

Not Business As Usual!

Productivity Implications of Demographic Change and The “New Normal”

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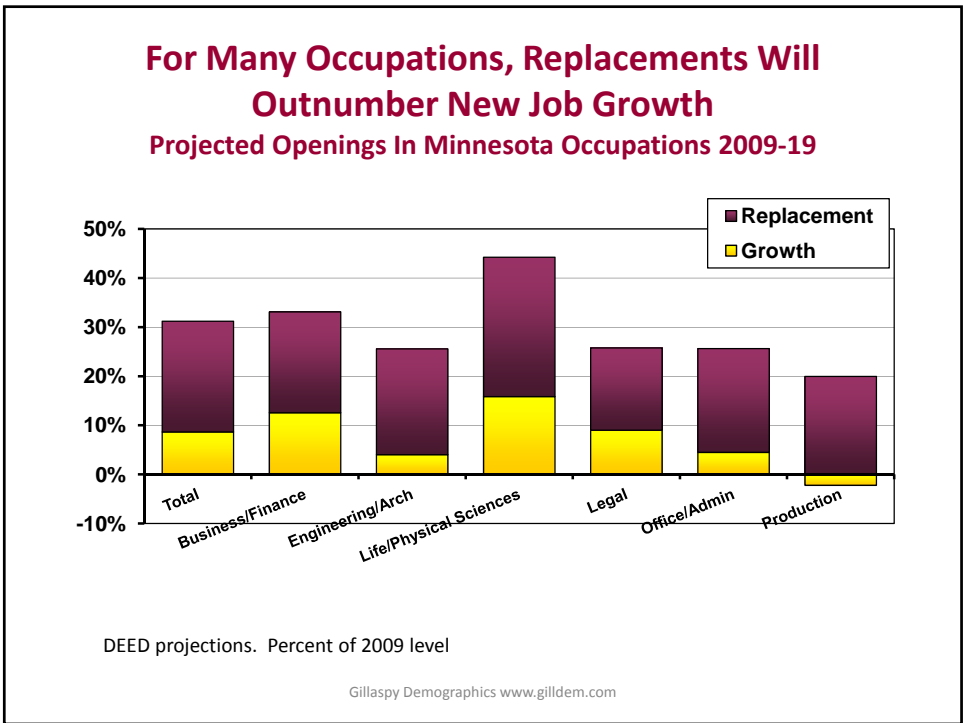
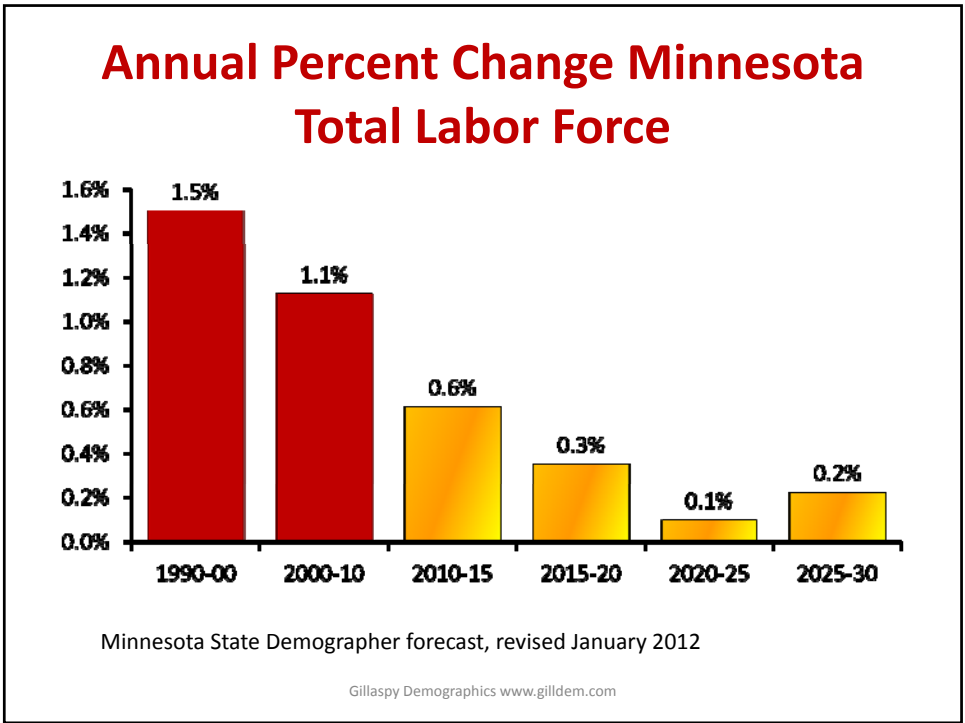
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January 2011 Marked The Beginning Of A New Demographic Era in the United States

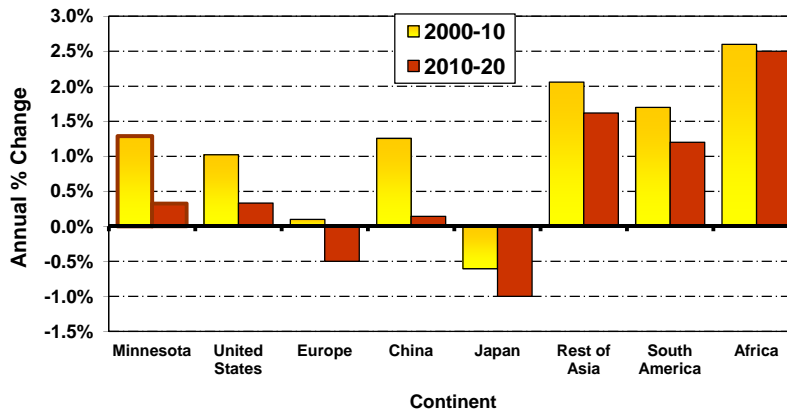
First Impacts Will Be Felt In The Workforce & Economic Growth

- **The workforce is aging**
- **Retirements are increasing sharply**
- **The number of qualified young entrants is declining and the mismatch in skills is increasing**
- **The workforce will grow much more slowly**
- **Economic growth will depend increasingly on productivity growth—the pressure is increasing**
- **This decade begins a unique time in human history**

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World Labor Force Growth Slowing Projected Change In Working Age Population (15-64)

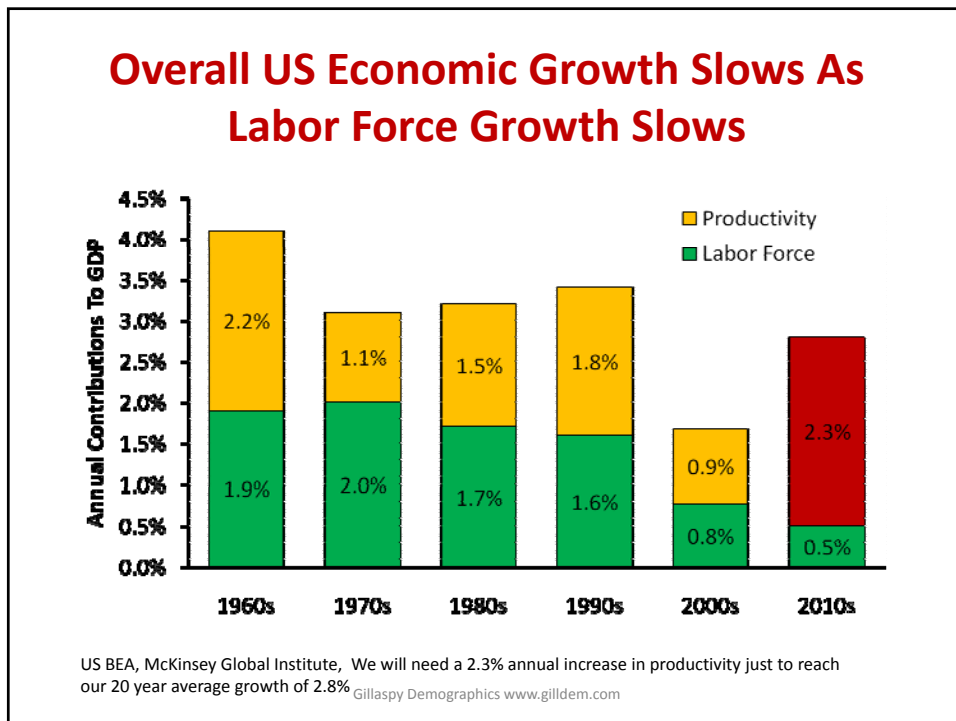
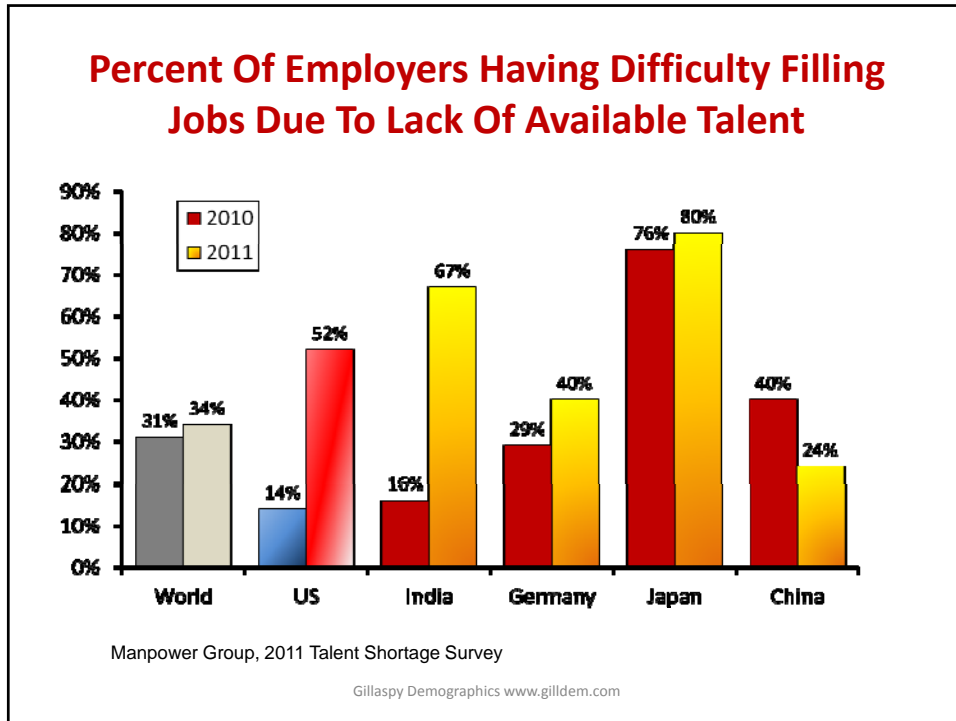


U.S. Census Bureau

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Productivity Is Not Just Making Things Cheaper

- Productivity is also
 - Making things better—**Quality**
 - *Examples; the best implantable devices made, glue that always performs to standards, lower incidence of MRSA in hospitals*
 - Making better things—**Innovation**
 - *Examples; switch from hard drives with moving parts to solid state, driverless automobiles, new cures for diseases (Alzheimer's?)*
- ✘ The pressure for disruptive innovation is increasing

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The “New Normal” Probably Means

- Slower global economic growth
- Talent will be the scarce resources
- A single-minded focus on productivity
- Chronic government deficits & spreading problems with sovereign debt
- More frequent disruptive events/innovations with larger impact on business
- A whole new set of challenges and opportunities
- Some will fall due to the *Tyranny of Success*. New economic leaders will emerge

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Creative Destruction/Disruptive Innovation Will Occur

- **Forces for change are heightened during periods of economic stress**
- **Wholesale program changes will happen**
- **Disruptive changes are not evolutionary**
- **Some game changers will occur**
- **There will be short term losers as well as winners**

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Avoiding The Tyranny of Success

- **The impact of disruptive events will increase with the drive to increasingly lean operations.**
- **The global imperative to increase productivity will accelerate the pace of disruptive innovation.**
- **Conflict between the lean/quality based productivity improvement and the innovation side of the organization will increase.**

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