

### The Great Transformation – Shaping New Models

Some introductory ideas by Professor Klaus Schwab on the theme of the Annual Meeting 2012

Over the last three years, the world has been engulfed by political, economic and, particularly, financial crisis management. We have lost sight of the fundamental transformation that the world is undergoing and of where conventional modes of decision-making have become outdated. What we clearly need are new models for global, regional, national and business decision-making which truly reflect that the context for decision-making has been altered – in unprecedented ways.

Let me outline the four new models I consider “ musts ” if we are to successfully push beyond the current impasse in addressing the critical challenges.

First, a new model is needed to account for the fundamental power shifts that have already and are continuing to take place. I am thinking not only of the seismic shifts of geopolitical and geo-economic power from West to East and from North to South, but also of the need to integrate new non-state actors who want to have their say and the capability to do so. Power has become much more distributed.

Thus, we need new models where governance processes on all levels integrate these newcomers in the most collaborative way. In the old world, it was hard power – hierarchical power – that was decisive. Then came soft power – the capability to have a convincing message. But today, we need to integrate empowered newcomers in what I call “ collaborative power–”the capability to exercise collaborative power will determine the future on the business, national, regional and global levels.

A second new model is needed to acknowledge that we live together in a multicultural, multi-ethnic and multi-religious world. Prevailing values will have to increasingly accommodate diversity with substantial challenges for national and individual identities. We will only make lasting progress by recognizing that we are different but interdependent. Thus, we have to cultivate a much greater feeling of regional and global togetherness.

A third new model is needed to seriously address the social impact of globalization and the new wave of technological innovation. Growing inequities within and between countries and rising unemployment are no longer sustainable and are triggering social protests, as witnessed throughout the world. We must rethink our traditional notions of economic growth and global competitiveness, not only by focusing on growth rates and market penetration, but also, equally – if not more importantly – by assessing the quality of economic growth.

How is growth to be achieved in the future? How sustainable is it and at what cost to the environment? How are the gains distributed? What has become of the family and community fabric, as well as of our culture and heritage? The time has come to embrace a much more holistic, inclusive and qualitative approach to economic development, based on the “ stakeholder ” and not on a pure “ shareholder ” concept.

We need a fourth new model for job creation. The global economy is growing more slowly, productivity is still making substantial progress and unemployment is skyrocketing. We also know that hundreds of millions of people will enter the job market in the next decade. In addition to the productivity increases driven by greater resource efficiency, the industry model is changing and moving upscale, where fewer people can produce much more value.

The key to mitigating a catastrophic situation is to provide young people with the capability to create their own jobs: to move from the pure concept of unemployment to the concept of micro-entrepreneurship. This will require fundamental changes in educational systems, nurturing a societal spirit of entrepreneurial risk-taking, allowing true gender equality – to integrate the other half of hidden talents – and making innovation and the support of innovation a key imperative in public and private life. The success of any national and business model for competitiveness in the future will be less based on capital and much more based on talent. I define this transition as moving from

capitalism to “ talentism ” .

I have outlined only four of the new models that form part of the great transformation regionally and globally to illustrate that we are at a historic inflection point. In Davos, we will discuss many more aspects of the great transformation, particularly how they create new business models.

To respond to the expectations of the young generation, we have to provide them with the hope and confidence that they will not have to pay for the mistakes and excesses of the present generation. There is a tipping point where velocity, interconnectivity and complexity become so pervasive that the whole system collapses, regardless of whether certain elements at the surface have been addressed.

The Annual Meeting 2012 in Davos is the place where we must – individually and collectively – have the foresight, the commitment and collaborative power to shape the new models needed to safeguard our global future, and to respond to the expectations and hopes of the hundreds of millions of people who presently feel left out.