

Background

By the time Alltech had reached its twentieth anniversary, the Company's growth had surpassed even the most ambitious goals of its founder. This success, however, led to a dilemma familiar to many agribusinesses—a need to develop a succession program by grooming new managers who could take the Company forward, expand and manage new opportunities while maintaining the corporate culture and vision. The challenge of creating a pipeline which ensures advancement is common, while the specifics differ by company and industry.

Founded in 1980 by Dr. T.P. Lyons, Alltech is now the eighth largest firm in the animal health industry globally, and the only company among the top 20 entirely committed to 'natural nutritional solutions'. Starting with a modest investment of just \$10,000, Dr. Lyons forecasts a future of \$1 billion in sales. Alltech markets its solutions in 116 countries, through 86 of its own offices. Alltech managers are typically young, highly educated, technically skilled in animal nutrition or veterinarian science, and ambitious, but with a relatively low level of formal business education. Managers are expected to follow the example of the President by visiting farmers and feed mills directly to understand market needs, including those in non-sales or marketing positions. Examples abound of managers who were promoted after succeeding in the face of overwhelming odds. The corporate culture reflects the style of its President, valuing decisiveness, self-reliance, and technological skills. Alltech seeks employees who are articulate, hard working, possess a 'fire in the belly' and a sense of fun.

There were two unique requisites in the development of new Alltech managers. Although the company was young, and relatively small by international standards, it already had an unusual global reach. The manufacturing, research and development, and sales and marketing operations are divided nearly equally across the major regions of the world. Since managers come from, and work in, many languages and cultures, developing a strong sense of the Alltech corporate culture was a priority. Secondly, Alltech was unusual in its industry because of its balance between an emphasis on hands-on relationships with customers, a strong research focus, and a commitment to marketing and sales. Consequently, it was important that a management development plan incorporate elements from across divisional boundaries.

Options

After reviewing the options, the three most effective strategies appeared to be:

- 1) headhunt successful agribusiness executives from other organizations;
- 2) train key employees through existing university MBA and executive education programs in both a business and agribusiness focus;
- 3) build an internal executive education program.

In evaluating the costs and benefits of these options, the following points were considered:

Head-hunting

The obvious cost in recruiting new ag-executives is the agency fee which is often 30% of the first year's salary. A hidden cost, however, is the time it takes to acclimate a new executive. It is estimated to take two years to learn the culture of Alltech, and adapt to the Company's practices and philosophies. Executives in the agribusiness industry conservatively calculate the cost of finding new executives to be topping \$250,000.

MBA Programs

There are a variety of MBA programs on the market, from the short executive education seminars to stand-alone courses. Alltech has had some experience with these options and noted the following points when considering them for a wider company application:

Employees who are looking to advance their careers often request the opportunity to do an MBA. Organizations often agree because they are afraid of losing the employee, and/ or they feel it will help prepare the employee for a move to a more senior position. Regular MBAs typically involve either a one-year full time program or a two-year part time program, while Executive MBAs are typically part-time. Part-time and Executive MBAs can be more attractive to the organization, because they allow employees to continue working while completing their studies at night and at weekends. Employees like the degree status and reputation the MBA has developed.

However, there are significant disadvantages for the organization. During the program, the additional demands on the employee can reduce their effectiveness in their current position. Anecdotal evidence suggests that this marathon of short nights, long days and busy weekends, leads to stress in both work and family life. Then, having completed the MBA, the graduate may become frustrated by a perceived lack of opportunities within the organization; if the employee feels that the employer and fellow workers are not respecting their new skills; or if the graduate feels that the organization is not receptive to adopting their suggestions for change. Considerable anecdotal evidence exists of employees leaving for other organizations within a year of completing their MBA, making it a bad investment for the organization that has invested \$100,000 in the employee. Finally, even when all goes well, the relative value of the MBA for the organization may be limited, as much of the course is not relevant to the organization, or to the industry in which it competes. This is particularly true for agribusiness, which differs significantly from most industries which offer MBA programs.

Executive Education Courses

Another approach is to use a la carte courses, offered by universities, business schools and independent programs. These courses can be useful, particularly when addressing specific needs. However, they are generally piecemeal, and are frequently employee driven, rather than representing a considered plan that reflects both the employees' desires and the organizational needs. Costs of such programs typically range from \$5,000 to \$45,000. Only a handful of institutes offer courses with an agribusiness perspective.

Management Development Programs

Finally, a company may hire consultants to provide development programs for employees. Such programs are usually ad-hoc but may include a more structured program developed in conjunction with university-based business schools. These programs vary in purpose, from training and staff development to morale boosting. The most relevant for Alltech are those that provide an overview of business management. Typically they run for 3-10 days. These courses are most beneficial for managers with a lot of experience, either as a refresher, or to familiarize them with the basics of expertise outside their own. However, they are too short to actually serve a development function. Such programs can be expensive, with investments ranging from \$1,000 to \$10,000 per employee per course.

Additionally, the Company's experience with underwriting MBAs has been disappointing. While MBA graduates acknowledge value gained from the training, much of the program was not relevant to their work or the Company. Despite the extraordinary effort made by participants, work suffered during the MBA process; moreover, the cost to the families of the employees was unacceptably high. Half of the sponsored employees left the firm within two years of completing their MBAs. Frustration arose when promotions were not given or suggestions not implemented.

EMBA's obviously miss the target population within Alltech, and while Executive Education courses are also used by Alltech, they are too specific to be seen as a management development solution. The Company was intrigued by Management Development programs, often offered in association with well-respected universities, but felt that although the short time frame was attractive in work terms, it was insufficient to lead to meaningful management development. As with virtually every course and program examined, the emphasis is too often on industries that are fundamentally different to agriculture.

Developing an Internal Executive Education Program – A hybrid solution

Alltech's objective was to find a way to systematically develop the management potential of existing employees in ways that would complement the technical nature of the industry and the corporate culture. In the final analysis, building its own program by adapting the best, most relevant elements from the available options was considered more cost efficient than sponsoring MBAs and off-the-shelf programs. Structuring the program to fit the needs of the company would not only maximize the return on the investment but make it less easily transferable to other firms.

The Alltech Advanced Management Development Program (AMDP)

In 1998, Alltech Vice President, Aidan Connolly partnered with his former professor, Professor Frank Bradley, Head of the Department of Marketing at University College Dublin (UCD, Ireland) to design a program for Alltech. Connolly felt some of the classes offered by UCD on negotiations, marketing, and finance could be easily adapted to fit, while other courses such as leading strategy innovation at Alltech, managing an agri-sales team, personal organization, decision making in a global enterprise and communication skills would require new course development. The courses were designed to maximize program impact while minimizing the

time spent away from the office. The timing of the program worked around the business cycle of the Company.

Initially, the program was proposed as a single two-week module. Such was its success that subsequent modules were proposed and accepted, leading to a total course load completed in one-third to one-half the time of a classic MBA program. Although the first module reflected the bias of its creators—a sales and marketing focus, subsequent modules covered a broad range of skills managers needed to assume senior positions. Critical feedback was solicited from participants upon module conclusion in a ‘town hall’ format. The lessons learned from previous classes continued to shape and refine the course content.

Structure of the AMDP

Known colloquially as the ‘Alltech mini-MBA’, the program is broken up into four modules, with interstitial ‘refreshers’, and runs over four years:

Module 1: Strategic Market Management

This 10-day double-length module introduces the core topics, including business concepts (Financial analysis; Competitive marketplace); strategy (Strategic analysis; Strategies for growth), relationship management (Managing sales relationships, Customer management; Managing partners); and industry (Managing technological products; Managing the challenges of sustainability). The module concludes with a project workshop, business theory, case studies and presentations by participants. The fortnight format contributes in several ways; it establishes the ‘bootcamp’ atmosphere, creates a critical momentum for attendees who often have not studied for several years, and allows students to adapt to business models and frame their thinking processes.

Module 2: Brand Driven Growth

This six-day module examines the elements of developing and using the brand, from inception (Fundamentals of brand driven growth: Brand ideation workshop), to application (Tactical use of sponsorship; Sponsorship for growth). The art and skill of negotiating is also covered (Negotiation strategy and skills). The module concludes with the students preparing presentations to address specific challenges. Project work in this field has included market plans for new Alltech products and product ranges such as Alltech’s Lifeforce™ for horses.

Module 3: Managing Groups and Teams

This module was developed to reflect Alltech’s highly group-based management and operational style. Over a 5-day period, the students work on the nature of groups (Managing groups and teams exercise, Responding to the leadership challenge), as they relate to their own region (Managing people and change; Managing the sales team), and the firm as a whole (Managing the global enterprise). The program concludes with the students working in teams to prepare project presentations.

Module 4: Thought Leadership and Innovation in Agribusiness Firms

The final section of the Alltech mini-MBA is heavily focused on developing leadership skills and innovation (Coaching for innovation; Driving management innovation; Leading strategy innovation in Alltech; Value innovation leadership).

The modules emphasize skills development, and are supplemented with ‘refreshers’ between each module, in which the class meets to complete eight case studies over a two-day period. The refreshers emphasize industry knowledge and understanding, using case studies chosen to reinforce particular themes and the latest in competitor intelligence. The case studies come from the best recently published cases from the Harvard Agribusiness program, from other Universities that illustrate food, feed or agribusiness themes, and from within Alltech. A team of case writers ensure that cases written from an internal Alltech perspective are high-quality and reflect standards of those purchased from outside the organization. Over 27 unique cases have been produced during the past 10 years, with many peer-reviewed.

The first two-week module is held on the campus of the Michael Smurfit School of Business at UCD. Subsequent modules are held at Alltech’s European headquarters in Dublin, Ireland and the refresher courses are held at corporate headquarters in Kentucky. Bringing the students to Alltech centers not only contributes to corporate culture development, but also strengthens the relationships between the offices. It also facilitates one of the highlights the program. Upon completion of each module is a final project, in which participants are divided into teams and asked to address a challenge the Company is currently facing. On the last day the teams present their analysis of the challenge and recommendations for action to a panel that includes senior directors of the Company. This high-profile exercise not only gives senior management the benefit of the ideas of their best and brightest up-and-coming managers, but it lets them see how the participants perform in a realistic pressure situation. The participants love the opportunity to show senior management just what they are capable of and to feel they are contributing to the strategic direction of the Company.

The Students

Mini-MBA candidates are selected from the pool of Alltech’s 2,200 plus employees, and are recommended by both a line manager and a director as having shown management potential. In some cases they have been recently promoted to, or hired for, management positions. In all cases, each cohort, or ‘class’, is vetted by Connolly to reflect considerations such as regional balance, area of expertise, and level of experience. The idea is to achieve a level of productive diversity, so that each participant brings something to the class.

Although the first candidates had an average of 10 years’ experience with the organization, and typically came from sales and marketing, more recent groups have less corporate experience. Naturally this has also influenced the program content and this has moved in recent years from a pure strategic focus to allowing more time for discussion of current processes and procedures. Another trend has been the broader range of departments represented, and this has influenced the need to deepen the element of agribusiness since these candidates are less likely to be familiar with modern farming practices.

Over the last 10 years, seven classes have graduated from the course, representing 98 senior managers, with a further 88 currently at various stages of the 4 year program. The program has been such a success that other employee programs have been developed around it. A Talent Development Program (TDP) has been put in place, which focuses on employees who are not ready for the mini-MBA.

For employees that have completed the mini-MBA an 'Alumni' program has been developed. This has the multiple benefits of continuing to develop skills, of continuing recognition of the status attained by having completed the mini-MBA, and of allowing the Company to avail of the base of expertise within the firm. Case study analysis involving competitor firms, for example, or of firms facing similar challenges can yield fruitful insights and perspectives for the Company. The program uses an on-line blog system so that participants can review and comment on the teaching material (usually case studies) before the session. The sessions are then held by teleconference, so there are no travel requirements (or costs). Because only 'Alums' can participate, they are all experienced in case study analysis, and the case studies are of firms that are relevant to their work, resulting in discussion that is lively and productive. Nearly half the Alumni participated in the initial session.

The success of the mini-MBA has exceeded all expectations, but perhaps the most unexpected benefit has been the value that employees put on participation in the program. Within the firm, selection for participation in the program is genuinely valued, and graduation with the receipt of a certificate from the Alltech AMDP is recognized as a mark of achievement.

Outcomes

Outcomes for Alltech

Although the Alltech 'mini-MBA' is not inexpensive, estimated at \$2,000 per employee per five-day-module, it is clearly more cost-effective than the other options. Internationally the cost for a five-day open enrolment module ranges from \$5,000 to \$7,500. This allows more employees to participate. As the mini-MBA is structured solely for Alltech, and agribusiness, participants are able to use and apply everything they learn.

The course is designed to roll out over a four-year-period; building upon each Module and Refresher, participants can consolidate what they have learned by using it in the workplace

Measuring the effectiveness of development programs is generally difficult, but easier with an in-house program. Feedback is solicited after each course and changes are implemented based on this feedback. Participant progress is easy to track through annual reviews and advancement to more senior positions. Retention rates—a critical metric, are more than 93% for program graduates over the past ten years. These are exceptionally strong results in the agribusiness sector and compared with a typical exit rate (voluntary and involuntary combined) of 15% per annum. These rates are higher for a number of reasons. While in the four-year-program, participants look forward to doing the next module and the continued interaction. Most

employers request a 2-3 year “golden handcuffs¹” phase following the completion of a sponsored EMBA as a suitable ROI² period for their investment of time and money. With a smaller investment, Alltech is enjoying the ROI from employees, and there stands to be even greater benefits in the long term.

Program participants know they have been selected to do something that no other firm in the industry offers. They are taught how to use their new skills to make a difference to the Company and are given the tools to do so. Turnover in the most relevant positions has dropped by more than half of what is normally expected. Moreover, the effects seem to be long-lasting, as some graduated more than seven years ago.

Comments made by the attendees include:

‘I’ve worked for Alltech for 10 years and this is the first time I truly feel I understand the strategy and where we will be in the future’

‘the best part of the course is interacting with colleagues from all over the world – we represent 16 countries in my group – and understanding that the issues faced by all of us are very much the same’

‘I now understand better where Alltech is positioned in its competitive space’

‘coming from the finance department, the exposure to our sales and marketing strategy, our customers and competitors, was something I had not been exposed to before’

Additional benefits for Alltech include: the relationships that are fostered between employees from far-flung offices, better communication between senior management and rising managers, and the deepening of the Alltech culture. These benefits in turn help make the Company more effective, and increase job satisfaction. Finally, the relationship between Alltech and the University has not only improved the mini-MBA, but has led to the formation of other working relationships.

Outcomes for the University

The Alltech program has also been a success from the University’s point of view. The commitment of Prof. Bradley, and his successor Prof. Damien McLoughlin, has driven this success. Obviously, the Alltech program is a source of continuing revenue that allows the University to maximize the value of its existing assets (staff, program courses and infrastructure). It is a source of industry input, including voices from the field. Perhaps the most telling change has been the change in attitude over time on the part of the other instructors. Initially, there was little interest, and instructor recruitment was not easy. Now, instructors are asking to participate. They have discovered that the diversity and experience of the groups adds

¹ Golden handcuffs are a system of financial incentives designed to keep an employee from leaving the company. These can include employee stock options which will not vest for several years but are more often contractual obligations to give back lucrative bonuses or other compensation if the employee leaves for another company.

² Return on investment.

to their own understanding of their subject, and the groups have developed a reputation for being highly motivated, highly capable students.

Fittingly, it has also proved to be a good way for the University to develop its team of Executive Education instructors. Similar programs have since been developed by the Smurfit School of Business at UCD for a myriad of organizations including the Irish Food development (Bord Bia), Google, the Irish Electricity utility (ESB) to name but a few. These institutions are using the same basic format as the Alltech program.

Conclusions

The growth and success of the Alltech Management Development Program was nearly as seamless as it seems in this review, and itself reflects the corporate culture of the Company and the industry within which it works. With a founder who values decisiveness and innovation, this allowed the creation of a program that would suit the Company's need to develop the managerial skills of their articulate, hard working employees. It takes both 'fire in the belly' and a sense of fun to be nominated for and to successfully complete, the Alltech mini-MBA.

That culture was the agar in the Petri dish of the developing mini-MBA. The components were basic: clearly identified objectives; thoughtful analysis of the ideal ingredients, continuous feedback loops, and a highly committed internal champion.

Alltech's commitment to its customized executive education program is providing a series of positive outcomes including improving managers' understanding of the corporate vision and strategy as well as of their industry; creating a cadre of the next generation of leaders, while deepening their loyalty; developing corporate competencies; and in the process identifying new business strategies. Crucially, these results are being achieved in a very cost effective manner.

Finally, the process has opened doors for Alltech to engage other organizations in a discussion about management development. This includes the CEOs of Alltech's customers, fellow suppliers to the agriculture industry and companies from other fields in how Alltech has created a pipeline of new agribusiness management talent.