

Drucker's Theories

A Recession Scenario Assessment



Drucker's Theories

- Drucker extended Schumpeter's definition of entrepreneur's as initiators of meta-events
- Proposed Schumpeter's approach achieves the "Fustest with Mostest" outcome
- Added two more dimensions:
 - Creative imitation
 - Entrepreneurial judo

Drucker's Theories

- Other researchers' have examined entrepreneurship/entrepreneurial orientation
- Covin & Slevin's orientation model of individuals who favour change, innovation, risk taking, aggressive competitors
- Venkatraman's view that entrepreneurial outcome is influenced by perceptions about the nature of opportunity
- Variation in identification and response between individuals leads to different entrepreneurial outcomes

Drucker's Theories

- Drucker's view that in turbulent times such as recession, innovation is critical
- In previous recessions, winners tend to be innovators not cost reducers or downsizers
- 2008 IBM study of CEOs in current recession
- CEOs perceive critical importance of innovation and embedding entrepreneurial culture to create enduring organisations

Drucker's Theories

- Research aim of assessing benefits of entrepreneurship in current recession
- First recession in UK where young people more impacted than older age groups
- Population ageing means majority of wealth now vested with 50+ age groups
- Majority of firms still perceive older people as poor, inactive individuals

Drucker's Theories

- Socio-demographic shift provides opportunity for Drucker's proposal of innovation due to market change
- Hotel industry rapidly affected by recessions, hence useful sample frame
- Mail survey of rural county hotels in South West UK to assess relative sales performance over prior 12 months

Drucker's Theories

- Hotels focussing on 50+ age group enjoyed higher sales performance
- Higher performers exhibited entrepreneurial orientation
- Higher performers exhibited greater strategic capability
- No evidence that service quality/CRM competences differ between hotels in relation to customer age groups served

Drucker's Theories

- Study shows that current recession is supportive of Drucker's view of the importance of entrepreneurship
- Study supports Drucker's view on need for strategic flexibility to identify and exploit changing opportunities in a recession
- Some indication that results on service quality supports Drucker's views on need for appropriate internal competences

Decision Style Issue

- Drucker proposed a 3 stage rational, logical decision-making model to identify and exploit new opportunities
- Emerging evidence that successful leaders use intuition to reach key strategic decisions
- Available evidence suggests some entrepreneurs are intuitive decision makers
- Need for more research on rational versus intuitive entrepreneurship