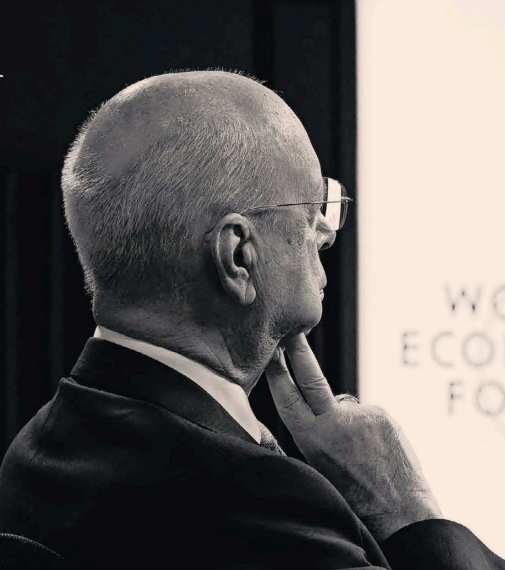


FT BIG READ. GLOBAL ECONOMY

Battered by internal scandal, the Swiss organisation behind the annual Davos summit faces a moment of existential crisis. Insiders say its future may depend on the success of next year's meeting.

By Mercedes Ruehl

Is there still a need for a World Economic Forum?



In early August, a confidential 57-page report was presented to the World Economic Forum's board of trustees. It was the culmination of a sweeping months-long inquiry that had gripped one of the most visible institutions in the world of international policy and business – and centred on the man who built it.

Led by Swiss law firm Homburger, the investigation's intent was to determine whether Klaus Schwab, the forum's 87-year-old founder, and his wife, Hilde, had turned the WEF into not only a private fiefdom but also a personal cash machine.

The conclusion was unequivocal: no criminal misconduct was substantiated. There had been blurred lines between personal and professional spending, awkward emails, poor people management, but nothing that crossed into illegality.

For Schwab, the findings were meant as vindication. In the same week, at a tense meeting of the board – which included European Central Bank president Christine Lagarde, BlackRock chief Larry Fink and other influential names – he demanded a financial settlement and a public acknowledgment that the allegations were false.

For some others present, however, the report confirmed a deeper problem: a pattern of unilateral decision-making and blurred governance by a founder who had long run the forum like a family business.

When the Geneva-based organisation finally issued its statement on August 15, the tone was careful. The "minor irregularities... reflect deep commitment rather than intent of misconduct", it said. Fink and Roche vice-chair André Hoffmann were appointed interim co-chairs. Schwab was not granted the title of honorary chair.

The forum's "next chapter", the statement concluded, "will be guided by the original mission developed by Klaus Schwab: bringing together government, business and civil society to improve the state of the world".

For decades, that mission had carried immense weight. Its annual meeting in Davos has drawn heads of state, tech titans and cultural figures to a neutral Alpine stage, where elite consensus on global capitalism's role was forged under the banner of Swiss diplomacy.

Though sometimes dismissed as a talk shop, Davos has occasionally produced results beyond networking. In 1988, it hosted a thaw in Greek-Turkish tensions when the two countries signed a peace declaration on the sidelines. In the 1990s, it facilitated economic dialogue between Shimon Peres and Arab leaders following the Oslo Accords.

But the world that once flicked there has changed. Davos is sailing against the wind. Multilateralism is in retreat, protectionism is on the rise, and great-power rivalry – between the US and China, between the west and the global south – is remaking global governance.

Rather than closing a chapter, the report marked the culmination of a slow, painful unravelling: not only of Schwab's

legacy but of the institution itself. Battered internally and diminished externally, the forum stands at an uncertain moment as it prepares for its next annual meeting at Davos in January 2026. Invitations went out to registered participants this week with the theme: *A Spirit of Dialogue*.

"The WEF may be facing its biggest challenge since it was founded in 1971. It is confronting multiple headwinds: the retreat of globalisation, widespread distrust of elites, and the abrupt transition from Klaus Schwab's leadership," says James Breiding, author of *Swiss Made: The Untold Story Behind Switzerland's Success*.

"The next meeting isn't just important – it may be make-or-break."

In early April, Schwab told the WEF board he planned to step down after 54 years as the forum's figurehead. He had been under pressure, from within the board and externally, after an earlier internal investigation into the forum's work-place culture, sparked by a Wall Street Journal exposé. The inquiry last year had found no illegal conduct but revealed widespread frustration with leadership and governance.

Schwab gave the board no date for departure, however, and shortly afterwards travelled to Frankfurt to meet Lagarde and discuss her eventual succession as chair – a move that, had it gone ahead, might have kept him in position until 2027, when her term as ECB chief ended.

Only weeks later, a whistleblower dossier arrived. The letter sent to the board accused Schwab of using forum resources for private luxuries: hotel massages, family travel and international trips without clear business purpose. Schwab pocketed royalties from books whose production costs had been covered by the organisation, it claimed – a sum allegedly worth 1.5m Swiss francs (\$1.5m).

There were further claims: that he had unilaterally launched a costly Metaverse project; that he and Hilde Schwab had restricted staff access to the Villa Mundi retreat in Geneva bought and renovated by the WEF; and

Klaus Schwab, who built the WEF from scratch with his own money, has left the organisation at a time when its founding premise of promoting dialogue among elites is being tested. Below: Schwab with his wife, Hilde, at the WEF's 2012 "Summer Davos" in Tianjin, China

FT images: Hilt/Getty Images; Visuals China/China via Getty Images

that Hilde billed private travel to the organisation.

"I will always wonder if that meeting with Lagarde was what set it all in motion," says one senior WEF employee. "It seemed someone was incensed that he intended to stick around for a few more years."

The allegations proved fatal. Schwab stepped down; the forum hired Homburger to conduct an independent investigation. Furious, the founder launched parallel legal action to clear his name.

Insiders say the lawyers' investigation was intense, but fair. "They were thorough. The process the second time around was like night and day. The first investigation I felt like I was being accused of something, the second time they assured me of anonymity and nobody could seek retribution. I, and others who I spoke to who were interviewed, felt we could be honest," says one person who was interviewed for both probes.

When the Homburger report arrived in August, it found most claims, including the serious ones, were unsubstantiated. According to the report, which has not been made public but which the FT has reviewed parts of, investigators reviewed 45,000 expense line items for the Schwabs. Tax consultancy BDO identified just under SF575,000 in private costs that had been wrongly billed over 13 years – errors, it concluded, that were "not concealed". Travel costs were steep but were found to have business justification.

Claims of sexual harassment and age discrimination were dismissed. Allegations of poor treatment of employees were also unsubstantiated.

The board had greenlit the Metaverse initiative. Similarly, Villa Mundi had been acquired and renovated with board approval and Schwab's interior designer chosen for offering below-market rates. There was no evidence that access had been unfairly restricted.

None of it amounted to criminal conduct. Yet for many trustees and executives, the report confirmed a deeper issue: Schwab's unaccountable control. He had even considered relocating the forum's headquarters to Dubai – a plan ultimately abandoned but unknown to most of the board at the time.

Klaus ran the forum like a founder runs a start-up, says one person close to the board. "Yes, much was formally approved. But nobody kept him in check. Many trustees were there as a reward. Few were willing, or interested, in standing up to him."

The report confirmed weak oversight and blurred boundaries between personal and institutional interests. But its failure to find criminality left the board facing an awkward dilemma. Schwab's lawsuit and the lingering scandal were overshadowing preparations for Davos 2026.

"When the report was presented, some board members were genuinely shocked. They had expected him to be guilty – but there was nothing in it, says one trustee. "It was obvious we had to do a deal and move on."

But there were consequences. Peter Brabeck-Letmathe, the influential Nestlé chair emeritus who served as WEF's interim chair, stepped down immediately after the settlement with Schwab, citing a toxic work environment. An early backer and longtime supporter of Schwab, he was heavily involved in the forum. The two men are no longer on speaking terms.

The settlement included a financial arrangement including a pension provision, a formal statement clearing Schwab of wrongdoing and a clear split between the founder and his organisation. Yet the decision not to release the report publicly sparked accusations of whitewashing.

"Some people called it a whitewash. It wasn't," says a forum employee in a management role. "Klaus could be difficult, arrogant and change his mind five times a day – but he wasn't enriching himself. He's not a bad person."

Internally, morale remains fragile. "I'm not sure who benefited," says



another employee. "Klaus lost, Brabeck lost, the board was divided, the forum's reputation has taken a hit... [The whistleblower's intent] was just getting Klaus out, it feels like a pyrrhic victory." Schwab, for his part, feels deprived of the dignity he believes he earned, according to those close to him. He built the forum from scratch with his own money in 1971, transforming the WEF into a global institution with quasi-diplomatic clout and more than half a billion dollars in annual revenue. He may have micromanaged the forum and its premier event, they say, but he believed he was acting in the organisation's best interests.

"He gave his life to the forum and without him it would not be what it is today," says a person close to him. "Now there's a sense it's being taken away – not just the position, but the legacy."

The irony, insiders say, is that the WEF's internal turmoil mirrors the fate of the multilateral order it once championed.

The forum's crisis marks the end of an era – the post-cold war period of global integration, market optimism and liberal institutions. That era produced Davos, and for years Davos embodied it. But the world of 2025 looks very

'The WEF may be facing its biggest challenge since it was founded in 1971. It is confronting multiple headwinds'

different. The global economy is fragmented; climate politics shapes national agendas; new technologies are complicating how societies view the future. The WEF's founding premise that dialogue among elites can bridge divides feels increasingly out of step.

Rivals have filled the space. The Munich Security Conference has expanded beyond defence into broader geopolitical debate. Riyadh's state-backed Future Investment Initiative, dubbed "Davos in the Desert", offers a glossy alternative.

"Davos has always reflected what happened in the wider world," says Thierry Malletet, co-author of several books with Schwab. "It had glory because the west was drunk on its own power – and that is finished. Multipolarity is the future. You'll have events in China, Riyadh, Aspen – and European Davos slowly fading into irrelevance."

The forum's survival now depends on whether it can reinvent itself – structurally, culturally and politically – for a world that no longer believes in elite consensus, Malletet and others say.

The immediate test will come in January. Fink has involved himself personally and much more than some expected in ensuring the presence of American superstars at Davos, one person familiar with the planning said. Other heavyweights on the board are being pressed into action to help deliver world leaders and titans of industry.

One figure in particular is high on the invitation list. "They should be aiming for Trump," says Breiding. "He has convening power, especially with Silicon Valley." One trustee confirmed "promising" discussions about securing the presence of the US president, who attended twice during his first term. "All focus is on making the next event a success," the trustee says. "Larry Fink has the best chance of pulling that off."

A WEF spokesperson said it had "record participation" of partners for this stage of the registration process. Beyond Davos 2026, however, the forum faces a deeper challenge: relevance. Critics say its content has grown flat, its panels dominated by conventional wisdom. "It used to push the envelope," says one former executive. "Now it's politically correct and dominated by sponsors like consultants. Nobody wants to hear what Macron has to say at Davos."

Others argue its value lies in what it still does best – convening and dialogue. Yet it remains to be seen what the current management is capable of. "Once they get through January, the forum needs a total rethink," says one senior manager. "But I'm not sure the current board has that mindset."

However, even those at the most senior levels recognise something fundamental needs to change. "The WEF absolutely has a reason to exist. It is more important than ever," says one trustee. "But it lost its way when it tried to become an 'impact forum'. It was meant to facilitate, not to deliver outcomes itself. The forum should help others improve the state of the world – not claim to do it alone."

The latest wave of globalisation has stalled

- Global exports of goods as a % of GDP
- 19th-century trade expansion
- First world war
- Smoot-Hawley Act in US
- Second world war
- Postwar expansion after GATT signed in 1947
- Fall of the Berlin Wall
- 'Third wave' of globalisation
- China joins WTO
- Global financial crisis



Sources: Fougère and Hugot (CEPR 2016); Jordà-Schularick-Taylor Macrohistory Database; IMF