

Consulting trends for the “new normal”

The Swiss economy is well advised. But what lies behind the advisory role and the consulting industry as a whole, and what are the current trends? Daniela Zimmermann, Co-Chair of ASCO, and Marius Klauser, Director of EXPERTsuisse, provide answers and also report on the cooperation between ASCO and EXPERTsuisse.

Can consulting services be provided from a home office?

Zimmermann: While management consulting from a home office had been unthinkable until just recently, new work concepts took hold during the pandemic. Much, but not everything, can be done while working from home. This shift also creates opportunities with a view to diversity in consulting. Generally speaking, virtual collaboration will help people strike a better balance between career and family. The pandemic has shown that it can work.

How has the pandemic changed the consulting business?

Klauser: COVID-19 presented companies with a two-pronged challenge: it wasn't just about ensuring their survival in the here and now, but their long-term viability, as well. While priority was given to advising clients on reducing costs and liquidity planning, this was done with a view to their current and future customers as well as to changing their business models accordingly.

Which of these changes are here to stay?

Zimmermann: Companies will continue to rely on consulting services that are effective both with respect to the facts at hand and the people involved. Consulting must generate added value. The return on consulting needs to be impressive. If topics like digitalisation and transformation are addressed the right

way, this return is especially obvious. Plus, a larger number of short meetings and work sessions will also be conducted digitally in the future and home offices are likely to remain a component of many work models.

“Companies will continue to rely on consulting services that are effective both with respect to the facts at hand and the people involved.”

Daniela Zimmermann
Co-Chair of ASCO

Where do you see new, trailblazing developments?

Klauser: Many companies have recognised that there's a need for new types of management and collaboration. Getting these established will require support from experienced consultants and trainers, who are capable of offering effective support for the factual and psychological aspects of change processes. Companies with better leadership qualities have competitive advantages and will be more resistant to crises going forward.

How do you define management consulting?

Zimmermann: When we talk about management consulting, we mean both

strategy consulting, such as consulting on corporate, business and functional strategies, as well as operations management consulting, such as organisational/process and technology consulting. There's currently a strong focus on topics like transformation, digitalisation and sustainability.

Is there any in-depth information available on the consulting industry?

Klauser: The new market report developed by ASCO and EXPERTsuisse examines the different disciplines and types of consulting. Besides management consulting, advisory also has an important role to play by providing advice on tax-, legal-, governance- and risk-related matters. The ASCO/EXPERTsuisse market report marks the very first broad-based survey and will provide information on the entire auditing and consulting industry from autumn 2021.

When you think back on developments of the past 10 to 20 years: how has the role of consultants changed?

Zimmermann: Unlike in the past, the role played by today's consultants is more like that of a partner to companies and their management. Conducting analyses and then dictating which direction things should take or even making cuts simply isn't appropriate anymore. Instead, management and other key individuals need to be involved in the process and help determine and support future strategies, transformations and developments.

Marius Klauser (l)
Director & BoD delegate
of EXPERTsuisse

Daniela Zimmermann (r)
Co-Chair of ASCO as
well as the owner and
CEO of Concreda



How do you think the consulting industry will evolve with respect to the topics addressed?

Klauser: Consulting is more important than ever. The changed economic and working world makes scrutinising and enhancing both strategies and business models vital. This also has an impact on corporate reporting and compliance with regulatory requirements, such as data protection. Previously separate elements of consulting, including data protection and cyber security, have been converging more and more due to the interconnectedness of the different subject areas. That calls for a comprehensive approach to consulting.

What will new consulting formats look like with respect to collaboration between providers and clients?

Zimmermann: In future, consultants will provide more intense support during

transformations and moderate comprehensive changes within companies. Collaboration between teams made up of people from different divisions with a mix of skills will also become more common. Agility as well as the ability to work in a team and communicate – also virtually – will become important success factors. But even traditional expert and process consulting will continue to exist in the future.

With an eye to diversity-related aspects like skills, experience, age and gender, what will the ideal consulting team look like?

Klauser: There's no such thing as an ideal standard team. What's important is that the team fits the problem-solving situation. Different backgrounds, skills, perspectives and personalities will be needed depending on the situation at hand. Clients demand experienced teams that still keep pace with

more topical issues like digitalisation and agility.

What exactly is ASCO and what does ASCO advocate?

Zimmermann: ASCO is the umbrella brand and seal of quality for high-quality management consulting in Switzerland. The association represents the interests of the profession in public and is the recognised voice on the market for professional management consulting. ASCO also functions as a hub for sharing knowledge and initiates studies to help achieve greater transparency in the Swiss consulting market.

Marius Klauser

Marius Klauser, Dr. oec. HSG, has served as Director & BoD delegate of EXPERTsuisse since 2011 and as Director of allianz denkplatz schweiz since 2016. He has 20 years of experience in the areas of leadership, transformation and knowledge work.

Daniela Zimmermann

Daniela Zimmermann is Co-Chair of ASCO as well as the owner and CEO of Concreda. She has many years of experience in the areas of strategy consulting and transformation project management.

Why does ASCO cooperate with EXPERTsuisse and how does this benefit members?

Klauser: ASCO's cooperation with EXPERTsuisse is multifaceted. EXPERTsuisse was commissioned with the task of managing ASCO's business office in 2021. Synergies are also leveraged that benefit the members of both associations, including the ASCO Award, which was presented at the EXPERTsuisse Annual Conference 2021, and the joint ASCO/EXPERTsuisse Market Report.

“The changed economic and working world makes scrutinising and enhancing both strategies and business models vital.”

Marius Klauser

Director & BoD delegate of EXPERTsuisse

What are some of the areas in which the two associations are active?

Zimmermann: In principle, advisory and financial consulting are extremely closely related to management consulting, which means that synergies can be leveraged in the areas of training and further development. Beyond that, medium- and long-term trends as they relate to economic and technological developments are becoming increasingly relevant for both associations.

Shouldn't audit and consulting be separate?

Klauser: Consulting is pivotal to a strong economy. The members of EXPERTsuisse, who often work for various clients, sometimes in an advisory and sometimes in an auditing capacity, are subject to strict independence requirements that preclude them from auditing any work they have done themselves. This is ensured by means of corresponding checks and balances at both the client's end and that of the contractor.

Are there any consulting topics where both associations contribute important points of view?

Zimmermann: Definitely. Take the optimisation, digitalisation and outsourcing of financial processes, for example. Here, process, IT and financial expertise flow together, giving rise to new solutions. There are a few developments in the area of non-financial information that will ultimately have an impact on corporate governance approaches, as well.

Are there any common issues with respect to the two associations' advocacy work?

Klauser: Yes, even derived from the topic of corporate governance, which I just mentioned. Corporate governance influences areas such as governance as well as new forms of working and leadership. In this context, both associations have been working through the “allianz denkplatz schweiz” since 2016 to campaign for a modernisation of labour law. Their basic thinking is that IT consultants, lawyers and auditors, for example, should be able to work autonomously, just like private school teachers, scientists or even department heads since 1 July 2021.

What are your hopes for the consulting industry by 2025?

Klauser: That the consulting industry and Swiss enterprises will have worked together to sustainably hone their competitive edge and improve the attractiveness of their locations.

Zimmermann: That the positive aspects of the coronavirus pandemic – like agility, solidarity and digitalisation – become part of the “new normal”.

ASCO

The Association of Management Consultants Switzerland (ASCO) was founded in 1958. It is a co-founder and member of the Brussels-based umbrella organisation European Federation of Management Consultancies Associations (FEACO) as well as a member of the International Council of Management Consulting Institutes (ICMCI).

ASCO has been presenting the ASCO Award to clients and their consultants since 2005 to recognise particularly successful and noteworthy consulting projects.

www.asco.ch
www.asco-award.ch

A professional sector in motion

EXPERTsuisse addresses issues at an early stage, uses its expertise to tackle them and presents them effectively to political, regulatory and economic players as well as the media. This is especially important in uncertain times.

Below, we report on how the “TripleA” services (audit, assurance, advisory) generate trust, why business consulting is more important than ever and the potential tax challenges of the “new normal”.

Support during the COVID-19 crisis and beyond

During these socially and economically challenging times, the expertise of the auditing and consulting industry is more crucial than ever to help companies affected by the crisis achieve a more economically stable future.

Challenge

The COVID-19 crisis will be with us much longer than originally expected. The number of new cases declined substantially during the first half of 2021, which was encouraging and also prompted the Federal Council to initiate further reopening steps in June 2021. Unfortunately, the trend in the number of cases took an extremely negative turn in early July 2021 with increases of over 100% compared to the 7-day average of the previous week. Signs are mounting that another wave of newly infected individuals will put a strain on society. This time, however, the situation is much better than in the first weeks and months of the COVID pandemic in spring 2020 in that a large number of people have already been vaccinated and both the healthcare system and most employers are better prepared overall.

Of course, the pandemic has not only had an enormous impact on society as a whole, but has also dealt a major blow to a large number of companies and their employees. This has prompted the federal government, cantons and, in some cases, the municipalities to put together aid packages and provide support services that comprise COVID-19 bridging loans, short-time work and hardship compensation.

COVID-19 bridging loans

According to information provided by the Federal Department of Finance, the number and volume of COVID-19 bridging loans granted as at 7 June 2021, regardless of their current repayment status, are as follows:

Our member companies' expertise is in demand

According to the federal government's SME portal, there are somewhat more than 592,000 companies in Switzerland, meaning that nearly one in four companies took out a COVID-19 loan. A substantial proportion of these borrowers rely on the consultancy and audit services provided by our member companies. In many cases, a fiduciary advisor will have been called in prior to the submission of any requests for loans, short-time work compensation or hardship contributions to help the company fill out the applications.

The big question over the course of the next few months and years is when and how companies will be able to repay these loans. That is where our member companies will be called on to contribute their expertise and provide our clients with the support they need to take short- and medium-term measures to

Volume of COVID-19 bridging loans granted as at 7 June 2021

	Number	Average amount in CHF	Total in CHF
COVID-19 loan agreements	137,908	102,000	14.10 bn*
COVID-19 Loan Plus	1,233	2.7 m**	3.01 bn**
Total	139,041		17.11 bn

*Extrapolated based on the number of loan agreements and the average amount.

**These figures are based on the total loan amount and not just the share of 85% that is guaranteed by the federal government.

stabilise their results and generate operating profits in the long term. Only then can there be any assurance that COVID-19 loans, for example, will be paid back while also strengthening the borrowing company's long-term viability. This may call for a rethinking of current business models. Since an external, technically sound source of support is extremely helpful in a transformation phase of this nature, our member companies will be able to make a vital contribution to the process.

Minimising default risks – COVID-19 audit

Lawmakers have also discussed the role and responsibility of the statutory auditor as a body of a company to be audited that has a COVID-19 loan liability on its books in connection with the granting of COVID-19 loans and the associated default risks. It was encouraging to see the economic relevance of professional auditing confirmed yet again. One sour note was that, during their initial discussion, the federal parliamentarians did not address the different audit depths for companies subject to ordinary or limited audits.

We campaigned effectively on behalf of the Association to ensure that this distinction was taken into account. More important in this context, however, was the fact that some 80% of the legal entities have asserted their right to opt out, meaning that they do not have a statutory auditor. To take this situation into account, the Association has developed a COVID-19 audit model based on Swiss auditing standard PS 950. This model will enable the Association to provide effective audit services to guarantee organisations and lenders. Whether and to what extent COVID-19 loan usage audits such as these are commissioned depends on the risk considerations of the lenders/guarantee organisations. Since the government-guaranteed loans represent taxpayers' money, minimising the default risks takes top priority. Here, too, EXPERTsuisse has made a major contribution by developing the COVID-19 audit model so that tailored audit services can be offered to minimise the default

risks mentioned. Our member companies and individual members undoubtedly have the specialist skills needed to perform this audit professionally.

Summary

As a specialist, professional and industry association with the support of an effective system of professionals, EXPERTsuisse contributes substantially to the relevance and quality of audit, assurance and advisory services and thus to a strong Swiss economy, even in extremely challenging times.



Peter Ritter

State-certified auditor, president of EXPERTsuisse, managing partner of Curia

Sustainability – how auditors are helping to save the world

Auditors' and consultants' skills will help address global social challenges like climate change. This can happen in three ways: by reaching globally consistent metrics, by auditing climate and sustainability reports and by integrating these into the accounting and financial functions.

At present, global greenhouse gas emissions amount to around 51 billion metric tonnes per year. Climate science tells us that the largest producers of carbon emissions must achieve net zero emissions by 2050 to prevent a climate catastrophe from occurring. Achieving net zero emissions calls for major commitments from governments and businesses alike and that goal can only be reached if the activities causing those emissions are accurately documented to fully account for the impacts they cause.

In their June communiqué, G7 finance ministers and central bank governors called for mandatory climate-related financial disclosures based on the Task Force on Climate-related Financial Disclosures (TCFD) framework. In their letter, they emphasised the need to make the global financial system “greener” so that climate considerations can be factored into financial decision-making. This will help mobilise the private sector funds needed to meet businesses' and governments' net zero commitments. A similar approach also needs to be adopted to tackle other social challenges that are addressed within the scope of the UN Sustainable Development Goals (SDGs).

The audit profession in its current form emerged in the late 19th century to pro-

vide reporting and audit services and serve the public interest. Over the years, the profession created trust, transparency and confidence in capital markets all over the globe. Today, it faces both a challenge and an opportunity: it must use its centuries of experience in the measurement, disclosure and auditing of key figures in order to address climate change and other social challenges in a targeted manner in cooperation with governments, companies and civil society. This can be done in three ways:

- By reaching globally consistent metrics
- By auditing climate and sustainability reports
- By integrating these into the accounting and financial functions

Reaching globally consistent metrics

As their awareness of corporate social responsibility grows, more and more companies are publishing sustainability reports in addition to their financial figures. Disclosures of this nature aim to paint a more comprehensive picture of a company's performance by addressing its impact on the environment and society in its reporting. This increasing level of transparency is being driven in large part by rising expectations on the part of investors, consumers, employees, society in general, politicians as well as the industries themselves.

For investors in particular, non-financial ESG (environment, social and governance) factors play a pivotal role in investment decisions. In a global study conducted by EY, for example, 98% of all institutional investors surveyed indicated that they take ESG factors into account and nearly three-quarters of them have a structured process in place for doing so. According to Swiss Sustainable Finance, sustainable investments in Switzerland rose to more than CHF 1,500 bn in 2020, or 31% higher than in the previous year.

Likewise, regulators – especially those of the European Union (EU) but also in Switzerland – expect more and more for sustainability criteria to be factored

into corporate strategy, investment decisions and reporting. The Swiss Financial Market Supervisory Authority (FINMA), for example, is increasingly addressing climate risks and demands that major banks and insurers provide greater transparency on climate-related financial risks. The counter-proposal to the Corporate Responsibility Initiative (CRI) also requires certain Swiss companies to publish non-financial reports on a variety of sustainability issues (including CO₂ targets) and to adhere to due diligence requirements with regard to minerals and metals from conflict zones and child labour.

At the same time, major progress was made in terms of defining more explicit standards for climate and broader sustainability reporting. This includes the World Economic Forum's (WEF) International Business Council (IBC) initiative to unify global standards, the Corporate Sustainability Reporting Directive (CSRD) proposed by the European Commission, the International Financial Reporting Standards (IFRS) Foundation's goal of establishing a Sustainability Standards Board and the United States Securities and Exchange Commission's (SEC) call for greater transparency when addressing climate risks, which is expected in the second half of 2021.

As is evident in the report “The future of sustainability reporting standards”, a collaborative effort between EY and Oxford Analytica, the next 12 to 18 months are likely to bring the most significant changes to corporate accounting and reporting in decades. While the global standardisation process for climate and sustainability reporting continues to evolve, many unanswered questions still need to be addressed, including which information and key figures should be included in voluntary and mandatory reports, which information should be considered material and whether corresponding disclosures should be integrated into the annual report or published in a separate sustainability report. Input from accounting experts on these issues will be critical to achieving globally consistent key figures and disclosures that are reliable, comparable and relevant.

Auditing climate and sustainability reports

Since more and more companies that provide their stakeholders with information about their sustainability commitments and the impact of climate change are opting in favour of expanded disclosures, an increase in the number of questions regarding the details, risk exposure, and reliability of the information and key figures disclosed can also be expected. To maintain stakeholder trust, companies could consider having an external audit carried out on their disclosures, or could even be required to do so, as is the case with the CSRD in the EU, for example.

An independent audit of climate and sustainability reporting would enhance the credibility of disclosures, boost a company's resilience and more fully satisfy the expectations of financial market players. Accordingly, companies should start considering audits of their overall climate and broader environmental, social, and corporate governance (ESG) reporting in order to strengthen stakeholder confidence and comply with expected regulatory requirements. The European Commission's proposed CSRD, for example, will also require many Swiss companies to have a limited assurance review performed on their reported sustainability information, either by their external auditor or another independent provider of audit services.

Integration into the accounting and financial functions

A company can only create value for all its stakeholders if it leverages the capabilities and input of the entire organisation to do so. Accounting and the finance department could play a key role in these collective efforts by carefully examining and understanding the various stakeholder requirements – especially those of clients, employees and investors – and implementing them in relevant, sound key figures and disclosures.

Reporting must be credible and relevant to stakeholders and provide a clear

link between financial and non-financial information. Based on their experience and knowledge of management information systems as well as reporting processes and controls, chief financial officers (CFOs) and financial controllers can contribute towards the relevance and quality of disclosures of non-financial information. The financial functions can also help to establish an effective governance set-up as well as obtain independent verification of non-financial processes, controls and key figures – an important prerequisite for building trust and transparency towards stakeholders.

Summary

While regulatory and voluntary global standards are being developed, we must not forget that climate and sustainability reporting alone cannot solve societal challenges such as climate change. They are, however, critical in efforts to adequately measure and communicate progress on this front. Here, the audit profession has an opportunity to bring its experience in using reporting systems to bear in the fight against climate change and also with an eye to achieving the UN SDGs. In their role as managers of companies, associations and professional bodies, accounting and finance professionals will help boost the relevance and quality of climate and sustainability reporting. They will also have independent audits performed on relevant reports to build trust among users of the information disclosed.



Mark Veser

President of the EXPERTsuisse Commission for Sustainability/ESG, Senior Manager, Head of Climate Change and Sustainability Services at EY in Switzerland

New fiduciary models lead to transformation in financial processes

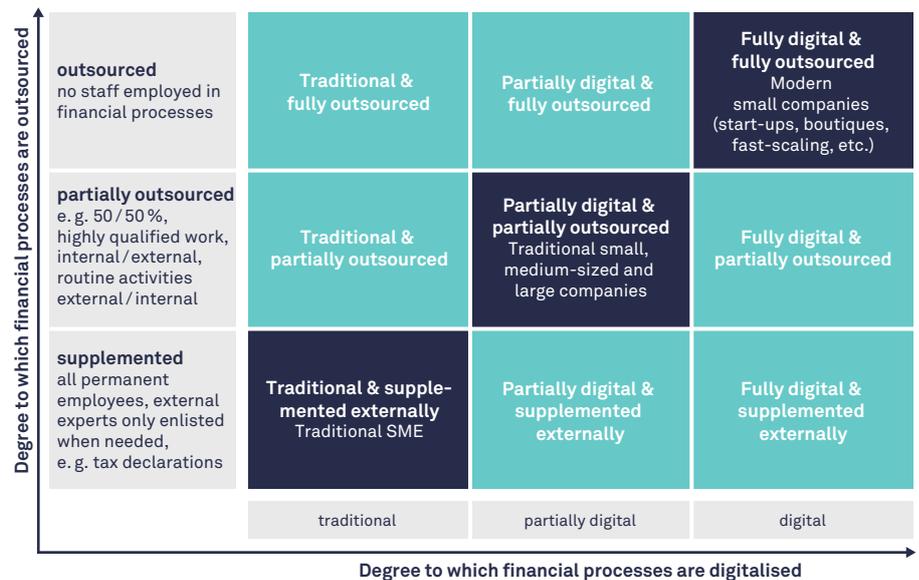
Companies are under pressure to create customer value and optimise costs. At the same time, fiduciaries are also offering new digital solutions. Together, these factors elevate the importance of business outsourcing services up to and including outsourced digital CFOs.

COVID-19 brought cost pressure and a focus on the essentials

The COVID-19 crisis has brought home the relevance of fiduciaries in an impressive fashion. In very short order, all efforts were focused on helping client companies survive. They received support on tasks such as applying for emergency loans, short-time working and rent reductions as well as with liquidity planning and rigorous cost management. But beyond that, it was also about achieving long-term viability. To that end, business models were enhanced or completely redesigned in order to boost customer value and profitability. Transformation projects of this nature often go hand in hand with a stronger client focus as well as a focus on activities geared toward value creation. In this context, other processes, including financial processes, for example, are scrutinised, optimised, digitalised and outsourced.

Continued digitalisation has long since involved not only business processes, but also the manner in which all financial processes are handled – including everything from budgeting, invoicing, collections/reminders, invoice receipt/verification/payments to payroll, accounting, controlling, annual financial statements and tax accounting (incl.

EXPERTsuisse nine-box fiduciary model matrix



The digitalisation and outsourcing of financial processes open up a grid of options that allow processes to be structured to differing degrees in line with clients' needs.

VAT). Innovative fiduciaries have numerous digital tools at their disposal that automatically perform these routine tasks and let them devote their time to truly important matters. Not only have many fiduciaries digitalised their own value creation process, but interactions with clients have also become more digital – a trend that began even prior to COVID-19 and is now stronger than ever.

Numerous options for optimising financial processes

The concept for the nine-box fiduciary model matrix was first presented at the EXPERTsuisse Fiduciary Conference 2021. The framework concept shown in the figure below is based on the vertical dimension of “Degree of financial process outsourcing” and the horizontal dimension of “Degree of financial process digitalisation”. Each of these dimensions is broken down into three variants to create a nine-box matrix. The traditional model, which only draws on outside support on an occasional basis, can be seen in the lower left corner while the fully digital, outsourced model is in the upper right. Seven intermediate models fall between these two extremes.

The digitalisation and outsourcing of financial processes open up a grid of options that allow processes to be structured to differing degrees in line with clients' needs. Fiduciary companies should assign their current client base (100%) to these nine boxes and think about how they want their target client base to look in five years. Achieving that target not only hinges on new client acquisition but also efforts to take current clients and shift them from the current model to new models.

When it comes to their most important existing clients and the targeted new clients, defining the right client strategies is pivotal. That also includes creating a business case for the new type of collaboration where the client sees a summary of which benefits they can expect at which cost – compelling solutions are always the ones that pay off. This will result in consulting projects to digitalise and outsource financial processes that fall into the category of management consulting, whereas the implementation of the fiduciary service model corresponds to an ongoing outsourcing service.

The transformation is already a reality and will persist

In a survey conducted during the Fiduciary Conference in May 2021, around 100 participants confirmed that large portions of the fiduciary sector are already in the midst of a transformation process. That process will persist over the next few years.

In five years, 51% of fiduciary clients will handle all their financial processes fully digitally, compared to just 16% today (+35% in five years). While nearly half of the clients, namely 44%, are provided with traditional (largely analogue) consulting services, this will only apply to 12% of clients five years from now (–32% in five years). The percentage of clients receiving partially digital advisory services currently lies at 38% and this will remain unchanged in five years' time (+/– 0).

The sector is ready for this transformation. The COVID crisis is indisputably a driver of digitalisation. Just how quickly transformation can happen is astonishing when the situation leaves you no choice but to initiate changes both abruptly and immediately. Remote delivery, working from home, video conferences, digital signatures – suddenly, everything was and is possible. Years-long doubts about clients' and employees' willingness to make these changes were wiped away in a matter of just a few weeks. Going forward, new types of leadership and collaboration will also go hand in hand with a more digital approach to routine tasks.

Our transformation support is based on solid facts

EXPERTsuisse published its first digitalisation study in 2017. When asked how collaboration with clients is organised, 84% of respondents indicated at the time that they conducted few to no video conferences and just 19% mainly used electronic document delivery via PDF. Some changes started to appear when the study went into its next iteration in 2019 and the member companies surveyed had already begun attaching greater importance to cloud

services as well as the topic of document management.

Since it can be assumed that digitalisation efforts have accelerated even further, in part due to COVID-related challenges, EXPERTsuisse used the member survey in June as an opportunity to start collecting data for the next iteration of its digitalisation study in 2021. Over the course of the next few months, this data will be enriched even further by a national market study on clients' expectations regarding the digitalisation of financial processes. In spring 2022, EXPERTsuisse will be in a position to paint a detailed picture of the degree to which digitalisation currently impacts the client relationship and how client relationships should be structured in five years' time. This picture will be supplemented by the clients' perspective, which will define their expectations of financial process digitalisation both today and going forward.

Conclusion: greater benefits, lower costs

Digitalised and outsourced financial processes currently enable entirely different types of cooperation between SMEs and their fiduciaries. Generally speaking, the smaller the company, the less sense it makes for that company to have its own finance staff on the payroll. The cost of recruiting, developing/certifying and deputising in-house employees is frequently less attractive than outsourcing. Functioning as an outsourced digital CFO, fiduciaries establish robust facts that make it possible to take and effectively implement responsible decisions. By doing so, financial processes can be used to generate the maximum possible amount of control information – for greater benefits at lower costs.

Help shape the future of the industry

Encourage your clients to participate free of charge in the online survey conducted by EXPERTsuisse and SwissICT. The data on financial processes obtained from all respondents will be anonymously aggregated to complete the EXPERTsuisse Digitalisation Study 2021 by adding an outside view of the industry.

Every participating client will receive a free analysis on the status of digital transformation in their company. Your client will also immediately receive both a neutral, independent assessment as well as an opportunity to benchmark themselves against their own industry. The questions take just 15 minutes to answer and this is completely free of charge. The online questionnaire can be found at: www.swissict.ch/checkup/



Luzia Hafen

Member of the Board of Management at EXPERTsuisse, Head of Business Transformation & Topic Management



Marius Klausner

Director & BoD delegate of EXPERTsuisse, Director of allianz denkplatz schweiz