Global Power, Straight Up

Klaus Schwab, mastermind of the World Economic Forum and its Davos confab, has built the stickiest site on the planet. In the attention economy, where time is more valuable than money, it's not easy getting the world's top businesspeople and policymakers face-to-face. Throw in the specter of conference glut, and persuading movers and shakers to [...]
Nelson Mandela has bunked at the Seehof. So have Hillary Clinton, Canadian prime minister Jean Chrétien, Monaco's Prince Albert, Sweden's Queen Silvia, and Jacques Cousteau.

"During the forum, we have up to 90 functions, one right after the other," says Schlosser. "Our staff works 18-hour days, but I'm not allowed to hire extra people because of the security problems. Every 5 feet around the hotel we have a police officer. And we have sharpshooters on the roof and on the apartment balconies behind the hotel."

In the Restaurant Palais, just off the main lobby, Schlosser stops to show me a little brass plaque on the wall commemorating the pivotal meeting at Davos of Yasser Arafat and Shimon Peres. It reads: THE WORLD WAS HOPING FOR PEACE FROM DAVOS. JANUARY 25-30, 1994.

"And when they came back in 1996, do you know what Peres did?" says Schlosser. "He asked if we could set up the same meeting room just as it had been. Then, for old time's sake, he invited Arafat, and the two of them went back in just to renew their friendship.

"As people start checking in and spontaneously meeting each other, the lobby just gets crazy," he continues, barely able to contain his delight. "One day, after I introduced Peres to Warren Beatty, Peres came back a moment later and asked me in a whisper, 'Who is that guy?' When I told him, he looked really surprised and then went right back over to Beatty to ask if he wanted to have a drink. They were in the bar for two hours. That's the spirit of Davos!"

The man who put Davos on the map is hardly a household name, but his famous gathering has made him as influential as many heads of state and corporate chieftains. Over the past three decades, Klaus Schwab has transformed a simple insight - that the major players in our globalized era could benefit from a convivial, neutral spot to meet and discuss the future - into a full-blown phenomenon. London's Sunday Telegraph has called Davos "the mecca for all power networkers," but whatever description you apply, consensus among bigwigs is that you skip Davos at your own risk.

"Each year, I say, 'No! I'm not going - they all take themselves too seriously,'" says financial news giant Michael Bloomberg with a chuckle. "And then each year I go. And I have a good time."

"In the parlance of the Internet, Davos is an aggregator," says Kim Clark, dean of the Harvard Business School and a Davos regular. "They foresee and hold discussions about important, emerging world trends, but another reason to be there is the interaction. There's a kind of hunger on the part of world leaders to really connect, and Davos is the premier networking event."

Schwab aims to create a bazaarlike atmosphere for businesspeople and leaders to work things out off the public stage. During the carefully nurtured time off from formal events, participants troll the Congress Centre hallways in a deal-making mood, go off in small packs to ski, gather in the blue haze of a Euro-dominated smoking bar, or just hang around comparing notes. A gaggle of Americans collect at the telecommunications warren - an info hub on the mezzanine level of the Congress Centre, full of booths outfitted with phone and data connections - to complain about the Neanderthal phone service in their hotels. People navigating a dozen languages compare hardware, swap jacks, and gossip while downloading email. Private high-level meetings go hand in hand with choreographed fun: tango bands, sleigh rides for spouses, a Saturday-night blowout.

Schwab seems an unlikely candidate for becoming one of the century's great party-givers. A slender, balding man with a Calvinist expression - he reminds you of the pitchfork-clutching farmer in American Gothic - Schwab was born in
Ravensburg, Germany, in 1938. Until the late ’60s, he sedately taught business management. His academic pedigree includes degrees from the University of Fribourg and the Swiss Federal Institute of Technology at Zurich as well as a stint at Harvard’s John F. Kennedy School of Government. He remains a professor of business policy at the University of Geneva, a title that prominently adorns his calling card.

Schwab conceived of the Davos gathering in 1969, a time when the town was known mostly for its ski trails and tuberculosis wards. (One of these was where Thomas Mann’s wife took the cure in 1912, an experience that inspired him to write *The Magic Mountain.*) In January 1971, Schwab was stunned when some 450 people signed up for his two-week symposium to discuss the challenges facing European businesses in the global marketplace. The profit enabled him to set up the European Management Forum and hold another session in 1972.

Growth came quickly after that. By 1973, Schwab began planning annual events of an increasingly international cast. In 1976, when he persuaded several banks to fund a conference of Arab and European business leaders, he drew some 2,000 participants. In 1978, Schwab’s group changed its name to the World Economic Forum. By 1990, Davos had become synonymous with high-level cross-pollination. It was a place where Polish dissident and Solidarity champion Adam Michnik sat down for breakfast with his former jailer, Wojciech Jaruzelski; where Singapore senior minister Lee Kuan Yew, World Bank president Barber Conable, and Mexico’s president, Carlos Salinas de Gortari, could hold forth alongside Swiss theologian Hans Küng. Out of this vortex of politics, power, money, intellect, and celebrity evolved Schwab’s view that the annual meeting needed to dedicate itself to "integrating leaders from business, government, and academia into a partnership committed to improving the state of the world." By the mid-’90s, as Davos ideals began to reverberate in the corridors of power, heads of global businesses started vying for corporate membership, a distinction whose number Schwab limits to 1,000. A company must have a billion-dollar turnover to be eligible, and then must pony up about $13,500 in annual dues plus $7,700 to send a representative to Davos.

Is the price too stiff? "I cannot afford not to go," one US corporate leader told me. Indeed, in the last few years, the event has gained such prestige that many corporate heads would pay almost any price to be invited. To be on Schwab’s list is to be legitimized as a global player. To be left off is almost an indignity.

There are, of course, other elite gatherings that contend with Davos, like those organized by the Aspen Institute, the Bohemian Club, the Bilderberg group, and Herb Allen’s summertime schmoozefest in Sun Valley, Idaho. Though Davos is preeminent – and more ambitious in size and scope – its status is provisional, always dependent on the edifice of cachet that Schwab has built. In this sense, the WEF’s success is as perishable as that of any fashionable restaurant, whose popularity derives as much from its celebrated clientele as from its cuisine. Indeed, some observers have unflatteringly compared Schwab’s position at the WEF to that of a maître d’. Schwab is sensitive about any suggestion that he’s merely a concierge to the mighty, but he is also keenly and aggressively aware of the crucial role he plays in keeping the WEF together, not to mention keeping it in fashion. As one WEF staff member told me, "Klaus is very good at snapping onto trends and issues of the moment."

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The apostles of the high tech boom are Schwab's most recent conquest. The WEF jumped into the information revolution in a major way in 1997. The Davos theme that year was "Building the Network Society," and Gates and Andy Grove were the featured "digital revolutionaries." With that meeting, Schwab also unveiled a videoconferencing system that let participants talk to one another over a network.

Since then, Schwab has worked hard to get the big boys and girls of high tech excited about Davos. By 1998, when the theme was "Priorities for the 21st Century," the headliners – among them Hillary Clinton, Helmut Kohl, and Kofi Annan – shared the spotlight with a cluster of A-list digerati, including Bloomberg, Bezos, Gates, Larry Ellison, and Sony's Nobuyuki Idei. In 1999, Davos began posting video archives of panels on the Web at live99.weforum.org. There will be more of the same at the next Davos meeting, scheduled for January 27 to February 1. The topics on tap include the new economy and whether wireless technologies will bolster the economies of less-developed countries.

Schwab has learned, too, that the meeting is far more interesting if a quotient of academics, cultural figures, and media people are invited gratis to fuel content-rich discussions. Most of them enjoy it, but there are occasional reports of feeling like a show pony. One writer invited to last January's meeting recalls feeling more "like garnish to the main meal." Arlie Hochschild, a sociology professor at UC Berkeley, lauded Schwab for provoking discussion of complex global issues, but also said that she felt "a little like a bauble."

Davos has its critics, who tend to focus on the event's bloat, self-importance, and potential for losing its uniqueness by becoming too watered down. This year, The Sunday Telegraph's Bill Jamieson wrote that Davos is "the leading event in the global problem-solving calendar, heavily attended, say cynics, by those who cause them."

"During the Davos weekend, roughly 70 percent of the world's daily output of self-congratulation is concentrated in one place," noted Peter Martin of London's Financial Times. "When you look around Davos, you see the triumph of the middle-aged."

Flip through a directory of distinguished participants from any recent annual meeting – a bricklike publication, 2 inches thick and 4 across, that contains the phone and fax numbers and email addresses of the pantheon of Davos worthies – and what's immediately evident is that Schwab is a consummate dealmaker himself. He's talented at getting big-league business executives to not only show up but pay up – forking over member dues as well as additional sums to become "partners" that support forum activities year-round. Both Schwab and the WEF's director, Claude Smadja, are forthright about the fact that business has always been the keystone of the forum's arch.

You can certainly see the WEF's evolution and expansion in the reports issued after each Davos meeting. A decade ago, these publications were relatively modest affairs, with black-and-white photos showing participants on panels and in hot-air balloons. By 1999, the Report on the Annual Meeting had become a slick color publication documenting a gargantuan event that involved more than 1,000 CEOs, 300 senior political leaders, 300 intellectuals of varying stripes, 250 members of the press, and 40 heads of state and government. Notables including Al Gore, Russian prime minister Yevgeny Primakov, Egyptian president Hosni Mubarak, Nobel Prize-winning author Nadine Gordimer, and US treasury secretary Robert Rubin (along with his deputy and eventual successor, Lawrence Summers) buzzed among 350 panel discussions on the international monetary system, artificial intelligence, spirituality, and corporate merger mania, to name a few. The informational blizzard was reminiscent of Mann's description of a Davos snowstorm: "monstrous and immeasurable."
In 1992, the WEF inaugurated a series of sub-summits; 10 are held around the world each year. The WEF also handpicks a group of so-called Global Leaders for Tomorrow, or GLTs, and hosts mini-summits to which they and Davos aspirants are invited. These events not only help focus attention on regional issues but serve as something like farm teams for Davos.

"One of our big frustrations is that everyone wants to go to Davos," says Pedro Ralda, a Spanish expert in international affairs, who coordinates the WEF's Latin America summits. "It's gotten to be such a trademark that there's often an ego thing between the chair, CEO, and president of a member company over who gets to go. Because we can accommodate only one from each member company, we created the regional summits."

One gets the distinct sense that as Schwab consorts ever more closely with the corporate conquerors who animate our age, he chafes against the confines of his nonprofit foundation. For all his extraordinary access, he cannot quite run with the Prometheans. While friends say his dream is to win a Nobel Peace Prize, one also detects a barely suppressed urge to get in on the real global action like almost everyone else at Davos: courting venture capitalists, starting companies and IPOing, merging, and selling them.

So irrepressible are Schwab's entrepreneurial urges that he has already helped set up two digital ventures: Think Tools, a knowledge management software company, and Industry to Industry (www.i2i.com), an online auction site selling technology, businesses, even furniture, that he hopes will ultimately go public, albeit under another nonprofit foundation.

All of it sounds familiar, no? "Yes, Schwab is an idealist," says Harvard's Kim Clark. "But he is also a quintessential entrepreneur."

PLUS

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