

# Cross-sectional audit of secondary occupations with a focus on conflicts of interest

ETH Board, ETH Zurich, EPFL, PSI, WSL, EMPA, EAWAG

## Key facts

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The transfer of knowledge and technology in the domain of the Federal Institutes of Technology (ETH Domain) takes place, among other things, through the secondary occupations of professors and employees, as well as through the foundation of companies by doctoral students, other students and scientific employees (spin-offs). Knowledge and technology transfer is one of the statutory tasks and is also a strategic goal for the ETH Domain set by the Federal Council.

The Swiss Federal Institute of Technology Zurich (ETH Zurich) and the Swiss Federal Institute of Technology Lausanne (EPFL) together employ almost 900 professors, about one third of whom have declared at least one secondary occupation. Secondary employment is much less common among other staff. Around 150 ongoing secondary occupations were recorded for the approximately 4,200 research institute employees.

In addition, 290 spin-offs have been founded out of the ETH Domain since 2017. Almost half of these are spin-offs from the ETH Zurich, closely followed by those of the EPFL. The research institutes reported the establishment of around 30 spin-offs, with the Swiss Federal Laboratories for Materials Science and Technology alone reporting 15.

The Swiss Federal Audit Office (SFAO) examined whether the ETH Domain institutions had taken sufficient measures to prevent financial or reputational damage from their employees' secondary occupations and spin-offs. In addition, the SFAO assessed whether the applicable rules allow for sufficient knowledge transfer.

The audit showed that there are rules in place for dealing with employees' secondary occupations at the ETH Domain institutions. However, these should be improved, as should their implementation. Rules for supporting spin-offs are in place and are suitable for ensuring the transfer of knowledge. In principle, the regulations on secondary occupations and on founding spin-offs, and how they are implemented, ensure that the interests of the ETH Domain institutions are safeguarded.

### **The institutions have harmonised the regulations on secondary occupations and founding spin-offs between themselves**

The ETH Professorial Ordinance and the Personnel Ordinance for the ETH Domain contain overarching regulations on secondary occupations. Within the framework of the autonomy granted to them under the ETH Act, most institutions have issued implementing regulations for secondary occupations that are well coordinated and, with a few exceptions, reflect the specifications of the overarching rules. These exceptions concern certain research institutes.

There are no overarching regulations for founding of spin-offs. Some aspects concerning the foundation of a spin-off are regulated by the ETH Board through provisions on intellec-

tual property rights (patents and licences) and on the possible participation of the institutions in the spin-off. In principle, however, the institutions are free to determine the type and extent of the support they provide to the founders of a spin-off. Nevertheless, here, too, largely uniform regulations have emerged among the individual institutions. The only differences are in the financial support provided to the founders during the start-up phase (fellowships).

Employees and professors can participate in the newly founded companies. On the one hand, this poses risks with regard to the independence of these employees and professors, since they have an interest in the economic success of the company. On the other hand, too long an influence can have an inhibiting effect on the start-ups. For these reasons, individual institutions have limited the maximum number of shares that employees and professors may hold in spin-offs.

The use of the institutions' intellectual property by the spin-offs (licences, etc.) is negotiated between the institutions and the founders. The SFAO was informed on several occasions that greater transparency with regard to the costs incurred by the start-ups is desirable.

### **The institutions implement the regulations on secondary occupations and spin-off support pragmatically**

At the research institutions, any future secondary occupation is usually discussed informally with the superior or a representative from the human resources department. If this preliminary decision is already negative, the employee refrains from submitting a report or an application for approval. At the research institutes, these notification and approval processes are kept simple and serve their purpose. In 2022, ETH Zurich set up an electronic workflow in which employees and professors have to record their secondary occupations. Again, this system is kept simple, is easily accessible and is therefore appropriate.

However, the EPFL has a greater need for action, which it has itself already recognised. At the time of the audit, there was no uniform process for employees and professors to report their secondary occupations. In addition, there was no overview of employees' secondary occupations, as these reports, unlike those of professors, are not recorded centrally. The EPFL would like to close these gaps with a solution similar to that already in place at the ETH Zurich. Only the Swiss federal Institute for Forest, Snow and Landscape Research systematically checks that secondary occupation records are complete and up to date.

### **Founders rate the support for spin-offs as good**

Founders of spin-offs highly appreciate the support provided by the institutions when founding their companies. Mention should be made, among other things, of the possibility to remain employed at the institution at a reduced working rate (economic security) and of the support provided by business start-up experts who also have a personal network in the business world.

**Original text in German**