

## **Peter Drucker: The Future That Has Already Happened**

In human affairs—political, social, economic, and business—it is pointless to try to predict the future, let alone attempt to look ahead 75 years. But it is possible—and fruitful—to identify major events that have already happened, irrevocably, and that therefore will have predictable effects in the next decade or two. It is possible, in other words, to identify and prepare for the future that has already happened.

### **Underpopulation of the developed world**

The dominant factor for business in the next two decades—absent war, pestilence, or collision with a comet—is not going to be economics or technology. It will be demographics. The key factor for business will not be the overpopulation of the world, of which we have been warned these last 40 years. It will be the increasing underpopulation of the developed countries—Japan and those in Europe and in North America.

The developed world is in the process of committing collective national suicide. Its citizens are not producing enough babies to reproduce themselves, and the cause is quite clear. Its younger people are no longer able to bear the increasing burden of supporting a growing population of older, nonworking people. They can only offset that rising burden by cutting back at the other end of the dependence spectrum, which means having fewer or no children.

Of course, birthrates may go up again, though so far there is not the slightest sign of a new baby boom in any developed country. But even if birthrates increased overnight to 'the three-plus figure of the U.S. baby boom of 50 years ago, it would take 25 years before those new babies would become fully educated and' productive adults. For the next 25 years, in other words, the underpopulation of' the developed Countries is accomplished fact and thus has the following implications for their societies and economics:

\* Actual retirement age—the age at which people stop working—will go up in all developed countries to 75 for healthy people, who are the great majority. That rise in retirement age will occur well before the year 2010.

\* Economic growth can no longer come from either putting more people to work—that is, from more resource input, as much of it has come in the past—nor from greater consumer demand. It can come only from a very sharp and continuing increase in the productivity of the one resource in which the developed countries still have an edge (and which they are likely to maintain for a few more decades): the productivity of knowledge work and of knowledge workers.

\* There will be no single dominant world economic power, because no developed country has the population base to support such a role. There can be no long-term competitive advantage for any country, industry, or company, because neither money nor technology can, for any length of time, offset the growing imbalances in labor resources. The training methodologies developed during the two world wars—mostly in the U.S.—now make it possible to raise the productivity of a preindustrial and unskilled manual labor force to world-class levels in virtually no time, as Korea demonstrated 30 years ago and Thailand is demonstrating now. Technology—brand-new technology—is available, as a rule, quite cheaply on the open market. The only comparative advantage of the developed countries is in the supply of knowledge workers. It is not a qualitative advantage; the educated people in emerging countries are every whit as knowledgeable as their counterparts in the developed world. But quantitatively, the developed countries have an enormous lead. To convert this quantitative into a qualitative lead is one—and perhaps the only—way for the developed countries to maintain their competitive position in the world economy. This means continual, systematic work on the productivity of knowledge and knowledge workers, which is still neglected and abysmally low.

## Knowledge

Knowledge is different from all other resources. It makes itself constantly obsolete, so that today's advanced knowledge is tomorrow's ignorance. And the knowledge that matters is subject to rapid and abrupt shifts—from pharmacology to genetics in the health care industry, for example, or from PCs to the Internet in the computer industry.

The productivity of knowledge and knowledge workers will not be the only competitive factor in the world economy. It is, however, likely to become the decisive factor, at least for most industries in the developed countries. The likelihood of this prediction holds implications for businesses and for executives.

\* The first—and overarching—implication is that the world economy will continue to be highly turbulent and highly competitive, prone to abrupt shifts as both the nature and the content of relevant knowledge continually and unpredictably change.

\* The information needs of businesses and of executives are likely to change rapidly. We have concentrated these past years on improving traditional information, which is almost exclusively information about what goes on inside an organization. Accounting, the traditional information system and the one on which most executives still depend, records what happens within the firm. All recent changes and improvements in accounting—such as activity-based accounting, the executive scorecard, and economic value analysis (EVA)—still aim at providing better information about events inside the company. The data produced by most new information systems also have that purpose. In fact, approximately 90 percent or more of the data any organization collects is information about inside events. Increasingly, a winning strategy will demand information about events and conditions outside the institution: noncustomers, technologies other than those currently used by the firm and its present competitors, markets not presently served, and so on. Only with this information can a business decide how to allocate its knowledge resources to produce the highest yield. Only with such information can a business also prepare for new changes and challenges arising from sudden shifts in the world economy and in the nature and the content of knowledge itself. The development of rigorous methods for gathering and analyzing outside information will increasingly become a major challenge for businesses and for information experts.

Knowledge makes resources mobile. Knowledge workers, unlike manual workers in manufacturing own the means of production: they carry that knowledge in their heads and can therefore take it with them. At the same time, the knowledge needs of organizations are likely to change continually. As a result, in developed countries more and more of the critical work force—and the most highly paid part of it—will increasingly consist of people who cannot be "managed" in the traditional sense of the word. In many cases, they will not even

be employees of the organizations for which they work, but rather contractors, experts, consultants, part-timers, joint-venture partners, and so on. An increasing number of these people will identify themselves by their own knowledge rather than by the organization that pays them.

\* Implicit in all this is a change in the very meaning of organization. For more than a century—from J. P. Morgan and John D. Rockefeller in the U.S., to George Siemens in Germany, to Henri Favol in France, through Alfred Sloan at GM, and up to the present infatuation with teams—we have been searching for the one right organization for our companies. There can no longer be any such thing. There will be only "organizations"—as different from one other as a petroleum refinery, a cathedral, and a suburban bungalow are, even though all three are "buildings." Each organization in the developed countries (and not only businesses) will have to be designed for a specific task, time, and place (or culture).

\* There are also implications for the art and science of management. Management will increasingly extend beyond business enterprises, where it originated some 125 years ago as an attempt to organize the production of things. The most important area for developing new concepts, methods, and practices will be in the management of society's knowledge resources—specifically, education and health care, both of which are today overadministered and undermanaged.

## Predictions

Predictions? No. These are the implications of a future that has already happened.