

Model Behavior II

Strategies to Rewire Business

Syngenta Case Study



Case Study

Syngenta: Cultivating Farmers First



Securing crop yields can be challenging for farmers given unstable weather patterns from climate change.

Image © Syngenta

In February 2011, as CEO Mike Mack announced Syngenta's full-year results in a conference call, he outlined a new strategy focused on developing a "a fully integrated offer...to meet the needs of the farmer of the future." The goal was clear: to create value for Syngenta's shareholders by first creating value for its customers, particularly farmers.

Syngenta, the agribusiness based in Basel, Switzerland, generated \$15 billion in sales in 2014, more than half of which occurred in emerging markets. Its primary products include herbicides, insecticides and fungicides for crop protection, seed care products, field crops, vegetables and flower seeds, and garden care products.

The company's new approach stemmed from a combination of factors. As a result of the westernization of diets and surging population growth, the company was experiencing strong demand for its range of crop protection and seeds products. Syngenta's portfolio, pipeline and reach gave it a unique opportunity to move to an integrated model and gain first mover advantage against the competition.

Leadership realized that combining the seed and crop protection businesses in a way that created more value for growers and their customers would better position it for the future. The ensuing reorganization created eight new crop-centric business units. Whereas the previous strategy had tasked business units with targeting a particular disease or creating a specific seed variety, the new approach was far more focused on the emerging needs of growers, and their overall challenges—finance, operations, marketing and sales.

The Specialty Crops unit, one of the eight crop-focused units, spans a collection of more than 40 diverse crops, like fruits, potatoes, cotton, and plantation crops including coffee and cocoa. For these crops, the availability of farm labor has become an increasing challenge. As urbanization leads to a population shift away from rural communities into cities, Syngenta and other agribusinesses focus resources on helping growers build sustainable businesses that they can invest in over time.

Mark Bidwell became Head of Specialty Crops in 2011. Bidwell wanted to make sure that each specialty crop continued to represent an area of performance and growth for Syngenta. He also wanted to tackle a new challenge: meeting the unmet needs of the farmer to ensure longer-term relationships and continuity for the business. Having trained as an anthropologist before going into business, this role offered Bidwell an opportunity to make a difference in the financial sustainability of smallholder farmers.

A Focus on Collaboration

Syngenta's business transformation required significant planning and change management, both to ensure ongoing delivery of the current business and to align internal teams with the new strategy.

As a result of merging its seed and crop protection businesses, the jobs of more than a quarter of the company's 29,000 workforce were redesigned. This redesign did not require training per se, but rather a change in mindsets and capabilities of the employees in the new crop organizations and encouragement of individuals and teams to think more expansively and collaboratively.

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The early days of the new strategy were characterized by workshops and innovation events focused as much on driving collaborative behaviors as they were on delivering breakthrough ideas. Bidwell explains how things took shape in his unit: “We often brought in people from different parts of the value chain: customers, traders, supermarket representatives, agriculturally-focused VCs or other innovative companies, like Hilti, the machine tool company that has created a product-as-a-service model.”

In parallel with this commercial transformation, company leadership initiated the complex process of redirecting the \$1.3bn spent annually on Research and Development to facilitate the development of new solutions and services that build on core skills of genetics and chemistry. Syngenta shifted to more systemic solutions that considered how different products might interact with one another throughout the growing season or in challenging, drought-prone geographies.

Bidwell comments, “It was about understanding a particular grower’s struggles, whether it was selling his products in the marketplace or financing his operations. It completely changed the conversation. It became far more consultative in nature.”

“It was about understanding a particular grower’s struggles... (and) it completely changed the conversation.”

Mark Bidwell,
Former Head of Specialty Crops,
Syngenta



Growing food may not be an attractive livelihood for younger generations.
Image © Syngenta

Those focused on a specific crop might be brought together to generate new farmer-focused ideas as opposed to the former strategy of crop protection. A meeting for a particular fruit might include a chemist, a biologist, someone from the supply chain and a member of the regulatory and intellectual property teams, as well as a few people from marketing. These meetings spurred new ideas and collaborations that were necessary to understand and address the evolving needs of the growers.

New Grower-Focused Models

Bidwell acted like an entrepreneur running a start-up business—an intrapreneur, so to speak. “My team and I had to shift our mindset. I asked my team, ‘If this was your money or your family’s money, what would you do?’ This took them out of the protective company perspective and threw people right into the kitchen and made it personal.”

But, the process was not always smooth sailing. Syngenta’s Specialty Crop product portfolio offered farmers benefits in terms of increased yield of premium end products. Yet growers showed little interest in making the upfront investment in the agronomic offer comprising herbicides, fungicides and insecticides if they were unsure whether they would be able to market their premium product at a high enough price to justify the increased costs. As a result, Syngenta’s teams on the ground in each country started to wrestle with the question of how to ensure that farmers could capture the extra value that the new investments would enable.

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The team worked to fully understand each crop value chain, from the point at which a farmer plants the seed through to the point of sale in a specialty shop or grocery store. This understanding enabled them to identify pain points across the entire chain and explore how Syngenta could address them by leveraging its resources and capabilities.

The team started to work fully to understand each crop value chain and identify pain points and opportunities.

The solution that emerged was a new program, a farmer-to-consumer model that links growers with others in the value chain and comprises three main elements:

- 1 Syngenta sought to address the issue of upfront investment by developing a barter model in which the farmer pays for his agronomic products with his harvest at the end of the season (i.e., a farmer with 20 hectares that yields 500 bags of produce in a growing season might barter with 10% of his harvest). This overcame cash flow issues for growers.
- 2 To ensure growers receive a premium for the high quality product that they grow, Syngenta established a trading arm to maximize the value of the harvest. The trading arm established relationships with buyers around the world and created strong links between growers and the downstream value chain.
- 3 By implementing traceability software that connects buyers to the original source of the product (the farmers), Syngenta enables buyers to differentiate their harvest from others in the market. It should be noted that farmers are not required to buy anything from Syngenta to take advantage of its technical assistance or linkages to co-operatives and buyers.²⁴

“We increased productivity for growers by 20% and the value of the harvest by 30%.”

Willie Cintra,
Technical Marketing,
Syngenta

The resulting business model innovation is transforming the company’s relationships with growers in key markets around the world. Growers are willing to invest in premium agronomic programs with no up-front cash payment, taking advantage of Syngenta’s barter model. Willie Cintra, who works in technical marketing for Syngenta in Brazil, reports, “We increased productivity for growers by 20% and the value of the harvest by 30%. After two years, this was the equivalent of one additional harvest.”

Meanwhile, buyers are able to use traceability to market their crops to their customers in a way that differentiates them from other sources. This has created demand both in the field and in the downstream value chain for participating in the program, giving rise to a double-sided business model, which generates increased value—in this case financial value—for all players in the chain.

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An exciting ride

During this journey, the team used the analogy of riding a roller-coaster: the starting point was familiar, well-known and well-understood, but the journey promised to take them out of their comfort zone, beyond the boundaries of collective knowledge and experience, and deep into the unknown. It was both exhilarating and terrifying, and required a willingness to give up control, suspend disbelief and trust the process.

“We were encouraged to put the grower at the heart of the process, to bring the right people on the journey and to hold our nerve through the ride,” Bidwell said. “Mack created the frame for us to go away and have the freedom to think. When we came back with some attractive options, he looked across the portfolios to determine where best to allocate capital.”

By encouraging teams to focus on creating value that enabled growers to invest in their crops for the long term, Syngenta helped its customers build sustainable farming enterprises that could withstand the volatility of crop prices, credit terms, weather and end-user demand.

Many farmers rely on crop sales to support their families and communities.

Image © Syngenta



The Link to Sustainability

Because many Specialty Crops are grown by smallholder farmers, there were synergies between Bidwell’s work and the work of the Food Security team within the corporate affairs function. In fact, the innovative models created by Bidwell’s team helped enhance the ambitions of the Good Growth Plan, Syngenta’s flagship corporate responsibility platform launched in 2013, which aims to “feed the world in a sustainable way.” In part due to the work of the Specialty Crop unit, aspects of the Good Growth Plan relating to smallholder farmers received increased focus—there was a direct tie to the business.

Bidwell explained, “Syngenta has historically worked with smallholders, but with the launch of the Good Growth Plan, we were able to bring additional insights to growers and new solutions that were economically sustainable from a livelihoods perspective.”

Scaling the Model

The results of this change in strategy are becoming evident. Syngenta announced in February 2015 that sales in integrated solutions are progressing well alongside traditional product sales. In some markets, the grower program is gaining market share and rolling out into co-operatives and smallholder farms, bringing with it the promise of enhanced productivity and financial performance of farmers.

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As a result of this success, Syngenta is now focused on scaling elements of the business model to other crops and geographies. For example, an offer has been developed for European grape growers that enables them to customize their agronomic programs depending on the end markets they are targeting for their produce, thereby eliminating market access risks. The barter program continues to be extended into additional crops, as well as into new geographies. Traceability tools are also being piloted in several other crops and markets, both in the developed and developing world.

*Lindsay Clinton, Director at SustainAbility and Mark Bidwell, Head of Specialty Crops for Syngenta from 2011 to 2014, co-wrote this case. Bidwell recently joined **Clareo Partners** to help companies grow through innovation. He can be reached at mbidwell@clareopartners.com.*



Smallholder farmers can benefit from being more connected to buyers and markets.
Image © Syngenta

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Business Model Innovation Snapshot

<h4>The External Landscape</h4>	<p>Urbanization - The migration of farmers to cities makes it difficult to retain core customers.</p> <p>Increasing Competition - Syngenta was performing well in the marketplace, but increasingly at risk from changes in the regulatory and competitive environments.</p>
<h4>The Internal Culture</h4>	<p>Supportive Leadership - The crop teams were given the permission and framework within which to create new business models.</p> <p>Internal and External Collaboration - Syngenta brought together internal leaders from across different business units as well as external participants from along the value chain to generate ideas.</p>
<h4>Actions of the Innovator</h4>	<p>Mine the Network Effect - Bidwell assembled people from inside and outside the business who would generate new ideas and creatively tackle the challenge of developing a new model.</p> <p>Focus on Value - By shifting the parameters of the business model to one aimed at creating value for growers—rather than one focused solely on selling a product—the business units were challenged to think creatively and to truly understand the customer.</p>
<h4>Additional Elements at Play</h4>	<p>Intrapreneurship - Bidwell thought of his business as an entrepreneur running a start-up, taking on risks as if they were his own.</p> <p>Time of Transition - The new company strategy created the ideal backdrop for exploring new frontiers and pushing the boundaries of innovation.</p>
<h4>Business Model Innovations</h4>	<p>Inclusive Sourcing/Sales - Syngenta retooled its offerings to make them more inclusive to its main customers—farmers—through a barter method, network approach and IT.</p> <p>Alternative Marketplace - Syngenta’s farmer-to-consumer model served as a new marketplace for farmers to sell and gain financial value for their harvest.</p> <p>Freemium - The company offers farmers technical assistance and links to buyers for free.</p> <p>Double sided - Demand is created at both ends of the value chain, in the field and at retail.</p>

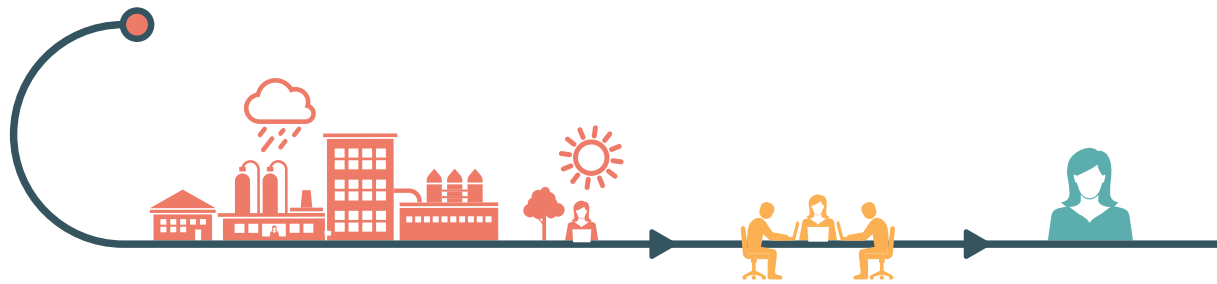
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