CASE STUDY

Archer Daniels Midland
As a U.S. agri-industrial business, Archer Daniels Midland (ADM) spent more than 100 years sourcing, transporting, processing and selling crops to serve the needs of a growing world. That is, until “the strategic dynamics of our business began to change,” says Ismael Roig, ADM president for Europe, Middle East and Africa and the company’s former chief strategy officer.

Faced with mounting global competition, smaller profit margins and a more tech-savvy consumer, Roig says, “Our margins were eroding. We needed to find other ways of growing beyond geographic expansion.” But maneuvering a century-old global commodities trading giant in a new direction takes robust strategic design and execution excellence. Fortunately, a number of guiding principles enabled the company to drive change forward.

1 https://www.adm.com/
Leverage Insight On Consumer Trends And Market Fluctuations For A Competitive Edge

ADM began its transformation by monitoring the landscape for key market trends and gathering new insights from its ever-evolving business environment. “When it became evident we needed new avenues for growth, we became more systematic around analyzing trends, analyzing markets and analyzing competitive environments,” says Roig.

Among the company’s key discoveries: a growing demand for natural flavor and ingredients, peaked interest in pet nutrition, and greater worldwide protein consumption. In response to these trends, ADM began to grow through acquisition of companies with expertise in each of these areas. By tapping into these fast-growing consumer trends and acquiring the necessary expertise and infrastructure, ADM increased the diversity of its product portfolio while building a global food processing business.

In addition to looking outside for competitive insight, ADM searched inward for ways to mobilize the right resources. One approach involved shifting the responsibility for strategy execution from “a handful of people at the top” to small and nimble teams with “entrepreneurial spirit,” says Roig.
Dubbed “workstream champions,” these groups examine the logical workflows associated with activities such as manufacturing, procurement, transportation and supply chain management. Inefficiencies are reported to business line leaders, and champions offer recommendations on how to course correct. By putting employees—not just the C-suite—in charge of driving change, ADM not only provides employees with a greater sense of accountability, but also improves strategy execution.

For example, it’s possible that multiple deliveries are being made to the same customer, on the same day, from different divisions of the organization. Because a workstream champion is closer to day-to-day activities, he or she can more easily identify such transportation inefficiencies and reduce costs by combining deliveries.

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“By taking a directed grassroots effort around workstreams, where we examine each of our major functional areas and allow employees to participate in the construction and reformulation of processes, we can execute strategy more effectively,” says Roig.

Evaluate Your Portfolio Of Strategic Initiatives—And Your Ability To Deliver On Them

Adding new initiatives such as animal nutrition solutions in response to emerging opportunities requires a keen understanding of an organization’s ability to deliver change and its impact on stakeholders. For this reason, ADM established a list of key tenets for organizational behaviors—traits that are paramount to driving ADM’s strategy.
“One key behavioral initiative we have put in place and that we look for in our employees is the ability to lead change,” says Roig. “We want people who understand how strategy links to our day-to-day work, who have more of a strategic capacity, and who are able to own their actions individually or collectively.”

One way ADM improves leaders’ ability to spearhead change is through a 16-module employee training program. These courses teach leaders everything from how to have honest conversations with workers to how to prioritize projects and establish objectives. By prioritizing traits such as strong leadership skills and an eagerness to innovate, and identifying employees who embody these qualities, ADM can ensure they deliver on the initiatives they set out to achieve.

There are times, however, when an organization won’t have all the information it wants and must rely on those it can trust to deliver sufficient reliable input to allow thoughtful decisions. Roig points to the time ADM acquired WILD Flavors, a flavor systems provider, to expand its portfolio of specialized ingredients.

Because commodities are sold in bulk, Roig says ADM long operated on the principle of “whoever delivers the fastest, and has the most consistent quality, wins.” But that changed when ADM ventured into natural ingredients. “Our ability to execute against an ingredients portfolio was hampered by the fact that we had no customer-centricity practices,” he says. “So, when we bought WILD Flavors, we were extremely concerned about destroying their culture.”

To preserve WILD Flavors’ strong customer focus, ADM placed a WILD Flavors executive at the head of its revamped nutrition organization rather than one of ADM’s. By properly allocating resources and assigning smart leadership, ADM has created a culture that is focused on the customer and understands the natural ingredients market and its demands.

Allow For Missteps—And Then Pivot Quickly

But with every new strategic journey, there are missteps. “About 10 years ago, there was an enormous impetus toward renewable fuels,” says Roig. In response, ADM began exploring how commodities such as corn carbohydrates could serve as effective sources of fuel. But changes in public opinion and regulatory hurdles soon made ADM realize it was time to reassess its strategy.

“We discovered that when you develop a strategy around regulations, priorities can change quickly,” he says. Controversies over using crops to burn biofuels and feed cattle also created difficulties: “There was the realization that the energy needs of the world are so massive, we cannot effectively resolve them by shifting food to fuel uses,” says Roig.

Fortunately, by “not betting the boat on a single strategy,” Roig says ADM was able to take swift action and quickly cut costs during challenging economic times. Approaches included selling its bioenergy assets, shutting down several plants and finding new strategic applications for its investments.
Celebrate Success And Recognize Good Work

For those strategies that prove successful, employees are as much to thank as strategy design and execution, says Roig. For this reason, ADM motivates its workers with initiatives such as a CEO Leadership Award for teams that have achieved outstanding business and executive training programs for high performers.

Another way ADM honors its workers is by setting them up for successful strategy delivery. Rather than inundate employees with dozens of responsibilities, ADM first evaluates its portfolio of strategic initiatives. From there, Roig says, “We make sure employees remain very focused on executing on a limited number of projects. We lay out smart goals every year, which are linked back to the strategic intent of our company,” and it’s this focus that makes them more successful.

Progress is measured by factors like profitability, cost savings and new customer acquisition. Providing employees with a clear understanding of how they are being evaluated also contributes to their success.

Motivations aside, the reality is business models are continually disrupted, consumer trends evolve and profit margins fluctuate. Organizations must remain nimble and ready to adjust to the ever-changing reality. But these guiding principles for effective strategy design and delivery do not change, even over the course of 100 years.
Bridging the gap between strategy design & strategy delivery

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