



A hard landing is avoidable

Interview with Marcel Borgo, Managing Director of HP Switzerland

elipsLife echo: Mr Borgo, with more than 330,000 employees in around 170 countries, HP is one of the world's highest-turnover IT companies. As evidenced by many awards, the company is seen to be an excellent employer. Is this also true for Switzerland?

Marcel Borgo: Absolutely. We have just recently received the award as the top employer in Switzerland. This neutral award confirms that we meet the relevant criteria and do a good job as a Swiss employer. I would also like to point out that our labour turnover rate of 4.6% is extremely low for the IT industry, where turnover rates of more than 10% are the norm. This is something of which we are very proud. We are also mostly successful in replacing departing employees with internal candidates. Talent management is very important to us. We are one of the IT companies in Switzerland that train many apprentices. We also offer practical internships and career opportunities for university graduates.

Can you measure the effect of employee motivation, for example on the number and duration of absences?

We systematically measure the satisfaction of our employees every year with a global survey that we call Voice of the Workforce. Last year we found that satisfaction had increased tremendously - and this naturally also finds expression in

work performance. This is not meant to be a wild tale - of course we also have employees who fall ill or suffer burn-out. This happens at all companies these days. What is important, however, is how we treat the employees who are affected. Our HR department is exemplary in this regard and takes very





good care of the employees concerned. Another example: this year we launched a programme to give employees the opportunity to have their health checked out. Those who wish can then also attend a health counselling session. Participation is voluntary and anonymous. One thing is certain: an employee who is absent due to sickness costs the company much more than a health check and health counselling.

What distinguishes the HP culture?

This year we are celebrating our 75th anniversary as an IT company and we are also very proud to have been in Switzerland for 55 years. Switzerland, by the way, was the first country outside of the US where HP opened a branch office. Our corporate culture, which we call the HP Way, is a prerequisite for our sustained success. In many textbooks the HP Way is described as a perfect example of a very good corporate culture. It defines the binding values that underpin our business operations and professional lives. Since taking over as CEO, Meg Whitman has strengthened this culture. We also attach importance to absolute integrity, which we ensure with our Standards of Business Conduct. These apply world-

wide. All employees must attend a programme that trains them in these standards every year and then pass a written test on the course materials.

You mentioned before that good employers usually have low labour turnover rates. How does HP make sure that its long-standing employees remain up to date with technological progress?

A good question. Those who have to face challenges and accept responsibility usually remain up to date with the latest trends. HP on its own cannot make sure that all its employees stay ready for change, as this also requires some personal initiative - which we support and promote, of course. We offer many opportunities for training and further education, but each individual employee has to take the benefit from these opportunities. Being prepared has much to do with personal responsibility. In the end, each and every employee is personally responsible for maintaining his or her market value.

HP is not only seen as a good employer, but is also committed to sustainability. But how is sustainability interpreted in an industry where the products are already out of date when they arrive in the shops?

The issue cannot be simplified so easily. We have many sustainable products and services as HP covers the entire IT spectrum. If you compare it to a house, it is not enough for an architect to draw you a plan, you also have to build, furnish and maintain the house. HP offers the entire palette - which in my opinion has much to do with sustainability.

What do you think are the ingredients for entrepreneurial success?

The most important ingredient is customer-relevant innovation. What counts in the end is having a better product, better service, better solution. To do this you have to be more innovative than the competition and get to the market faster with the right price-benefit ratio. Those who can do this and keep their customers happy will be successful in the market.

How does HP identify the needs and wishes of its customers?

We have a big sales force who is in permanent contact with the customers. They ask the customers what they need and analyse their requirements. HP is also known to have one of the best indirect sales channels with its Business Partners. This channel strongly magnifies the efforts of our sales force. A channel manager at HP has a sales team of between 10 and 20 Business Partners who boast excellent know-how and have access to much information. This information comes back to HP and allows us to exactly identify the needs of our

customers. We also do extensive market research and have our own research laboratory. The most important information, however, comes from our own market analyses.

HP has made many big acquisitions, such as Compaq and EDS. How did these acquisitions affect the pension plans offered by HP in general and in Switzerland in particular?

We are proud of the fact that we managed to integrate these companies openly and honestly in a very socially acceptable manner - and this is true for more than just the pension funds. The other company was never simply swallowed up while the culture remained the same. The integration of the acquired companies gave birth to a new culture. The pension funds were also merged. Here too we aimed for integration, and the mergers went smoothly without any legal disputes, strikes or negative headlines of any kind. We always managed to solve any problems amicably and in a spirit of partnership. In 2013, for example, we merged the pension fund of EDS Switzerland with the HP pension fund. We used this opportunity to amend our regulations to reflect the new circumstances, and in particular to account for the expected demographic changes in the coming years.

What specifically distinguishes HP's pension solutions in Switzerland?

We have a flexible solution that allows us to react to market developments. This includes a guaranteed minimum interest rate. If the pension fund turns in a better performance and



the funding ratio allows us to do so, we pass this performance on to the insured. In contrast to many other pension funds, we changed the conversion rate early to allow us to counter any unfair redistribution and prevent difficulties in the next few years. The company guarantee is also a special feature at HP. The pension fund of HP Switzerland profits from the benefit guarantee given by the Group, as this allows the asset managers of our pension fund to invest the assets more flexibly and also more aggressively when needed than other pension funds. In good times we can build up reserves, and if it should ever become necessary, the Group will meet any shortfalls. This is a classic win-win situation.

Difficult times are predicted for pension funds, particularly in the face of current demographic trends, low pension reserves and low interest rates. Will the pension funds - and therefore all of us - become victims of unfulfillable benefit promises?

I am certain that with the new regulations we have created excellent conditions to ensure that this does not happen to us - even though there are no absolute guarantees, of course. But we reacted at an early stage, made the changes needed according to current estimates, and informed the insured accordingly. It goes without saying that the introduction of the new regulations was not entirely painless for us. We adjusted the benefits and reduced the conversion rate from 6.8% to 5.8%. A good interim solution and open communication channels made sure that the adjustments could be intro-



duced without any legal disputes. The employees understood that we had developed a sustainable solution – and that is important to everybody.

You confirmed that a reduction in benefits seems unavoidable. Until now it has seemed as if it is always the payers of contributions who have to carry the burden. For how long can we continue to protect the pensioners in the restructuring of the pension system?

I do not speak for the HP pension fund now, but as a citizen of our country: we will not be able to avoid involving the pensioners in the restructuring of the pension system. I am totally convinced that they have an obligation to help manage the consequences. There will be more people taking retirement than new people joining the workforce. It stands to reason that this cannot be sustained over time – in particular not for the AHV. I trust that this problem will be recognised in good time. Everyone will have to make a contribution. The question is not whether it will come to this, but when. To be fair we have to point out that pensioners with HP and presumably most of the other pension funds already make a contribution, and this is often forgotten: in the past few years we have not met our pensioners' requests for pension increases to keep up with inflation. Quite deliberately. Salary levels in Switzerland will drop and over time adjust to the levels seen in our neighbouring countries. Future pensions will be affected if the living standard in Switzerland should fall, as we will no longer be able to accrue as much pension capital.

What developments in the employee benefits insurance do you expect in the next three to five years?

Many pension funds will experience a hard landing. At HP we avoided a hard landing because our new plan takes account of the changed circumstances with regard to yield and life expectancy. Many other pension funds will also have to make these adjustments, under time pressure, unfortunately,

because they have waited too long. We will also have to get used to the idea that we will receive a retirement pension that will cover our basic needs, but will not be as high as we have been expecting for a long time. Current standards can only be maintained if every individual makes a serious investment in their retirement provision and saves as much as they can. The third pillar gives us a suitable tool for this.

If you could give the pension funds in Switzerland some advice, what would you tell them?

They should push ahead even more consistently with the measures that they need to implement. As it will not be possible to make up current shortfalls in just a few short years, it is a good idea to start restructuring soon so as to avoid a disaster. It is important to be honest with the employees and involve them in the process. We did this and communicated often, because it is important to involve employees in change processes. I also expect more momentum at the statutory level. The changes that are needed should be made soon and not only when it is already too late. We currently have a very good pension fund system, and this is deserving of protection.

Personal information

Marcel Borgo (1958) is the Managing Director of HP Switzerland, carrying overall responsibility for the Swiss branch of HP. His remit in particular includes distribution, sales, customer and employee satisfaction and long-term growth planning for all segments. Marcel Borgo has been working for HP since 1989, during which time he held various managerial positions in sales, key account management and customer services. He has a federal diploma in electrical engineering and has finished several management courses.

