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The Monsanto Company (A): Quest for Sustainability

*Biotechnology represents a potentially sustainable solution to the issue, not only of feeding people, but of providing the economic growth that people are going to need to escape poverty. . . . [Biotechnology] poses the possibility of leapfrogging the industrial revolution and moving to a post-industrial society that is not only economically attractive, but also environmentally sustainable.*¹

Upon his promotion to CEO of chemical giant The Monsanto Company in 1995, Robert Shapiro became a vocal champion of sustainable development and sought to redefine the firm's business strategy along principles of sustainability. Shapiro's rhetoric was compelling. He captured analysts' attention with the specter of mass hunger and environmental degradation precipitated by rapid population growth and the expansion of resource-intensive agricultural practices. Vowing to steer the company away from a legacy of environmentally damaging, petrochemical-based agrochemicals, Shapiro entranced Wall Street with the vision of a new industry — the "life sciences." By linking the previously disparate sectors of pharmaceuticals, nutrition, and agriculture around a common platform of biotechnology, Monsanto would generate huge profits while restoring the natural environment and providing for the food, nutrition, and fiber needs of the world's poor and dispossessed. *Food * Health * Hope* became the firm's motto.

Three short years, one spin-off, and some \$8 billion in acquisitions later, The Monsanto Company was a mere shell of its former self. Its fine and bulk chemicals businesses, the heart of the original company, were spun off in 1996, and the proceeds helped finance some \$8 billion worth of seed and biotechnology acquisitions. By June 1998, Monsanto had emerged as a pure life sciences company and the clear frontrunner in the burgeoning agricultural biotechnology sector. Instead of pesticides, Monsanto now sold seeds genetically engineered to produce a naturally occurring insect toxin.

Shapiro's gamble on life sciences appeared to have paid off. Global acreage of all genetically engineered crops soared to some 70 million in 1998, and Monsanto's varieties accounted for over 70 percent of the total. Analysts predicted that transgenic (genetically engineered) crops would represent a \$3 billion market by 2000, rising to \$20 billion by 2010. Operationally, Monsanto's Earnings before Interest, Taxes, Depreciation, and Amortization (EBITDA) had grown at a compound annual rate of 15.5 percent since 1993. Total return to shareholders had increased 285 percent when adjusted for life sciences only, and market capitalization hovered around \$38 billion, up from some \$15 billion in 1995. A recently announced merger with American Home Products (AHP) would create a firm with combined sales of some \$23 billion, eclipsing Novartis as the world's largest life sciences company.



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