

# “Applying Indicators of Orientation to Innovations, Potential of Growth and Strategic Objectives to Explain Corporate Entrepreneurship: Case study of the three Finnish companies”

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## Applying Indicators of Orientation to Innovations, Potential of Growth and Strategic Objectives to Explain Corporate Entrepreneurship: Case Study of the Three Finnish Companies

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### Abstract

This paper aims to explore how different Finnish companies develop and sustain entrepreneurial venture. The purpose of the paper is to *identify main features and behavioural patterns of the company facilitating entrepreneurial spirit within the companies.*

The methodology of the research is based on Wickham (2004) concept of entrepreneurial venture. This concept embraces three essential characteristics that distinguish entrepreneurial organization from usual business venture, i.e. innovation, potential for growth, and strategic objectives. Wickham (2004) states that not all entrepreneurial ventures necessarily show an obvious innovation, clear growth potential or formally articulated strategic objectives as well as some small businesses also demonstrate one or more of these characteristics. However entrepreneurial organization makes significant changes to the world. The paper uses case study method. Three different Finnish companies were examined. All three companies are of different types. The city of Vantaa is a social welfare public institution, positioning itself as being an entrepreneur-oriented city neighbouring to the north of Helsinki. The Kalevala Koru Group Ltd. consolidates Kalevala Koru and Lapponia Jewelry, also including Kaunis Koru (which was a separate company in the past) as a modern line of jewellery and now is the largest jewellery manufacturer in Finland. SOL Palvelut Ltd. is a family company that provides cleaning services. All three companies are from the different sectors; however, they demonstrate similarities in entrepreneurial features as well as behaviour patterns. Data for the case study were collected through secondary sources as well as semistructured interviews with CEOs – SOL Palvelut Vice-President for international business, the President of Kalevala Koru Group, and City of Vantaa Business Development manager.

The research could be extended to the broader sample in the same sector. Furthermore, it would be beneficial to carry out the study in different countries with developing economies to test and compare the findings of the research. However, the paper applies entrepreneurial organization theory in order to illustrate the challenges that transitional and developing countries' institutions face in a rapidly changing external environment, and contributes to the development of the debate on the application of business management model in organizations with different characteristics, i.e. objectives, size, sector, etc.

**Key words:** corporate entrepreneurship, innovation, and potential for growth, strategic objectives, Finland.

**JEL Classification:** M13.

### Introduction

In modern organization the main drive is its entrepreneurship. Entrepreneurship displays through new business creation in the active organization, through renewal, change and development of current organizations, through breaking and changing of established rules inside or outside organization, so organization becomes more flexible, adaptive and competitive, also improving effectiveness of organization activity (Schumpeter, 1934; Hornsby *et al.*, 1999; Zahra, 1991; Beer, Eisenstat and Spector, 1990). Different researches (Hornaday, 1992; Covin and Slevin, 1991;

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Zahra, 1991, 1993; 1999; Yu, 1998) proved the importance of corporate entrepreneurship to organizational success as well as promoting national and global economic growth.

This paper aims to explore how different Finnish companies develop and sustain entrepreneurial venture. The main purpose of the paper is to identify the main features and behavioural patterns of the company facilitating entrepreneurial spirit within the companies.

The research method is case study which is based on Wickham (2004) concept of entrepreneurial venture. This concept embraces three essential characteristics that distinguish entrepreneurial organization from usual business venture, i.e. innovation, potential for growth, and strategic objectives. The first part of this paper presents analysis of concepts and models of corporate entrepreneurship and the problem of measuring it. The second part is devoted to empirical research and analyses three different entrepreneurial Finnish organizations according to the selected research model. The last part of this paper provides discussion and conclusion.

### **Theoretical Framework for Identifying Entrepreneurship**

Theoretical consideration on the entrepreneurial organizations and entrepreneurial aspects within existing business entities and institutions are widely discussed in the literature. Although many authors (Schumpeter, 1934; Sharma and Chrisman, 1999; Hisrich and Peters, 1986) provide various definitions related to the topic under consideration and many different characteristics of entrepreneurship (Handy, 1989; Hisrich and Peters, 1986; Miller, 1983; Stevenson and Jarillo Mossi, 1990; Hurst, Rush, and White, 1989; Baden-Fuller and Stopford, 1994) may be found with their detailed descriptions all of them seem to be based basically on qualitative assumptions and patterns observed within the organizations.

All authors engaged in entrepreneurship research more or less agree that the common denominator for many entrepreneurial ventures is a clearly observable distinction separating entrepreneurial organization from traditional ones as well as small business: entrepreneurial ventures serve different economic functions, pursue and create new opportunities differently, fulfil the ambitions of their founders and managers in different ways (Wickham, 2004). Turner (2002) provides a definition of entrepreneurial organization which "promotes entrepreneurial activity adapting structure, management, and processes accordingly in order to gain the required agility, speed, creativity and drive to act profitably upon specific opportunities".

Some researchers (Hisrich, 1986; Peters and Waterman, 1982) and their findings concentrate and emphasize the entrepreneurial leadership as well as personal characteristics of the leaders within organizations (initiative, pro-activeness, risk-taking, creativity, need for the challenge and achievements, etc.), other focus on the entrepreneurial mentality, strategic entrepreneurship (Mintzberg, 1998; Wickham, 2004), innovation, etc.

From this point of view, i.e. separating entrepreneurship from leadership, we can mark out some approaches. Vesper (1984) proposed the key features for entrepreneurial organization as (1) new strategic directions, (2) initiatives from below, (3) autonomous business creation. Guth and Ginsburg (1990) stressed on strategic renewal distinguishing the entrepreneurial organizational and non-entrepreneurial. Moreover, Morris (1998) maintains that entrepreneurship can be found in any organization, and the identification of entrepreneurship should be set on the frequency and degree of entrepreneurship. Frequency reflects on that companies vary in terms of how many entrepreneurial initiatives they provide in a given time period. Examples of entrepreneurial initiatives are the numbers of product, service and process innovations, etc. Degree is applied to define how innovative, risky and proactive these initiatives tend to be. Degree as a measure is comparable so it will provide some difficulties because of the need to have measured the whole or mostly the whole business sector for a possibility to compare.

Also for identification of entrepreneurship it's possible to use typologies of entrepreneurship. According to Schollhammer (1982) we can identify entrepreneurial organization through (1) tradi-

tional research-based innovation as administrative form, (2) exploitation of newly identified opportunities by a champion as opportunistic, (3) acquiring other companies as acquisitive, (4) creation of semi-autonomous units as incubative, and (5) replication of achievement of some other firms as imitative. Some of these criteria, innovations, acquisitions, imitations, can be directly used for researches, counting them and identifying an organization with higher count as more entrepreneurial. But not all of these characteristics have to be used for this purpose and could be quantified.

One more possible answer in defining entrepreneurial organizations belongs to Covin and Miles (1999). They maintain that entrepreneurial organizations are defined by two elements. First is innovation as the introduction of a new product, process, technology, system, technique, resource or capability. The second element is sustaining high performance or radically improving competitive standing. However, first characteristic is splendidly quantitative, but the second one also delivers some difficulties, i.e. how to be sure that performance is high or how to identify was it radically improved on competitive standing or just ordinary one.

All described models and attitudes have some difficulties in measurement of entrepreneurial organization and separating it from small business or other business forms. As empirical findings illustrate and the results define that there are no independent tests which can be performed to identify an entrepreneur and, as well as the search of the distinction between entrepreneurial and non-entrepreneurial domain is problematic and is based on individual judgment and personal (subjective) opinion, the benchmarking of any organization with a goal of finding the pattern of entrepreneurial organization is more or less a question for the researcher's choice of the benchmarking model selection. But according to review of all presented models and to necessity to have clear and measurable model, we selected a qualitative approach for the distinguishing the patterns of entrepreneurial initiatives elaborated by Wickham (2004). This theoretical model was chosen for the benchmarking activity under several assumptions and considerations:

- ◆ Not neglecting the role and importance of personal entrepreneurial characteristics of the leaders within the organization but focusing on “not-so-soft” entrepreneurial aspects lets not to get into the details of personal features of any individual, therefore entrepreneurship becomes measurable;
- ◆ Taking into account the fact that all researched organizations are large and demonstrate the specifics and similarities of any institutional entity (e.g. well defined structure, procedures, processes, instructions, bureaucracy in terms of a positive meaning of this term, etc.) the human factor within the organization is not domineering comparing with for instance lifestyle proprietorships or highly leader driven companies.

The main idea of Wickham (2004) model is that the small business and entrepreneurial venture can be differentiated by three essential characteristics:

- ◆ **Innovation** – The success of entrepreneurial company is usually based on significant innovation. It could be technological innovations, offering new service, the innovated way something is marketed or distributed, innovations in organizational structure or management, or innovative relationship between organizations.
- ◆ **Potential to growth** – An entrepreneurial company usually has much more potential for growth than does a small business. A small business operates within a given market; meanwhile the entrepreneurial one is in position to create its own market.
- ◆ **Strategic objectives** – The entrepreneurial organization usually goes beyond the small one because of difference in objectives. It has strategic objectives always reviewing and renewing them. Strategic objectives can include growth targets, market development, market share, and market position.

This model successfully combines previous discussed approaches. Morris (1998), Covin and Miles (1999) also state the key role of innovations in entrepreneurial organization as well as Schollhammer (1982) maintains research-based innovation as administrative form. Strategical objectives are also similar characteristics as described by Guth and Ginsburg (1990), and Vesper (1984).

## **Methodology**

There are always some arguments (Ogbor, 2000; Hamel *et al.*, 1993) in using qualitative researches instead of quantitative, especially in entrepreneurship. Most of entrepreneurial studies are based on quantitative methodologies such as Hornsby *et al.* (2002), but Jones (2005) states that methodologies of such type can not reveal the reality of entrepreneurship because they don't pay attention to the nature of organization. Such methodologies are also critical because of their base on neutral, objective and value free social science as a dominant in researches of entrepreneurship (Ogbor, 2000). Quantitative methodologies are not so relevant when we are interesting in objectives instead of numbers of confirmatory cases. As an argument for using qualitative methods is a distinction between statistical and analytical generalizations. Yin (1994) states that in statistical generalization inference is made about a specific population and in analytic generalization empirical data are compared with a theoretical model or template. Moreover, Hoang and Antoncic (2003) invite and encourage making more qualitative, inductive research that would introduce more theoretical ideas.

According to stated above arguments, we selected a case study method for our research. After the selection of theoretical model (Wickham, 2004), which has three measurable characteristics, we were able to provide some of statistical and comparable data and combine them with more qualitative data that were collected through interview in order to investigate selected organizations more deeper, not only by the theoretical model.

For our research we selected three leading companies from different sectors:

- ◆ SOL Palvelut provides cleaning services and it's planned to turn over around 160 million EUR during year 2006. Apart from expanding geographically in its core business segment across Finland (through so-called "studios") the company has also entered new Baltic markets by the way of acquisitions in Estonia, Latvia, Russia, Poland and probably Lithuania sometime in the nearest future. Apart from expanding its geographic presence the company is also strengthening its service portfolio namely in two segments – facility management and renovation (B2B) and laundry services (B2B and B2C).
- ◆ Kalevala Koru Group is a leader of Finnish jewellery market. Kalevala Koru Group consists of two main companies – Kalevala Koru and Lapponia Jewelry. Lapponia Jewelry was a family owned company. In August 2005 Kalevala Koru Ltd. acquired all the shares of it. Lapponia Jewelry continues as an incorporated company, operated by Kalevala Koru. While Kalevala Koru Previously Kalevala Koru acquired Kaunis Koru and today its production constitutes the modern line of jewelry marketed by Kalevala.
- ◆ City of Vantaa, where the international Helsinki – Vantaa Airport is located, is one of the four adjacent cities in the Helsinki Metropolitan Area (0,9 million inh). Vantaa is the 4<sup>th</sup> largest municipality in Finland (after Helsinki, Espoo and Tampere) with its total population of 187.281 inhabitants and annual growth of 1 percent comparing with the year 2005. Counting the traces of human habitation dates back to 7.000 years. Nowadays Vantaa occupies 242,6 km<sup>2</sup> of area resulting in 736 inhabitants per km<sup>2</sup>.

The research was split between two stages. First of all, we have collected information about the company available through secondary sources, having chosen individual structure of questionnaires, based on Wickham (2004) model. Each of us personally has established a contact with the representative of the company via email and/or telephone and started collecting data from the primary source. The second stage and also the main source of findings, impressions and discussion comes from the company visits which took place in June 2006, where companies have presented their own approach to entrepreneurship and the presence on the field enabled direct encounter with the people, entrepreneurial artefacts and stories of the organization.

Throughout our research we have been looking at very different perspectives of entrepreneurship, such as:

- ◆ the level and nature of innovativeness as one of the drivers of entrepreneurship;
- ◆ their future potential and challenges, from the perspective of how they are influenced by the entrepreneurial nature of the company in question;
- ◆ strategy and whether it is supported by or/and supports entrepreneurship;
- ◆ the inner values of the company and its leaders, their offsprings, living examples of how they are exercised in daily activities, and other characteristics that could determine current state of corporate entrepreneurship.

### **Case study of Kalevala Koru Group**

The story of Kalevala Koru began in 1935, when the city of Helsinki celebrated the 100th anniversary of Finnish national epic, Kalevala. The Association of the Women of Kalevala was established and funds were distributed to places in need through the association. Established in 1937, Kalevala Jewellery started to produce jewellery in 1940. Today Kalevala Koru is the largest jewellery manufacturer in Finland and one of the largest in Scandinavia. Kalevala Jewelry manufactures annually nearly 650 000 units of jewelry. The ground of design is strongly based on Finnish and Scandinavian culture combining the historical heritage with modern life alike. Experienced and skilled production staff of 110 (45 of them are silver- and goldsmiths) makes sure that products are of high quality before parting from production. Kalevala Koru has been the leading manufacturer of spectrolite stone jewellery for over 50 years. Moreover, Kalevala Koru has a very strong brand name in Scandinavia, especially in Finland. In recent surveys, in 2005 Kalevala Jewelry was the 11<sup>th</sup> (the 10<sup>th</sup> in 2004) most appreciated brand name in Finland (Markkinointi & Mainonta, 2005). The Kaunis Koru jewellery is modern Finnish design jewellery in gold and silver. Established in 1954 Kaunis Koru was apparently acquired by Kalevala Koru and its production constitutes the modern line of jewellery marketed by this company.

The purpose of Lapponia, which was founded in 1960, was to produce traditional gold bracelets and Bismarck chains. In 1963 Lapponia changed its strategy and started to produce and market original jewellery and works of art that were of high artistic and technical quality, and well-suited to the spirit of that era. Lapponia focuses on narrowly defined part of the market, i.e. high quality design jewellery. Today Lapponia Jewelry is one of the leading manufacturers of jewellery in Finland. Approximately 80% of the turnover is derived from exports. Lapponia is the leading jewellery exporter in Finland. The success in export markets is a clear indication that Lapponia has developed a style which is sufficiently national to be individual, yet sufficiently international to find purchasers from very diverse cultural backgrounds. Lapponia Jewelry is the best-known Finnish brand internationally.

Kalevala Koru exports about a third of output at present to Australia, Western Europe, North America, Asia-Pacific, and other Scandinavia countries. Company's spoken languages are English, German, French, Swedish, Spanish, and Chinese. Acquiring Lapponia Jewelry should open the floodgates for Kalevala Koru exports, as Lapponia Jewelry is the leading exporter. From the other side, incorporation with Kalevala Koru should strengthened Lapponia Jewelry in Finnish market.

Kalevala Koru employs 160 people and its annual turnover was almost 14 million EUR in 2005 (14 mln EUR in 2004). Issued Share Capital is 151 000 EUR. In the 1990s Kalevala Koru's share of the jewellery market grew substantially, and now it is Finland's largest manufacturer and seller of jewellery. In 2006 it aims to reach 50 percent of local market. Turnovers of Lapponia Jewelry were near 5 mln EUR in 2004 and more than 6.6 mln EUR in 2005. In 2006 Lapponia Jewelry employs around 50 people.

#### ***Innovations in Lapponia Jewelry/Kalevala Koru***

- ◆ Gold ring service using IT design – (offering new service) – everyone can design himself a ring in the company's website and offer it. It will be produced in several days.
- ◆ Innovations in technological process for diamonds.

- ◆ Perfect management which allows bringing into work personnel capabilities. The employees are well motivated and work effectively.

### ***Strategic objectives***

Marja Usvasalo has clear perception of the significance of having strategic objectives – “if you are not thinking about growth, it’s your step backward”. Thus, Kalevala Koru has quite clear strategic objectives – the aim for 2006 year was 50% of local market. Furthermore, one of the main ideas looking into this company is considerations of future. Descending turnovers and profits of Kalevala Koru put it to think about new strategic step forward. Although Kalevala Koru is in the 11<sup>th</sup> place on the most appreciated bands in Finland name list, it has strong competitors-retailers not manufacturers. Kalevala Koru decided to search for new opportunities in international markets. It acquired Lapponia Jewelry, which is best known Finnish brand internationally. Kalevala Koru purchases to sharpen its foreign positions as well as Lapponia Jewelry its local one.

### ***Potential to growth***

As the whole company is striving for its objectives it has real potential to growth. Looking forward the new market for this company is growing up – young people have discovered Kalevala Koru. To many of them it is important that their jewellery is not just knickknacks, but is designed by Finnish artists and made in Finland. Kalevala Koru is constantly regenerating itself, and hopes this will help retain younger customers. Young people are attracted by the value of Kalevala Koru, which does not come from its price alone. Possibility to create owns’ jewelry using IT should be very attractive for such kind of customers. Kalevala Koru has raised acquiring Lapponia Jewelry in August 2005. This acquisition provides a lot of new opportunities for both companies – for Kalevala Koru to foster export and for Lapponia Jewelry to anchor in Finnish market. Of course, these two companies could have some typical emerging problems as resistance to change. In spite of this it could be expected that Lapponia Jewelry/Kalevala Koru will success not only in Finnish jewelry market, but also in international.

During the visit to Kalevala Koru Group organizational culture, organizational climate, and main work principles were also investigated. There were a lot of difficulties when two different inside companies started their work in the same building. People from one company had to let in their work area others and these others had to adapt to new work places and another rules. To combine creative spirit with using expensive material that requires control system was also not easy task. But all managerial decisions seemed very proper and right. That’s why the analysis of this company comes to the conclusion that the real driver for strategies of Kalevala Koru Group was its managing director Marja Usvasalo. Her desire not to leave Lapponia Jewelry for others investors and her suspicion about possible success of this company ensure the future success for the whole Kalevala Koru Group. It implicates that personal entrepreneurship in this case should not be separated from corporate entrepreneurship.

## **Case study of City of Vantaa**

First mentioned in a document in 1351 City of Vantaa is 200 years older than the capital Helsinki. It became an independent city in 1974 with a mayor of the city Lauri Lairala (1974-1989). In the beginning of 1990’s city of Vantaa, like the rest of the world, had a very bad financial depression resulting in the high unemployment rate and losing the job places.

Currently (2006) the Helsinki Metropolitan Area counts nearly 1 million inhabitants including the fourth largest city in Finland – Vantaa. City of Vantaa employs over 11.000 employees with its annual budget 2004 approximately 1,066 million EUR.

Several years ago Vantaa, together with enterprises, started to envisage the business opportunities near Helsinki-Vantaa Airport. Today dozens of concrete projects can be seen now in the concept Vantaa Airport City. The latest proof of this is the co-operation of Vantaa City with Technopolis, the foremost science-park in Finland, which will also have a presence in Vantaa. The Helsinki

metropolitan area houses more than 40% of Finland's high-tech industry, which is choosing increasingly to locate in the vicinity of the airport. The largest single project within the Airport Alliance is Aviapolis. In the future, the floor area will total approximately almost 500 000 square meters and provide 10 000 jobs. The main developers in the Vantaa Airport City are the Finnish Civil Aviation Administration, Skanska, SRV, YIT, NCC, ABB, Polar, Sponda and CM-Urakointi.

Today around 10 million travelers use the Helsinki-Vantaa airport each year taking an advantage of Vantaa's competitive edge due to its outstanding logistics: ring road III, which is part of the E18 highway connecting Scandinavia and Russia, passes through the city, main roads from Helsinki to the north, the main railway (1862) line with connection to St. Petersburg and Moscow, harbor within 30 minutes from the airport.

At about 1999 the municipality of the city under analysis started to make their own strategy using the balanced scorecard model (BSC) illustrating more or less significant innovative approach initiatives in the institutional sector. Key initiator of such a turn around in strategy formulation, implementation and control was the mayor of the city Erkki Rantala being head of the city for the period of 1997-2003. Moreover, the initiatives of the active city leader were not the only reasons to shift the approach of municipal strategic planning and move from planning economy to a modern approach towards strategy formulation. In 1995 Finnish Parliament passed a new law defining only the basic, compulsory tasks of municipalities. This caused a new challenge faced by all municipalities in the country. After stepping into the force of the aforementioned law the municipalities and local politicians were in a new uncertain situation. Due to the fact that the state grants and subsidies were no more appointed to certain functions (departments) as well as the grants themselves were very small, the municipalities had to decide individually what their social role and tasks were. Although the basic compulsory tasks (education, social services) remained almost untouched municipalities were afforded with the possibility to decide themselves how to produce even these basic services. This kind of a new emerging strategic implication and uncertainty induced and even forced the municipalities to give up the old way of economic planning and to implement more strategic approach to financial planning as well as overall concept of social service provision. Reshaping the strategic planning processes and treating the social activities of the city as value creation and doing business resulted in the city council's decision to accept BSC model as the main management tool within the organization. Despite the fact that such significant organizational changes caused traditional negative consequences (such as overall dissatisfaction of the officers, resistance to changes etc.), a new concept of strategic planning model was expected to penetrate throughout the whole organization and its levels (from top to bottom officers). Perceiving the importance of a new strategic approach city of Vantaa put all efforts and concentrated its internal processes focusing on a quick, effective and efficient re-orientation towards a new planning model: at first the extended leading group was educated to BSC model and later it was implemented as a planning tool within all departments. Reshaping the organizational issues within the city of Vantaa started from scratch – by identifying the strategic position using widely known external and internal analysis tools (SWOT, PESTEL etc.), modeling strategic choices, alternatives and scenarios as well as visioning the future. All necessary procedures were initiated and applied within the city council causing in-depth analysis of the present situation and future trends in council's seminars related to next year's economic planning.

### ***Innovations***

When analyzing city of Vantaa in terms of innovation one can identify many distinctions which clearly differentiate the object of the research from other similar background organizations. Some specific Vantaa's activities manifest the cities involvement into entrepreneurial activities and are described:

- ◆ implementing a “one stop shop” principle for the whole organization with all departments of City of Vantaa involved in “Business Development Net”. City of Vantaa is capable of providing professional services starting with the finding of suitable location for the business companies ending with the facilitation of business to busi-



ness services, accommodation and FDI assistance. Implementation of “one stop shop” principle within the city of Vantaa is not only publicly sound positioning declaration which is more or less common to many same profile organizations. The key difference distinguishing Vantaa as well as indicating its drive and determination towards practical implementation of this concept is that the municipality is continuously taking goal focused steps for the achievement of its vision. The organization demonstrates not only the “planning-on-paper” initiatives but practically implements the visionary goals. This can be illustrated by Vantaa’s concept, its already established platforms for companies and products, services and functions offered by International Center.

- ◆ Vantaa’s Hi-tech-program is a general development program implemented together with Technology Center Technopolis. Its aim is to turn Vantaa’s airport area into an international innovation environment. Its primary starting point is in cooperation between companies and research/education institutes. In this program city of Vantaa has to build development platforms: RFID lab, mobile lab, welfare center, etc. Most important is International Center which provides soft – landing and gateway – services for outgoing and incoming companies and also incubation services to outgoing companies.
- ◆ City of Vantaa has collected all organizations that support new business in the same house. There are counseling organizations (Vantaa’s own business counseling, New Business Center, several education institutes), associations of Entrepreneurs, Chamber of Commerce, Finnish Association of Entrepreneurs), Labor office and B2B companies. A new-generation complex of corporations in the environmental and food technology industries is built in the Vantaanportti business park near to the Helsinki-Vantaa airport.
- ◆ Aviapolis is the fastest-growing concentration of business in the Helsinki metropolitan area. It is a dynamic centre of international trade emerging around the Helsinki - Vantaa International Airport. Aviapolis is the most popular business site in the Helsinki metropolitan area (Kaleva, 2005). Its excellent logistics make it an unparalleled location for companies that require proximity to the best transport connections. Aviapolis area is 52 km<sup>2</sup> areas around the main international airport in Finland. All the land owners in that area form a coalition for marketing that area.

Summarizing Vantaa’s efforts in the context of innovation management it might be concluded that the city is performing significant innovations in terms of many aspects: new product offerings, technology, marketing specifics, managing organization, etc. Such entrepreneurially driven activities lead to significant foundation of sustainable competitive advantages in the future.

#### ***Strategic objectives***

City of Vantaa is using Balanced Score Card (BSC) – strategy planning system – in its planning. Focusing on productive business policy Vantaa’s strategy is mainly based on effectiveness and service production. Main objectives closely bound and interconnected in BSC are: generating new jobs, effective development programs, increasing the attractiveness of the railroad area and East Vantaa, profitable regional business policy, efficient provision of enterprise services, securing the availability of skilled labour. The close interconnection of entrepreneurial initiatives observed within the organization and strategic planning processes is reached by the use of balanced scorecard as the main management tool therefore resulting in a long-term sustainable growth based on effectively managed internal resources.

#### ***Potential to growth***

Vantaa’s potential in terms of business development services seems to be almost unlimited. Although, basically any kind of FDI assistance, B2B services, export promotion activities and so on are in a heavy disposition of private market research and intelligence service providers (consultation companies) or in separate cases being an ordinary function of small and medium enterprise

development agencies (SMEDAs) in this particular case city of Vantaa definitely is outperforming traditional service providers by its potential for growth in this field, concentrated efforts for entirely new industry formation (for social welfare companies) and outgrowing geographical locality in terms of internationalization.

City of Vantaa illustrates entrepreneurial venture patterns in terms of all 3 dimensions of the theoretical model applied in this study: innovation, potential for growth and strategic objectives. Vantaa's decision to apply the main strategic entrepreneurship principles is a result of suddenly changed external environment and municipality's efforts to adapt strategic planning processes to radical changes and emerging strategic uncertainty. The close interconnection of entrepreneurial initiatives within the organization and strategic planning processes is reached by the use of balanced scorecard as the main management tool therefore resulting in a long-term sustainable growth based on effectively managed internal resources. Observed initiatives of the city of Vantaa illustrate successful application of the concept of managing social welfare organization as a business entity and may be provided as a good example to the countries operating in relatively less developed or transitional economies. Applying the strategic entrepreneurship fundamentals, employing the balanced approach towards strategy development in the long run as well as using main business management principles and tools within social welfare organization may lead to favorable assumptions for the future performance and competitive advantage in the public sector. In case of the social welfare organization the application of any kind of entrepreneurial venture patterns within existing entity is useful only until added value creation and its enhancement are necessary and desirable for the society and its members.

### **Case study of SOL Palvelut**

SOL Pavelut and its original founder and current chairman Liisa Joronen have been and continue being to great extent celebrities of the Finnish business community. This enabled us to develop the first impression about the company through secondary media sources. Following this impression a series of email interviews were carried out with the representative of the company – its current Vice-President for International Business who happens to be one of the two actively involved children of the founder (altogether she has three children). The aim of these interviews was to challenge and verify those aspects of the public image of a company which express the abovementioned dimensions of entrepreneurship applied in our model.

#### ***Innovations***

The innovation in SOL primarily comes from the way the company is organized and managed, rather than from the service itself. Company operates today in three business segments: cleaning and office services (80% turnover), property management services (10% turnover) and laundry services for individual customers (10% turnover). None of these is innovative *per se*, however the company has succeeded to deliver superior business results and volume in what is conventionally perceived as fragmented, inefficient, labor-intensive and underperforming business area.

The company started as a spin-off from the larger family-owned multibusiness “conglomerate” under the vision and management of Liisa Joronen. The business model was innovated primarily on the following cornerstones:

- ◆ Individual empowerment of each employee of the organization: cleaners interact with the customer, control their own time schedules and business objectives, turning cleaners into customer-service specialists, to let them use their brains as well as their hands, SOL has no hierarchy or fixed hours, cleaners can arrange extra sales, be they window cleaning, floor polishing helping the customer with internal post delivery, photo-copying, some routine office work, helping with loading the shelves in shops, even undertaking some non-medical tasks in hospitals.
- ◆ Accountability built around sophisticated performance measurement systems: quality passports which document the customer satisfaction, the more we free people from rules the more we need good measurements.

- ◆ Teamwork: Every time SOL lands a contract the salesperson works at the new customer's site alongside the team that will do the cleaning in the future. Together they establish performance benchmarks. Cleaning staff work increasingly within self-directing teams which interact with customers in assessing, undertaking and reporting the job at hand. They declare that have reached the stage at which SOL cleaners can arrange for a replacement if they know they are going to be absent. The supervisors are more like coaches.

The company visit has strongly reinforced our impression of SOL being highly innovative company in the way it organizes its management on strategic and especially – on operational level. Some of the direct findings to on the indirect sources:

- ◆ The marketing budget in SOL is literally 0. Customers know the “SOL legend”.
- ◆ “Hire your own people” – each manager is in full charge in hiring their own team members.
- ◆ There are only very few written rules.
- ◆ Employee sets their own objectives/budget.
- ◆ Managing your own time principle (i.e. no pre-set working hours) was clearly visible from the action in the headquarter/studio we have visited.
- ◆ Implement new things quickly – no time for regrets.
- ◆ Everyone is encouraged to talk to the media – every single employee of SOL is encouraged and has a right to talk to the media of whatever.
- ◆ There are plenty of artefacts used in the everyday action, e.g. have a problem – look (physically) at the mirror.

### ***Strategic objectives***

The strategic objectives fall under two distinct groups – those related to the humanistic social role of SOL as a company versus people which work in the company and customers which are being served by these people, and purely business objectives.

It is evident that the first group of strategic objectives and values is expressed much stronger and is evident throughout the company culture, its operational nature and illustrations provided by the people who have shared their stories about the company. In summary – SOL aims to be the platform for people to be happy in their lives, to feel purpose in what they do at work and grow personally.

The strategic business objectives are not so evident, it is not obvious whether SOL is measuring its own success against that of its direct competitors, there are no loudly pronounced hardcore financial objectives, apart from those which all people in the organization set themselves for their own areas of responsibility for each financial year.

This may be a typical feature of family-owned enterprise, however at this point in time expanding its growth to the new geographic markets and new business segments the company will definitely have to develop a set of (also) strategic business objectives which would guide managerial choices in the light of those broad alternatives which are available given the abovementioned strengths of this company.

### ***Potential to growth***

The company has demonstrated very impressive organic growth since its establishment in 1992. It started with 2000 employees and a turnover of around 30 million EUR and is planned to turn over around 160 million EUR during year 2006. Apart from expanding geographically in its core business segment across Finland (through so-called “studios”) the company has also entered new Baltic markets by the way of acquisitions in Estonia, Latvia, Russia, Poland and probably Lithuania sometime in the nearest future. Apart from expanding its geographic presence the company is also strengthening its service portfolio namely in two segments – facility management and renovation (B2B) and laundry services (B2B and B2C).

The entrepreneurial nature of growth stems from the innovations the business is built around. As defined earlier, the innovations at SOL are primarily of the managerial/organizational type, and therefore the company has all the potential to consolidate its position and ensure future growth through faithful application of its core values in newly established organizational units, customer relationships and employees.

Given the innovative way of organizing its business SOL clearly has a great potential for growth in all types of service business, primarily aimed at continuous satisfaction of costumers and personnel. This broad definition in theory opens doors to a wide range of new business segments, such as maintenance, catering, etc. On the other hand, having reached certain level of saturation in its home market Finland, SOL has logically continued a geographic expansion in its primary business segment – cleaning services – to the Baltic countries and Russia.

## **Discussion and conclusion**

First what we discovered by visiting various companies is that there was not so visible, but *evident inner desire to be entrepreneurial*. There were stories about employees and founders who were and are active in creating new business ideas. There was attention and understanding of the topic in general. There were facts about support and incentives who behave like entrepreneurs.

Visiting different companies we found a strong correlation between company structure and format of entrepreneurship within a company. Employees in general tend to *be more open-minded and pro-active in more flat organizational structures and vice versa they tend to build more system oriented approach to entrepreneurship when they are working in vertically oriented organizations*. In horizontal structures entrepreneurship and initiative is an essence of survival – a competitive advantage of being flexible in the “fight for the light of the sun” with big multinational giants. On the other hand, only formalized and written system-approach (e.g. ISO standards, balances score cards, control systems, corporate trainings, rotation, job enrichment) can help large, vertical structures unify common goals, principles and values, make control less costly and produce large output and sustainable quality of services.

There is however a possible advantage (or opportunity) for big companies over the small size and nicely vertically integrated. In case of developing departments in a form of “self managing” teams with shallow organizational structure there could be cases of sparkling initiative and self-motivation to become creative and even entrepreneurial. *New knowledge and initiatives in this case can be benchmarked between new power centres to promote effectiveness of being creative and avoid similar mistakes*. We suggest not to promote simplified practices of copying others, since that would only provoke reflection and not true creativity.

We observed *entrepreneurship as an element of pro-active nature*. This is an essential attribute for the success in the world of competitiveness. Entrepreneurship has been recognized and rewarded by top managers (shareholders) as desired behaviour in the working place. One of the possible explanations could be nature of the service business – helping (servicing) other people is “giving first” and this ultimately spin someone inner energy to create value (needed help) for the customer.

The main finding of our research is that all three companies illustrate entrepreneurial venture patterns in terms of all dimensions of the Wickham (2004) theoretical model used: innovation, potential for growth and strategic objectives.

But two companies, i.e. Kalevala Koru Group and SOL Pavelut cause a strong feeling that *entrepreneurship is solely act of a single person*. It means not group or department or organization is creating but an individual. This hypothesis could contradict to some bold statements of “organizational entrepreneurship” or “entrepreneurial group” paradigms. The spirit of creation can live only within person and not apart from him or her. These are facts that many creative and entrepreneurial people need a some sort of encouragement – a small push or start-up support to increase a confidence of beginning something unusual. Respecting this we still insist that group (organization) can support (flourish) or in opposite – resist (even destroy) entrepreneurship of the person. It is like a

seed which can grow in enriched soil benefited by favourable environment and become to a beautiful plant giving (“servicing”) joy to others. Controversially, City of Vantaa case clearly showed that corporate entrepreneurship can be distinguished from entrepreneurial personality. In spite of this, the theoretical model of corporate entrepreneurship identification should include this indicator.

The limitation of the research is that the majority of the data was self-reported. Thus, the research could be extended to the broader sample in the same sector. Furthermore, it would be beneficial to carry out the study in different countries with developing economies to test and compare the findings of the research.

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