Participative organizational change and adaptation
Insights from a qualitative case study of successful change

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Introduction

Business organizations are increasingly engaging in change strategies, thus reflecting the reality that organizations are embedded to and are affected by institutional and market systems that change over time (Tsoukas and Chia, 2002). One way for organizations to implement strategic change is through participative and inclusive change management – a management practice that advocates towards the early stakeholder involvement and active participation in organizational change (Pardo-del-Val *et al.*, 2012). This article provides insights on participatory change that come from a qualitative case study of Valio, a Finnish dairy company that faced a new institutional environment (i.e., new vertical linkages, competition and trade policies) and successfully adapted to the increased market competition. These insights illustrate that participative and inclusive change management can contribute towards a successful organizational change by increasing the legitimacy and acceptance of the change process, and by allowing for the emergence of solutions that come from within the organization.

Participative management and inclusiveness in organizational change

Participation and stakeholder inclusiveness is examined here with respect to three areas that are particularly important in strategic change: communicating, debating, and finally implementing change. Communicating the need to change is typically one of the first stages in strategic change (Goodman and Truss, 2004). In inclusive change the new information becomes widely available and is allowed enough time both to reach and to be understood across the organization. Debating change is the stage where different solutions and strategies are actively explored, discussed, and negotiated (Preget, 2013). It plays a central role in change management and in inclusive change it involves the active participation of several internal stakeholder groups (e.g., shareholders or coop members in the case of coops, managers in different levels, employees) from its very early stages. Then, the implementation of strategic change follows, where the strategic decisions are applied and feedback is gained (Bruch *et al.*, 2005). When organizations follow an inclusive approach to change, their strategic directions have already been extensively debated and by the implementation time they are widely accepted.

A successful case of inclusive organizational change

An application of the inclusive approach to change appears in the case of the Finnish dairy company Valio. The company was first founded as an export cooperative for butter in 1905; Valio had a robust growth over the years and by the 1940s it had expanded to selling its own cheese and milk to Finnish consumers. Throughout the next decades Valio continued to grow and expand its operations, while the trade barriers of that time allowed Valio to be established as the dominant player in the sector. All this was about to change, however, due to Finland's accession to the EU in 1995 and the subsequent opening of the Finnish borders – the company faced new challenges from the increased competition from other EU dairy companies, particularly with respect to its cost structure and production efficiency.

Over the period September 2011 – February 2012, we interviewed 12 past directors and managers that took active part in the change process and their insights provide a clear picture on how Valio adapted to the new economic reality. After years of restructuring and changing in its business model, Valio remains a major player in Finland and one of the most well-known brands in the region, with exports across the EU, Russia and the USA.

To prepare for the new environment within the EU, Valio initiated a strategic adaptation program that was grounded on the principle of participative management and inclusion for communicating, debating, and finally implementing change. Throughout its transformation process the company maintained open and inclusive communication channels between its various internal stakeholders, engaged in exhaustive and thorough debates, and finally successfully implemented a mixture of investment and retrenchment strategies (ambidextrous approach). Valio combined cautious cost reduction with R&D investments and market development in order to improve its cost structure, enhance its supply and distribution systems and streamline various operations and procedures. Its production shifted towards value-added products and profitable niche markets while its distribution took advantage of a more efficient network allocation. The company managed to change its business model from a production oriented company to a market oriented company, adapt to the new economic environment and further expand in new markets. In undertaking this drastic transformation, Valio actively engaged its internal stakeholders and adopted an inclusive and comprehensive approach to strategic change that is discussed next.

Embracing inclusiveness in strategic change
The Valio story is an example of a successful organizational change, showing how inclusiveness becomes an integral element in communicating, debating and implementing change.

Communicating the need to change
Contrary to non-inclusive approaches, Valio started communicating the need to change early in the process and took measures to involve and engage the whole organization. The company initiated a public dialogue across the organization regarding the current situation in the company (e.g., cost structure, productivity of various departments and plants) and different EU-related scenarios that could affect competition (e.g., potential EU competitors and how they compared to Valio). The company used various communication channels, both regular (e.g., company newsletters, bulletins for employees and members, various meetings and presentations) and extraordinary (e.g., special presentations, extraordinary meetings, extra information bulletins). Different internal stakeholders were welcomed to actively contribute and therefore participate in setting the discourse for change (e.g., employees providing their own insights and worries). The result of this process was that the need to change became established and widely accepted.

Communication was designed to (a) allow enough time for stakeholders to grasp the information, (b) reach maximum exposure through various channels, and (c) keep channels open for the internal stakeholders to contribute. In that way the company effectively introduced an enlarged decision-making process and set the foundations for increased legitimacy of the change process. These elements paved the road for the next stage where the different change strategies were actively debated.

Debating change
The debate process in Valio was comprehensive where practically everyone in the organization was encouraged to contribute. In addition, the management adopted a pro-active

approach where different members of the management team travelled around the country visiting regional offices and plants. Typically these visits would start with a presentation from the visiting member of the management that would talk about the need for the company to change, provide insights for the local plant or office and then present preliminary proposals on the change strategy. These presentations were open for everyone and were typically given in front of a big and diverse audience that could include regular company employees, regional managers, and directors from different departments, among others. Each presentation was followed by open discussion with the audience and it was not unusual such discussions to last for hours.

Open and inclusive debating pushed forward the organizational change process, by (a) allowing different opinions to surface, (b) bringing members of the management team in direct communication with internal stakeholders, and (c) promoting transparency. These actions both allowed for new ideas while also strengthened the legitimacy of the change process.

Implementing strategic change
In order to change and adapt to the new more competitive environment, Valio took some difficult decisions including layoffs and the closure of several plants. The necessity for change was established in the first stage (communicating change) that it was followed by the extensive debate process of the second stage. The implementation was therefore based on decisions that had already been debated and largely accepted by the stakeholder groups.

Internal stakeholders that had been actively participating in the decision-making process become *de facto* insiders in the change process, therefore making easier to implement the strategy even in cases where such strategic decisions are particularly difficult (e.g., downsizing, drastically changing strategic priorities).

Conclusion
The key contribution behind the discussed inclusive approach to change is that inclusiveness can strengthen the legitimacy of the change process and allow for solutions that emerge from within the organization. The former becomes especially important in cases where strategic change involves difficult decisions like downsizing and layoffs, while the latter can give rise to original approaches that can be particularly suited to the organization and thus are easier to implement and be accepted. A critical element of the inclusive approach is the early involvement of internal stakeholder groups and their active participation. Inclusiveness can be applied when communicating the need to change, debating change strategies, and finally implementing strategic change. In that way, inclusiveness allows the organization to become more adaptable and more responsive to its environment while maintaining its focus on its stakeholders, investors, and patrons.

References

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