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An Empirical finding of entrepreneurial factors & issues on stainless steel industry: a business case study of Outokumpu AB, Finland.

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Abstract: The study of this research was undertaken to find out the entrepreneurial behaviour and activities of the companies and the major factors behind their successes. We have chosen to examine the large multinational group Outokumpu, which specializes in the production and processing of metals and minerals. The company is among the largest producers of stainless steel in the world which is surveyed and analyzed in this study. This study is important for empirical, practical analysis and findings of some theories, concepts and thoughts given by some researchers of entrepreneurship and related fields. In order to validate their thoughts and ideas, we have concentrated on the practical implications of these theories in today's successful entrepreneurial companies and have tried to answer the research questions by applying them to our case analysis. Paradigmatic tools are used for conducting the survey and documentary research is followed to analyze the company. Findings of sustained competitive advantage and appropriate recommendations are also discussed.

Keyword: *Entrepreneurial architecture, Outokumpu, Innovativeness, Logistics, Entrepreneurship, Intrapreneurship, Subsidiary.*

Introduction and objectives:

This study was undertaken with the aim of analyzing a company with regard to corporate entrepreneurship. We have chosen to examine the large multinational group Outokumpu, which specializes in the production and processing of metals and minerals. The company is among the largest producers of stainless steel in the world.

According to the International Iron and Steel Institute (2011), the worldwide demand for steel accelerated markedly in 2010 and is expected to rise further in 2013-2014. This is particularly due to the high GDP growth rates in China and India. Therefore, it should be of interest to shed a light on a major steel manufacturer.

Our findings are based on an interview conducted at the Västerås subsidiary as well as corporate information accessed via the Outokumpu website. The central purpose of this research study was to find out if the company acts in an innovative and entrepreneurial way.

The results of our study may be of use to Outokumpu, to potential competitors of Outokumpu and to researchers in the area of corporate entrepreneurship.

Literature review:

Entrepreneurial architecture:

Entrepreneurship embraces and welcomes change as creating new commercial opportunities. It promotes flexibility, creativity and innovation in pursuing those opportunities. According to Morris and Kuratko (cited in Burns 2005, p.60) an entrepreneurial firm can be measured in terms of two dimensions. They stand for the fact that, on the one hand, a company might be involved in a small number of high degree level of innovations, which are significantly risky but highly profitable. On the other hand, it might carry out a relatively big number of low degree level of innovations, which are not that risky but not that profitable as well. These so-called degree and frequency of entrepreneurial activities constitute entrepreneurial intensity. According to Burns, "some researchers claim a statistically significant linkage exists between entrepreneurial intensity and a number of measures of firm performance such as profitability, income/sales ratio, revenue growth, asset growth, employment growth" (cited in Burns 2005, p.61). However, not all the companies should apply these two tools in order to prosper. Their decisions should be based on the nature of the environment where they operate. For instance, it is not necessary to invest in innovation activities where the environment is stable because there is simply no need to change. In contrast, the unstable, constantly changing environment favors high entrepreneurial intensity since these disruptive environments serve as a catalyst of entrepreneurial activities.

In addition to this, an entrepreneurial firm, according to John Kay, needs to establish a well-structured architecture, which stands for all internal and external relational contacts with staff, customers and suppliers on formal and informal bases. It is of big importance that a company cultivates and maintains those relationships since they provide it with the solutions to such problems as co-operation, co-ordination and commitment (Burns 2005, p.62). Moreover, those relationships can provide a firm with sustainable competitive advantage as they are unique to the firm and difficult to imitate. According to Burns, the architecture is shaped by many factors that are interrelated and affected by each other. First and foremost, leadership and management of the company and the culture ingrained within it play a crucial role in building organizational architecture. Also, the structure, size and organization of the company shape it accordingly. In short, both the interplay of those abovementioned factors and the environment in which a company operates directly influence the organizational architecture.

Adapting to changes and building well-structured architecture require a company to constantly learn and upgrade itself with the best possible knowledge. According to Burns, a learning organization has been defined as one that “facilitates the learning of all its members and continuously transforms itself [...] adapting, changing, developing and transforming themselves in response to the needs, wishes and aspirations of people, inside and outside” (Pedler et al., cited in Burns 2005, p.64). To be more specific, a company needs to be skilled at transferring knowledge within it, to benchmark against best practice and outside experiences, to encourage experimentation and new approaches and to encourage systematic problem solving (cited in Burns 2005, p.65).

Vision & Values:

According to Nanus, 1992, (Burns 2005, p.85) vision is a key element of both entrepreneurship and leadership. It is a shared image among the whole company of what the enterprise can become in the future. Vision must be realistic, credible and attractive and it also has to engage and motivate people. It can be seen as the cornerstone of the entrepreneurial architecture. (Burns 2005, p.85)

Vision is often communicated through the vision or mission statement. It is rather emotional than analytic and includes reference to the product or service. A vision or mission statement in most cases contains the values fostered by the company. Moreover, values often support the corporate vision. They are the core beliefs which the company is built on and they describe the way the company is operating and treating their people. Values are also highly important because they create a framework which helps the company to

operate in a changing environment. For instance in an entrepreneurial firm, vision and values endure even though strategies and tactics might change rapidly. (Burns 2005, pp.85-59)

Vision and values go hand in hand. It is not enough to just have them, they also have to be communicated and taught by leaders to all levels of the organization. Thus, Burns states that the job of a leader consists of five elements: having a clear vision, communicating it, being able to think strategically, creating an organisational culture and finally controlling and monitoring performance. (Burns 2005, pp.99-100)

Creating the entrepreneurial culture:

Cornwall and Perlman (Burns 2005, pp.104-106) define culture to be the basic beliefs and assumptions what company is about: How the members of the organization behave to each other and how the organization defines itself when it comes to relations with its external environment.

Bowman and Faulkner (Burns 2005, pp.106-108) say that organizational culture is formed from three main influences: 1. Organizational processes 2. Cognitive processes and 3. Behaviors.

With regard to organizational processes, Bowman and Faulkner are of the view that if the organizational structure is hierarchical it discourages initiative or entrepreneurial behavior and if it is flat or organic it encourages creativity and innovation which are an essential part of an entrepreneurial organization. Power of decision making also defines the company's entrepreneurial behavior depending on if decision making is decentralized and encouraged on all levels of the organization. Controls and rewards, routines and rituals all tell a lot about the company's cultural beliefs and values.

According to Hofstede (Burns 2005, pp.110-116) there are four dimensions of culture: Individualism versus Collectivism, Power distance between employees and management, Uncertainty avoidance by rules and regulations and Masculinity versus Femininity, i.e. an emphasis on achievement-oriented versus relationship-oriented values. Burns uses Hofstede's four dimensions to study the entrepreneurial culture in a structured way. According to this application an entrepreneurial organization stresses collectivism but does not neglect individual initiative. It has low power distance, low uncertainty avoidance and seeks a balance between masculine and feminine dimensions.

Building the entrepreneurial organization:

Burns highlights the importance of the firm's size. Small firms often do innovation in a cheaper and quicker way; while large firms possess the

advantage of more extensive distribution networks. Nowadays, firms are increasingly experimenting with different organizational forms and processes to achieve the best fit between the benefits from large scale resources and from small scale entrepreneurship. For instance, by means of down scoping, decentralizing, delayering, outsourcing and so on (Pettigrew & Fenton, cited in Burns 2005, p.127), corporations are aiming to flatten structures as a need of entrepreneurial organizations. The reason for this is to achieve better communication, greater delegation of authority and faster decision making (Burns 2005, pp.125-128).

According to Burns, the most effective entrepreneurship structure is defined as an organic structure, in which hierarchy is limited to a minimum to ensure flexibility, responsiveness and innovativeness (Burns 2005, pp.130-132). Such a structure favors horizontal rather than vertical decision-making and informal rather than formal coordination mechanisms. Therefore the norm rests on appropriate team working. Practices could be extensive personal interaction, effective communication, frequent meetings, and use of committees to ensure collaboration (Burns 2005, pp.131-133). The use of network structures and modern information technology, so-called virtual structures, will bring the organization a high degree of awareness, commitment and connection. A common organizational culture plays an essential role in cementing the team as a whole (Burns 2005, pp.133-134).

Further, entrepreneurial management must have strong backing from those at the top of the organization. Beside a culture that is willing to see change and is receptive to innovation, it is desirable that the leadership positively structures and supports intrapreneurial behaviors and venture team activities. Accordingly, systematic measurement of innovatory practice is necessary to improve entrepreneurial performance (Burns 2005, pp.136-138).

Kanter (Swedberg 2000, pp.167-205) theorizes that innovations are undertaken by individuals on a micro-level. However, conducive macro-level structures within an organization can stimulate the degree of innovativeness. Kanter suggests a range of practical implications for companies. She stresses the importance of close contacts with customers and of granting enough "slack" in resources (e.g. money and staff time). Creative employees should avoid brooding over new ideas in isolation and instead liaise with colleagues and attend industry conferences and fairs. Kanter also recommends forming coalitions that back up innovative projects. There should be "integrative team mechanisms" that "encourage exchange of support and information", e.g. task forces or joint planning groups. During the development stage,

management must allow flexibility, especially with regard to timelines and applications. When it comes to commercializing new projects, it is crucial that the organization displays a strong strategic and financial commitment.

Entrepreneurial management:

Barriers, change and risk: Burns (2005, pp.143-144) states that many traditional management methods form barriers to corporate entrepreneurship; examples are a focus on return on investment or inflexible long-term planning. In addition, entrepreneurs have to accept risk when seizing opportunities.

To manage change, resistance to change has to be decreased. A successful way of dealing with this resistance and managing change could be trying to convince or isolate people who resist, trying to reorganize departments, using task forces to ensure proper implementation, building political support, monitoring the process and helping people with changes by proper training. Moreover, it is vital that employees receive sufficient information about change processes (Burns 2005, pp.148-152). *Open-book management*, where e.g. financial data are available everyone, is an important feature of entrepreneurial management. It is results-oriented and improves trust and loyalty among staff (Burns 2005, Morris and Kuratko, cited in Burns 2005, pp.152-153).

It is most important in an entrepreneurial business to manage the risks. Risk cannot be avoided but it can be "identified and even quantified to acceptable levels". Companies have a choice to attempt to delete or diminish the risk, "transfer the risk" (e.g. by outsourcing or insuring) or "accept the risk". To reduce risks, early warning mechanisms should be used such as *key risk indicators*. These could for instance be accounting ratios that are monitored on a regular basis. By detecting risks early, negative consequences may be averted. Appropriate entrepreneurial strategy and decision making should ensure that the organization responds promptly and flexibly to arising risks (Burns 2005, pp.159-161).

Internet use and networking:

According to Castells (2001, pp.64-112), the use of the Internet enhances communication in modern companies and thus helps to stimulate innovation. On-line communication facilitates connectedness throughout a widespread business organization as well as with external stakeholders in the organization. The dense interactions between people boost information-sharing that can give rise to the development of innovations in a better way than an independent R&D department could. Another factor that facilitates innovativeness is online information about customers. Companies

that engage in e-commerce can for example collect valuable data about their customers' buying behavior, which helps them to adapt their market offering accordingly. Castells holds the view that large corporations typically give up centralized, vertical structures. He claims that they instead take the form of cooperative and flexible networks where separate business units act as equal partners.

Conceptual framework:

The results of our case study will be presented according to the following framework. A brief overview of the company will be given.

Subsequently, the company will be analyzed according to the main concepts of the literature review:

- Entrepreneurial architecture
- Vision & Values
- Creating the entrepreneurial culture
- Building the entrepreneurial organization
- Entrepreneurial management: barriers, change and risk
- Internet use and networking

Moreover, it will be explained how these generic concepts are interrelated in order to achieve a clear understanding of the use of the core concepts. This will be done by giving the diagrammatical illustration below and by the following explanation of their interrelationships.

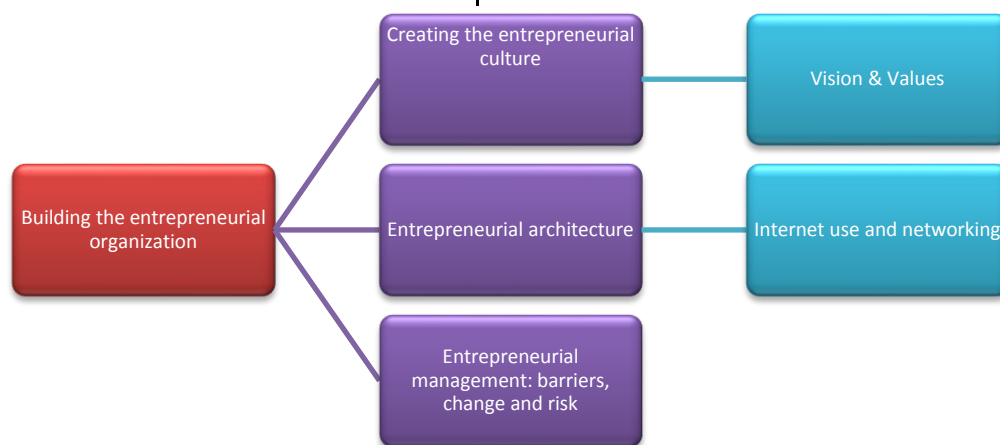


Figure: Diagrammatical interrelationships.

From the literature review we can easily understand that in order to build an entrepreneurial organization certain criteria need to be fulfilled. First, the entrepreneurial organization has to take advantage of changes by facing corresponding risk and by subsequently overcoming barriers generated by those risks, which has been labeled as being entrepreneurial management. Second, entrepreneurial management entails creation of the entrepreneurial culture consisting of the organization's shared beliefs and values that are reflected in its vision. Third, the organization needs to create good internal relationships within its staff and external relationships with its customers and suppliers, which is primarily dependent on its culture and its entrepreneurial management. And last but not least, all of above mentioned can be facilitated by the use of the Internet resulting in effective networks, where all their members gain significant benefits by being able to exchange information on a timely basis.

Finally, Outokumpu will be examined whether it fulfills the recommendations and requirements by acknowledged scholars for an entrepreneurial company. Frequently, only certain aspects of the

described theories and models will be applied to Outokumpu. The reason is the limited insider information we could collect during the one-hour interview with our interview partner.

Research Questions:

We have chosen to analyze corporate entrepreneurship at Outokumpu in light of following research questions:

- How do they describe themselves as entrepreneurs?
- Does the term "entrepreneur" have a strong meaning to them?
- How do they articulate and describe the entrepreneurial experience?
- How do they conceptualize their own business situation?

Research Methods:

The methods we have applied to gather empirical data for our research include an interview with one of the senior officers at Outokumpu, as well as the review of texts and documents.

We interviewed Birger Furušjō, controller at the Västerås subsidiary of Outokumpu Copper (Tube & Brass). Mr Furušjō has been a long time employee of Outokumpu Copper and he has additional human resource responsibilities.

The interview took place at the premises of the Västerås subsidiary and lasted for one hour. We started out trying to follow the narrative approach as described by Anders Johansson (2004). The question asked was: "Would you say Outokumpu is an entrepreneurial company in a sense that it is innovative?" But we felt that our respondent was quite hesitant in his self-narrative, although we encouraged him to tell us whatever he felt was relevant. Therefore, keeping in mind the time constraint, we followed up with structured qualitative questions in order to extract all the information that would be necessary to describe corporate entrepreneurship at Outokumpu.

We acknowledge that we hereby departed from the wording of the chosen designed questions. Instead we proceeded to use paradigmatic tools. These tools were our structured questions by which we attempted to detect certain aspects at Outokumpu which are generally applicable to entrepreneurial companies. We claim that a genuine "story-telling" approach (Johansson 2004) would have been more appropriate if more interview time had been available and if the interviewee had been an entrepreneur himself.

We complemented by documentary research where we consulted various literature and internet documents for the analysis of the company. First hand information about the company was retrieved from their corporate web page where we were also able to find annual reports, press releases, etc. In addition, we analyzed a number of academic books and articles in order to search for the theory on which to establish our research foundations.

The reliability of the research findings and conclusions can be questioned as the empirical information is predominantly based on one interview with a respondent from a subsidiary which is to be divested. Therefore, the information may be biased. It might also be biased because the interviewee was speaking for his present employer. We tried to improve the reliability by collecting further empirical data, primarily from the corporate webpage. The reliability of our research results could be tested by conducting further interviews with other managers at other units of Outokumpu.

Presentation and analysis of findings:

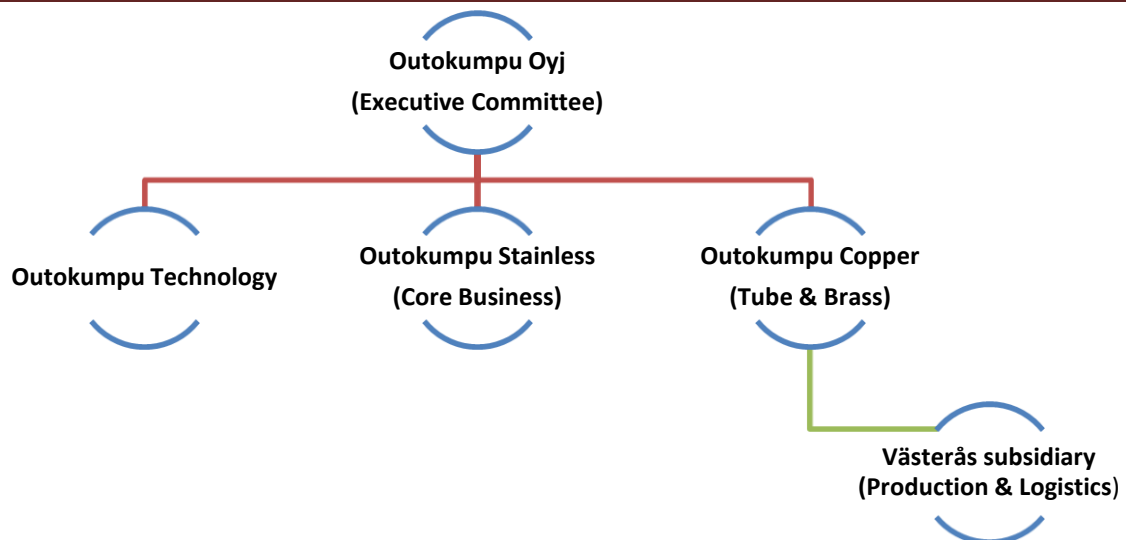
Company Overview:

The Outokumpu group currently consists of three international companies: Outokumpu *Stainless* which has been declared to be the focal business (Rantanen 2005), Outokumpu *Technology* and Outokumpu *Copper (Tube & Brass)*. Outokumpu is currently undergoing a process of restructuring. Until 2005, OUTOKUMPU Copper comprised several subdivisions in addition to Tube & Brass. In June 2005, a large part of Outokumpu Copper was divested to *Nordic Capital*. It is now a separate company which goes under the name *Outokumpu Copper Products Oyj* until the second half of 2006. The remaining section Outokumpu Copper Tube & Brass still belongs to the Outokumpu Group. According to Birger Furušjō, the complete structure of Outokumpu Copper Tube & Brass will be sold in the near future.

According to Juha Rantanen (2005), CEO, Outokumpu AB is an international stainless steel and technology company with a vision to be the uncontested worldwide market leader in stainless steel manufacturing. Outokumpu has a staff of about 11,000 in some 30 countries and generated EUR 5.6 billion of sales in 2005. The parent company Outokumpu Oyj is listed on the Helsinki stock exchange. The group headquarters is situated in Helsinki, Finland.

Outokumpu *Stainless* is among the world's top four producers of stainless steel. It has major plants in Finland, Sweden, the US and England. It is already by far the largest company within the Outokumpu group and in the future, resources will be concentrated towards Outokumpu *Stainless* (Furušjō 2006). Outokumpu *Technology* develops process technology and plants for mineral processing and metal production. It also offers engineering, project and support services. Several of their products are market-leaders (Outokumpu website). Outokumpu *Copper (Tube & Brass)* produces and markets industrial copper tubes and brass rods on the European market (Outokumpu Copper website).

Outokumpu Copper (Tube & Brass) has subsidiaries in Västerås/Sweden, Pori/Finland, Zarate/Spain and Liège/Belgium. The subsidiary in Västerås evolved from the acquired company *Metallverken*. Its original workforce of about 2000 was gradually cut to today's 71.



The group's ultimate aim is to create and increase shareholder value. To achieve this, they strive for production excellence, commercial excellence and operational excellence. They are committed to value creation "through building superior production and distribution capabilities in all major markets" by applying "uniform group-wide methodology, involvement of front line people and massive training of all involved". Differentiation strategies and the ability to identify customer needs are used to achieve commercial excellence (Rantanen 2005).

According to Outokumpu, the reason for the organization's restructuring was to reposition the company with a focus on stainless steel processing. This must be seen in light of the fact that stainless steel is the type of metal whose worldwide demand is growing most rapidly. Nevertheless, Outokumpu faced a reduction in stainless steel sales in 2005 compared to 2004, which forced the firm to actually reduce production capacity in stainless steel (Rantanen 2005). In fact, the group's operating profit diminished from EUR 436 million in 2004 to EUR 83 million in 2005 (Outokumpu website). Another reason given for the divestment of Outokumpu Copper is that the group thereby could reduce its gearing ratio (Outokumpu Copper website).

Outokumpu officially claims that innovations play an important role for the corporation's future. They possess a range of "groundbreaking new technologies" in metal processing and materials. Examples are HydroCopper™, Circored® and CuproBraze®. Furthermore Outokumpu sponsors two research foundations that are dedicated to research into stainless steel technologies and that finance related PhD theses and student projects (Outokumpu website). Innovativeness in business administration is encouraged by a close collaboration with Henley Management College (Henley Management College 2002).

Application of Theory:

The information about Outokumpu is derived from the interview with Birger Furujsjö and Outokumpu's corporate webpage, unless otherwise stated.

Entrepreneurial architecture:

There are many factors that influence the way Outokumpu operates. The company does operate in an uncertain environment where it faces considerable risks. To be more specific, according to our interview, the company faces a high degree of risk from its Chinese rivals which manage to supply similar products at a much cheaper price. Furthermore, the company operates in some 40 countries with different customer preferences, which compels it to go hand in hand with demanding customers in order to maintain its market share or even to increase it. To integrate what we found out from the interview and from relevant documents it can be deduced that the company regularly comes up with innovations, which makes it stand quite high in terms of frequency of entrepreneurial acts. However, at present it is not highly involved in radically new innovations due to the nature of their business, where breakthroughs rarely occur. As a result, the company cannot be placed high in terms of degree of entrepreneurial acts (cited in Burns 2005, p.60). However, the company did accomplish breakthroughs throughout its history. The company began operating as a mining company and has gone through many stages to get the current shape. On its long journey it has taken advantage of the opportunities and upgraded itself along the value chain which in turn enabled it to reap more benefits.

According to our findings, the company does facilitate internal relationships, despite the fact that it is geographically scattered, among its staff by means of incorporating the idea of "unitarism-a belief that interests of the organization and the

individual are the same (cited in Burns 2005, p.65).” It is done by means of motivation, understanding of its personnel, and well-performed human resource management. To be more specific it is done through *Development Dialogue*, *O’People Employee Survey* and *Management Review Process*. The purpose of the Development Dialogue, which is held at least once a year with each employee, is to ensure that the objectives set are clear-cut and understood correctly. At the same time, it offers an occasion for giving and receiving feedback. Via the O’People Employee Survey, the units in turn measure the workplace atmosphere and its development. The third HR process is the Management Review Process. The results of this assessment are used in developing the organization, in internal recruitment and in supporting job rotation. The aim is to promote personal growth in step with job tasks and to ensure career rotation within the group. These three HR processes are in place at all the business units, and use of them was expanded in 2004. Based on the employees’ development needs, Outokumpu carries out both its own training and development programs or calls in outside consultants (Outokumpu Annual report 2010). With regard to cultivating and maintaining external relationships, the company undertakes several steps. First, it tries to come as close as possible to customers in order to understand their needs and be able to adapt to them before competitors can. It purports:

"Outokumpu exists to help customers do what they do better, working in cooperation to enhance the performance."

(http://www.Outokumpu.com/pages/Page_9000.aspx) Furthermore, it strives to build customer loyalty through producing and delivering superior value. Second, it does have close-knit relationships with suppliers of raw material. The company has few but diversified product range suppliers which enable it to keep low inventories and to have all resources it needs on a timely basis. In a nutshell, Outokumpu strives for building architecture that is consistent with its ambitions, strategies and its environment, which is a major determinant of the very nature of its architecture.

By conducting research, it has become clear that the company encourages organizational learning at all levels. At the corporate level, the company benchmarks against the best companies in this particular industry where those companies manage to perform well in value creation and value realization (<http://www.Outokumpu.com/26823.epibrw>). Not all the proposed projects but only promising and competitive ones are approved at the corporate level. At the lower levels, staff is being encouraged to come up with innovative solutions to existing problems. It is done by providing them with financial benefits as well as by promoting them

along a career ladder. In fact, according to the interview, through its close internal relationships among the staff, which can mostly be characterized as being informal, the company manages well to transfer the knowledge from the point where it originated to the point where it needs to be utilized. In addition, the formal structure of the company facilitates organizational learning e.g. through using the worldwide web, through cross departmental teams and so on. What is more, the company constantly trains its staff in order to maintain and upgrade their capabilities. For example, five group-wide development programs were carried out in 2004: two *O’Talent* seminars, two *Leading the Way* programs and one *Outokumpu Management Development Program*. About 100 people again took part in them. In addition, the business units ran development programs tailored for their specific needs. Employees from all personnel groups participated in these programs (Outokumpu Annual report 2010). These findings shortly describe the company’s entrepreneurial nature. However, it should be emphasized that the way Outokumpu operates is predominantly bureaucratic mostly due to its size.

Vision & Values:

According to Outokumpu their vision is “to be the undisputed number one in stainless, with success based on operational excellence” (Outokumpu, Vision and strategy 2011). On their webpage Outokumpu specifies two key strategic objectives: value creation through building superior production and distribution capabilities in all major markets globally and value realization through production and commercial excellence. Their ultimate goal is to secure a significant and sustained increase in shareholder value. (Outokumpu Annual report 2011) Their vision statement transmits a clear message of how Outokumpu sees itself in the future; they seem to have both a clear vision of what they want to achieve and a strong belief in themselves reaching those goals. At the moment Outokumpu is concentrating on delivering promises they made during the last strategic phase from year 2000 to year 2004 and at the same time making new targets for the coming five-year period to make sure they succeed in reaching their vision. That is to say, the company is exiting the copper business, concentrating on developing their stainless operations further and aiming at becoming the number one position in that field. Also based on Outokumpu’s strategies one can state that delivering excellent value is highly important for the company (Outokumpu Annual report 2011, p.2).

However, as mentioned earlier, according to Burns (2005) it is not enough to just have a vision, that vision has to be communicated, commonly known and followed. When we asked Mr Furusjö to

describe their organizational culture, values and beliefs, it could be clearly noticed that he was not completely aware of Outokumpu's exact vision. Even though he has human resource responsibilities and one could expect him to be familiar with Outokumpu's values and beliefs, he advised us to check up those statement on the company's webpage. The company's webpage conveys an impression that the enterprise possesses a clear vision statement which is meant to be followed, but the interview performed indicates the fact that these statements exist in theory but basically in practice they may not play a significant role in this company.

We have to admit, however, that this conclusion has been drawn from interviewing only one person who might simply not have regarded answering that question as worthwhile.

Creating the entrepreneurial culture:

According to Bowman and Faulkner (cited in Burns 2005, pp.106-108) the formation of organizational culture is influenced by organizational processes, cognitive processes and behaviors. We would like to define the organizational processes practiced at Outokumpu and how those have affected its culture. The organizational structure followed at Outokumpu is hierarchical, which according to Burns discourages initiative to creativity and in turn discourages entrepreneurial behavior in the organization. Strategic decisions are made at Outokumpu's headquarters, including budgeting, and only local level decisions are left to the subsidiaries' management. This means that decision making is highly centralized. These are not the signs of an entrepreneurial company, though they could be appropriate for corporations Outokumpu's size.

Rewards and incentive programs vary for different departments at Outokumpu. Sales people are rewarded on meeting their individual sales goal volumes and production people can collectively receive bonuses which are related to certain key numbers or targets of production allocated to the production team. Thus, there seems to be a balance between individualistic and collective rewards. This can be supposed to lead to the right degree of collectivism which is an essential cultural dimension of entrepreneurial organizations (Burns 2005, pp.112-116). When we apply Hofstede's other dimension of culture to Outokumpu, we realize that power distance is high due to the very hierarchical structures. As it operates with formalized routines, e.g. company-wide standard operating procedures, it bears a tendency of high uncertainty avoidance. Outokumpu does not fulfill all the criteria of an entrepreneurial company. Its tight control mechanisms and hierarchical structure can be obstacles to innovativeness, which is a prerequisite for an entrepreneurial culture.

Building the entrepreneurial organization:

Outokumpu **needed cash** to pay off its huge investment in a refined steel factory in Tornio, Finland. Outokumpu's growth strategy since 2000 has largely focused on stainless steel, which has generated all significant growth (Helsingin Sanomat 2004). To attain "leadership in stainless steel", it is not difficult to see that selling the copper production helped to raise money and invest in the steel factory. The move eventually helped Outokumpu to gain greater flexibility in both capital and structure. Juha Rantanen, CEO of Outokumpu, commented: "The sale of the fabricated copper products business is a strategic move. [...] Our vision is to be the undisputed number one in stainless. With the divestment we will make a significant step towards reaching our desired business structure" (Helsingin Sanomat 2005). So, Outokumpu uses *downscoping*, in accordance with Pettigrew & Fenton (cited in Burns 2005, p.127). By this token, Outokumpu has been in a major process of restructuring to encourage entrepreneurship.

According to Henley Management College, Outokumpu has had the strategic objective to transform itself from an asset-driven into a knowledge-driven company (Henley Management College 2002). As explained by Dr Mikko Luoma, Vice President of Human Resources Development: "We need new competencies and skill sets. Learning new thing comes naturally to the company, and this manifests itself as an intensive utilization of training and development activities when implementing change." (Henley Management College 2002) The company also claims that it endeavors to continuously develop individual competence through communication, creation of informal networks of people and effective knowledge sharing, in order to retain and attract well-trained and committed staff (Outokumpu Careers 2006). Meanwhile, Outokumpu has all along been collaborating with Henley Management College. The focus is heavily laid on the real-life development of business and aims at strategic management development (Henley Management College 2002).

However, from the self-narrating of the interviewee, it is learnt that Outokumpu is still perceived as strongly hierarchical. Only small decisions are allowed to be made within budget on a subsidiary level. According to Birger Fursjö, support for innovations is frequently restricted to the fields of process technology and high-tech development. This is in contrast to what Outokumpu states: "Outokumpu emphasises co-operation between innovative engineers and business- and marketing specialists keeping in mind that innovations are not only made in the field of technology. Innovations are important in all our work." (Outokumpu Factor 2006)

All things considered, Outokumpu's organizational structure is not a down to earth "organic structure". Officially, the firm claims to welcome change and creativity. Internal networking and knowledge sharing are indeed encouraged. Yet top management has not done enough to allow an innovative, flexible and decentralized environment for a high task complexity. *Delaying and decentralizing* have not occurred on a significant scale. Especially, authority for decision making on all levels could be delegated to a greater extent.

Outokumpu complies with some of Kanter's (cited in Swedberg 2000, pp. 167-205) recommendations for the stimulation of corporate entrepreneurship. The company claims to cultivate customer contacts and to develop existing products in cooperation with customer demands. They also claim to foster communication, networking and knowledge sharing. They contend that employees are given space for personal development, which may encourage innovativeness. Moreover, Outokumpu makes use of "integrative team mechanisms". At the R&D center in Helsinki, cross-functional innovation teams have been formed. However, according to Birger Furusjö, innovation is often restricted by budget limitations. The heavy workload faced by many employees, especially after downsizing staff numbers, is presumably counterproductive to intrapreneurship, which is defined as the entrepreneurial activity by individual employees. Usually, creative behavior requires enough "slack" in e.g. working time.

Entrepreneurial management: barriers, change and risk:

As already mentioned, Outokumpu adheres to strategic five-year planning involving clearly defined financial goals. We can speculate that this reduces the company's flexibility and possibility to react to new opportunities and challenges. This as well as the tight budget limitations could be a barrier to true innovativeness.

Outokumpu attempts to manage change. Examples are the "intensive utilization of training and development activities when implementing change" according to Dr Mikko Luoma (Henley Management College 2002). Open information structures, e.g. an intranet containing important internal documents and open to all staff members, are generally applied. However, following Birger Furusjö's narrative, the information flow from headquarters to subsidiary regarding impending changes, like the state of the expected sale of Outokumpu Copper (Tube & Brass), could be improved.

Risk at Outokumpu consists mainly of competition, according to Birger Furusjö. More specifically it can be divided into risk from competitors, especially in low cost countries, and risk from

competing materials, e.g. plastics. Outokumpu seems to have a two-step approach to risk. Short-term risks, arising from cost levels that exceed competitors' cost levels, are monitored by tight cost and budget controls. Long-term risks appear to be accepted as unavoidable.

Internet use and networking:

In accordance with Castells (2001), O Outokumpu makes use of "modern web technology". Internal communication across the globally operating organization would be much slower and more difficult without e-mail and a corporate intranet. But Outokumpu also uses the Internet for communication with external parties. A large proportion of their products can be purchased via the Internet. In addition, Outokumpu offers the online support center *Steel Professional Tool*. It is a free of charge service where potential customers can ask technical questions about Outokumpu's products. Thus, Outokumpu is in a position to collect detailed customer data online, which can serve as a basis for developing new products.

However, Outokumpu does not correspond to Castells' idea of large corporations as networks. According to Juha Rantanen (2005), one of the goals of their recent restructuring was to "become one company with uniform operational leadership and a group-wide steering of support functions". Thus, the hierarchical decision-making structure has rather been reinforced. This was also confirmed by Birger Furusjö who added that the subsidiaries' influence is very limited. Nevertheless, the various business units are entitled to administer about their own investment budgets.

Conclusions:

Outokumpu claims to be an entrepreneurial corporation by encouraging innovation. In fact, the group has introduced a range of innovative products over the last years, which form a competitive advantage over competitors.

They try to accomplish internal structures that encourage communication, knowledge sharing and networking among its staff and with external stakeholders. They utilize modern information and communication technology both for internal communication and for contacts with suppliers and customers. Knowing that intrapreneurship ultimately depends on its employees, Outokumpu leverages proactive human resource management. Officially, employees on all levels are encouraged to think critically and come up with new ideas that might lead to innovative products. There appears to be an appropriate balance between individual and collective incentive programs, enhancing both individual creativity and team-spirit. Cross-functional teams do exist, e.g. at the Helsinki R&D center. The company declares to be committed to

organizational learning and change, for example by enabling continuous staff training and sponsoring research into stainless steel and business development.

Outokumpu aims at close interaction with its customers in order to better understand their particular needs and be able to develop its market offering accordingly. They emphasize that they strive for superior value creation and realization. In addition, the Outokumpu management has developed a clear vision statement which is communicated toward the public. Outokumpu has undergone a process of restructuring by divesting most of its copper business. This can be seen as an attempt to streamline and downscope the business in order to better be able to concentrate on its core business, stainless steel processing. Moreover, risk as an inevitable component of entrepreneurship is monitored and accepted at Outokumpu. However, there are a number of aspects that presumably deteriorate corporate entrepreneurship at Outokumpu.

Above all, the group is built as a clearly hierarchical structure with vertical decision making. In spite of cross-departmental task forces bridging the various subunits, any decisions with more than marginal importance have to be made by the Executive Committee at the group headquarters in Helsinki. Outokumpu's organizational structure does not take the form of a flat organic or network structure where autonomous business units would act autonomously and on an equal footing. The subsidiaries have to follow strictly formalized work procedures in many areas. In real life, almost all research is undertaken at the Helsinki R&D center and it is often restricted to process technology and high-tech development. Tight subsidiary budgets and overloaded employees may constitute an impediment to the creative development of new approaches. Throughout the organization, the information flow from headquarters could be enhanced and the organizational culture and values could be communicated more clearly.

In conclusion, Outokumpu is aware of the importance of corporate entrepreneurship in order

to allow for sustained competitive advantage. Generally speaking, the group can be characterized as an entrepreneurial multinational corporation. However, innovativeness could still be significantly improved at Outokumpu.

Recommendations:

Having a strong organizational culture with employees working towards a common goal is one of the key attributes for a succeeding enterprise. Every organization has the capacity to improve itself, and its vision and culture can facilitate this improvement. Thus, well communicated vision and values help develop positive factors e.g. an open-minded atmosphere, trust and credibility and prevent negative elements. In order to utilize the benefits of a common vision it is advisable for Outokumpu to pay more attention to clearer communication of their vision, values and cultural beliefs.

In order to urge entrepreneurial behavior within a company, decision making should be encouraged on all levels of the organization. In practice Outokumpu should allow more responsibility and decision-power for the individual subsidiaries. When it comes to innovativeness, we believe that by loosening up tight financial budgets and by organizing more research activities at the subsidiary level the company could avoid some barriers to true innovativeness.

According to Burns a hierarchical organization can be an obstacle for initiative to creativity and discourages entrepreneurial behavior in the organization. As mentioned earlier, the organizational structure followed at Outokumpu is highly hierarchical. In order to encourage innovative behavior even more, it might be considered to change the company's course to a less hierarchical structure. However, when it comes to a large multinational company like Outokumpu, this type of hierarchical structure may help in preventing the possible disorder that a decentralized organic structure might cause.

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