

Entrepreneurship: a recession scenario assessment of Drucker's theories in relation to marketing services to older consumers.

#### ABSTRACT

Drucker extended the Schumpeterian view of entrepreneurship as a meta-economic event to encompass a broader definition of the various forms of innovation which can deliver long term business success. Drucker posits the most critical time for innovation is during periods of environmental turbulence. The purpose of the paper is to examine whether during the current recession, superior market performance is achieved by firms exhibiting entrepreneurial behaviour. Key factors which Drucker considered will influence business performance are an understanding environmental change and having appropriate internal competences to exploit identified opportunities. One emerging opportunity is the increasing wealth of older consumers which has been somewhat unaffected by the current recession. To assess the validity of this perspective in the current recession, a mail survey of undertaken to of small UK rural country hotels to assesses business performance in terms of sales to older consumers and the entrepreneurial orientation, strategic flexibility and organisational competences exhibited by these organisations.

Survey results indicate the respondent hotels currently enjoying higher sales growth are those where the majority of sales are to older consumers. Sales performance is also higher among those hotels which exhibit an entrepreneurial orientation and strategic flexibility. The research limitation is that the study is restricted to small service firms in a single sector of the tourism industry. Further research is needed across other service sectors. The practical implications from the study are in

demonstrating the validity of Drucker's perspective that firms seeking to survive in turbulent times should (a) focus upon adopting entrepreneurial innovative solutions to sustain business performance and (b) recognise the importance of strategic flexibility. Other researchers have identified the importance of innovation for ensuring the survival of firms in previous recessions. This study is one of the first that provides quantitative validation that in the current recession, firms can benefit from accepting Drucker's perspective that performance will be enhanced by an exhibiting an entrepreneurial orientation and utilising innovation to sustain business performance.

**Key words:** entrepreneurship, innovation, recession, service firms, Drucker

## INTRODUCTION

The emergence of population ageing does mean that many Governments will soon face potentially, massive fiscal crises (Meeks et al 1999; Coleman et al 2006). Until recently most marketers, although aware of the fiscal problems associated with the future funding of the welfare state, did not appear to realise that population ageing has been accompanied by older people becoming wealthier; thereby providing new market opportunities that can be especially important during an economic downturn (Petersen 2007).

Drucker (1985a,b) has posited that business survival in turbulent times demands an entrepreneurial orientation to sustain business performance. Population ageing in the UK has been accompanied by the 50+ age group becoming owners of the majority of personal wealth in the country. Furthermore it would appear that this latest recession is the first where (a) young people are more likely to encounter a long-term decline in personal wealth and (b) most older individuals' personal wealth is expected to remain virtually intact (Chaston 2009a). Hence one possible strategy for companies delivering consumer services is to focus their efforts on the revenue opportunities which exist among consumers in the 50+ age group. The purpose of this paper is to examine the validity of this perspective during the current recession. Achievement of this aim is through a study of small UK rural country hotels to assess business performance in relation to their source of consumer revenue, entrepreneurial orientation, strategic flexibility and organisational competences.

## ENTREPRENEURSHIP

With the Austrian economist Joseph Schumpeter as a regular guest at his parents' dining table in Vienna, it is perhaps not surprising that Drucker acquired a fascination with the strategic implications of entrepreneurship (Kiessling & Richey 2004). One key aspect of Schumpeter's (1934) views about the nature of entrepreneurship was that of it being a 'meta-economic event' which causes a major change market change. Drucker (1985a) shared this view of entrepreneurship and described this type of innovation as being the 'fustest with the mostest.' His examples of this type of entrepreneurship included DuPont in their development of nylon and more recently, Steve Jobs creation of the Apple computer.

Drucker (1985a,b) did not, however, restrict his view of entrepreneurship to being confined to meta-economic events. In his opinion other forms of innovation should also be considered as entrepreneurial. He posited that the original innovator may make mistakes, thereby permitting market entry by another firm. He described this type of innovation as 'creative imitation' and proposed that it can only occur after another organisation has demonstrated the existence of a new market opportunity. An example of creative imitation is IBM's entry into the PC market following companies such as Apple creating the initial market for this new form of computing.

Another form of innovative behaviour was labelled by Drucker as 'entrepreneurial judo'. Similar to creative imitation, other firms have already either demonstrated the existence of a market or have developed the new technology capable of supporting the creation of new products. Drucker provides the example of Sony Corporation which recognised the opportunities of the transistor, obtained a licence from the inventor Bell Laboratory and developed their highly successful range of portable radios.

Another example is Cannon Corporation which realised that by focusing on developing more advanced photocopiers, Xerox Corporation had ignored the opportunities which existed for low cost desk top photocopiers.

Drucker's broader view of entrepreneurship has gained wide acceptance over the last 30 years among most management theorists. It is now recognised that a critical factor determining long term strategic success in competing with other organisations is the ability of a firm to be more innovative, flexible and responsive to emerging market opportunities. Carson et al. (1995), for example, have concluded that the scale of market success is likely to be greatest among those firms which exhibit a very strong entrepreneurial orientation. This view echoes the perspective of a contemporary member of the Austrian School of Economics, Israel Kirzner (1973, pg. 17) who proposed that *'the entrepreneur's activity is essentially competitive. And thus competition is inherent in the nature of the entrepreneurial market process.'*

It should be noted, however, that Kirzner and Schumpeter have different views about certain aspects of entrepreneurship. For example, Schumpeter posits that the entrepreneur, by introducing a major new product, is the cause of disruption; thereby moving the market away from an equilibrium position. According to Kirzner, however, the entrepreneur is not the source of disruption because the market will already be in severe disequilibrium before the new product is introduced (Douhan et al. 2007). As a consequence Kirzner does not feel there is always a need for the traits of boldness, self confidence and courage which Schumpeter considers are necessary characteristics of the entrepreneur. These differences are reflected by Kirzner's conclusion that economic growth occurs because entrepreneurs discover opportunities

which have resulted from previous errors such as the sub-optimal allocation of resources within a market. In his view the role of the entrepreneur is in correcting these errors.

Hisrich & Peters (1992, pg. 11) proposed that entrepreneurship can be defined as the process of *'creating something different by devoting the necessary time and effort, assuming the accompanying financial, psychological, and social risks and receiving the resulting rewards of monetary and personal satisfaction.'* Miller (1983) suggests that the entrepreneurial orientation of a firm is demonstrated by the extent to which top managers take risks, favour change and exploit innovation to achieve a competitive advantage. Hills & LaForge (1992) concluded that being a successful entrepreneur requires the presence of certain attributes; namely an ability to exploit innovation and to develop a unique operation that supports business growth. Georgelli et al. (2000) proposed the skills of entrepreneurship are a capacity for changing business processes and the launching of new products or services. Covin & Slevin (1988, pg. 219) defined entrepreneurial orientation in terms of the extent to which *'managers are inclined to take business-related risks, favour change and innovation, and compete aggressively with other firms'*.

In commenting upon existing definitions of entrepreneurship in the literature, Venkataraman (1997) expressed concern that many of these do not include consideration of the nature of the market opportunities which exist and the variations in the quality of opportunities identified by different individuals. In an attempt to overcome these concerns, Shane & Venkataraman, (2000, pg. 221) presented a broader perspective; namely:

*'we define the field of entrepreneurship as the scholarly examination of how, by whom, and with what effects opportunities to create future goods and services are discovered, evaluated, and exploited. Consequently, the field involves the study of sources of opportunities; the processes of discovery, evaluation, and exploitation of opportunities; and the set of individuals who discover, evaluate, and exploit them.'*

Venkataraman (1997) also felt that the majority of research concerning entrepreneurial opportunities focuses primarily on product and service innovation. He supports Schumpeter's view that opportunities also exist in factor markets (e.g. the impact of discovering new materials such as plastic). In the context of product entrepreneurship, Venkataram does endorse Drucker's (1985b) view that there are three different categories of opportunity. These are (1) the creation of new information, (2) exploitation of market inefficiencies that result from information asymmetry and (3), the reaction to shifts in the relative costs and benefits of alternative uses for resources.

## INNOVATION AND RECESSION

One common conclusion within the entrepreneurship literature is that most high growth firms are organisations which have enjoyed success following the development and launch of new products. Romano (1990) posits that the entrepreneur's key skill is in using product innovation to achieve advantage over competitors. Iansiti (1995) and Zanra & Nielsen (2002) concluded that new products are the key source of momentum by which to sustain revenue growth. Similar studies in service sector markets also confirm the critical importance of innovation (Lin & Chen 2007). The nature of this innovation, however, is often orientated towards the

enhancement of internal organisational processes more than being concerned with the development of new products (Freel 2006; Tanabe & Watanbe 2005; Hine & Ryan 1999).

Building upon theories generated by Austrian School of Economics concerning the impact on industry of major changes in prevailing economic conditions, Drucker (1955) posited that a characteristic of post-war business was the increasingly volatile nature of market environments which has created the requirement of surviving by being able to exploit new opportunities. In his view a key attribute of successful managers is their ability to act entrepreneurially in exploiting innovation as a response to significant market change such as that which occurs during an economic downturn. The validity of his viewpoint has subsequently been validated by studies of firms which survive a recession (Trott 1998). Many of these studies have concluded that firms which focus on innovation are more likely to emerge from a recession in a stronger market position than competitors who choose to focus entirely on cutting costs and improving internal efficiencies.

Gilbert's (1990) analysis of the behaviour of many US firms during the 1980s recession revealed that their management focused on short term actions. This apparently was in response to major shareholders demanding firms should continue to sustain current profitability and dividend payments. In his view, shareholder pressure caused many firms to terminate long term projects associated with developing new products, exploiting new markets or seeking to further enhance service quality. These decisions left these firms unable to exploit the opportunities available as the global economy began to recover.

Ghemwatt (1993) reviewed the failure of the US semiconductor industry, then market leaders, to invest in the development of the next generation of random access memory chips (DRAMS) during the 1970s recession. He concluded that even during a



recession, to remain successful firms must retain a long term perspective on how to exploit innovation to achieve and sustain competitive advantage. This viewpoint has recently been endorsed by a survey of over 1,000 CEOs of major businesses conducted by IBM (2008). They expressed the view that in the face of the worst recession since the 1930s, long term survival and growth is critically dependent upon sustaining spending on innovation and embedding an entrepreneurial culture across their entire organisation.

The identified importance of exploiting innovation to survive during a recession generates the following hypothesis; namely:

*H1: Firms sustaining performance in the current recession will exhibit an entrepreneurial orientation.*

## OPPORTUNITY IN RECESSION

A characteristic of an economic downturn is reduced consumer spending due to the combined influences of falling incomes, rising unemployment and a decline in confidence. Under these circumstances a consumer goods company would be advised to examine socio-demographic trends to determine which consumer groups are least impacted by an economic downturn. This is because these latter groups offer the greatest opportunity to sustain sales revenue. In terms of Drucker's identification of different types of opportunity, this situation provides an example of a reaction to shifts in the relative costs and benefits of alternative uses for resources created by a change in the socio-demographic structure of society.

A key socio-demographic trend in many developed nations, which was already becoming apparent in the early 1990s, is the impact of population ageing on the structure and allocation of wealth across different age groups (Doka1992). Available

socio-demographic data provide evidence that a significant number of older people are active individuals who enjoy a higher standard of living than their younger generation counterparts. For example in the USA, individuals age 50+ comprise 35 percent of the adult population, have disposable income of \$28 trillion and control 70 percent of the net worth of US household assets (Chaston 2009a). Such a high level of wealth is the reason why older people in American are able, on a per capita basis, to hugely outspend younger people. A similar scenario is to be found in the UK where the 'over 50s' account for 60 percent of Britain's savings and 80 percent of all personal assets.

Despite various academics identifying the opportunities associated with population ageing as far back as the beginning of the 1990s, many major mass market consumer goods brands in Western nation markets appear to have ignored such predictions (Leventhal 1991). Instead they continued to focus on marketing goods to the 18 – 49 age group. It was only towards the end of the century that some of the branded goods companies began to gradually alter their business strategies (Leventhal 1997).

Possibly one of the greatest areas of market opportunity is the provision of services to the 50+ age group by the travel and hotel industries. Yet even in these two sectors, it appears only a minority of organisations appear to be implementing business strategies which are targeted at expanding market share among older consumers (Dingle & Harding 1995).

Market success in the hotel industry in recent years has often been achieved by the expansion of the product portfolio to include offering health and beauty care services to guests such as massage and skin care therapies (McNeill & Ragins 2005).

However, despite the fact that these treatments have significant appeal of offering benefit of providing anti-ageing treatments, it would appear that most hotels that offer such services tend to focus their marketing activities on attracting customers from younger age groups (Snoj & Mumel 2002).

Despite the potential opportunities which have emerged as a consequence of population ageing, the question arises of why so many companies have remained somewhat uninterested in redirecting their marketing efforts towards building market share among older consumers. One key reason for a lack of interest in older people as potential customers is the tendency of marketers to make incorrect assumption about the current interests and lifestyles of the 50+ age group. Many marketers, for example, still perceive older consumers as sedentary, house bound individuals living on extremely limited funds (Carrigan & Szmigin 1999).

In relation to the impact of the current recession it can be assumed that the total wealth of virtually all consumers has been reduced following the 2008 global financial crisis (Cooper 2008). In the UK, only a limited amount of Government data have been published concerning the impact of the current recession on the disposable income and wealth of different age groups. Stock market declines have reduced the overall value of UK pensions by approximately 30% between 2008 and mid-2009. However as many 50+ individuals in the public and private sector are employees enrolled in final salary pension schemes, the economic downturn will have less impact on this age group (Ross 2009). Most 50+ consumers have paid off their mortgage, or have a very small outstanding balance. Hence unlike those in 18 – 49 age group, most older UK consumers have not fallen into a negative equity trap

(Anon 2009a). Additionally younger consumers, influenced by rapidly rising house prices, utilised this 'paper-based' gain to increase their level of total borrowing. As a consequence Armstrong (2008, pg. 31) notes the Governor of the Bank of England's warning that this could be first recession that "*hits the younger people, a group that usually survives tough times, because salaries are lower than expenditure.*"

Under these circumstances in the current recession, it would seem reasonable to conclude the 50+ age group offer an increasingly important opportunity for companies marketing consumer goods (Miles 2008). This scenario of an older generation retaining greater disposable income and spending power provides the basis for the following hypothesis; namely:

*H2: The current recession will have less impact on UK firms delivering services to older consumers.*

## ORGANISATIONAL COMPETENCE

The identification of managerial philosophy concerning market success based upon exploiting superior internal capability is known as the 'resource-based view of the firm' (or 'RBV'). Although there is a tendency in the literature to associate the emergence of the RBV concept with Hamal & Prahalad (1996), Drucker (1985b) had previously posited that entrepreneurial success could not be achieved unless an organisation had developed appropriate core competences to support the business strategy to be implemented.

A characteristic of service markets is the difficulty in offering a product proposition which is tangibly different from offerings by competition. As a consequence the

internal competences of service firms are often critical in achieving perceived superiority over other firms in the same market sector (Matthews 2003). Prahalad & Ramaswamy (2000) have proposed that a critical competence in to-day's more volatile markets is strategic flexibility. This attribute will determine the speed and effectiveness with which firms respond to changing customer behaviour. There is a diversity of definitions within the literature of what constitutes strategic flexibility. Possibly one which seems to capture the essence of the concept is the definition proposed by Sanchez (1995, pg.173). In his view strategic flexibility represents '*an organisation's ability to perceive the existence of alternative opportunities within a market and to then enact new product development decisions most likely to optimise business performance.*'

For a service firm to exploit the opportunities associated with the changing distribution of wealth in consumer markets requires an ability to identify and respond to this shift in market dynamics. Hence this scenario generates the following hypothesis; namely

*H3 To be successful in the provision of services to older consumers, service firms will need to exhibit a high level of strategic flexibility.*

Merely exhibiting an entrepreneurial competence based upon recognising new opportunities ahead of competition will be of limited benefit unless the organisation has the internal capabilities to provide the product or service capable of satisfying customer needs (Drucker 1985b). Teece (1986) describes this internal ability as an 'integrative competence' and has demonstrated that those firms which possess this capability will outperform their competitors who have more limited internal

competences. Wang & Lo (2003) suggested in service sector firms, where differentiation is difficult to achieve, the important internal integrative competences are service quality, costs and overall performance because these dimensions are critical antecedents in delivering superior customer satisfaction based upon service quality. Fornell (1992) noted that higher satisfaction leads to lower new customer attraction costs, increased customer loyalty and reduced customer price sensitivity. Similarly Barney (1986) proposed that in the case of service firms, there is a need to accept that key internal competences are those most likely to influence to delivery of service quality satisfaction.

In the context of satisfying the needs of older consumers, a critical issue are the capabilities of the employees interfacing directly with customers. Available evidence would suggest that the 50+ age group place greater importance on the communication, empathy and interpersonal skills of employees in service organisations (Petersen 2007). Hence service firms need to ensure they have a very professional HRM operation to ensure staff appraisal and skills development programmes are of the highest standards (Connolly & McGing 2007). Older customers tend to be more sensitive about service quality than younger people. Thus companies focusing on the provision of services to the 50+ age group need to ensure they are capable of meeting customer demands for high quality goods (Upton et al. 2001). To achieve this goal requires strong internal capabilities in areas such as diagnosing quality failures and implementing appropriate organisational change. Effective communication, when linked to the critical need to deliver higher levels of service to older consumers, usually can only be achieved where staff can access to some form of Marketing

Information System. Such systems are invaluable in the acquisition, storage and dissemination of explicit information to employees (Tanabe and Watanabe 2005).

In specific reference to the hotel industry Wuest et al.'s (1996) and Linden & Skalen (2003) studies of the industry demonstrated that to attract mature travellers, hotels should focus on providing high quality customer services, particularly in the areas of assurance and reliability. Their results are in agreement with the views expressed by La Vere & Kleiner's (1997) on the need to build strong customer loyalty in service businesses. These researchers posited that in the provision of services to older consumers, employees need to be capable of delivering superior service quality and to have access to information that permits acquisition of detailed knowledge concerning the specific needs of customers. Similar views in relation to the hotel industry on the critical role of staff who interface directly with guests have been posited by Dube & Renagham (1999).

The conclusions about the service quality expectations of older consumers in relation to service goods generate the following hypothesis; namely:

*H4: Meeting the needs of older customers will require a high level of internal competence in the key areas of HRM practices, service quality and information management.*

## METHODOLOGY

One of earliest changes in consumer behaviour in a recession is the tendency to reduce discretionary spending. The health of the tourism industry is heavily

determined by discretionary spending and hence business performance in this sector will rapidly reflect any shift in buyer behaviour (Lew 1987). Available data on the current recession would support this perspective. Duncan (2009, pg 62), for example in an article assessing the performance of the UK service sector noted that *‘The wholesale and retail sectors shrank by a modest 0.2 per cent in Q1, compared with the brutal 2.4 per cent contraction they endured in the final three months of last year. But hotels and restaurants bore the brunt of the consumers' retreat, with output in the two industries dropping by a hefty 5.1 per cent’*.

Usually during a downturn, the economy/low price sector of the hotel trade is less adversely impacted. This is because consumers tend to move down market when seeking accommodation (Ruggless 2008). This shift in buyer behaviour does not appear to have occurred, however, in the UK during the current recession. Media reports concerning Premier Inns, for example, which is the economy brand accommodation and food services group within the Whitbread organisation, suggest that like-for-like sales in the last quarter of 2008 declined by over 3% (Anon. 2009b). These and other data on business performance would suggest that it is appropriate to assume that the UK hotel industry provides an excellent research opportunity through which to gain a rapid understanding of how firms respond to changing opportunities during a recession.

Laforet & Tann (2006) identified a common error by researchers is to assume a business sector will contain managers whose approach to strategy is of an homogeneous nature. Hence to reduce the variation affect of differing managerial attitudes, it was decided to limit this research to small UK rural country hotels.



The managerial priorities and behaviour in a one person, small business start-up are different than those in a company employing in excess of 200 staff (Holtman & Idson 1991; Morganosky 1988). Rutherford et al. (2001) have proposed that classification of firms based on employee numbers is virtually mandatory before conclusions can be drawn about any research data. Thus it was decided to restrict the sample frame to hotels employing between 10 – 49 employees.

The survey was also limited by the geographic restriction by only contacting country hotels in rural areas of the South and South West UK. This restriction was selected because most of these hotels (a) have similar socio-demographic guest profiles and (b) are highly reliant upon tourism which means their primary marketing will be directed at consumers, with minimal involvement in B2B marketing (South West Tourism 2007). As a consequence there is likely to be few problems caused by variance in revenue sources between consumer and B2B customers at different hotels which might create data analysis complications. A sample frame of 500 country hotels with 10 – 49 employees was created by randomly selecting businesses using a Dun & Bradstreet commercial database. A mail survey was selected because it would be a cost effective and resource efficient approach to data generation. Prior to mailing the survey to the managing directors of 500 hotels, a small scale pilot survey of 25 hotels was undertaken to identify any potential problems in survey design. Although there is a risk that mail surveys may be answered by junior or uninformed members of staff, this outcome is less prevalent in the small business sector. Various researchers seeking to valid the expertise of respondents in studies of the SME sector have confirmed that in the vast majority of cases mailings directed to the managing director are either answered by this individual or, where the task is delegated, the role is

usually assigned to another member of the organisation's senior management team (Chaston 2002).

In terms of assessing hotel performance, the standard industry measurement of bed occupancy rates was, on the advice of the regional trade organisation, South West Tourism, not utilised. This is because some smaller hotels do not keep accurate, year round records on their occupancy rates. As the respondent hotels are small, mainly independently owned businesses, it was decided to limit assessment of performance to sales growth rates. Other measurements of financial performance such as ROI can be rendered inaccurate because of (a) variation in the structuring of balance sheets in the SME sector and (b) some owner/managers' financial skills means they are unable to answer detailed quantitative questions beyond commenting on revenue trends (Chaston 2002) To obtain a measure of business performance since the onset of the recession, respondents were asked to comment on average sales growth over the last twelve months on a five point scale of 'sales declined by more than 10 percent, sales declined by 1-10 percent, no change in sales, sales increased by 1-10 percent, sales increased by more than 10 percent.' This scale has been validated in earlier studies of UK small firms Chaston and Mangles (1997).

As the survey sought data over a 12 month period, it was not considered necessary to be concerned about differences in seasonal sales patterns between respondent hotels. To determine whether respondent hotels are focusing on the older customer market, respondents were asked about their estimated proportion of sales to consumers aged 50+ on a seven point scale ranging from 0 – 10 percent, 11 – 30 percent, 31- 50 percent, 51 – 60 percent, 61 – 70 percent, 71 – 90 percent and 91 – 100 percent. To

determine the level of entrepreneurial orientation exhibited by respondents, the survey used the Covin & Slevin (1988) scale. These researchers developed and validated their measurement of entrepreneurial orientation based upon previous theorising by Khandwalla (1977) and Miller & Friesen (1982). Respondents are provided with a five point scale ranging from 'very strongly disagree' through to 'very strongly agree'. This scale assumes a conservative versus an entrepreneurial orientation exists as a continuum. The scale is not intended to measure absolute values. Instead strength of entrepreneurial orientation is assessed in relation to whether an organisation has a higher or lower score relative to the mean score for the entire sample. It is accepted that the Covin & Slevin scale only examines certain aspects of the behavioural traits of entrepreneurs (Rauch et al. 2009). Nevertheless an advantage of the Covin & Slevin scale is that it has been widely validated through use by academic researchers' projects on small firm management behaviours over the years. Furthermore the small number of variables upon which the scale is constituted is beneficial because owner/manager response rates tend to be enhanced by the use of relatively short survey forms (Chaston 2002).

In relation to measuring the competences associated with strategic flexibility and internal capability, the study used scales developed by Chaston & Mangles (1997). Strategic flexibility is measured using factors such as ability to identify new market niche opportunities and abilities in relation to the successful development and launch of new products. Key capability factors that influence small firm performance include organisational competences in areas such as HRM practices, service quality and information management. These scales were selected because they are based upon a very extensive analysis of data across firms in different sectors with data validation

enhanced through information triangulation using both qualitative and quantitative techniques.

In using a research methodology which goes beyond merely examining business performance in relation to entrepreneurial orientation, this study is supportive of the view of Gupta & Govindarajan (1984) that business performance is multi-dimensional construct. It is recognised, however, that the research design does not follow their guidance that, in assessing business performance, subjective measures should be combined/correlated with objective measures. Similar views concerning the preference for the inclusion of qualitative measurements have been expressed by Rouse & Putterill (2003) in relation to broadening the assessment of factors affecting organisational performance and by Rouse & Daellenbach (2002) concerning the examination of factors affecting the use of strategies associated with RBV theory. Unfortunately in the case of this present study, both time and resource availability constraints mandated against the utilisation of these broader assessment tools.

## RESULTS

Response to the mailing generated 122 useable surveys, which represents a response rate of 24.4 percent. In order to make an assessment of the potential influence of non-response, a variance analysis was undertaken comparing the responses from the first 62 respondents with the 60 respondents whose forms were received later. The absence of significant variance between these two groups would suggest that non-response is not a cause for significant concern in relation to the validity of the conclusions to be drawn.

The calculated mean values for entrepreneurial orientation for small rural country hotels with less than 50 percent of their customers being older people and those hotels where older people are the majority revenue source were 2.55 and 3.46 respectively. A t-test of these two means was significant at  $p < 0.05$ . The overall mean value for the proportion of total sales to older people was 2.6, indicating that for the majority of hotels, older people are not the dominant source of sales revenue. The calculated mean values for sales growth for hotels with less than 50 percent of their customers being older people versus those firms where older people are the majority revenue source were 2.46 and 3.62 respectively. A t-test for these two means was significant at  $p < 0.05$ . A regression analyses aimed at testing the relationship between business performance and entrepreneurial orientation was statistically significant at  $p < 0.05$  (Adjusted  $R^2 = 0.28$ ;  $F = 3.64$ ;  $t = 1.91$ ). These results suggest that business performance appears higher among hotels that focus on the 50+ customer age group and those hotels which are more entrepreneurially orientated.

In relation to internal competence, a t-test in relation to the mean value for strategic flexibility of firms with less than 50 percent of their customers being older people versus those firms where older people are the majority revenue source was significant at  $p < 0.05$ . A regression analysis of business performance in relation to strategic flexibility was also statistically significant at  $p < 0.05$  (Adjusted  $R^2 = 0.094$ ;  $F = 11.17$ ;  $t = 3.35$ ). This result seems to indicate that business performance is higher among hotels reporting a higher level of strategic flexibility. Additionally a regression analysis testing the relationship between strategic flexibility and entrepreneurial orientation was statistically significant at  $p < 0.05$  (Adjusted  $R^2 = 0.33$ ;  $F = 62.9$ ;  $t = 7.98$ ). This result indicates that strategic flexibility is higher among entrepreneurially orientated hotels, when compared to their more conservative counterparts.

The results of a t-test evaluation of organisational competences for the mean values of the competences of HRM practices, service quality and information utilisation were significant at  $p < 0.05$  for the two competences of quality and information utilisation. Regression analysis testing the relationship between business performance and the three specific competences were not statistically significant at  $p < 0.05$ . The same outcome of the regression analysis not being statistically significant at  $p < 0.05$  was also found to be the case for entrepreneurial orientation in relation to these three areas of competence. These results suggest that higher levels of these areas of competence are not necessarily present in hotels which exhibit a higher level of entrepreneurial orientation or strategic flexibility.

## CONCLUSIONS

Some years ago Leventhal (1997) concluded most large, national firms in the UK service sector had yet to adapt their marketing strategy to the changes which are occurring in the income and wealth distribution in the UK due the influence of populations ageing. Coleman et al. (2005) subsequently reached a similar conclusion concerning smaller firms. This latter study determined that that only a minority of UK small service firms have recognised the critical importance of beginning to developing marketing campaigns specifically designed to exploit the opportunities available with the 50+ market.

Entrepreneurially orientated firms are more able to exploit emerging market opportunities because they are able initiate actions well in advance of their slower responding counterparts (Covin & Slevin 1988; Khandwalla 1977; Miller & Friesen 1982). The outcome for the t-test of mean values in this study for entrepreneurial orientation of small rural country hotels where older people are the

majority revenue source versus hotels where the majority of sales come from younger people was statistically significant at  $p < 0.05$ . Additionally the calculated mean values for sales growth for hotels with less than 50 percent of their customers being older people versus those firms where older people are the majority revenue source was statistically significant at  $p < 0.05$ . The regression analyses aimed testing the relationship between business performance and entrepreneurial orientation was also statistically significant at  $p < 0.05$ . In view of these results, it seems reasonable to propose that the study is supportive of the hypothesis H1 that *firms sustaining performance in the current recession will exhibit an entrepreneurial orientation*.

The t-test for mean sales growth firms of small country hotels in this study where less than 50 percent of their customers are older people versus those hotels where older people are the majority revenue source was significant at  $p < 0.05$ . Hence it seems reasonable to conclude this latter group of hotels are achieving a higher average rate of sales. On the basis of this conclusion, it seems acceptable to propose that the study is supportive of the hypothesis H2 that *the current recession will have less impact on UK firms delivering services to older consumers*. In view of available evidence on the impact of the current recession on the disposable income and wealth of UK consumers in the 50+ age group and the outcome from this study, it would seem would appear that to survive the current economic downturn consumer service firms should consider refocusing their marketing efforts towards this age group and away from the traditional 18 – 49 year target market.

Despite this conclusion, the overall mean value for the proportion of total sales to older people for all hotels was 2.6. This outcome would seem to indicate that many small country hotels responding to the survey are still orientated towards the

traditional, long established philosophy of focusing upon the provision of services to all age groups or younger people to generate sales revenue. It seems reasonable to suggest that one possible reason this situation may have arisen is because a large proportion of hoteliers still hold a stereotyped view of older people being individuals of low mobility and limited income.

Trott (1998) and Gilbert's (1990) studies of business survival during a recession concluded that firms which exhibit strategic flexibility are more likely to emerge from a recession in a stronger market position. In the case of the service sector, Brigrance (2008) posits that to strengthen market position, service firms must focus on developing new innovative services that will be sought by consumers during the current recession. The t-test of the mean value for strategic flexibility of respondent hotels with less than 50 percent of their customers being older people versus those hotels where older people are the majority revenue source was significant at  $p < 0.05$ . Furthermore, the regression analysis of business performance in relation to strategic flexibility was also statistically significant at  $p < 0.05$ . This outcome would appear to suggest that small UK country hotels exhibiting a higher level of strategic flexibility are being rewarded in terms of superior business performance by focusing on the provision of services to older people. Thus it seems reasonable to propose this research is supportive of the hypothesis H3 that *to be successful in the provision of services to older consumers, service firms will need to exhibit a high level of strategic flexibility*.

Strategic flexibility is a measure of the degree to which firms utilise innovation as the basis for sustaining market performance. Hence the better market performance of firms reporting high strategic flexibility, when linked with these organisations also



exhibiting an entrepreneurial orientation, is very supportive of Drucker's view that innovation is critically important in order to survive in highly volatile market environments.

In the cases of t-tests for the mean values for organisational competences, no statistically significant difference in mean value was found for the internal competence of HRM practices. A statistically significant difference was apparent for service quality and information management. However, a regression analysis testing the relationship between business performance and the three specific competences were not statistically significant at  $p < 0.05$ . The same outcome of not being statistically significant at  $p < 0.05$  was also found for entrepreneurial orientation in relation to these three areas of competence. On the basis of this result, it seems reasonable to conclude that the results of the study do not provide sufficiently strong evidence to support the hypothesis H4 that *meeting the needs of older customers will require a high level of internal competence in the key areas of HRM practices, service quality and information management.*

The t-test result indicating a significant difference for the competences of information management and service quality in hotels where the majority of their customers are aged 50+ are consistent with findings by Wuest et al (1996) that to attract mature travellers, hotels should focus on providing high quality customer services. The results are also in agreement La Vere and Kleiner's (1997) views on the need to build strong customer loyalty in service businesses.

Drucker's view is there is little benefit in being entrepreneurial unless this orientation is accompanied by an understanding of the need for appropriate internal competences to support an innovation strategy. The hotels in this current study enjoying strong

market performance would appear to have somewhat stronger competences in the areas of service quality and information management. Hence these results would appear to be indicative of the probable validity of Drucker's perspectives about the importance of appropriate internal competences in the execution of a successful business strategy.

## FURTHER RESEARCH

The methodology used in this study only focused upon the performance of respondent hotels over a twelve month period. Further understanding of the behaviour of these organisations during changing economic conditions would be generated by the implementation of a longitudinal study to acquire additional data as the UK economy begins to exhibit signs of recovery. In addition the primary focus of this study was small UK country hotels. Thus there is a need for further research concerning both larger firms and businesses in other service sectors to determine whether conclusions reached in this study are applicable to other organisations within UK economy and elsewhere in the world.

Drucker (1959) perceived the successful entrepreneur was an individual who clearly understands the need for a management model through which to (a) develop understanding of the future and (b) provide the basis for reaching a decision that minimises the risks associated with innovative behaviour. He also considered that successful innovation required a structured approach to business planning in order to acquiring new knowledge that can assist in developing a better understanding of potential future market conditions. These data can then provide the basis for rational thinking and analysis to determine the most appropriate future strategy for the organisation. In presenting his theory of business' Drucker (1994) expressed the view

an effective planning model should be constituted of the three phase process of (1) accumulating assumptions about future environments, (2) specifying mission and (3) determining which internal competences are required to achieve business aims.

The perspective of the entrepreneur as adopting a rational decision making approach to guide innovative actions has, in recent years, begun to be questioned. Khatri & Alvin (2000) presented empirical evidence for the utility of intuitive judgment under specific sets of environmental conditions. These researchers concluded that in the face of uncertainty or limited information, senior managers have a tendency to rely on intuition. Ritchie et al. (2007) found a positive relationship between executive intuition and achieved financial performance. Krueger (2000) has suggested that entrepreneurial individuals may be biased towards utilising an intuitive cognitive style. This view is supported by Sadler-Smith & Shefy (2004) who concluded that an intuitive cognitive style is exhibited by most senior managers in high growth UK firms. Hence in view of these differences between the emerging theory of intuitive decision-making and the more widely accepted view, which has been supported by Drucker, of the entrepreneur as a rational decision maker, there would appear to be a need for further research on the cognitive behaviour exhibited by entrepreneurs.

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