

Review: Peter Drucker - *The Next Society*

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The British business-magazine *The Economist* regularly includes a special standalone 'survey' section on a selected topic, such as current business conditions in one country or region, or specific technological trends. The survey section that was included as part of the November 3rd 2001 edition [1], *The Next Society: a survey of the near future*, was prepared by the veteran business-commentator Peter Drucker, and is of particular interest from a strategic foresight perspective.

The 20-page survey consists of an introduction section (*The next society*), four essays on specific topics (*The new demographics*, *The new workforce*, *The manufacturing paradox* and *Will the corporation survive?*), and a conclusion section (*The way ahead*), with a total of around 25-30,000 words and 11 illustrative graphs.

In line with the magazine's focus, the emphasis of the survey is on the interests of business and, to a lesser extent, government:

One of the most important jobs ahead for the top management of the big company of tomorrow, and especially of the multinational, will be to balance the conflicting demands on business being made by the need for both short-term and long-term results, and by the corporation's various constituencies: customers, shareholders (especially institutional investors and pension funds), knowledge employees and communities.

Against that background, this survey will seek to answer two questions: what can and should managements do now to be ready for the next society? And what other big changes may lie ahead of which we are as yet unaware? [2]

The survey is thus, in essence, a set of predictions and advice about the expected business environment for the relatively near future, up to about 2025-30, with some comments extending to 2050. The perspective is almost exclusively that of the current 'Western' transnational business model, with little discussion of sociopolitical issues that are not perceived as impacting directly upon this, and no discussion at all of wider environmental/social issues. In this sense the survey sits somewhat within the general theme of business-oriented projective trend-analysis - with all the futurist concerns which that model usually implies. However, Drucker's scope is more global than the usual US-centric view, and is informed by a far greater awareness of history: for example, in the concluding article he comments that "Factory workers [of the 19th century] became the first new social class since the appearance of knights in armour more than 1,000 years earlier". [3] Slightly earlier in the same article, he remarks that:

Almost everybody is sure of two things about [the information revolution]: first, that it is proceeding with unprecedented speed; and second, that its effects will be more radical than anything that has gone before. Wrong, and wrong again. Both in its speed and in its impact, the information revolution uncannily resembles its predecessors within the past two hundred years, the first industrial revolution of the late 18th and early 19th centuries and the second industrial revolution in the late 19th century. [4]

His ending comments show a degree of caution that is invariably absent in 'pop-futures' predictions, and include a warning to beware of becoming over-focussed on technology:

All this suggests that the greatest changes are almost certainly still ahead of us. We can also be sure that the society of 2030 will be very different from that of today, and that it will bear little resemblance to that predicted by today's top-selling futurists. It will not be dominated or even shaped by information technology. IT will of course, be important, but it will be only one of several important new technologies. The central

feature of the new society, as of its predecessors, will be new institutions and new theories, ideologies and problems. [5]

So despite the narrow perspective, Drucker's work is more carefully thought-through - and hence more credible - than the often arbitrary assertions popularised by 'pop-futures' writers such as John Naisbitt and Faith Popcorn. It is therefore worthwhile exploring his comments and predictions in some detail.

The introductory section, *The next society*, draws an important distinction between the 'new economy' - which may not and may never exist, in Drucker's view - and the 'new society' which, Drucker argues, will certainly exist, regardless of whatever anyone may want. He summarises what he sees as the four main themes of this new society:

- ◆ the implications of the demographic shift to a much older population in so-called 'developed' countries;
- ◆ the expansion of the 'knowledge society', the knowledge-based economy and the rise in status of 'knowledge technologists' - "computer technicians, software designers, analysts in clinical labs, manufacturing technologists, paralegals";
- ◆ a fall in the status of manufacturing, leading to a probable increase in protectionism, contrary to the expectations of the current enthusiasm for 'globalisation' and free-trade; and
- ◆ major changes in the role and nature of corporations and other organisations.

These themes are explored in more depth in the following essays.

The first of these essays, *The new demographics*, explores the well-known but much-ignored ground of increasing life-expectancy and falling birth-rates in the 'developed' countries, coupled in many cases with the ageing of the so-called 'baby-boomer' generation. In the 'developed' countries, Drucker suggests that the present fixed retirement ages "may have to be abolished to prevent the burden on the working population from becoming unbearable", and expects that there will be a need for massive immigration to those countries, on a short-term or permanent basis, to provide the labour to maintain the economy there. He recognises the political difficulties that this is likely to cause in the 'host' countries - few of which have a strong tradition of coping with immigration on such a scale, and many of which have a stronger tradition of active racism or violent xenophobia. Yet he makes no comment at all on the implications to the economy and society of the nations expected to provide the matching massive emigration: the post-second world war experience for 'provider' nations to Europe, such as Turkey, Algeria and the former Yugoslavia - or, for that matter, for Ireland up until very recently - suggests that the damage there may be even more severe.

Another theme in the essay is the fragmentation of the current single mass-market, which has also been commented on elsewhere, such as in the *Cluetrain Manifesto*. [6] This is not so much a new phenomenon as a return to an older diversity that had been artificially suppressed by the 'success' of mass-production and mass-marketing. Whilst *Cluetrain* focusses on the impact of the Internet, Drucker emphasises the demographic issues, particularly the increasing numbers of female knowledge technologists. But he ends the essay by warning that simple demographic projections are likely to be misleading:

The truth is that we simply do not know what determines birth rates in modern societies. So demographics will not only be the most important factor in the next society, it will be the least predictable and least controllable one. [7]

The next essay, *The new workforce*, focusses on the rise of 'knowledge workers', particularly the newer 'knowledge technologists', "people who do much of their work with their hands, [but] whose pay is determined by the knowledge between their ears, acquired in formal education rather than apprenticeship" - with work-roles such as x-ray technician, psychiatric case worker, dental technician and "scores of others". Unlike the industries of the previous century, few of these roles distinguish between the sexes; but the most important shift in perspective, says Drucker, is that these knowledge workers do not identify themselves as workers, but as professionals - and thus as equals, deserving of respect, rather than the derogatory 'master/servant' relationship implied in so many employment contracts:

Money is as important to knowledge workers as to anybody else, but they do not accept it as the ultimate yardstick, nor do they consider money as an adequate substitute for professional performance and achievement. In sharp contrast to yesterday's workers, to whom a job was first of all a living, most knowledge workers see their job as a life. [8]

Knowledge technologists have portable skills that are centred in themselves rather than in plant and equipment controlled by someone else, and are likely to owe their primary allegiance not to an organisation but to their discipline and 'communities of practice'. The result will be that organisations will increasingly need to work hard to build and maintain relationships with skilled knowledge-technologists and, especially, the more highly skilled knowledge-workers, rather than the other way round. What will happen to those people who are unable to develop such skills, or to update those skills to adjust to rapid changes in technology and society, is an issue Drucker does not address.

The essay *The manufacturing paradox* can be best summarised by its own tag-line: "How do you get far more output with far fewer workers?" [9] Productivity increases in manufacturing - and the resultant steep fall in 'terms of trade' relative to other industries - echoes what happened to agriculture in the first half of the last century. This is likely to cause serious difficulties in countries such as Japan, and, as Drucker comments, "it makes 'economic miracles' increasingly difficult for developing countries to achieve" - though the real desirability of such 'economic miracles' for the countries concerned is something which he appears simply to assume. Drucker also warns that protectionism and tariff barriers against the 'developing countries' are likely to increase - defeating the 'global benefit' promises made through GATT and the like.

The final essay *Will the corporation survive?* links the previous themes together from the perspective of existing corporations. Drucker identifies five fundamental changes which have already started to occur, particularly in knowledge-oriented industries, and will have an increasing impact in the coming decades:

- ◆ the workers rather than the organisation provide most of the knowledge-capital, and thus control 'the means of production';
- ◆ the majority of people working for an organisation are either part-time staff, multi-skilled 'portfolio workers' [10] or outsourced 'deployees' [11], managed either independently or through a separate outsourcing organisation;
- ◆ large organisations, and even medium-sized ones, will need to dis-integrate into federations of associated companies, with the primary role of top management being to hold the vision and purpose of the overall organisation rather than attempt to control the whole;
- ◆ the key knowledge for an organisation is no longer held by central management, but collectively by individual workers, customers, suppliers and other stakeholders - with whom, as *Cluetrain* has indicated [12], the organisation will need to build and maintain 'conversations' in order to survive;

- ◆ technologies are no longer concentrated in a single industry, but may find applications in any industry - hence industry-alliances rather than organisation-controlled research laboratories are the primary source of new research.

Despite this, there's a strong sense of 'business as usual' in the essay: the basic concept of organisations - especially financial ones - as the controlling force in the world economy is never brought into question. Drucker explicitly states "There will still be ownership, of course" [13], although Charles Handy is one of several other business commentators who are beginning to cast doubt on this assumption:

I believe that the whole concept of owning a company is, today, misplaced. Buildings one can own, or land, or materials, but companies today are much more than these physical things - they are quintessentially collections of people adding value to material things. It is not appropriate to 'own' collections of people. Particularly it is inappropriate for anonymous outsiders to own these far from anonymous people. [14]

Drucker's closing summary, *The way ahead*, emphasises two points barely mentioned in the previous essays: the need for a radical re-think of people-management, and the need for the organisation itself to become an active agent of change:

Experience has shown that grafting innovation on to a traditional enterprise does not work. The organisation itself has to become a change agent. This requires the organised abandonment of things that have been shown to be unsuccessful, and the organised and continuous improvement of every product, service and process within the organisation. It requires the exploitation of success, especially unexpected and unplanned-for ones, and it requires systematic innovation. The point of becoming a change agent is that it changes the mindset of the entire organisation. Instead of seeing change as a threat, its people will come to see it as an opportunity. [15]

Unfortunate, then, that Drucker's 'way ahead' makes no mention of the need for a coordinated *sharing* of such systematic foresight, within industry-groups, or even within the wider community - upon which the possibility of organisations being able to become such 'change agents' would ultimately depend.

[1] Peter Drucker, *The Next Society: a survey of the near future*, insert-section in *The Economist*, Vol. 361, No. 8246, 3-9 November 2001.

[2] Ibid, p.5.

[3] Ibid, p.20.

[4] Ibid, pp.19-20.

[5] Ibid, p.20.

[6] Rick Levine, Christopher Locke, Doc Searls and David Weinberger, *The Cluetrain Manifesto*, Perseus [Cambridge, MA], 2000; see also <http://www.cluetrain.com/> .

[7] Drucker, op. cit., p.8.

[8] Ibid, p.10.

[9] Ibid, p.11.

[10] 'Portfolio worker': a term coined by the British business-writer Charles Handy - see, for example, his book *Beyond Certainty*, Arrow Books (London), 1995.

[11] 'Deployee': a term coined by John Dutton in a letter to *The Economist*, Vol. 361 No. 8251, Dec 8-14 2001, p.24.

[12] Levine et al., op. cit.

[13] Drucker, op. cit., p.5.

[14] Handy, op. cit., p.107.

[15] Drucker, op. cit., p.19.