

TRANSFORMATION OF VALIO

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Problems at Valio

Valio is a “national institution” in Finland, a brand leader, Finland’s largest food exporter and the largest dairy business in Finland, dating back to 1905 (Valio 2019). However, every organization must manage change, and Valio is no different - as Finland discussed becoming an European Union (EU) member in the 1990s, Valio has to deal with this potential critical change to their environment, and as Finland did join the EU in 1995, Valio was in the middle of a large challenging reorganization project, working on downsizing and streamlining their operations, while at the same time, attempting to keep their position as Finland’s lead food exporter by still investing in R&D and evaluating new markets (Lamprinakis 2013),

Causes

Valio knew that joining the EU would be a major change to its markets - this would open Finland’s borders to competitors with a price advantage over Valio, due to their relatively higher costing products, and Valio also had a ‘heavy structure’ - redundancy and in-efficiencies in production and distribution.

Possible Alternatives for Valio

Valio could have chosen to apply a price differentiation strategy, attempting to minimize competitors’ advantages over price and retain (and possibly capture) market share. Since Finland would be joining the EU, low-cost Valio products could have a large market, if they could undercut competitors. Valio could use differentiation, focus or low-cost to attract customers, as basic strategies (MacMillian 1997), all viable choices as the market changes for them.

Valio could also go back to the original organizational theories (a simple structure, hierarchical, functional, product organization, or matrix organization) and re-evaluate which could work for them, possibly involving components of multiple organizational theory types.

Also, analysis of the Diamond model by Michael Portet (which argues that competitive advantage for certain industries depends on four factors:

1. Home factor conditions
2. Home demand conditions
3. Home firm strategy, structure and rivalry
4. Related and supporting industries (Zambrosky 2016)

Valio could have used the Diamond model to analyze and rate their home-grown resources, natural endowments, their home demand, home strategy and competitor's strategy, to see where they could even have a potential competitive advantage in any areas.

A Plan of Action

Valio choose to focus on R&D (creating value-added products specifically targeting foreign markets), quality improvements, and finally cost efficiencies from streamlining production and operations. Valio created a complete and significant plan, covering both external and internal stakeholders (employees, suppliers, and customers). In many cases, it would be prudent to advise an organization like Valio, which (at the time) had been operating for over eighty years, to be prudent in terms of change management - and possibly implement only one change to their structure, or business process at a time. Managing change is difficult enough on its own - managing multiple changes at the same time, reviewing them, and ensuring they are being deployed and managed correctly can be very difficult. However, this strategy is recommended, if

it can be implemented with caution, along with investing in the correct innovations in product development (Lamprinakis 2013).

However, Valio succeeded on these multiple fronts, and the same time. Valio exhibited significant “ambidextrous properties” (Lamprinakis 2013) - being able to handle both investment and streamlining strategies at the same time. Even though they were downsizing and even closing some plants, at the same time they were developing new product and expanding in to new markets.

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