

SOCIETY OF KNOWLEDGE AND ENTREPRENEURIAL ECONOMY: SOME VIEWS OF DRUCKER

PROF. KRUME NIKOLOSKI PHD

GOCE DELCHEV UNIVERSITY - STIP, REPUBLIC OF MACEDONIA

E-mail: krume.nikoloski@ugd.edu.mk

Abstract

The purpose of this paper is to update the economic thoughts and opinions of Peter Drucker related to society knowledge and entrepreneurial society. The paper will be elaborated his claims relating to the transformation, the capitalism, and the characteristics of the new society. In particular will be analyzed some Drucker's sightings for entrepreneurs and entrepreneurial economy, and innovations in the society. Namely, in this paper theory of innovation and entrepreneurship economic thinker Drucker is going to be refined and analyzed. In order to get begin the process of economic gain. Drucker believes that entrepreneurial economy is linked to the new companies which develop. According to him, entrepreneurs are the central figure in the economic growth. A main focus of the paper will be placed on the concepts and theories of entrepreneurial economy. The motivation is that theories are the source of new ideas, and every theory upgraded and changed parts of already existing theories.

Keywords: *entrepreneurial economy, innovations, economic growth, economic gain.*

Classification JEL: *B0, B1, B3*

1. Introduction

The proverb that is well known is that there is nothing more practical than good theories.

Theories are sets of instructions that give a sense of a phenomenon or key actors, so they connect the phenomena's as a whole, identify and explain the relationship between agents, explain what happens when the agents are in mutual interaction, and through reflection of key relationships they can enable prediction of the future behavior and better control over the phenomenon [15]. For these reasons, the paper will analyze the theories and concepts related to the society of knowledge and entrepreneurial economy.

From a historical perspective, the new society began in the United States shortly after World War II when it was sharply increased interest in education. In this respect, Drucker emphasized that in the new society determinant of the development will not be our capital, our country, our workforce, but it will be knowledge. The new society will move from the general to the total knowledge or, as he says, we will move from singular to plural knowledge. In the center of the new society will be the educated person. The education in a new society is not only an activity of the institutions of the school system, but it must penetrate to the total society - companies, government departments, non-profit organizations, which are in the same time an institutions of learning and teaching.

According to Drucker, author of the term entrepreneurship or rather entrepreneur Jean B. Say (1800). In its original sense the term was understood as allocation of economic resources out of an area of lower and into an area of higher productivity and grater yield. In terms of entrepreneurship, Drucker seeks to give wider and more specifically explaining them. Drucker says that the economy in the 70s of 20th century has been transformed from the "management" in a predominantly "entrepreneurial economy". On this basis and in parallel with that transformation builds an entrepreneurial society.

2. Lecture Review

A survey method will be used. Specifically, has been researched the thoughts of economic supporters of the theory of e theory of innovation and entrepreneurship. For this purpose, the subject of analysis was their scientific contribution in writing of books and certainly scientific papers in the appropriate field.

I personally believe, that understanding the different approaches and perspectives on the economy, the reasons for these differences and how they evolved over time, provides a historical and philosophical context that encourages most economists to use critical analysis of current economic tools and their application. I consider that understanding the different approaches and perspectives on the economy, the reasons for these differences and how they evolved over

time provide a historical and philosophical context which encourages most economists for critical analysis of current economic tools and their application. This critical approach has three advantages.

- First, in many developed countries and developing countries, the study of the history of economic thought is considered as an indispensable part of the training of any economist or compulsory subject of each research.
- Second, new research and new knowledge of modern economists are based on existing knowledge gained from the study of the history of economic theories.
- And third, the contribution will be in the scientific thought of all that new knowledge that will always have a basis and a tendency to set up and study of new economic theory.

Namely, Drucker's first work was published in 1939. He began to make large benefits to the world of economic organization. The first book to present innovation and entrepreneurship as a purposeful and systematic discipline, published in 1985. The book is divided into three main sections:

1. *The Practice of Innovation,*
2. *The Practice of Entrepreneurship, and*
3. *Entrepreneurial Strategies.*

Drucker in his book, *Innovation and Entrepreneurship*, took the ideas set forth by Schumpeter one step further. He argued that Schumpeter's type of innovation can be systematically undertaken by managers to revitalize business and non-business organizations. By combining managerial practices with the acts of innovation, Drucker argued, business can create a methodology of entrepreneurship that will result in the institutionalization of entrepreneurial values and practice. Drucker's definition of entrepreneurship a systematic, professional discipline available to anyone in an organization brings our understanding of the topic to a new level. He demystified the topic, contending that entrepreneurship is something that can be strategically employed by any organization at any point in their existence, whether it be a start-up or a firm with a long history. Drucker understood entrepreneurship as a tool to be implemented by managers and organizational leaders as a means of growing a business.

The 20th century brought new source of production and large economic and business organization that still operated on an old management approach. Drucker, having highlights of information and power, began giving speeches on how organization could functional their management structures in order to become more effective and efficient. Also, Drucker that accepted the ideas set forth by Schumpeter. In order to get out of the economic situation of circular motion and to begin the process of economic development, Schumpeter believes that he needed an approach to innovation and changes. In *The Theory of Economic Development* he mentions the following innovations:

- Production of new goods that were not known to the consumers, or producing the same goods with a new quality.
- Introducing new unknown method of manufacture or sale.
- Open a new market or a good breakthrough on the market that did not have access to such goods.
- Gaining new sources of raw materials or semi-finished products
- Introducing a new organization either by creating a monopoly or by breaking an existing monopoly situation.

Thus, Schumpeter blamed on entrepreneurs as the central role in the economic development dynamics. Their role is to introduce innovations and overcome various resistances against their introduction. According to him, the development of capitalism increases the role of entrepreneurs, because the resistance to innovation grows. By emphasizing the role of the entrepreneur and the entrepreneurial spirit Schumpeter reckoned among theorists of entrepreneurship.

Drucker argued that Schumpeter's type innovations can be continuously undertaken by managers to revitalize economic organization and non-economic organizations. Also, Drucker suggested that, innovations in economic society can create a framework of entrepreneurship in the economic structure of anyone in an businesses and economic organization. According to Drucker, entrepreneurship is something that can be strategically employed by any economic or business organization at any point in their existence.

The function of entrepreneurship in the development of an economy not only includes increasing per capita output income other than initiating and business change in the structure of economic and business organization and s

new knowledge society. Also, increasing national income and entrepreneurship acts as a positive indication in economic prosperity and development between invention, innovation and the marketplace [5].

Table No. 1. Managers, capitalists and entrepreneurs

	Manager	Capitalist	Entrepreneur
Characterized by	<ul style="list-style-type: none"> • Administrates and manages resources • An administrator 	<ul style="list-style-type: none"> • Capital owner: Shareholders • Controlling shareholder • Passive shareholder 	<ul style="list-style-type: none"> • Discovers and exploits opportunities • A creator who initiates and motivates the process of change
Behaviour	<ul style="list-style-type: none"> • Aversion to risk-taking • “Rational” decision-maker. • Explores business • Creates and maintains competitive advantage • Creates trust to enhance cooperation • Supervision of the administrative process 	<ul style="list-style-type: none"> • Aversion to risk-taking • Assesses alternatives • Choice of venture assets 	<ul style="list-style-type: none"> • Accepts risks • Uses intuition, is alert, explores new business • Leadership, initiates new ways of acting • Identifies business opportunities • Creation of new Enterprise

2.1. New knowledge society

According to Drucker, the new knowledge into the new society occurs in three types:

- First, continuous improvement of processes, products and services;
- Second, continuous use of existing knowledge for growth and development of new categories of products, processes and services; and
- Thirdly, a real innovation.

Furthermore, he points out that in a new society the business is increasingly transformed from a multinational to transnational. According to him, the appearance of transnational companies leads to structural changes in the world economy, which in turn lead to changes in the forms of world trade. And all these changes, impacts and conditions have a major influence on national economies, which determines the parameters of macroeconomic policy.

The world economy is characterized by a new real situation in which the traditional factors of production (land and labor) receive a secondary significance. Also money had become transnational and they are not more comparative factor that provides the advantages of a country on the world market, and exchange rates have short-term significance. And now the decisive production factor is the modern management. In light of this, Drucker increased importance in the new society. He says that modern management comes out from the production and getting into health, education, culture, social sphere and other areas of social life. Also, Drucker points out that the level of productivity of knowledge is different in different countries. And as far as the information society, the main point will be lifelong learning and therefore "people will have to learn how to learn." Therefore, increasing the productivity of knowledge, and other resources, considers one of the central tasks in the information society. For example, for the relationship of individuals in society he writes, "individuals will need to take more responsibility for their own continuing education and learning, for their own self-development and their own careers. Hence forth the basic assumption it should be individuals acting alone to innovate, establish and develop a greater number 'careers' over their working life "[5].

From this perspective, today in all these areasthere is a need to continuously improve economic performance, and thus human resources with appropriate knowledge. To achieve the economic performance of companies despite the successful selection, the evaluation is important also for the success of the work of managers or managers in various forms of business organizations, especially if it is for profit sector.

Specifically, entrepreneurial management requires policies and practices in four major areas [6]:

1. The organization must be made receptive to innovation and willing to perceive change as an opportunity rather than a threat. It must be organized to do the hard work of the entrepreneur. Policies and practices are needed to create the entrepreneurial climate.
2. Systematic measurement or at least appraisal of a company’s performance as entrepreneur and innovator is mandatory, as well as built-in learning to improve performance.

3. Entrepreneurial management requires specific practices per-taming to organizational structure, to stalling and managing, and to compensation, incentives, and rewards.
4. There are some “don’t”: things *not to do* in entrepreneurial management.

The need for entrepreneurial management becomes much bigger with the emergence of the industrial revolution he industrial revolution. It enables creating of big departments and processes. As a result of that, it is essential to know all the process and technology of some products.

Drucker concluded that developed countries allocate a high percentage of funds from their GDP for the needs of education. In this context, developed countries spend on proceedings and dissemination of knowledge around one fifth of their GDP. For example, for formal education of young people (to enter the category of workforce) stands out about a tenth of GDP, organizations spend extra 5% for permanent education of their employees, 3 to 5% are spent on research and development and so on. Thus, the formation of knowledge is the highest investment in any developed country (20%), higher than that for the formation of capital [9].

2.2. Entrepreneurial economy and entrepreneurial society

According to Drucker, the entrepreneurial economy was realized mainly in small and medium enterprises in the United States and began to develop in Japan and Western Europe. The entrepreneurial economics arise in new areas of application management: new enterprises; business small companies, although earlier it was believed that management is immanent to large corporations; non-economic activities (health, education etc.), although most people equate management business in the economy; Activities that are not considered "enterprise" as, for instance, small local markets.

According to Drucker, author of the term entrepreneurship or rather entrepreneur Jean B. Say (1800). In its original sense the term was understood as allocation of economic resources out of an area of lower and into an area of higher productivity and grater yield. In terms of entrepreneurship, Drucker seeks to give wider and more specifically explaining them. In this context, he points out that entrepreneurs are neither capitalists nor investors, despite the fact that they need capital. They take the risk, but other are risking too, and they are not entrepreneurs. They are not even recruiters, although they may be self-employed.

Schumpeter (1960) distinguishes two stages in the development of capitalism: the first is called competitive capitalism and the second capitalism trusts. Characteristic for the first phase are small enterprises in which the introduction of innovations are made by start-ups, and the role entrepreneur is played by the owner of the company who is interested in the growth and development of the company. In the second phase the character of the entrepreneur is changing in the sense that as entrepreneurs occur managers, especially paid professionals who run big corporations. Thus arise the separation of functions: capital ownership and the function of management of the company [11].

Peter Drucker (1950) believes that capitalism will be transformed into a society of knowledge or as it calls post-capital society or information society. Namely, in the new society rather than capitalists and workers, there will be knowledge workers and workers in the field of services. Leading social group in the new society will be members of the crew of knowledge, while service workers do not have a sufficient level of education to become knowledge workers [1].

Drucker believes that entrepreneurial economy is linked to the new companies which develop. He considers that it is not high-tech corporations, but companies with low and medium technology. Entrepreneurial economy not remains only in the economy, but also captures the activities of general social and economic life. It occurs primarily in new areas of application management (economic and non-economic).

Entrepreneurship is a special feature, that can possess any individual, any institution or enterprise and that entrepreneurs see change as a rule and as something good/healthy. He points out that entrepreneur always searches for change, responds to it and exploits it as an opportunity [7].

Therefore, Drucker says that we can talk about building an entrepreneurial society. According to him, the management is actually new technology, which provide building entrepreneurial economy and entrepreneurial society in the United States. This is achieved by introducing entrepreneurship in society, which, in turn, is achieved by applying the basic principles of management. In light of this opinion he considers that it should meet three conditions for innovation to be successful:

- First, innovation is a job that requires knowledge and concentration in one area,
- Secondly, innovation should be built with its own forces, and
- Finally innovation should be market-oriented.

The main objective is to solve new problems and to use new opportunities. At the heart of the entrepreneurial economy are three advantages:

- Innovation,
- Entrepreneurship and
- Knowledge.

Drucker argued that systematic innovation therefore consists in the purposeful and organized search for changes, and in the systematic analysis of the opportunities such changes might offer for economic or social innovation. Specifically, systematic innovation means monitoring seven sources for innovative opportunity. The first four sources lie within the enterprise, whether business or public-service institution, or within an industry or service sector. The second set of sources for innovative opportunity, a set of three, involves changes outside the enterprise or industry [2].

According to him, there are several sources of innovative features, some of which are located in the enterprise itself (something unexpected - success, failure, external event; discrepancy between the reality of what is and what can be; innovation based on a process; changes in the structure of the economy or the market) and others outside the enterprise (demographic trends, changes in detection, mood and meaning, new knowledge).

Order to remind, Schumpeter clearly differentiated process of finding and process of innovation. He points out that only a few innovative people in business are able to realize the potential of new invention and to use to achieve personal gain. But their profit is economic gain. After the presentation of successful innovation by the entrepreneur, other business people would follow her new product or technology will take a full area in the economy. Thus, economic growth is supported by the institutional environment that rewards and supports the activities of entrepreneurs.

About, Drucker he argued that, "innovation is the main instrument of entrepreneurship in conditions. Also, exploiting, entrepreneurs are factors for economic and personal gain. Therefore entrepreneurship is a crucial factor for economic growth and prosperity in such society. In this regard, entrepreneurs are key people in the company, the main factors, initiators, designers and responsible for the business policy of the business organization. The strength of power and influence, among other factors, are of utmost importance for shaping the strategy of the economic and business organization.

Drucker talks about some basic entrepreneurial strategies, as well as several variants within individual strategies. According to him, a common feature of them is that they are based on the introduction of innovation, some of which themselves are innovation [8].

There are four specifically entrepreneurial strategies [4]:

1. Being “Fustest with the Mostest”
2. “Hitting Them Where They Isn’t”
3. Finding and occupying a specialized “ecological niche”
4. Changing the economic characteristics of a product, a market, or an industry.

He clearly differentiated process of finding and process of innovation. He points out that only a few innovative people in business are able to realize the potential of new invention and to use to achieve personal gain. But their profit is economic gain. After the presentation of successful innovation by the entrepreneur, other business people would follow her new product or technology will take a full area in the economy. Thus, economic growth is supported by the institutional environment that rewards and supports the activities of entrepreneurs.

Table No. 2. Concepts of entrepreneur

No role for entrepreneur in stationary state. Workers can perform this process of routine.	
<i>Invention</i>	
Entrepreneur	————>
Innovation	————>
	Innovation Profit
New bank credit finances innovation	

Drucker (1985) expresses for entrepreneurial society, too. According to him, entrepreneurship in society is needed in the economy, the institutions of public services, economic organizations. He believes that there should be an economy that is full of innovators and entrepreneurs, for which are typical entrepreneurial vision and entrepreneurial values, access to risk capital, economy filled with entrepreneurial energy and enthusiasm, and so on. According to me, entrepreneurs with their ability and invention must determine the objectives defined in the strategy of the business organization, so that it can be successful, that constantly evolves. Entrepreneur needs not only to adapt to changes in the company's environment, but also to initiate changes themselves.

According to Drucker (1985), in the entrepreneurial society will arise numerous social innovation. Among them he particularly highlights the care of the surplus workers (new enterprises, new jobs), the gradual abandonment of social policy and passé institutions of public services and so on.

Drucker (1996) believes that the most needed in the entrepreneurial society will be maximally and with all strength to promote and encourage habits to be more flexible, to increase the habits of continuous learning and improvement, and be in the habit of accepting the changes as commonplace and opportunities. This applies to institutions and individuals.

Conclusion

In terms of the new society, according to Drucker determinant of the development will not be our capital, neither no our country and our workforce, but it will be the knowledge. In the center of the new society will be the educated person. And education in society is not only an activity of the institutions of the educational system, rather it should penetrate to the total society such as businesses, government agencies, nonprofit organizations, which are at the same time institutions of learning and teaching. Entrepreneurial economy is linked to the new companies that develop. According to Drucker, this does not high-tech corporations, but companies with low and medium technology. Entrepreneurial economy not remains only in the economy, but also captures the activities of general social and economic life. It occurs, primarily, in new areas of application management. Management is actually newest technology which is in the United States of America provides the building of entrepreneurial economy and entrepreneurial society. This is achieved by introducing entrepreneurship in society, which, in turn, is achieved by applying the basic principles of management.

References

- [1] **Drucker, Peter** (1950). *The New Society*. New York: Harper and Brothers, Publishers;
- [2] **Drucker, Peter** (1954). *The practice of management*. New York: Harper and Row, Publishers. p. 44;
- [3] **Drucker, Peter** (1973). *Management: Tasks Responsibilities, Practices*. Harper and Row, Publishers;
- [4] **Drucker, Peter** (2005). *Management, Revised Edition, of Preface Management: Tasks, Responsibilities, Practices*, Harper Collins e-book, pp.378);
- [5] **Drucker, Peter** (1994). *Theory of The Business*, Harvard Business Review, Boston, USA, pp.101;
- [6] **Drucker, Peter** (1985). *Innovation and Entrepreneurship*. New York: Harper and Row, Publishers, pp. 159;
- [7] **Drucker, Peter** (1996). *The Executive in Action, Managing for Results, Innovation & Entrepreneurship, the Effective Executive*, New York: Harper Business Publishers, p. 43;
- [8] **Drucker, Peter** (1969). *The age of discontinuity, Guidelines to our changing society*. New York, Harper and Row, Publishers pp. 248;
- [9] **Stojkov, Metodija** (2008). *Development of Economic Thought*, Faculty of Economics – Skopje;
- [10] **Schumpeter, Joseph** (1954). *History of Economic Analysis*, London: George Allen & Unwin;
- [11] **Schumpeter, Joseph** (1949). *Economic Theory and Entrepreneurial History*, In Center for Research in Entrepreneurial History: Change and Entrepreneur. Postulates and Patterns in Entrepreneurial History, Cambridge;
- [12] **Todorov, Todor** (2002). *Economic theories and economic thought*, Faculty of Economics – Prilep;
- [13] **Nikoloski, Krume** and Miceski Trajko (2016), “Theories of the classical and behaviour school for management as a base for extension of the management thought”. Yearbook, Faculty of Economics, 9. pp. 35;