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in

Dupuy B. (ed.).

Advanced training for agricultural and food managers in the countries of the Mediterranean area

Montpellier : CIHEAM

Options Méditerranéennes : Série A. Séminaires Méditerranéens; n. 36(2)

1999

pages 59-64

Article available on line / Article disponible en ligne à l'adresse :

<http://om.ciheam.org/article.php?IDPDF=CI000589>

To cite this article / Pour citer cet article

Auxenfans B. **Creating added value and making a difference through people**. In : Dupuy B. (ed.). *Advanced training for agricultural and food managers in the countries of the Mediterranean area*. Montpellier : CIHEAM, 1999. p. 59-64 (Options Méditerranéennes : Série A. Séminaires Méditerranéens; n. 36(2))



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Creating added value and making a difference through people

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Does anyone here believe that traditional, conservative methods of leading and managing in the agriculture sector no longer applies ?

Let me tell you up front that I don't agree. I am fully convinced through a 30 years experience that the pace of change in technology, consumer demands, and population growth does require us to think differently about how we go-to-market and how we serve our customers.

My remarks will attempt to demonstrate the increasing need for new leadership, fundamental to help a company like Monsanto go through a revolutionary change process in becoming a global LSC and secondly creating added value.

Monsanto's vision is at the forefront of creating a life sciences organisation that links closely the agriculture, food and health sectors.

After 97 years as a chemical company, last year Monsanto spun-off its chemical business to focus on life sciences.

In the past, we had 3 separate businesses comprising what today we call Life Sciences. The key difference today is that the business boundaries are blurred as we increasingly become more integrated:

- ☐ Value in life sciences can be captured from the gene to the consumer.
- ☐ Each link in the chain sees and creates value in different ways.
- ☐ Industries serving the food and health markets are rapidly consolidating in ways that no one was envisioning just five short years ago.

The art in life sciences is in creating the ways to participate in the value creation across the chain, supported by high technologies, blockbuster marketing and public acceptance of your work.

In the past Producers imposed themselves on Consumers, but a radical shift has occurred. Today, it is the Consumer and consumer associations that are placing pressure and demands on Producers.

Today, about 5.8 billion people live on the globe. Of this number, about half a billion live in conditions of abject poverty. Another 800 million are so chronically malnourished that they are unable to effectively participate in family or work life.

During the lifetime of our children, the world population will grow to approximately 9 billion people by 2050 – depending on which projections you use.

Although population experts have different opinions on the rate of global population growth, the certain thing is there will be an increase in demand for food.

There will be an increase in demand by the world's growing middle class for better diets, more animal protein which will require more grain. This means an estimated tripling in food consumption by this group.

To feed this population and to enable them to fully participate in an economy that works, and do so without destroying the ecosystem on which we all depend, we are going to have to invent and enable new ways of producing, transporting, and distributing goods and services. Technology is not a magic bullet to solve world problems. But without technology, all solutions become hopeless, in the face of the nature of the problems.

Population growth in India between 1997 and 2002 is 70 million people, more than the present population of France and Belgium together.

This increase will impact the consumption of chicken to satisfy desire for white meat. Processed and unprocessed chickens will grow at 15% per year, from 380 million birds per year in 1995 to 1.5 billion birds per year in 2005. As chickens eat crops we grow, this will have an impact on demand for our products.

Current agricultural technology is not sustainable to meet the world's future food demands. Today farmland covers 15 million km² — less than the area of South America, as you can see on the map.

By 2050, 40 million km² will be needed — the area of North and South America. However, most of the world's arable land is already in production today. So, without new technologies the only way to get more land for farming would be to destroy the wilderness.

I – Biotechnology is key and allows farming to be accomplished more sustainably

Biotechnology is revolutionising the way we approach problems in agriculture, health care, nutrition, and pharmaceuticals. At the same time as it offers extraordinary opportunities, it also presents us with extraordinary challenges. Ironically, while the opportunities are created by advances in science, the challenges are the result of the scope and speed of scientific discovery.

In Western Europe advances in biology have outpaced the ability of legislators to develop regulatory systems that are robust enough to reassure the public about safety and are practical enough to allow for orderly commercial development. And the speed of advances in biology are outpacing our capacity, as humans, to come to terms with what these developments imply for what it means to be human.

New technologies have always been met with some scepticism. The steam engine and the car replacing animal power, milk pasteurization, vaccines, hybrid corn, each of these advances have each been met reservations, in their time.

Two technologies that have arguably had much greater impact on the daily lives and that may pose greater risks to people than ag biotech are robotics and mobile phones.

Robotics has created great advances in productivity but may also be contributing to structural unemployment in Europe, which impacts many people's lives and does so very directly. Yet there is no public or political outcry against robotics; which is seen as a necessary and welcome evolution of industrial society.

Mobile phones are very beneficial, and we all use them at work and in our personal lives, but it can also be argued that we know very little about the long term health effects mobile phones might have.

In the early 1980s, Monsanto began investing in biotechnology — we saw it as an enabling technology that would allow us to do some very exciting things in the agricultural area. It wasn't until the past few years that we've seen the successful introduction of some of our work over in plant sciences during the past 17 years. Now we have products in the market — like cotton and corn crops resistant to insects and crops tolerant to a given herbicide — that are proving that biotechnology can and will be an important

contribution to growing crops more productively and in an environmentally sustainable manner. We're also using biotechnology in our pharmaceutical and food businesses discovery and development programs.

No matter how many bio-safety studies we present during the regulatory approval processes governing the importation and planting of biotech as products, we are coming to realise that it is equally important for us as an industry, and for my company in particular, to address the ethical, social, cultural, and local environmental concerns that our products give rise to.

The fact that our products have proven environmentally safe and even beneficial in other parts of the world needs to be proven under local European conditions as well.

The fact that millions of people around the world have been eating foods made from biotech crops without any negative health effects still requires reconfirmation by European studies.

Unfortunately, we have not yet reached the stage yet where some application of biotechnology to solve a human health problem radically transforms popular opinion about the technology. We know that day is coming. The challenge is to continue our biotech work in both the health and the food areas to fulfil the promise of the technology.

As many of you already know, we are working on ways to add a gene in certain plants to increase levels of beta-carotene in the plant, which would solve vitamin A deficiency problems among poor people who today suffer this nutritional deficiencies.

Lack of vitamin A causes 50,000 to 100,000 new cases of blindness among children each year, and it is perfectly avoidable. Biotechnology is an effective and inexpensive way of solving this societal problem, and it requires no pills, no pharmacies, and no creation of infrastructures that don't exist today. By improving the nutritional properties of those local plants that poor people today eat, this health problem, and others, can be addressed.

The pace of change is accelerating: we have to be proactive in our efforts to anticipate such changes and meet the challenges in Life Sciences.

Following on this lengthy introduction, I hope it became more evident that traditional, conservative methods of leading and managing in the agriculture sector no longer apply.

The pace of change in technology, consumer demands, and population growth requires us to re-think how we go-to-market and how we serve our customers.

What will make a difference is our People and our Leadership.

Frontiers of Leadership—We have to “build” our leadership needs! We are at the forefront of technology and commercialisation of this new technology, which means we are at the frontier when it comes to testing new ideas about leadership.

We are a flat organisation; there is no hierarchy; we work in teams. We consciously hire people that can perform the role of leadership.

These leaders learnt from:

- ☐ Memorable experiences in their formative years e.g. personal crises, inspiring role models, some had early successes which initiated a virtuous circle,
- ☐ Emotional intelligence — as this underpins the key people skills like communication, empathy, negotiation, persuasion, trust etc.

- ❑ Workplace experiences have proved instrumental, if not always positive.
- ❑ Possessing attributes which met the needs of specific situations during their careers. There were defining moments in the history of the organisations they worked for. They were well prepared for the opportunities that arose. Luck also played a part.

But, this is not enough for future leadership. We can no longer just operate in our comfort zone. Lets see what's changing ...

So we are encouraging all our people to seek coaching on their development and performance. Also, we are encouraging everyone to be a coach to others in the company. Our culture is open, trusting, where speed is important to our success.

We hire people that can effectively cope with change and substantial growth which places great emphasis on the need for everyone to act like owners of the business, to give regular feedback and coaching on achievements and areas for development or improvement.

Individuals are directly responsible and accountable for leading their own development and performance efforts, in the spirit of "Employability" not Employment. Controlling one's own destiny is something the company fully supports; it recognises that we all have to make changes and choices in our lives.

Our rewards structure supports such a dynamic culture. Everyone has an incentive opportunity to earn cash bonuses and stock options.

Monsanto is a living example of its organisation and culture change from a traditional chemical company with decades of experience to a new Life Sciences Company which is flatter and more people centred than before.

In this new contract, each employee takes responsibility for his or her "best in class" performance and undertakes to engage in the continuous process of learning that is necessary to support such performance amid constant change.

In exchange, the company undertakes to ensure not the dependence of employment security but the freedom of each individual's employability. It does so by providing employees with the opportunity for continuous skill updating so as to protect and enhance their job flexibility within the company and their opportunities outside.

This new moral contract embodies a fundamental change in management philosophy. No longer are people seen as a corporate assets which are owned by the company. Under the new contract, they are a responsibility and a resource to which to add value. Its adoption implies a rejection of the paternalism, even arrogance, that underlies lifelong employment contracts.

It recognises that only the market can guarantee employment and that market performance flows not from the omnipotent wisdom of top management but from the initiative, creativity, and skills of all employees.

This new moral contract also demands much from employees. It requires that they have the courage and confidence to abandon the stability of lifetime employment and embrace the invigorating force of continuous learning and personal development. They must accept that the security coming is ultimately both more durable and more satisfying than the security offered by a paternalistic management.

My job is to find consumers with needs which lead to new product development. This helps create jobs in our company by expanding our marketplace. It is not my role to find anyone a job — you/we have to create opportunities.

The diversity inherent in our business sectors, global locations, and fields of expertise requires more effective collaboration between individuals, groups, and across the organisation as a whole.

What we now call **High performance teams** have emerged as *one* vehicle within Monsanto to create the collaboration and continued success we intend to achieve.

Working in high performance teams will play an important role in our future success as a Life Sciences company because:

- ☐ Increasingly complex products and markets in which we compete require more than individuals alone can address;
- ☐ Ability to learn and transfer learning faster than our competitors happens best through social inter-change;
- ☐ Thinking globally and acting locally demands collaboration and communication among very diverse groups across the world;
- ☐ Continuous innovation is a process which requires lots of people's ideas, all working together to create new connections and possibilities.

While in the past leaders were promoted for their technical competencies in the Agriculture industry, today this is insufficient. Behavioural skills or competencies are equally important for an individuals' development and to the success of the company. It's not only what you achieve that's important, but also how you achieve results

In Monsanto we have developed 11 key competencies which, as a company we feel are important; leaders and people managers are encouraged to develop these competencies in order to be role models to our employees and our customers I will not dwell on these....

Leaders in Monsanto will particularly need to possess these skills in order that our Life Sciences Company can continue to grow and be competitive:

- ☐ **Customer Focus** – developing coalitions of interests with farmers, securing reciprocity from key stakeholders, educating potential customers on acceptance issues
- ☐ **Risk Taking & Courage** – gain experience outside their comfort zone; self-confidence to act with determination and speed.

Not taking a risk is a big risk in itself! E.g. Monsanto spent 1bn over 10 years in Plant-Growth Regulator but it was a failure. However, our research into this project led us to discover the potential of biotechnology.

We are currently engaged in a number of exploratory projects with agencies and NGOs around to world, to try to create ways of doing microcredit–getting small loans for small and poor farmers, who are today marginalized from the cash crop market or who do not make enough money to be able to afford good seeds and pesticides to avoid losing their harvest to pests and diseases.

Why do we do this? Partly out of a sense that a big company has a social responsibility. And partly because these farmers are potentially future customers. These goals are not contradictory in my view, but can support each other e.g.

- ☐ **Strategic Business Management** - broader portfolio of skills such as financing skills to be able to work with farmers on the best utilisation of plant & equipment; crop yield etc.;
- ☐ **Leadership** - lead in ambiguity, help others cope with change; continuously learn as a way of life;
- ☐ **Communication** - Freedom To Operate (TO) requires effective internal and external communication with Quip's, No's, and other major stakeholders;
- ☐ **Linguistic skills.**

What do we need to do as well is Learn, Learn, Learn !!

The requirement to continually update oneself; to learn new skills will increasingly become a way of life throughout someone's career.

People that fail to continually learn will find that their knowledge and skills are out-of-date after 5 years—they will become less competitive and unable to add value.

Leaders learn experientially. Action based learning is a common way of learning in Monsanto. Our approach is learning through discovery, experientially and less through formal education.

Another fundamental thing is networking as our leaders increasingly must influence and persuade many stakeholders in order to get buy-in and support for the key business strategies we as a Life Sciences Company want to pursue.

We have to ask a variety of key stakeholders for ideas, opinions, and feedback. Vital sources of information will include present and potential customers, suppliers, team members, cross-functional peers, direct reports, managers, researchers, and thought leaders.

The leader will ask in a variety of ways: through leadership inventories, satisfaction surveys, phone calls, voice mail, e-mail, the Internet, video conferences by satellite, and face-to-face conversations.

In the Agriculture Sector, the number of stakeholders is increasing. We have introduced the concept of "Freedom To Operate" in order for cross-functional teams, e.g. to work together on gaining public acceptance and approval for new technologies.

In summary, our objective as a company is to create an environment that stimulates the development of everyone as a leader with the knowledge and skills critical to the achievement of personal and business goals.

Monsanto is making efforts to feed our talent pipeline by:

- ☐ Targeting universities that meet our selection criteria e.g. we have identified 3 European business schools with whom we wish to build a long term relationship;
- ☐ Working with targeted schools to better understand Monsanto as a company and to learn about the challenges we are facing;
- ☐ Identifying real, challenging job opportunities that contribute to people's growth and Monsanto's growth;
- ☐ Building relationships with faculty e.g. possibilities for research; teaching assignments; case studies on Monsanto.

I hope that, my maybe too long remarks have helped you to grasp the importance that traditional, conservative methods of leading and managing in the agriculture sector no longer apply.

As you have seen, the pace of change in technology, consumer demands, and population growth is a continuous process of change, which forces us to re- think how we learn, how we go-to-market and how we serve our customers.

Let me repeat again what will make a difference is our People and our Leadership.

Thank You.

