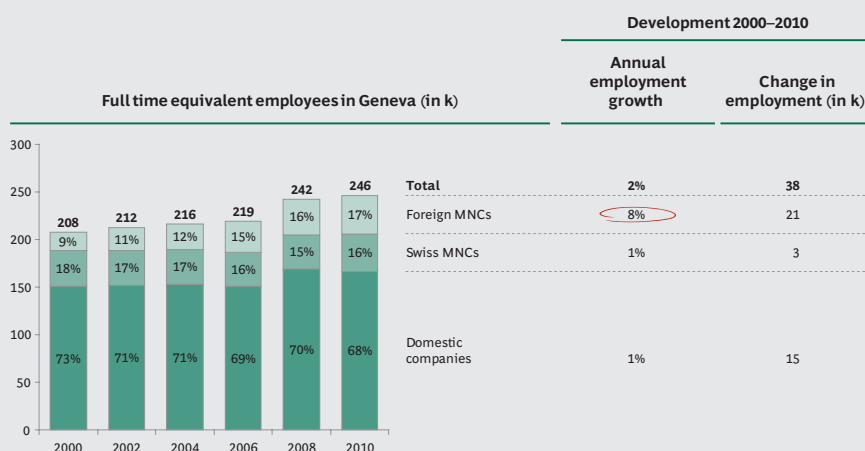
The types of MNCs that Geneva and Vaud attract, and the industry clusters that have developed in each canton, are to some extent different. Geneva is home to headquarters of more foreign MNCs, while Swiss MNCs are predominant in Vaud. For example, Geneva bustles with financial services firms, while Vaud is a center of innovation and technology focused firms.

**MNCs in Geneva.** In Geneva, MNCs accounted for 43 percent of GDP in 2010, up from 35 percent in 2000, while foreign MNCs almost doubled their contribution in the same period (from 12 percent to 22 percent). Overall, MNCs generated 67 percent of the increase in GDP in Geneva between 2000 and 2010. (See Exhibit 13.) During that time, foreign MNCs were the main drivers of growth in employment. On average, between 2000 and 2010, foreign MNCs increased employment in Geneva by 8 percent annually, compared with the cantonal average of 2 percent and a 1 percent increase in employment stemming from domestic companies. During this period, foreign MNCs created 21,000 out of a total of 38,000 new jobs in Geneva—more than 50 percent. (See Exhibit 14.)

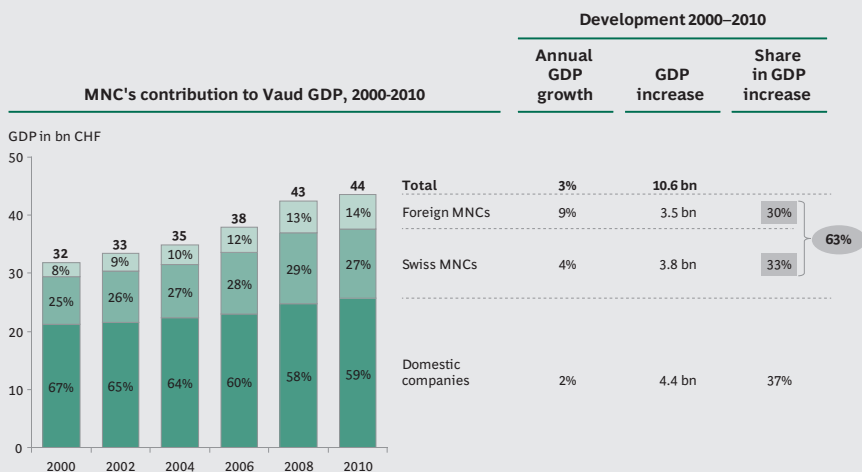
## EXHIBIT 13 | MNCs Generated 67 Percent of the Increase in GDP in Geneva



## EXHIBIT 14 | Foreign MNCs Were the Main Driver of Employment Growth in Geneva



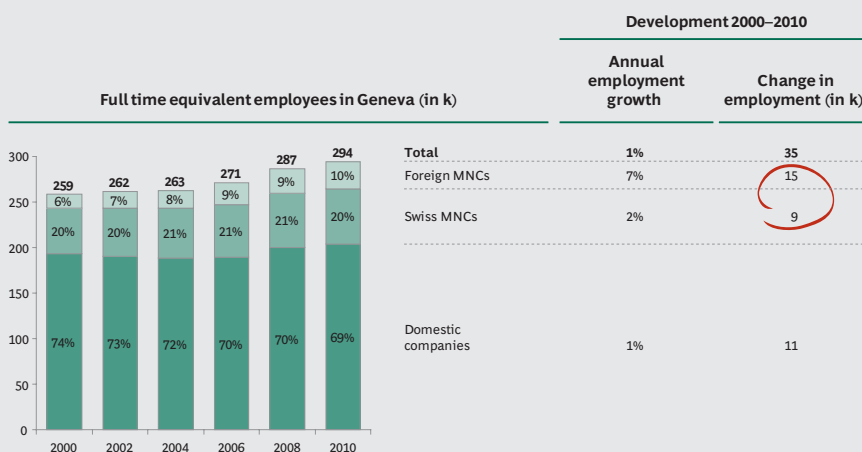
## EXHIBIT 15 | MNCs Generated 63 Percent of the Increase in GDP in Vaud



**Note:** GDP in current year prices.

**Source:** SNB; BFS; BAK Basel Economics; BCG

## EXHIBIT 16 | MNCs Were the Main Driver of Employment Growth in Vaud



**Source:** SNB; BFS; Handelszeitung; ORBIS database; BCG

MNCs in Geneva are especially active in the financial services, wholesale and commodities trading, and luxury goods sectors. In 2011, the Global Financial Centres Index ranked Geneva as the world's ninth most important financial center (ahead of Frankfurt)—and third in Europe (after London and Zurich)—in terms of competitiveness. Despite its small size and population (which is half that of Zurich and less than 5 percent that of London or Singapore), Geneva is recognized as a global specialist in both private banking and wealth and asset management. Increased activity in Geneva by MNCs in the chemical and electronics industries contributes to the diversification of MNCs at work in the canton. *For a birds-eye view into three MNCs in Geneva, see the sidebar "MNCs at Work in Geneva."*



«A major reason to come to Geneva is the large pool of experienced consumer goods talent.»

Udo Schelkes  
VP Finance, Elizabeth Arden International



«Geneva has become an important trading hub—talent, players, and banks are here.»

Norman Hay  
President, Cargill

**MNCs in Vaud.** In 2010, MNCs accounted for 41 percent of GDP in Vaud—an increase from 33 percent in 2000. Between 2000 and 2010, MNCs generated 63 percent of the increase in Vaud's GDP. *(See Exhibit 15.)* Further, the contributions to Vaud's GDP made by foreign MNCs grew almost five times faster than those of domestic companies. Unlike in Geneva, Swiss MNCs in Vaud have expanded their share of cantonal GDP by achieving a growth rate above the cantonal average. MNCs overall accounted for more than two-thirds of the new jobs created in Vaud (24,000 out of a total of 35,000) between 2000 and 2010. *(See Exhibit 16.)* Not only have MNCs created or brought in high-productivity jobs in Vaud, but they also have generated a significant number of secondary jobs—as have MNCs throughout Switzerland—through the use of local IT specialists, doctors, lawyers, and other professional services. *For a quick look at three MNCs in Vaud, see the sidebar "MNCs at Work in Vaud."*



«Geneva offers access to trading capabilities, which is a great asset to our business.»

Jacques Gillaux  
*Global Head Grains & Oilseeds, Noble Group*



«Vaud offers an excellent business environment, a strong infrastructure, and a central location for Eaton's regional headquarters. It also gives incubator support and access to funding for start-ups and small and medium-sized enterprises, which are key to continuing to attract dynamic, forward-thinking companies.»

Yannis Tsavalas  
*President EMEA, Eaton*



«We benefit significantly from being close to EPFL—the engineering quality is world class.»

Junien Labrousse  
*Senior VP, PC, MAC, Tablet accessories, Logitech*



«We sponsor a professorship at the College of Engineering in Fribourg—an asset for students and the company at the same time.»

Claude Ambrosini  
*Managing Director, Liebherr*



## The Full Impact of MNCs: Beyond Economics

The contributions that MNCs make to the areas in which they are located go far beyond employment opportunities and wealth creation. (See Exhibit 17.) MNCs promote positive work environments through diversity, equal opportunity, and professional development at their places of work. Many MNCs in the region have launched sustainability programs and contribute to local charity. MNCs also contribute to the local "knowledge economy," as best evidenced by their focus on R&D. The percentage of full-time equivalent work in R&D at MNCs located in the cantons of Geneva and Vaud (1 percent) is double the national average. In addition, MNCs sponsor many academic positions in universities (especially in sciences, engineering, and technology) and make financial contributions to research institutions. A number of MNCs, including Firmenich and Logitech, support primary and secondary school education. Further, MNCs contribute to the arts and to the vibrant cultural life in the region through sponsorships and patronage (for example, the Montreux Jazz Festival). Finally, MNCs are active supporters of charity events, through direct donations, offering their expertise, and encouraging employees to volunteer their time.

### EXHIBIT 17 | The Contributions of MNCs Extend Beyond Employment Opportunities and Wealth Creation

Good and fair work environment	<ul style="list-style-type: none"> <li>Promote <b>diversity</b> of the workforce</li> <li>Ensure <b>equality</b> of opportunities</li> <li>Support professional <b>formation</b></li> </ul>	<p>"To be successful in the long term, a company has to create value – not just for shareholders, but for society as a whole."</p> <p>Nestlé</p>
Contribution to sustainability	<ul style="list-style-type: none"> <li>Use resources <b>responsibly</b></li> <li>Keep <b>emissions</b> to a minimum, e.g. with transportation incentives for employees</li> <li>Work with <b>local</b> companies</li> </ul>	<p>"Sustainability means ensuring a better quality of life for every human being, now and also for future generations."</p> <p>PeG</p>
Education & sciences	<ul style="list-style-type: none"> <li>Cooperate with <b>universities</b> in research and through scholarships</li> <li>Organize <b>conferences</b>, publish studies</li> <li><b>Teach</b> at schools</li> </ul>	<p>"Our company contributes to and benefits from the local knowledge economy – the numerous university co-operations are a big advantage."</p> <p>Firmenich</p>
Arts, culture & sports	<ul style="list-style-type: none"> <li>Sponsor local <b>cultural</b> events</li> <li>Offer patronage to <b>sports</b> events and organizations</li> <li>Support <b>arts</b> through scholarships</li> </ul>	<p>"Lombard Odier strives for enriching the cultural heritage for future generations. Hence we support many cultural activities in the region."</p> <p>Lombard Odier &amp; Cie</p>
Charity & community	<ul style="list-style-type: none"> <li><b>Donate</b> money to local projects</li> <li>Encourage employees to <b>volunteer</b></li> <li>Offer company <b>expertise</b> to local initiatives</li> </ul>	<p>"McDonalds wants to give back to society - the Ronald McDonald Children's foundation is the living testimony of our responsibility."</p> <p>McDonald's</p>

Source: BCG

**Among many others, the following companies and organizations contributed to this study:**

Alcoa  
Audemars Piguet  
Bobst Group  
British American Tobacco  
Bunge  
Cargill  
Caterpillar  
Citigroup  
Colgate-Palmolive  
DuPont  
Eaton  
Edwards Lifesciences  
Electronic Arts  
Elizabeth Arden  
Ferring  
Firmenich  
General Mills  
Givaudan  
Hewlett-Packard  
International Committee of the Red Cross (ICRC)  
International Federation of Pharmaceutical Manufacturers & Associations (IFPMA)  
Kudelski Group  
LEM  
Liebherr  
Logitech  
Lombard Odier & Cie  
Medtronic  
Nestlé Health Science  
Newell Rubbermaid  
Nissan/Infiniti  
Noble Group  
O-I  
Orangina Schweppes  
Parmigiani Fleurier  
PGT Healthcare  
Philip Morris International  
Procter & Gamble  
SC Johnson  
SGS Group  
Shire  
STMicroelectronics  
Tetra Pak  
Thomson Reuters  
Trafigura  
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École Polytechnique Fédérale de Lausanne (EPFL)

The Federation of Enterprises in Swiss Romandie, Geneva  
*(Fédération des Entreprises Romandes, Canton Genève)*

The Geneva Chamber of Commerce, Industry and Services  
*(Chambre de commerce, d'industrie et des services, Canton Genève)*

The Geneva Economic Development Office  
*(Service de la promotion économique, Canton Genève)*

The Swiss Federal Statistical Office (BFS)

The Swiss National Bank (SNB)

We extend our thanks to all the contributors for their innovative ideas, their time, their data, and their willingness to share their thinking with us.

# MNCs AT WORK IN GENEVA

## **DuPont: A Leading Innovator for a Sustainable Future**

DuPont has been at the frontier of chemical sciences and engineering since 1802. The company began as a manufacturer of black powder for explosives and transformed into the inventor of such famous brands as Teflon and Kevlar and of such ubiquitous products as nylon and lycra, to name just a few. In 2011, DuPont was awarded the prestigious Prix de l'Industrie by local authorities in Geneva.

The company has its headquarters for Europe, the Middle East, and Africa in Grand Saconnex, Geneva. The R&D infrastructure of the Lake Geneva region is a good fit with DuPont's focus on innovation: DuPont operates more than 150 research facilities worldwide and holds more than 35,000 patents. In 1989, the company set up its European Technical Center in Meyrin, DuPont's largest research center in Europe. This center supports 30 percent of the company's revenues from Europe, the Middle East, and Africa and brings business together with academia in order to enhance DuPont's pursuit of innovation. In 2001, laboratories for DuPont Advanced Fiber Systems and additional engineering facilities were opened in Geneva, and in 2010, DuPont chose Geneva as the location for a photovoltaic lab.

Locally, DuPont sponsors awards to foster students' passion for science. In 2011, DuPont launched two volunteer projects with two local associations, Partage and Pro Natura; 15 percent of DuPont's local employees participated by volunteering more than 2,500 hours of their time. In 2012, DuPont observed the thirtieth anniversary of its apprenticeship program.

## **Firmenich: World-Class Fragrances and Flavors**

Firmenich, which was founded in Geneva in 1895, is the world's largest privately owned company in the fragrance and flavor business. It holds more than 1,850 patents, and it has created many of the best-known perfumes and flavors. Each year, it invests around 10% of its turnover in R&D. This commitment has been long recognized by many Innovation Awards, including a Nobel Prize in Chemistry for Leopold Ruzicka, Firmenich's first Research Director, in 1939.

Firmenich is committed to Geneva, where its global headquarters is located. The company has 1,700 employees in Geneva (out of 7,000 worldwide) who work at one

of its three sites in the canton. Its corporate headquarters is located in Meyrin-Satigny, which includes a food and flavor expertise center as well as production facilities for its perfumery and flavor businesses; it runs an R&D and perfumery hub in La Jonction; and it operates an ingredients plant in La Plaine.

Firmenich actively contributes to the Geneva community: For example, once a year, "Firmenich Community Day," provides an opportunity for employees to make a difference by, for instance, contributing to cleaning up public areas or rivers, thereby providing hands-on support for the company's commitment to the environment.

## **P&G: Reaching Four Billion Consumers**

Procter & Gamble (P&G), founded in 1837 and headquartered in Cincinnati, Ohio, manufactures a wide range of consumer goods in beauty, grooming, and household care. In 1956, P&G set up its headquarters for the Middle East and Africa in Geneva, where its presence has since grown steadily. In 1974, P&G chose Geneva as the location for its operational center for Switzerland; in 1999, the location was transformed into P&G's strategic offices for Europe, the Middle East, Asia, and Africa; and in 2007, the new Lancy Innovation Center was established. In addition, P&G plans to launch a new joint venture (called PGT Healthcare) with the pharmaceutical company Teva. PGT Healthcare, which will focus on branded over-the-counter drugs to be sold outside of North America, will also be based in Geneva. Employing around 3,200 people, P&G is the third-largest private employer in Geneva. Half of its roughly 200 new hires per year are originally from the Lake Geneva region.

P&G is a popular company to work for : In 2011, the magazine Bilan recognized P&G as the best employer in the region. P&G is also a role model in terms of diversity: about 43 percent of the top positions at P&G in Geneva are held by women. It is also community minded: P&G's "Live, Learn and Thrive" initiative strives to help children in need around the world. In 2011, it donated CHF 1 million to social purposes and its employees contributed about 6,000 hours of volunteer work in and around Geneva.

# MNCs AT WORK IN VAUD

## **Kudelski: Game-Changing Innovator**

The rise of the Kudelski Group is truly a success story. The company was founded in the 1950s by Stefan Kudelski. During his student days at EPFL, Kudelski revolutionized recording techniques when he developed a portable audio recorder. The recorder and its successors became known as the "Nagra" series. Since its foundation, the company's product scope has broadened into digital security and related technologies for the media industry. André Kudelski, the son of the founder, has focused on digital TV and public-access systems (such as SKIDATA), offering solutions that are used, for instance, for ski lifts.

Kudelski employs more than 3,000 people, almost 1,000 of them in Switzerland. It is headquartered in Lausanne. In Vaud, the company focuses on R&D activities. The company's strong links to the Lake Geneva region are evidenced by its sponsorship of local cultural activities, such as the Montreux Jazz Festival. They are also apparent in the company's strong ties to EPFL and Vaud's knowledge economy. Both Stefan and André Kudelski graduated from EPFL, and the company supports the university by sponsoring a prize for outstanding master's degree projects and through an exchange program and collaboration platforms between Kudelski and EPFL towards joint project development.

## **Medtronic: A Global Leader in Medical Technology**

Founded in 1949 in Minneapolis, Minnesota, Medtronic is a household name in medical technology (probably best known for its cardiac pacemakers). The company employs 40,000 people worldwide, around 700 of them in Switzerland.

Since 1996, Medtronic has been a member of the Vaud business community. Three of its units are located in the region: its European headquarters, its Swiss manufacturing organization, and its European Training Center. The training center aims primarily to educate the medical community and the general public about the correct and most effective use of Medtronic's products.

What attracted Medtronic to Vaud is its expertise in quality and precision technology, and the proximity of high-standard research centers. Medtronic strives to

contribute actively to the regional cluster of excellence. In addition, the company supports numerous social-impact initiatives and programs. Its "Community Link" program provides support to schools, social workers, and the health sector, especially in those communities in which the company is located—one of the many ways in which Medtronic has had a lasting impact.

## **Nestlé: The Quintessential Swiss Company**

Nestlé is the world's largest nutrition, health, and wellness company. While Nestlé is active in 16 of the 26 cantons in Switzerland, its home is in Vaud. The worldwide headquarters of the Nestlé Group, Nestlé Suisse, and Mövenpick are all based in Vevey; Lausanne hosts Nespresso International and, nearby, its renowned Nestlé Research Center; other key Nestlé locations in the canton include Henniez, Orbe, and Avenches; and Nestlé also has many distribution, production, and technology centers based in Vaud. In addition, a significant number of the 9,000 people Nestlé employs in Switzerland (where it is one of the most popular employers) are based in Vaud.

Nestlé has a distinguished history of innovation, having, for example, introduced the first milk chocolate and coffee-capsule system. The Nestlé Research Center plays a central role in innovation across the whole of Nestlé's product portfolio. In 2011, two new Nestlé entities became operational in Vaud: Nestlé Health Science (located in Lutry) and the Nestlé Institute of Health Sciences (located on the campus of, and working in close collaboration with, EPFL). Their objective is to pioneer a new industry: science-based personalized nutrition intended to prevent and treat medical conditions.

Nestlé is actively supporting community projects in Vaud, such as Fondation Planètes Enfants Malades, Alimentarium, or sports events such as the 20 km de Lausanne race.

# NO ROOM FOR COMPLACENCY: THE COMPETITION IS HEATING UP

Past success cannot guarantee the future. As attractive as MNCs have found Geneva and Vaud, these companies will continue to explore and assess the best locations available to them. So there is no room for complacency—especially in light of developments that may be making Geneva and Vaud somewhat less attractive than they have been. Right now, Geneva and Vaud are receiving mixed reviews when it comes to the most critical economic considerations for MNCs— cost, productivity, and taxes. In addition, they are facing intensifying global competition when it comes to attracting MNCs. And this is not a competition that Geneva and Vaud can afford to lose; the costs could be very high.

## The Deteriorating Attractiveness of Geneva and Vaud

While Geneva and Vaud have been successful in attracting and retaining MNCs over the past decade, they cannot afford to get comfortable. The city of Geneva, for example, recently slipped in the Mercer Quality of Living rankings. While Geneva had consistently been ranked one of the top three cities (from 2006 through 2010), it dropped to eighth place in 2011. Mercer attributed this decline to



«The Lake Geneva region has been a global leader in infrastructural efficiency and security but we need further investment to keep our position.»

Philippe Merk  
CEO, Audemars Piguet



«In order to expand our industry leadership position, like many successful Swiss international companies, we need to continue to attract talent to Givaudan's global footprint.»

Gilles Andrier  
CEO, Givaudan



the housing shortage (which has gotten worse) and local transportation problems (which have not improved). This deterioration in Geneva's quality of life has reduced its attractiveness—not only to MNCs but also to international organizations. The potential economic impact is far from insignificant. More than 20,000 civil servants from other countries and international organizations lived in Geneva in 2010. The economic consequences of an exodus of MNCs and international organizations would be substantial.



«Work permits are becoming more difficult to obtain and this makes it hard to bring talented people to Geneva.»

Eduardo Pisani  
*Director General, International Federation of Pharmaceutical Manufacturers & Associations (IFPMA)*



«It is hard to get young and creative talent to Geneva—despite its high quality of life.»

Jens Uwe Intat  
*SVP & Managing Director Europe (Publishing), Electronic Arts*



«Vaud has a good track record of attracting companies, but the canton should incentivize them to continue investing long-term in the local economy.»

Patrick Verguet  
*President EMEAC, Edwards Lifesciences*

Many factors that have made the Lake Geneva region appealing to MNCs—such as the availability of a skilled workforce—are either changing for the worse or not showing signs of increasing strength. Further, the outlook on issues that need addressing—such as the cost of living and increasing labor costs—is not encouraging. (See *Exhibit 18*.)

While the region is still competitive when it comes to its supply of talent and its flexible and liberal labor laws, the labor market on the whole has taken a turn for the worse owing to growing labor costs and increasingly complex immigration processes that inhibit the migration of highly qualified personnel in required areas of

## EXHIBIT 18 | Geneva and Vaud Are Becoming Less Attractive to MNCs along Some Key Dimensions

		Current status (2012)	Expected future development
Talent supply	• Skilled workforce	●	⇒
	• Multicultural and linguistic workforce	●	⇒
	• Relevant cluster / network / resources	●	↑
Labor market	• Labor cost	●	↓
	• Flexibility of employees	●	⇒
	• Liberal laws & regulations	●	⇒
Infrastructure	• Domestic transportation	●	↓
	• International flights	●	↑
	• Availability of housing	●	↓
Government / Authorities	• Stable political environment	●	⇒
	• Easiness to work with government	●	⇒
	• Business support by authorities	●	⇒
Taxes	• Company tax	●	↓
	• Personal tax	●	⇒
	• Simplicity of tax system	●	⇒
Quality of life	• Attractive leisure activities	●	⇒
	• International schools	●	↓
	• Personal security	●	↓
Location	• Proximity to key markets	●	⇒
	• Cost of living	●	↓
	• Reputation	●	⇒

Source: BCG

● Attractive ● Neutral ● Negative ↑ Improving ⇒ Same ↓ Deteriorating

expertise. For example, the region's focus on sciences, engineering, and technology generates persistent demand for highly skilled employees in those fields—demand that cannot be met within Switzerland and the European Union. Another serious concern is that current infrastructure has reached full capacity (especially the railways and roads), and investments are needed now in order to meet future needs.



«The cost of living in the Lake Geneva region is consistently higher than in the rest of Switzerland.»

Dirk Moritz  
VP Global Strategic Marketing, Shire Human Genetic Therapies



«The availability of housing and places in international schools continue to be important issues when we transfer employees to Geneva.»

Ian Hudson  
President EMEA and President DuPont de Nemours International, DuPont

Housing shortages, which were once limited to the city of Geneva, are becoming a region-wide issue, and there are increasing concerns about personal security—both of which may compromise one of Geneva and Vaud's primary value propositions: a high quality of life.

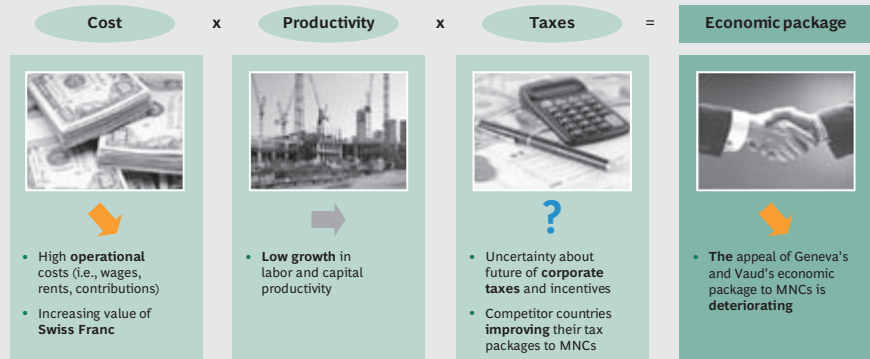
## The Mixed Economic Appeal of Geneva and Vaud

MNCs view cost, productivity, and taxes as the three most critical considerations for assessing the economic attractiveness of any location. In terms of this "economic package," the outlook for Geneva and Vaud is mixed. (See *Exhibit 19*.)

**Cost.** Due to increasing costs, Switzerland is becoming less attractive to MNCs than other places in Europe (such as Ireland) and around the world (such as Singapore.) In addition, within Switzerland, the costs of living and working in Geneva and Vaud are higher than in other cantons. The cost of living has increased significantly in Geneva in recent years. As of 2011, Geneva became one of the most expensive places to live in the world. (See *Exhibit 20*.) The cost of living in Vaud is somewhat less, but the gap between Vaud and Geneva in this regard is closing. Personal income taxes and social security contributions are higher in Geneva and Vaud than in most of the other Swiss cantons. Operating costs are also on the rise. Further, the increasing value of the Swiss franc has reduced the competitiveness of many MNCs by narrowing their margins and lowering their sales volume. Export-oriented MNCs in manufacturing, wholesale trading, and financial services, which contribute to the traditionally high trade surplus of the region, have been particularly adversely affected. (See *Exhibit 21*.) Many MNCs active in financial services are under increasing pressure owing to new regulations and debates around the traditional secrecy policies of Swiss banks. Also, MNCs with large production, R&D, and shared services units in the region are feeling the pressure more than MNCs with only limited headquarters functions simply because they have a bigger workforce and are more exposed to the higher costs.

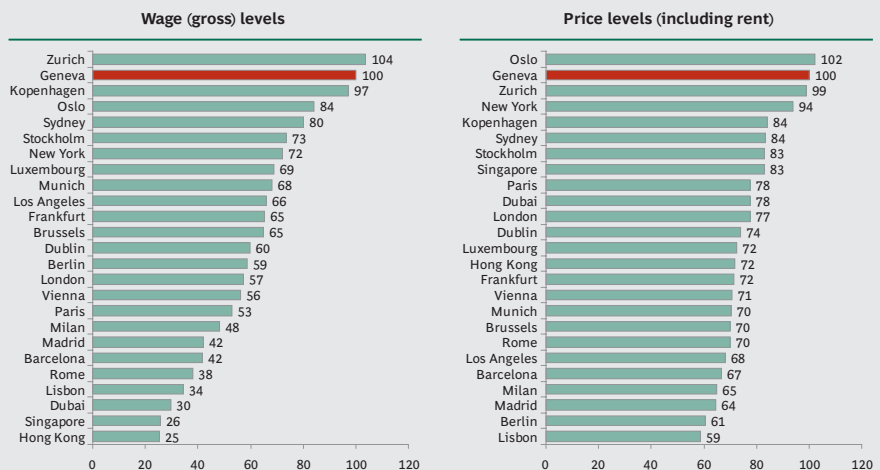
**Productivity.** The productivity of the Swiss labor force (which is critical to the long-term competitiveness of an economy) has been less than exemplary. Switzerland has been in the middle tier compared with other OECD countries—around the same level as Australia and the United Kingdom, but below the United States and the Netherlands. Further, Switzerland's productivity growth is among the lowest among OECD countries. (See *Exhibit 22*.) Admittedly, the productivity of the Swiss labor force varies considerably across sectors, creating a two-speed world within the country. In heavily regulated and local sectors such as agriculture and tourism, which are not exposed to heavy international competition, there is lower productivity. In sectors with a focus on innovation, international exposure, and an MNC presence, such as financial services, pharmaceuticals, and chemicals, there is higher productivity and greater productivity growth.

## EXHIBIT 19 | The Appeal of the Economic Package That Geneva and Vaud Offer MNCs Is Eroding



Source: BCG

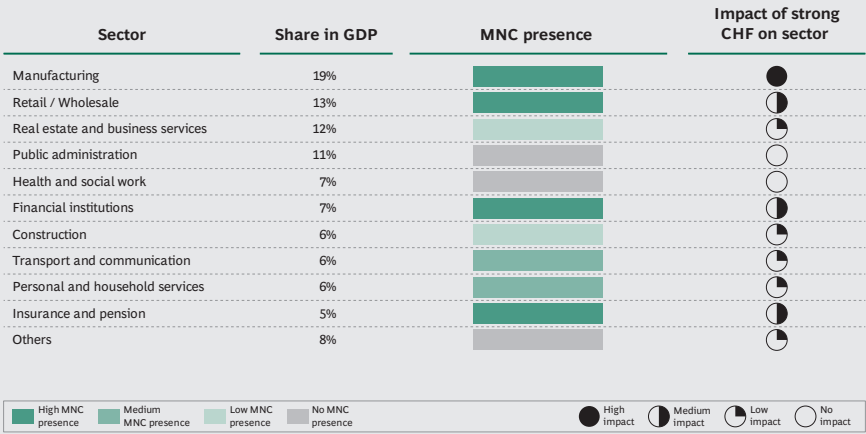
## EXHIBIT 20 | Geneva Is An Expensive Place to Operate a Business and An Expensive Place to Live



Note: Index: Geneva = 100

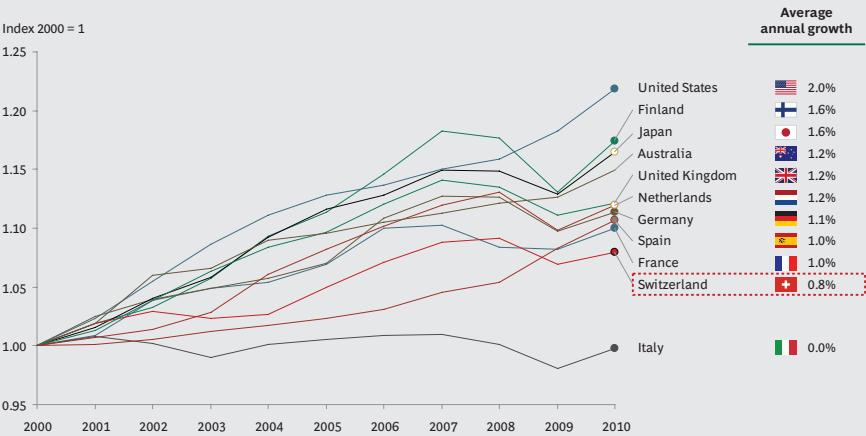
Source: UBS – Prices and Earnings 2011

### EXHIBIT 21 | Many MNCs Have Been Hit Hard by the Increasing Value of the Swiss Franc



Source: BFS; BCG

### EXHIBIT 22 | In Comparison with Many Other OECD Countries, Switzerland's Productivity Growth Has Been Low



**Note:** GDP in current year prices; Labor productivity calculated as GDP per hour worked.  
**Source:** OECD; BCG

**Taxes.** Uncertainty about corporate taxes and incentives looms large. While competitive tax rates alone are not sufficient to cause an MNC to select a particular location, in most cases they are a necessary condition. Tax rates that are considered too high can knock a country out of the running. During the past decade, international competition over tax rates has accelerated, and both the European Union and the United States are exerting pressure on Switzerland to eliminate tax advantages given to foreign companies and to harmonize corporate tax systems among these countries. Also, the economic crisis has led many countries to put together aggressive tax strategies—including special incentives—in order to attract and retain foreign MNCs. It remains to be seen how flexible and eager the national and cantonal Swiss governments will be to maintain a tax system that is central to sustaining Switzerland's attractiveness to MNCs.



«The region is primed to expand in R&D and management. Expanding production is challenging due to costs and distance to key markets.»

Dennis Jönsson  
*CEO & Group President, Tetra Pak*

## The Intensifying Global Race over MNCs

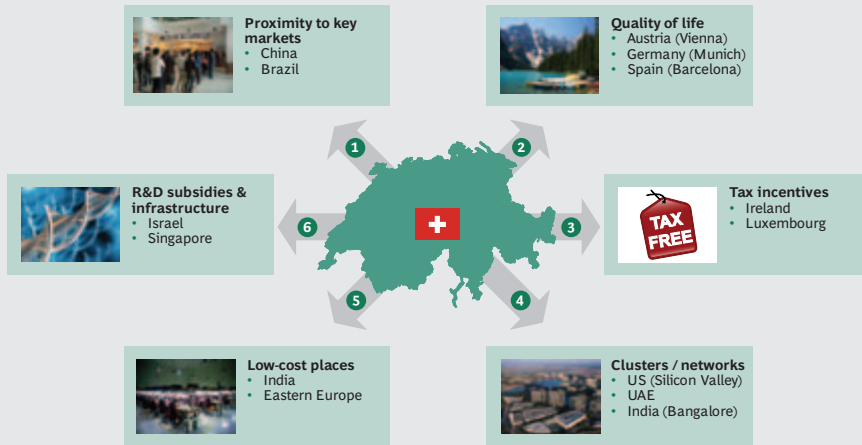
MNCs are global actors. For the most part, they are not bound to any specific location. When it is advantageous, MNCs shift their businesses (or specific business units) to new locations. Generally speaking, MNCs strategically reevaluate their locations roughly every five years. But different business units within MNCs typically observe different schedules when it comes to potential relocation.



«There is increasing competition—regionally as well as globally—over the location of MNCs.»

Rich Riley  
*SVP & Managing Director EMEA, Yahoo!*

## EXHIBIT 23 | The Global Race to Attract MNCs Is Intensifying

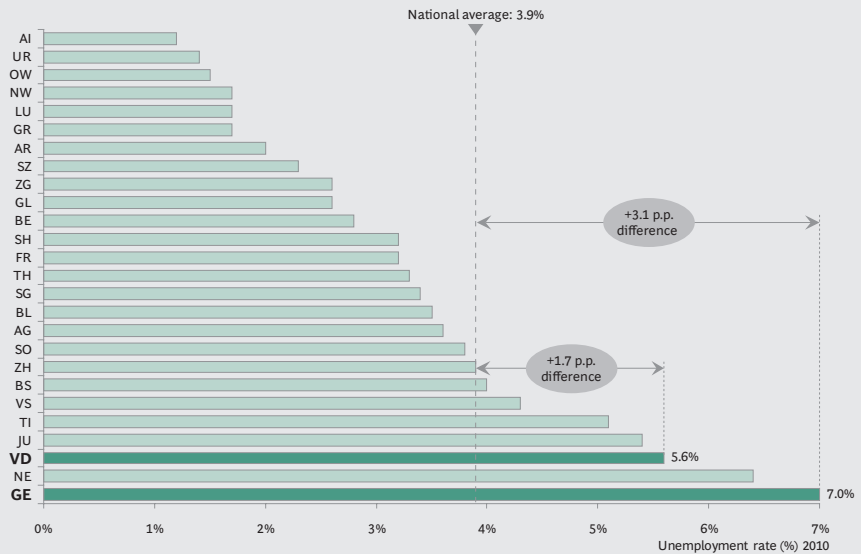


Source: BCG

For example, R&D and production tend to be more stable, with an average ten-year horizon for reevaluation their geographic setup. On the other hand, head-quarter units in shared services, for example in marketing and HR, are more likely to make a move more quickly, as they reevaluate their location on average every five years. Finance units, which tend to move the most frequently, may consider their location every other year.

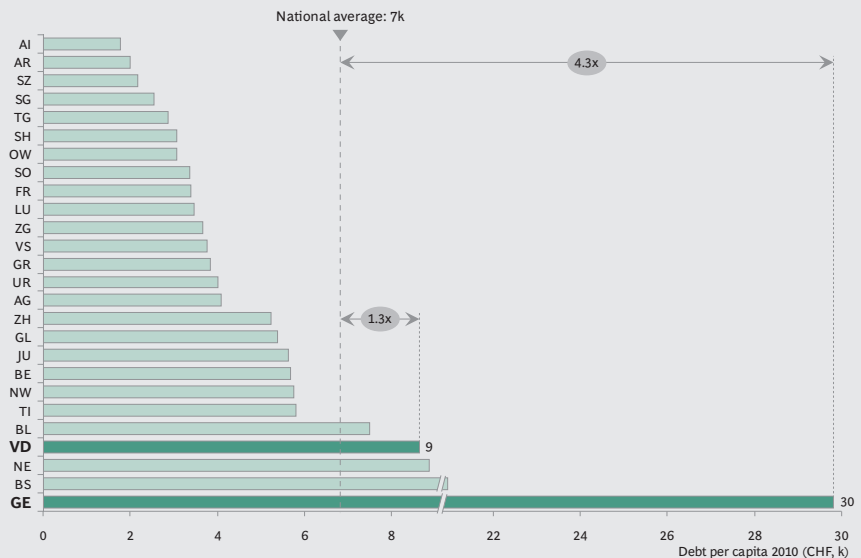
At the same time that the options for moving MNCs to new locations are growing, the competition to attract MNCs is increasing. If Geneva and Vaud want to stay ahead of the game, they must pay attention to numerous challenges at the same time. (See Exhibit 23.) The majority of challengers are directly targeting areas in which Geneva and Vaud have had a comparative advantage, such as quality of life, R&D infrastructure, industry clusters, and tax incentives.

## EXHIBIT 24 | Unemployment Is a Serious Issue in Geneva and Vaud



Source: BFS; BCG

## EXHIBIT 25 | In 2010, Geneva's Public Debt per Capita Was Four Times the National Average



Source: UBS Switzerland in Figures 2011; BCG



## The Costs of Losing MNCs

Geneva and Vaud are already facing economic difficulties. Unemployment in these cantons has been high (7 percent in Geneva and 5.5 percent in Vaud in 2010) compared with the national average (3.9 percent). (*See Exhibit 24.*) In 2010, Geneva had the highest cantonal public debt per capita in Switzerland—four times the national average. (*See Exhibit 25.*) The situation will most likely get worse because Swiss cantons, in general, face growing health care and retirement fund costs, and the Swiss National Bank may decrease its profit distribution to cantons.



«It is critical for Switzerland to maintain, and improve where possible, its competitiveness in order to remain an attractive and viable location for multinational companies.»

Gérard Vittecoq  
*Group President, Caterpillar*

The departure of MNCs from Geneva and Vaud would inevitably undermine their prosperity, reduce their focus on innovation, and lead to the outflow of investments and skilled personnel. The effects would be long-term, significant, and difficult to undo. Also, because of the interdependencies among sectors (for example, among commodity trading, financial services, and food manufacturing) and among MNCs within the same sector (for example, life sciences) there could be a domino effect, whereby the loss of one MNC might result in the loss of several MNCs and consequently the erosion of an entire sector. Further, the downside of losing MNCs can be bigger than the upside of attracting them. If Geneva and Vaud lose the competition against other locations, the effect could be serious. The rapid increase in the number of new jobs in Geneva (24,000) and in Vaud (24,000) over the past decade could be reduced just as quickly. The April 2012 announcement that Merck Serono will be closing its Geneva headquarters (which is expected to result in the loss of 500 jobs in Geneva) demonstrates how suddenly and forcefully this change could take place.

# THE URGENCY TO ACT: FOUR KEY INITIATIVES

There is no time to waste. The appeal of the economic package that Geneva and Vaud offer to MNCs is eroding, and the attractions (such as the quality of infrastructure) that have drawn many MNCs to the region are losing some of their luster. It is imperative that Geneva and Vaud take action now to restore and enhance the mutually beneficial, win-win relationship that they share with MNCs.

We propose the following four key initiatives to sustain and enhance the attractiveness of Geneva and Vaud to MNCs—two of them short-term remedies (steps 1 and 2) and two of them long-term strategies (steps 3 and 4):

1. Establish interdepartmental task forces in Geneva and Vaud to meet MNCs' immediate issues
2. Increase cooperation between Geneva and Vaud in order to create a joint MNC strategy
3. Create and foster industry clusters of excellence
4. Develop a comprehensive strategy to attract Asian MNCs

## **Establish Interdepartmental Task Forces in Geneva and Vaud to Meet MNCs' Immediate Issues**

Creating an environment responsive to the everyday issues of MNCs is essential not only to retaining companies in the region but also to attracting new ones. Therefore it is critical to understand and deliver what is important to MNCs, to be aware of any lapses in meeting this objective, and to quickly identify and remedy problems.

Executives at MNCs in Geneva and Vaud have identified seven key areas in which they would like to see improvement: (i) investment in infrastructure, (ii) ease of immigration of highly-skilled employees, (iii) administrative processes, (iv) tax incentives, (v) availability of affordable housing, (vi) personal security, and (vii) a stable business-friendly environment.

**Investment in Infrastructure.** Infrastructure has not kept pace with growth in

Geneva and Vaud. The airport's current capacity is insufficient, time-consuming traffic jams are a major inconvenience, and public transportation doesn't meet present needs. Transportation should be improved significantly through investments in the roads, railways, and public transportation system. Consideration should also be given to alternative methods of transportation that have proved to be useful. For example, Procter & Gamble provides bicycles to its employees for their use in getting from one P&G site to another—an innovation that shows that unconventional ideas can deliver effective solutions.

**Ease of Immigration.** The need for highly skilled employees, especially in R&D, cannot be met within Switzerland and the European Union. Therefore concrete efforts should be made now to simplify and speed immigration processes in order to increase the availability of qualified personnel in the region.



«The government could improve its responsiveness to the needs of MNCs—closer cooperation would be desirable for both sides.»

François Gabella  
*CEO, LEM*



«Geneva and Vaud should create an ecosystem to attract young and creative entrepreneurs to the region.»

André Calantzopoulos  
*COO, Philip Morris International*

**Administrative Processes.** In a 2011 World Bank comparison of the ease of doing business, Switzerland did not excel. What's more, Switzerland's ranking has not improved over the past three years. Let's take a more granular look at what this means: In Switzerland, it takes about 20 days to start a business, compared with only one day in New Zealand, three in Singapore, and four in Belgium or Canada. *(See Exhibit 26.)* Such a loss of time can be significant for small and medium-sized companies, especially those in the areas of high technology and IT. It is essential that administrative procedures for businesses be simplified so as to speed up the process and attract more companies to the region.

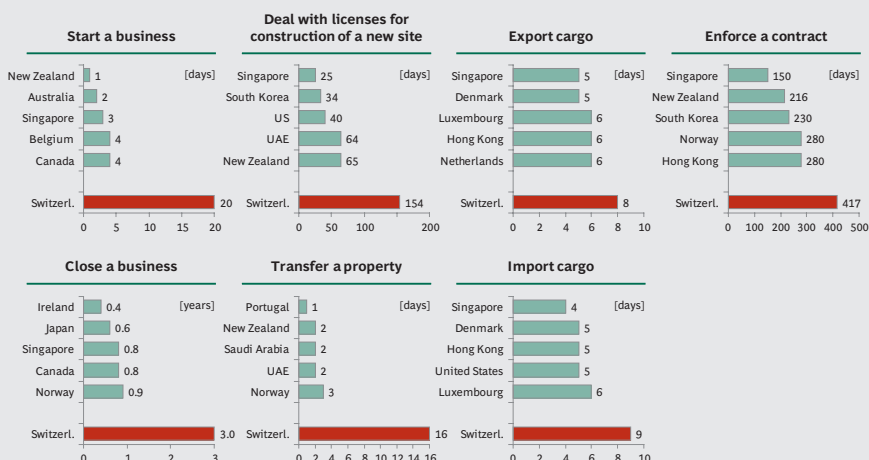
**Tax Incentives.** While the fiscal and tax environment in Geneva and Vaud is still

competitive, there is uncertainty about the future attractiveness of the "economic package"—that is cost, productivity, and taxes—for MNCs. The recent discussions between the European Union and Switzerland about the future of the Swiss cantonal tax structure, as well as debates within cantons on the extent to which cantons should offer fiscal and tax incentives to MNCs, have raised considerable doubt among MNCs currently based in Geneva and Vaud—as well as among MNCs contemplating a move to the region. It is essential that cooperation on these matters among the national and cantonal governments and MNCs be strengthened.

**Availability of Affordable Housing.** With significant increases in the cost of living in the region, and related shortages in the availability of affordable housing, many employees have little choice but to live at considerable distances from their places of employment—adding substantially to the time they spend commuting. We urge public authorities to facilitate the building of more housing by, say, opening up more space for new buildings and giving permits to build new houses, among other options. These measures will enable employees to find more affordable housing and live closer to their work. More affordable housing will also "make room for" further employment growth.

**Personal Security.** Over the past several years, personal security has become a major concern in the region. The number of burglaries has greatly increased and

## EXHIBIT 26 | A Thicket of Regulations and Lengthy Administrative Processes Slow the Pace of Doing Business in Switzerland



**Note:** Ranking among 34 economies consisting of OECD high income economies (24 economies), BRIC, Singapore, Hong Kong, Taiwan, Israel, Saudi Arabia, and UAE  
**Source:** World Bank Ease of Doing Business 2011

numerous incidents of personal attacks have been reported in the press, increasing fear and (potentially) lowering the overall quality of life. It is imperative that personal security be safeguarded.

**A Stable Business-Friendly Environment.** Before MNCs determine their strategies and business investments, they need assurance that the environment in which they will execute these plans will continue to be a business-friendly one. So far, this has been the case in Geneva and Vaud. But there is increasing concern that the situation may soon change. For example, MNCs are keeping a watchful eye on national Swiss debates about salary and bonus systems, the national Swiss initiative against the free movement of people within the European Union, the cantonal initiatives against fiscal and tax arrangements, and calls to obligate MNCs to build housing in order to be "allowed" to create new jobs. These measures do not make MNCs and their employees feel welcome—a welcome they are currently promised by many competing locations around the world. In order to shed light on the importance of providing MNCs a stable business-friendly environment, public officials should proactively make clear to the public the tremendous benefits MNCs deliver to Geneva and Vaud.

Some of these issues have remained unresolved for a long time. We urge elected officials and cantonal governments and agencies to recognize and tackle them without delay in order to sustain the attractiveness of Geneva and Vaud to MNCs. Most of these issues cut across departments within the cantonal governments in Geneva and Vaud, and they have not been dealt with in an effective way. Each issue has costs attached, and many departments will not benefit directly from proposed solutions. But when viewed together, many initiatives will be very advantageous for the future of each of these cantons as a whole. In light of the immense importance of these issues to the economies of Geneva and Vaud and the speed at which developments are taking place, we recommend the creation of a dedicated interdepartmental task force in each canton to resolve these issues in a coordinated, holistic, and efficient manner.

## **Increase Cooperation between Geneva and Vaud in Order to Create a Joint MNC Strategy**

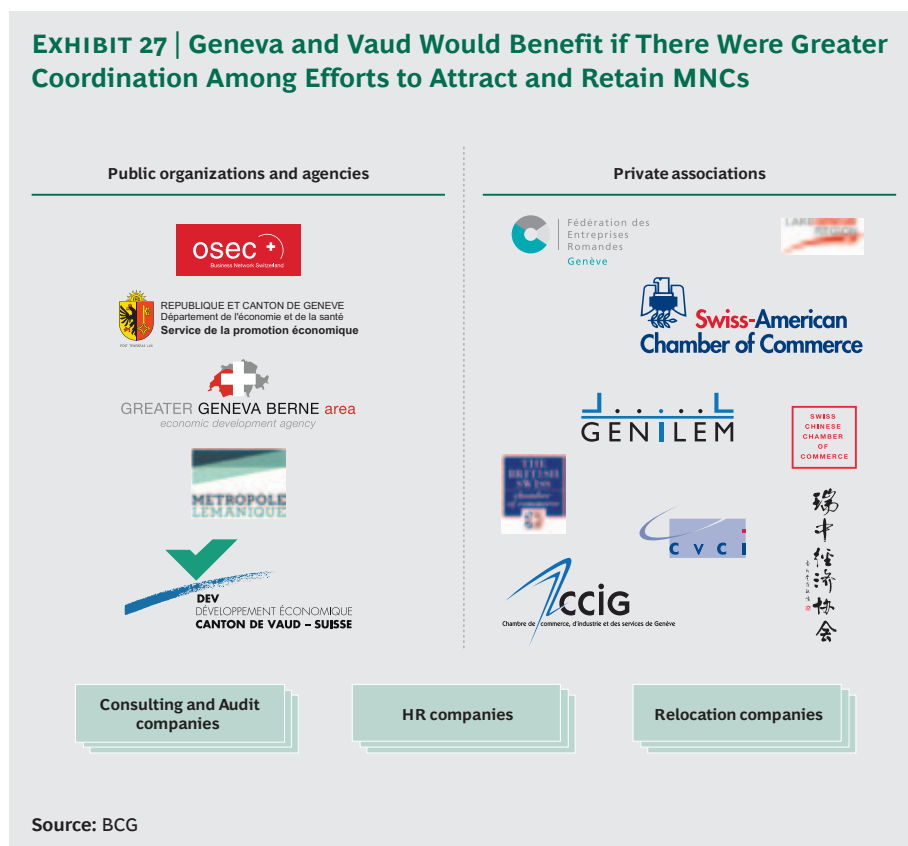
Just as the operations of MNCs often cross cantonal borders, so too do many of the problems MNCs have identified. Most of the solutions, also, will involve both Geneva and Vaud, and there will be much to gain from close cooperation between these two cantons.

For this reason, we recommend that both cantonal task forces coordinate their work very closely, jointly addressing the most important issues. Each task force would then be responsible for presenting proposed solutions to the relevant can-

tonal authorities. The "Métropole Lémanique" (an agreement between Geneva and Vaud to jointly promote the economic interests of both cantons) could be a promising platform for this inter-cantonal cooperation. Subsequently, cooperation could extend to other cantons in western Switzerland (such as Bern, Fribourg, Neuchâtel, and Valais) as well as to such organizations as the Greater Geneva Bern Area Economic Development Agency (GGBA), which also works closely with MNCs in the region.

In addition, because the economic vitality of Geneva and Vaud is so tightly linked to MNCs, it is essential that they coordinate resources aimed at retaining MNCs already there and attracting more MNCs to the region. Currently, there are numerous organizations promoting Geneva and Vaud. (See *Exhibit 27*.) These organizations are all working toward similar goals—attracting businesses to the region and providing expertise to start-ups and to businesses that want to relocate there. But they lack coordination. The cantonal task forces of Geneva and Vaud should be in charge of creating a joint promotion for both cantons that focuses both

## EXHIBIT 27 | Geneva and Vaud Would Benefit if There Were Greater Coordination Among Efforts to Attract and Retain MNCs





«Coordination between Geneva and Vaud is essential, but we should also include other West Swiss cantons and, in some cases, even France, for housing for example.»

Bernard Droux

*Chairman of Board of Directors & Managing Director, Lombard Odier & Cie*



«The political class needs a strategic vision for how Geneva will attract and work with international and public organizations.»

Yves Daccord

*General Director, International Committee of the Red Cross (ICRC)*

on attracting new MNCs to the region (currently the prime responsibility of the GGBA) and retaining MNCs already there (which is the prime responsibility of the cantonal business-development units). The goal needs to be a full-fledged strategy for increasing the presence of MNCs in the region, building on all the strengths these cantons have independently as well as jointly.

## Create and Foster Industry Clusters of Excellence

In addition to the two initiatives outlined above, which should be taken immediately, there are also two long-term strategies that should be pursued in order to ensure the future attractiveness of Geneva and Vaud to MNCs.

The first long-term strategic initiative is to create and foster industry clusters. In fact, progress toward this objective has already begun: Geneva has become a trading hub, particularly for commodities. Not only are there numerous trading companies in Geneva, but there are also insurance, financial, and consulting and information services firms that are important to the commodities business. (*See the sidebar "Geneva: A Global Center for Commodity Trading."*) Research-intensive MNCs in Vaud can count on the advantages offered by the École Polytechnique Fédérale de Lausanne, one of the world's foremost research universities. (*See the sidebar "EPFL and Vaud: Bringing Research and Business Together."*) By fostering the establishment of clusters of expertise, Geneva and Vaud can distinguish themselves from other attractive business locations and become global leaders in selected fields. As a leader of the national Swiss Innovation Park initiative, the region is well positioned to take on this effort.

# GENEVA: GLOBAL CENTER FOR COMMODITY TRADING

As Europe's second largest international trading hub, surpassed only by London, Geneva hosts around 350 international trading companies, which manage 40 to 60 percent of global transactions in trade finance and one-third of all global trading in crude oil. It is the leading trading spot for coffee, sugar, grains, oilseeds, and cotton. Many of the biggest players in the business (such as Cargill and Mercuria) have long been active in Geneva, while others (such as Trafigura and Koch Industries) have moved there recently.

It may seem surprising that the commodity trading business is concentrated in a city without a port and without the commodities themselves. But Geneva offers a unique environment that combines a confidential and close-knit business atmosphere with related services: Geneva hosts many world-class financial sector (most prominently, UBS, Credit Suisse and BNP Paribas) and legal firms with profound expertise in areas important to commodity trading. In addition, Geneva is the home of MNCs that offer security and verification services (such as SGS) and logistics and shipping companies (such as MSC) which are an essential part of the business. Moreover, a large number of end-users of traded commodities are based in the region, including major food manufacturers (such as Nestlé). The presence of a large number of international organizations, which can offer insights and opportunities to commodity traders, is another advantage.

Geneva's vast network of services has recently proved indispensable for commodity traders. The business is becoming more volatile, owing to the global economic crisis, the growing importance of emerging markets, and the increasing attention on alternative fuels. These changes have increased the importance of interconnectivity, and commodity traders are seeking locations that offer a wide range of services—clearly to Geneva's advantage.

Commodity traders both create employment in Geneva and increase Geneva's international visibility. This cluster of excellence, if developed further, could deliver long-term value to Geneva and the region.



# EPFL AND VAUD: BRINGING RESEARCH AND BUSINESS TOGETHER

The École Polytechnique Fédérale de Lausanne is one of the leading research universities in the world and home to more than 350 laboratories and research groups. Between 2001 and 2010, EPFL "produced" 399 patent applications, 237 issued patents, and 129 start-ups.

The university actively encourages collaboration between its research facilities and the private sector in Lausanne, which is also home to the headquarters and R&D divisions of many MNCs—especially in manufacturing, pharmaceuticals, and medical technology. To mention just a few successful examples: the "Alliance," a joint initiative with other universities and institutes that connects small and medium-sized companies with research institutions in accordance with their individual needs; Logitech's support for research at EPFL through the Daniel Borel Innovation Center and the Logitech Innovation Incubator; and the Nestlé Institute of Health Sciences, a research institute operated in cooperation with EPFL.

In addition, EPFL contributes to making the region an ideal location for start-ups and to creating a research network that attracts MNCs with a strong R&D record. It has played a vital role in Vaud in the evolution of clusters of excellence in different industries (such as IT and medical technology) by boosting the innovative capacity of the region. Looking ahead, EPFL should build on its unique position in the region by bringing together investors and innovators.

The importance of this initiative cannot be understated. Clusters of excellence enable MNCs in the same sector to leverage each other's experience. Further, the presence of strong industry clusters would increase the bonds MNCs currently have in the region, attract other MNCs in the same sectors, and help incubate and develop new ones (start-ups). For this reason, public administrators, elected officials, and agencies in Geneva and Vaud should make additional efforts to cultivate promising clusters such as commodity trading, precision engineering and life sciences (in Geneva) and medical technology, nutrition sciences, and IT (in Vaud). They could create interactive platforms to be used to introduce MNCs' executives to each other. In addition, they could bring investors and innovators together, as well as industry peers, through seminars, periodic regional meetings and conferences, and virtual (for example, web-based) platforms. This last approach would work particularly well with the finance sector in Geneva and with innovative technologies in Vaud.



«There are no schools for trading. It has to be learned from practice while working with the best in a close but competitive community. This happens in Geneva.»

Jean-Louis Gourbin  
*CEO EMEA, Bunge*



«The Swiss innovation park should be encouraged further—we and many other companies in the region are ready to link with it.»

Charles Gebhard  
*Chairman, Bobst Group*



«The Lake Geneva region should strategically promote its unique, world-class clusters around nutrition research, food technology, and health care.»

Luis Cantarell  
*President and CEO, Nestlé Health Science*

Of course, ensuring the availability of personnel with the needed expertise is vital to making the clusters-of-excellence strategy work. Geneva and Vaud have to do more to "grow" or attract the specific talent required by the medical technology, IT, and financial sectors, for example. This effort will require not only promoting education on these topics within Switzerland but also improving the administrative procedures that govern immigration from outside the European Union. Ensuring sufficient expertise in Geneva and Vaud is a basic requirement not only for strengthening the industry clusters in the region but also for attracting new ones.

## Develop a Comprehensive Strategy to Attract Asian MNCs

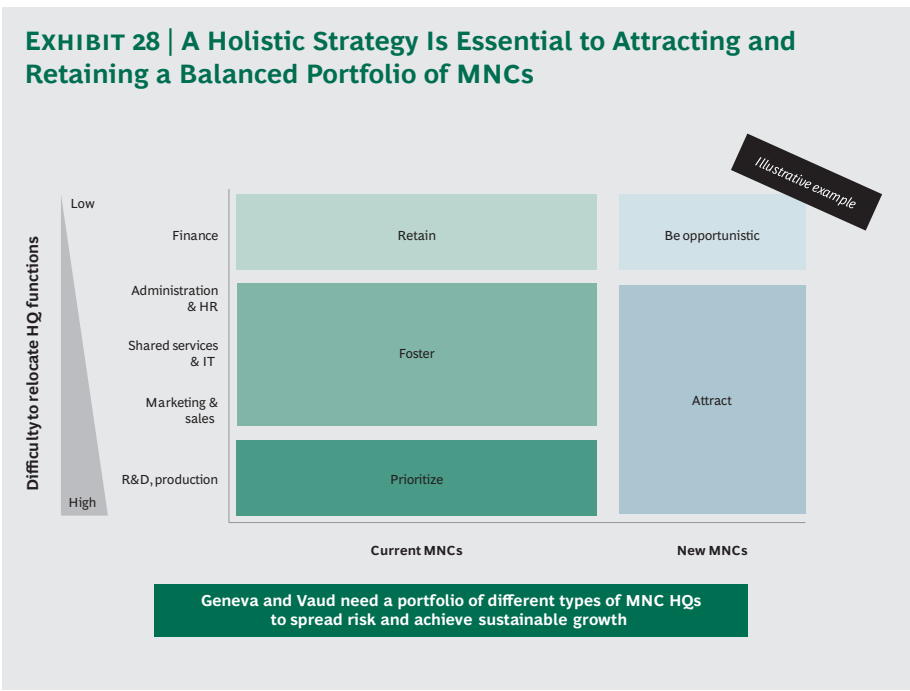
The second long-term strategic initiative for the region is to develop a comprehensive strategy to attract Asian MNCs. If Asian economies continue to experience high rates of growth, it is expected that more and more MNCs from Asia will establish regional headquarters across Europe. These MNCs are likely to be focused on high-tech, trading, and chemicals—sectors of importance to Geneva and Vaud.

In some respects, Geneva and Vaud need to approach these MNCs differently from the way they approached American and European companies that have already located in the Lake Geneva region. Asian MNCs are probably less familiar with the regional differences that exist even in a comparatively small country like Switzerland, or with the distinct procedures that apply to doing business in Geneva and Vaud. They may expect high-level political contact between their home country and their host country (particularly when it comes to Chinese businesses). Because Asian MNCs' expectations may be different, current processes for attracting MNCs to Geneva and Vaud may not be the optimal approach. If Geneva and Vaud fail to deal with these issues, they could miss out on the potential for huge economic growth.

A comprehensive strategy is needed to capture the opportunities represented by Asian MNCs. (*See Exhibit 28.*) It is important that the strategy be holistic so as to create a well-balanced MNC portfolio (including finance, HR, IT, marketing and sales, production, and R&D). A balanced MNC portfolio will spread the risks and promote long-term, sustainable growth.

Thus, as Geneva and Vaud develop and execute their strategy for attracting Asian MNCs, they should take a holistic approach.

One important change would be to make sure that high-level national and cantonal politicians play a more active role in talking with Asian MNCs about the benefits of establishing a location in Geneva and Vaud. They should also be present during negotiations about when and where they will move in, which headquarters functions they will bring in, how many people will be employed, how many jobs will go to locals, and what kind of support the cantons will provide. Their presence at these negotiations will assure Asian MNCs that Geneva and Vaud take these companies very seriously and that Asian MNCs will be given the utmost attention. These diplomatic efforts should be coordinated with those of the Office Suisse d'Expansion Commerciale (OSEC)—especially in terms of content and contacts—in order to build their combined effectiveness. OSEC is already actively promoting Switzerland as a business location, including to Asian businesses, mainly through marketing, market analyses, and the identification of promising projects. Its work is focused on headquarters and high-technology industries—that is, on industries and areas highly important to Geneva and Vaud.



Geneva and Vaud are facing a unique opportunity. If they take the four key initiatives outlined above in order to sustain and enhance their attractiveness to MNCs—meeting MNCs' immediate needs, enhancing cooperation among cantons, creating industry clusters, and developing a strategy for Asian MNCs—they could realize huge economic growth. If they do not, they risk stagnation or even negative growth. The great economic success Geneva and Vaud have enjoyed over the past ten years could easily disappear—maybe even faster than these cantons' hard-earned success. We therefore urge all those who can contribute to implementing the four key recommended initiatives to take immediate steps to keep Geneva and Vaud competitive.



«Attracting Asian MNCs is the new challenge for Switzerland. In order to succeed, we need a coordinated approach to strengthen and highlight the attractiveness of Switzerland as compared to other European countries, which are competing for this business.»

Paolo Botta

*Managing Director, Citi Corporate and Investment Banking,  
Global Subsidiaries Group, Continental Europe*



# METHODOLOGY

We followed the approach we used in previous studies to obtain the facts and acquire the knowledge presented here.

First, we did analytical research, which forms the backbone of the study. We collected a wide range of data, both through our own research and with the help of several institutions. These data served as the basis of our analyses. Unless otherwise noted, we used 2010 numbers to ensure comprehensiveness and consistency across different sets of data.

We defined foreign MNCs as companies with operations or regional headquarters in Switzerland and global headquarters abroad. We defined Swiss MNCs as companies with global headquarters in Switzerland but with more than 25 percent of revenues coming from international operations and more than 25 percent of total staff located abroad. We applied both measures cumulatively. We categorized all other companies in this study as domestic companies.

We chose to focus primarily on GDP instead of GNP in this study, because GDP is the better indicator for showing the value contributed by MNCs to Switzerland's economy. To determine employment numbers, we extrapolated full-time equivalent figures based on publicly available data. Please note that any apparent discrepancies in the sum of numbers displayed in exhibits are due to rounding.

Second, we conducted in-depth interviews with more than 50 CEOs and other executives of leading multinational companies in Geneva and Vaud and with several directors of public authorities and associations. These discussions enabled us to gain deeper insight into the needs of multinational companies in Geneva and Vaud. We have included a list of the participating companies, organizations, and institutions that agreed to let us publish their contributions in this publication.

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The Swiss-American Chamber of Commerce is a 2,500-member, privately funded not-for-profit organization. The Chamber addresses issues impeding the free flow of goods, services, investments and people between Switzerland and the USA. In addition, the Chamber – as the largest association of Multinational Companies (MNCs) in Switzerland (large and small, foreign and Swiss) – addresses issues to facilitate the business of the MNCs in the business location Switzerland and at the same time helping to strengthen the business location in the competition for companies interested in relocating parts of their operations. With both goals, the Chamber strives to make a contribution for the healthy growth of its members and of the Swiss economy.

We encourage initiatives from our members and combine our resources with theirs in order to achieve what individual businesses cannot do alone. The Swiss-American Chamber of Commerce takes the lead in furthering its members' business interests in Switzerland, the United States, and internationally, through information, creation of business networks, public relations efforts, and direct government contacts. For more information, please visit [www.amcham.ch](http://www.amcham.ch).



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## Authors

Swiss-American Chamber of Commerce  
Martin Naville

The Boston Consulting Group  
Elmar Wiederin  
Philip Schulze-Smidt  
Emre Ozcan

## Communications

Benedikt Hess

## Editor

Pamela Gilfond

## Design

Mirjam Frei

## For Further Contact

Martin Naville  
[martin.naville@amcham.ch](mailto:martin.naville@amcham.ch)

Elmar Wiederin  
[wiederin.elmar@bcg.com](mailto:wiederin.elmar@bcg.com)

Philip Schulze-Smidt  
[schulze-smidt.philip@bcg.com](mailto:schulze-smidt.philip@bcg.com)

Emre Ozcan  
[ozcan.emre@bcg.com](mailto:ozcan.emre@bcg.com)

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