



GOVERNORS MEETING
FOR PROFESSIONAL
SERVICES

Davos, Switzerland
25 January 2008

REPORT

Governors Meeting for Professional Services

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The Forum would also like to thank the guests of the Governors: J. Frank Brown, Dean, INSEAD; and Laura D. Tyson, Professor of Business Administration and Economics, University of California; as well as Young Global Leaders: Caroline Casey, Founding Chief Executive Officer, The Aisling Foundation; and Katherine Garrett-Cox, Group Executive Officer and Chief Investment Officer, Alliance Trust, for sharing their perspectives.

The Forum would like to cordially thank all participants of the Governors Meeting 2008 for their personal insights and engagement in discussions. (See the list of participants on page 10.)

Executive Summary

The Governors of the professional services industry – chief executives of leading consulting, accounting, law and human capital companies – gathered in Davos to discuss the challenges of diversity. Joined by leading faculty and Young Global Leaders, the Governors addressed a number of questions related to diversity and suggested continuing the debate beyond Davos. Professional services was the only industry group at the Annual Meeting 2008 that focused on this topic.

Today's business world requires that professional services companies become more diverse and inclusive. Governors agreed that diversity should be understood broadly and not be limited mainly to gender and race. Lack of diversity among company leadership and retention of female talent were mentioned as two of the biggest challenges. Solutions for both include accountability for turnover levels and making leaders responsible for ensuring appropriate retention levels.

Perspectives on diversity and its impact are different in Asia and regions outside the Northern Hemisphere. The industry needs to better understand non-US and non-European viewpoints on diversity and include regional opinions in the debate. Business needs to include new social groups in the workforce, which requires an immigration policy that facilitates employment of highly skilled persons. The workforce will look different within 10-15 years, and expectations for diversity will also change. Increasing today's diversity will help to include the next generation of workers.

Following the Governors' recommendations, the Forum will carry on the diversity discussion in 2008, engaging professional services executives and Young Global Leaders, as well as involving the world's most innovative and relevant minds in the Global Agenda Council on Diversity. A series of online and traditional meetings is foreseen, including private sessions in China and India, to advance the debate and present the outcomes at the next Governors Meeting on the morning of 30 January 2009, which will take place at the World Economic Forum Annual Meeting 2009 in Davos (28 January – 1 February).

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Introduction

The Power of Collaborative Innovation

Participants in the World Economic Forum Annual Meeting 2008 focused on the tools for addressing the many challenges emerging as a result of shifting power equations in the world. The “power of collaborative innovation” is arguably the last remedy to the stresses of intense globalization that have been evident in financial market volatility, widening income disparities and conflict zones around the world. As former British Prime Minister Tony Blair observed in the closing plenary session: “Globalization is forcing changes in how people collaborate in a fundamental way.”

Fostering Collaborative Innovation Means Fostering Diversity

Discussions at the Governors Meeting illustrated and complemented the Annual Meeting 2008 theme by stressing that diversity of gender, cultures, ethnicities and backgrounds is key for collaborative innovation. Fostering collaborative innovation means fostering diversity, in particular, in knowledge-intensive industries.

Laura Tyson, Professor of Business Administration and Economics, University of California, Berkeley, USA, underlined that professional services was the only industry group at the Annual Meeting 2008 that focused on diversity and suggested that the industry encourage other sectors to join this important debate.

Governors Meeting for Professional Services

The World Economic Forum has formed groups of Governors for 15 industry sectors with the aim of providing informal, efficient frameworks for an exchange of opinions on global strategic issues of common concern to the specific industry sectors.

The Governors Meeting for Professional Services gathered chief executives and chairpersons from the leading consulting, accounting, human capital and law firms who shape the global future of the industry (media and public relations companies did not take part).

The Governors Meeting was conducted in a confidential, informal atmosphere. Care was taken to ensure that the deliberations do not interfere with the competitive relations of companies, and issues on the agenda were chosen on the basis of suggestions from the Governors and/or their representatives.

The next Governors Meeting for Professional Services will take place during the World Economic Forum Annual Meeting 2009 in Davos on 30 January. Governors are cordially invited to suggest issues for the Governors Meeting agenda and special guests.

Governors can start initiatives among themselves under the auspices of the World Economic Forum, commission research, or take any other appropriate action to prepare and follow up on specific issues.



Michael Wareing, International Chief Executive Officer, KPMG, United Kingdom; **Michael Tram**, Chief Executive Officer, Arthur D. Little (Worldwide), Germany; **John Conroy**, Chairman of the Executive Committee, Baker & McKenzie, USA; **James H. Quigley**, Global Chief Executive Officer, Deloitte, USA; **J. Frank Brown**, Dean, INSEAD, France; and **M. Michèle Burns**, Chairman and Chief Executive Officer, Mercer, USA

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Report from the Meeting

This report presents a subjective assessment of the key arguments made during the Governors Meeting for Professional Services on 25 January 2008.

Professional Services Diversified: How Does Inclusion Change the World of High Performance?

Demographic constraints, globalized markets and clients' growing demand for creativity require professional services companies to become more diverse and inclusive. Governors of the professional services industry and invited guests debated how this trend will change the industry.

Agenda Setting

Chief and senior executives from global consulting, accounting, law and human capital companies discussed the following issues:

- How and why is it necessary to become more inclusive in hiring and leadership development practices? Is there such a thing as being too diverse?
- How do firms marry true diversity across people's backgrounds and cultures, gender and age with their own corporate culture?
- If better diversity at the highest management level means better financial results, why is this not reflected in the boardroom?



Governors of the Professional Services Industry

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James H. Quigley, Global Chief Executive Officer, Deloitte, USA



David Arkless, Executive Board Member, Manpower, United Kingdom



Laura D. Tyson, Professor of Business Administration and Economics, University of California, Berkeley, USA

Rebranding Diversity

Today's business has not been entirely successful in defining diversity. "Diversity" as a term needs to be repositioned to better reflect its broad character, including multiple dimensions and going beyond gender and race. Governors and their guests unanimously agreed based on their own experiences that the ability to add value to an organization is independent of gender, race, age, etc.

Challenge or Opportunity?

"Someone in a previous session in Davos said: 'We hire people because they are different and we fire them because they are not the same'," recalled Mark Mactas, Chairman and Chief Executive Officer, Towers Perrin, USA. Well, I said this, revealed L. Kevin Kelly, Chief Executive Officer, Heidrick & Struggles, USA, and discussion about diversity challenges began.

True diversity is about differences, unlike "façade diversity". Therefore, diversifying human capital may often be delicate. Diversified teams may have a hard time together, as they may not necessarily share the same values, but they perform better. Performance and diversity are part of the same equation. People need to be promoted for merit, not for statistics – that should, in fact, lead to a diverse workforce. However, barriers in diversifying human capital are often difficult to overcome.

Lack of diversity among a company's top leadership was mentioned as one of the biggest challenges. Unless diversity is visible at the board level, messages about the importance of diversity will not be efficiently communicated to employees. "Our company believes in

diversity, and so do our 12 male board executives" does not seem convincing to people who need to look at the company and see that their leaders are similar to themselves. Otherwise, they will not believe they can attain a similar level. Promotion of diversified role models and success models is further indicated.

Measuring Diversity, Retaining Talent

Tyson stressed the close link between diversity and human capital retention. James H. Quigley, Global Chief Executive Officer, Deloitte, USA, shared his company's retention model based on leaders' accountability for turnover levels. "Leaders must be held responsible for ensuring retention levels," he underlined, and added that Deloitte has an aggressive diversity policy.

Measuring diversity and accountability of leaders have been identified as key elements in promoting diversity within an organization.

Governors agreed that retention of female talent in companies with partnership structures, in a highly competitive environment, appears particularly difficult. Women do not easily enter negotiations about promotions, salary increases or interesting projects, Tyson reminded participants.

Not only is the billable hours model making it difficult for women to combine career with family in partnership structures; pressure from highly ambitious peers significantly adds to it. Moreover, flexibility no longer exists and simply means 24/24 work. However, a more woman-friendly culture in the executive search industry has resulted in greater gender equality.

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Regional Perspectives

David Arkless, Executive Board Member, Manpower, United Kingdom, brought attention to the fact that the current understanding of diversity is predominantly Western. Even a perfect diversity proportion within a company may reflect mainly the North American perspective.

Perceptions of diversity issues are very different in India, China or Russia. Diversity is not valued in the rest of the world as much as it is in the West. Attempts to diversify workforces in these regions are sometimes particularly complicated. A dialogue about diversity with non-Western players is key for understanding what diversity means to business in emerging economies.

Future of Diversity

The workforce will look different within 10-15 years, and expectations for diversity will also change. Business will need to include new groups of society in the workforce. Increasing, today's diversity will help to include the next generation of workers. "We have figured out to date how to deal with immigrants' children, but not with immigrants themselves," one participant noted.



J. Frank Brown, Dean, INSEAD, France; and M. Michèle Burns, Chairman and Chief Executive Officer, Mercer, USA

Another question was whether a company can ever reach a level of diversity allowing to "tick that box". The majority present agreed that it is an ongoing process. "Diversity implementation never stops," said David Childs, Managing Partner, Clifford Chance, United Kingdom.

Finally, participants agreed that it is easier to maintain a focus on diversity during times of prosperity, but asked: "When the supply-demand equation changes, will we all be so noble and generous with these programmes?"



David McDonnell, Chief Executive Officer, Grant Thornton, United Kingdom; Ted Burke, Chief Executive Officer, Freshfields Bruckhaus Deringer, United Kingdom; Caroline Casey, Founding Chief Executive Officer, The Aisling Foundation, Ireland; Katherine Garrett-Cox, Group Executive Officer and Chief Investment Officer, Alliance Trust, United Kingdom; Stuart E. Eizenstat, Partner and Head, International Trade and Finance, Covington & Burling, USA; and Robin W. T. Buchanan, Dean, London Business School, United Kingdom

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Immigration

Participants recognized that there needs to be a comprehensive business lobby to deal with the immigration issues, and indicated that there are difficulties in employing highly-skilled workers from a number of countries. They underlined that immigration policy towards highly-skilled workers should be separated from the political problem of low-skill workers. A joint action of professional services firms, aimed at improvements in visa legislation, would be a huge achievement for the industry.

Suggested Follow-up

Governors advised that discussions about diversity and related issues should continue on the Forum's interactive platform, WELCOM; perspectives should be gathered from the Forum's Young Global Leaders; and information and knowledge leading to better solutions should be shared.

As suggested by Arkless, a communication process between this Governors Meeting and the next one in Davos in 2009 needs to be defined and should include interactions with Young Global Leaders who have a Diversity Initiative. Moreover, not only should the professional services industry and Young Global Leaders be involved, but also other appropriate stakeholders.

Participants suggested taking forward the topic to the Forum's regional meetings as well as sharing information among themselves about policies that companies apply to ensure equal retention levels between women and men.

Immigration was identified as a topic for the 2009 Governors Meeting. Corporate responsibility within the professional services industry was mentioned as another potential discussion topic.

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Beyond Davos: Next Steps and Agenda

As suggested by the Governors, their next meeting in Davos will be preceded by online and off-line gatherings involving Young Global Leaders and other relevant personalities from business. Moreover, discussions about diversity, initiated by the Governors and Young Global Leaders, will be complemented by the top leaders in the field through the Global Agenda Council on Diversity.

Global Agenda Council on Diversity

The World Economic Forum is forming Global Agenda Councils on 100 of the foremost topics in the global arena. Due to input from the Governors Meeting for Professional Services, diversity is now one of these topics.

The purpose of the Global Agenda Councils is to advance knowledge, challenge prevailing assumptions, monitor trends, map interrelationships and address

knowledge gaps. Equally important, the Councils will propose solutions, evaluate the effectiveness of actions and feed into the Forum's activities and processes.

The Global Agenda Council on Diversity will convene 15-35 of the world's most innovative and influential minds. This multistakeholder group will gather mostly academia and top business players, both from professional services and other industries, as well as Young Global Leaders.

The Global Agenda Council on Diversity will provide a global perspective on diversity issues, which will inform the Forum's industry, regional and Annual Meeting programmes. Information sharing, collaboration and mutual inspiration among the leaders of the professional services industry, Young Global Leaders and the Global Agenda Council on Diversity will not only ensure continued, multistakeholder discussion on a wide range of diversity aspects, but also an opportunity to work out comprehensive and innovative solutions to address challenges of diversity in the business world of today and tomorrow.

Figure 1: Where Do We Go with Diversity? From Annual Meeting 2008 to Annual Meeting 2009



The Governors from Professional Services, Young Global Leaders and Members of the Global Agenda Council on Diversity collaborate and inspire each other's discussions.

Outcome: objective, comprehensive and innovative approach to foster diversity

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2008 Agenda

Diversity discussions in 2008 will take the ideas identified at the World Economic Forum Annual Meeting 2008 forward to the Forum's regional activities. The interactions of the leaders of the professional services industry and Young Global Leaders will be complemented by the Global Agenda Council on Diversity.

- During its two online sessions, the Global Agenda Council will prioritize issues identified at the World Economic Forum Annual Meeting 2008 and recommend those to be explored in further detail.
- There will be a deep dive on the particular challenges of diversity, which will feed a debate on diversity in the context of globalization at the Forum's Annual Meeting of New Champions 2008 in Tianjin, People's Republic of China.

- Diversity as a condition of rapid growth and as a challenge for companies going global will be discussed in depth with the Forum's Community of Global Growth Companies.
- The Summit on the Global Agenda in Dubai will allow a broad, strategic perspective on diversity. Participants will challenge current business assumptions and suggest potential solutions to diversity needs.
- The Asian voice will be heard on the occasion of the Forum's India Economic Summit, where the outcomes of preceding global-level discussions will be faced by non-Western viewpoints.
- An online session in January of the Global Agenda Councils will ensure a deep dive on remaining problems and a pre-Davos briefing.
- The Governors Meeting for Professional Services in Davos in January 2009 will review the outcomes of the 2008 discussions and recommend the next steps.

Calendar 2008-2009: Who Participates?

World Economic Forum Meetings	Annual Meeting 2008 Davos 23-27 Jan	Industry Partnership Strategy Meeting New York 9 Sept	Annual Meeting of the New Champions 2008 Tianjin People's Republic of China 25-27 Sept	Summit on the Global Agenda Dubai 7-9 Nov	India Economic Summit New Delhi 16-18 Nov	Global Agenda Council Online session January	Annual Meeting 2009 Davos 28 Jan – 1 Feb	Young Global Leaders Diversity Task Force
What kind of session?	Governors Meeting for Professional Services	Cross-industry Session for Chief Diversity Officers	Multistakeholder session	Summit on the Global Agenda Councils	Private multistakeholder session	Online	Governors Meeting for Professional Services	Diversity Task Force activities
Who participates in a meeting?								
Professional Services firms	✓	✓	✓		✓		✓	
Young Global Leaders		✓	✓					✓
GAC on Diversity		✓		✓		✓		

The Governors, Young Global Leaders and Members of the Global Agenda Council on Diversity collaborate and engage each other in relevant activities to work out comprehensive solution to common challenges.

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Participants List

Co-Chairs

David Arkless, Executive Board Member, Manpower, United Kingdom

James H. Quigley, Global Chief Executive Officer, Deloitte, USA

Special Guests

Frank J. Brown, Dean, INSEAD, France

Laura D. Tyson, Professor of Business Administration and Economics, University of California, Berkeley, USA

Governors

Yilmaz Argüden, Chairman, ARGE Consulting, Turkey

Willem Bröcker, Global Managing Partner, PricewaterhouseCoopers, Netherlands

Robin W. T. Buchanan, Dean, London Business School, United Kingdom

Michèle M. Burns, Chairman and Chief Executive Officer, Mercer (MMC), USA

Ted Burke, Chief Executive Officer, Freshfields Bruckhaus Deringer, United Kingdom

David Childs, Managing Partner, Clifford Chance, United Kingdom

John Conroy, Chairman of the Executive Committee, Baker & McKenzie, USA

Stuart E. Eizenstat, Partner and Head, International Trade and Finance, Covington & Burling, USA

John J. Grumbar, Chairman and Chief Executive Officer, Egon Zehnder International, United Kingdom

L. Kevin Kelly, Chief Executive Officer, Heidrick & Struggles, USA

Mark Mactas, Chairman and Chief Executive Officer, Towers Perrin, USA

David McDonnell, Chief Executive Officer, Grant Thornton International, United Kingdom

Michael Träm, Chief Executive Officer, Arthur D. Little (Worldwide), Germany

Duane D. Wall, Partner White & Case, USA

Michael Wareing, International Chief Executive Officer, KPMG, United Kingdom

Young Global Leaders

Caroline Casey, Founding Chief Executive Officer, The Aisling Foundation, Ireland

Katherine Garrett-Cox, Group Executive Officer and Chief Investment Officer, Alliance Trust, United Kingdom

World Economic Forum

David Aikman, Senior Director and Head, Partnership, The Forum of Young Global Leaders and Professional Services

Anna Janczak, Global Leadership Fellow, Community Manager, Professional Services

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Summary of Relevant Sessions in the World Economic Forum Annual Meeting 2008 Programme

Bridging the Skills Gap

Facilitated by • **J. Frank Brown**

Friday 25 January

For most of modern economic history, CEOs, educators, labour leaders and government ministers have struggled to find solutions to the perennial skills gap. Participants of the collaborative session in the WorkSpace were asked a question of what innovative behaviours, processes and models should be implemented to address the skills gap within organizations.

Discussion Scope

Global and regional leaders have shared their skills gap-related observations, concerns and recommendations with the Forum that relate to three main aspects:

- 1) Defining the skills gap and the size of the problem
- 2) Key skill sets in today's business world
- 3) Bridging the skills gap in the Workplace and Society

The skills gap during times of economic crisis deserves a separate debate and has yet to be discussed in detail.

1. Defining the Skills Gap and the Size of the Problem

The skills gap can be perceived as a disconnect between labour supply and demand or, more precisely, a mismatch between the quality of the labour market and skills required by business. Notwithstanding, the invisible hand of the market fails to inspire sufficient skills evolution to minimize the gap. To the contrary, the size of the skills gap – already enormous – continues to increase as business evolves and reforms faster than the educational system. In addition, lack of communication and feedback between business, education and governments makes bridging the skills gap particularly challenging.

2. Key Skill Sets in Today's Business World

What skills are key? Outcomes from Forum discussions to date identify two areas that are perceived as crucial:

- *Adaptability and flexibility*: Skills required now are different than skills deemed necessary only few years ago and this trend will continue. Learning is lifelong.

- *Balance between hard and soft skills developed at the right level*: Technical and non-technical skills belong to one skill set and should not be separated. Sufficient science/IT education needs to be complemented by the ability to work in a multicultural environment and language skills. As underlined by Carlos Ghosn, President and Chief Executive Officer, Renault, France; President and Chief Executive Officer, Nissan, Japan, technical skills are as important as multicultural skills. Richard Levin, President, Yale University, USA, underpinned this by saying that no matter what students are being taught, they should be taught how to work with people who have different perspectives.

3. Bridging the Skills Gap in the Workplace and Society

The skills gap needs to be addressed at both the micro level of every company facing labour shortages and at the macro level of global society. Observations and points for further discussion made by participants at the World Economic Forum Annual Meeting 2008 are noted below.

Within organizations, the skills gap can be bridged through:

- *Retaining talent*
 - Retain capabilities and credibility, not necessarily people
 - Provide talent with good leadership and a leadership culture within an organization that enhances and empowers individuals
 - Encourage independent problem solving and entrepreneurial thinking
 - People with technical skills are promoted and transition to jobs where other skills are needed for which they have no training
 - Most important for talent retention is a true sense of a purpose, of "doing something good in your life though your work" as well as excitement about the job, rather than purely economic incentives
 - Career planning should include continuing learning opportunities as well as emotional and intellectual sources for motivation
 - Competition for and retaining of talent in emerging economies remains a challenge
 - Motivate people, adapt models and retain knowledge – a good combination
- *Encouraging Diversity*
Is diversity a challenge or an opportunity? The question continues to be raised despite general agreement that broadly understood diversity of cultures, gender, profiles, age, experiences, styles and skills can deliver better results for companies.

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- What are the challenges and opportunities of consumer driven diversity?
- What are the key things organizations can do to attract and integrate innovative individuals from around the world? One way to integrate input is to have employees from different countries or cultures swap jobs. Another way to promote diversity is to capture best practices from managers who seem to “get it” or to move young top performers around the world. Importantly, companies should focus on identifying strengths rather than weaknesses
- It is important to be transparent about diversity and to measure the outcomes

At the society level, the skills gap can be bridged through:

- *Decreasing the Disconnect between Business, Education and the Workforce*

The disconnect between what people are learning and what they need to learn reflects the disconnect between students, employers and providers – the last two in particular. Inflexibility of education providers increases the problem; even if a provider wants to make a change, it is not easy to implement. Recommendations for synchronizing the public and private sectors to fill the skills gap include:

- Improving communication between educational institutions and policy-makers, students and corporations
- Improving collaboration between business and educational system (i.e. engage a group of MBAs to solve companies’ problems)
- Developing a grid that tracks global supply and demand for talent to help shape educational policy and ease the talent crunch faced by corporations.
- Increasing information sharing and developing feedback mechanisms (e.g. share information about salary with employees’ schools; incorporate summer internships in students evaluation)
- Communicating skills demand to people through communities and society. Advocacy on the public and private front should, in particular, focus on young people before decisions are made on the profile of future education (how young should the target group be?)
- Creating more degrees, and supporting students who do not graduate
- Retaining talented teachers

- *Addressing the Skills Gap Demographics*
Migration and changes in lifestyle have an unparalleled importance for the skills gap. To bridge the skills gap, immigration must be welcomed and workplace inclusion fostered. In addition, efforts are needed to increase mobility of labour and reduce barriers in education.

The skills gap has an impact that goes beyond business profitability. Exclusion from the workforce affects society in a negative way, resulting in poverty and crime and potentially terrorism. Therefore, collaboration with governments on both global and local levels is required to develop strategies to help the unemployed return to the labour force and make the unemployable employable, particularly important for the younger generation.

- *Introducing a Global Skills Regulator*
Do we need an employment regulator? Participants in Forum discussions repeatedly mentioned the need for a powerful global institution to oversee the skills issue, set the standards and guidelines for education, support mass labour movements on a global scale and foster labour mobility. Such a skills development authority should be comprised of stakeholders from government, business, education and the

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Leadership and Skill Development: A Cross-Cultural Dialogue

**Paul Achleitner • Joel M. Podolny • Azim H. Premji
• Soraya Salti • Juan Somavia • Xu Zhihong**

Moderated by • **David R. Gergen**

Thursday 24 January

Rather than asking how different cultures prioritize the critical skills for tomorrow's leaders, panellists looked for universal elements and areas of understanding as to what constitutes leadership. "There was a time when leadership was thought to be shaped by cultural expectations," but managers now are expected to lead across functional, organizational, institutional and political boundaries. Business schools and institutions face the question of how to sort out what qualities are needed in a global environment.

Some insights from this session:

- The global business environment is creating great uniformity in leadership values, with emphasis on intelligence, integrity and intensity (the 3is). However, the hunger to win should not be construed as "playing dirty".
- Respect for others and an ability to listen form a common basis for empathy – emotional intelligence or social intelligence – and are key to leadership. The words used to convey empathy, however, can be understood differently in different cultures.
- Business and other organizations need to train a group of global leaders who are comfortable around the world. Their recruiting process must also target such people. The necessary empathy must be developed from a very early stage.
- A primary question is whether empathy can be taught or learned, and to what degree. One participant was not sure empathy can be taught but contended that it is possible to teach the importance of empathy and show what it can do. "Empathy is as empathy does." Another answer: The capacity to understand others lies within all of us; as with entrepreneurship, we have to create the conditions for it to emerge.

Other issues raised during the discussion:

- Can the intensity to win be in conflict with the capacity to take risks? No. Managing paradox is part of leadership and this is one of the paradoxes that have to be managed.
- Are NGO skills sets different from those required in business? NGOs are showing a lot of interest in skills coming from the business community.
- Many people say the result is what matters, but the process matters, too.
- With all that is happening, the way people relate to work has not changed. It is still a source of income, personal dignity, family stability and social peace. Work does not just consist of production, but the other issues are not as important to business. The new book, *The 4-Hour Workweek*, is an interesting perspective and very popular in business schools.

Session conclusions: All the points mentioned are exceedingly important, but it is misleading to say that global leadership is all about soft skills and social intelligence. The ability to say no, to cut through complexity and to withstand the enormous pressure to swim with the tide are the distinguishing characteristics of good leadership. There are universal values, and it is necessary to attempt to teach global leaders to be global stewards.

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The Workforce's New Demographics

Barbara J. Beck • David E. Bloom • David T. Ellwood • James H. Quigley

Moderated by • **Herminia Ibarra**

Friday 25 January

Panellists provided a cautionary discussion of the disparate yet convergent trends affecting the global labour market.

Some insights from this session include:

- Changes under way in workforce demographics have significant importance for the global agenda. The major trends include an ageing population, the return of women to the workforce and shifting migration patterns.
- The dominant demographic event of this century is what is known as the "demographic transition" in which high rates of fertility and mortality have been replaced by low rates of both. One panellist noted that world population has doubled since 1945 but in the next 50 years, Europe will experience population decline and population ageing.
- The general age structure is a powerful influence on workforce demographics since the productive capacity of an economy is inextricably linked to the proportion of people able to work.
- No single demographic cycle governs the global labour force; each region has a distinct demographic pattern. While Europe is a haven of jobs looking for workers, Africa is a repository of workers looking for jobs. Replacement migration could be a solution to shortages in the labour force, i.e. international migration to offset population decline and ageing. However, such measures cannot be adopted in the face of current entrenched political resistance in destination countries.
- On average, human beings are living longer today. Life expectancy could potentially reach 100 sometime between 2060-2100, according to projections. Moreover, the "compression of morbidity" as people reach old age in a healthy condition is also affecting more and more societies.
- The transformative nature of demographic change is akin to an earthquake. Figures from the US show that in the 1980s and 1990s, the US enjoyed a positive demographic dividend, i.e. a rise in the rate of economic growth as a result of the number of working-age people. Women entering the workforce,

baby boomers entering the labour market and a higher fraction of people with secondary education all contributed to this positive development. However, since 2000 the US has witnessed no net increase in native-born Americans and birth rates are extremely low among educated women.

- The answer to the oft-posed question of whether there is a labour shortage is therefore a categorical "yes," declared one panellist. But the labour shortage itself is not the whole problem. There is also a skills shortage expressed differently in different regions, e.g. an absence of sales positions in US and a lack of manual labour in Europe.
- Another panellist urged employers to recognize the dearth of talent. To compound the problem, it was noted, members of the 25-34 age group stay only an average of 2.9 years in their place of employment. For long-term success, companies must engage in concerted efforts to retain good staff and redirect traditional conceptions of career to take into account the shifting expectations of this workforce, going so far as to redefine the "corporate ladder" as a "corporate lattice".
- Panellists bemoaned the fact that in spite of the importance of demographics, the subject is not at the forefront of public discourse. They exhorted the World Economic Forum to convene further meetings on the topic. It was also remarked that although trade can rely on a world system, there is a conspicuous absence of a world regime governing the movement of people. Novel approaches to education must also be introduced, and the key lies in a "change to the deep structure".

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No statement in this report shall be considered to reflect a consensus of the participants in this meeting. These notes do not represent the opinion of the World Economic Forum and provide no value judgments of the arguments made in this report. The World Economic Forum does not take responsibility for the accuracy of any factual statement made in this report.

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