

## Case 2      **Monsanto Balances the Needs and Concerns of Multiple Stakeholders<sup>1</sup>**

**Synopsis:** *This case focuses on Monsanto's desire to balance the many significant benefits that its products bring to society (and the company's resulting profits) with the concerns of a variety of stakeholders. The case examines Monsanto's history as it shifted from a chemical company to one focused on biotechnology. Monsanto's development of genetically modified seeds and bovine growth hormone are discussed, along with the safety and environmental concerns expressed by a number of Monsanto's stakeholders around the world. Some of Monsanto's ethical and patent-enforcement issues are addressed, along with the company's major corporate responsibility initiatives. The case concludes by examining the challenges and opportunities that Monsanto may face in the future.*

**Themes:** *Ethics and social responsibility, sustainability, product strategy, product liability, corporate affairs, stakeholder relationships, product labeling, government regulation, legal environment, global marketing.*

### Case Summary

The Monsanto Company is the world's largest seed company, with sales over \$8.6 billion. It specializes in biotechnology, or the genetic manipulation of organisms. Monsanto scientists have spent the last few decades modifying crops, often by inserting new genes or adapting existing genes within plant seeds, to better meet certain aims such as higher yield or insect resistance. Monsanto produces plants that can survive weeks of drought, ward off weeds, and kill invasive insects. Monsanto's genetically modified seeds have increased the quantity and availability of crops, helping farmers worldwide increase food production and revenues.

Today, 90 percent of the world's genetically modified seeds are sold by Monsanto or by companies that use Monsanto genes. Monsanto also holds a 70 to 100 percent market share on certain crops. Yet Monsanto has met with criticism from sources as diverse as governments, farmers, activists, and advocacy groups. Monsanto supporters say the company is creating solutions to world hunger by generating higher crop yields and hardier plants. Critics accuse the multinational giant of trying to take over the world's food supply and destroying biodiversity. Because biotechnology is relatively new, the critics also express concerns about the possibility of negative health and environmental effects from biotech food. However, such criticisms have not deterred Monsanto from becoming one of the world's most successful companies.

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<sup>1</sup> Jennifer Jackson, University of New Mexico, and Michael D. Hartline, Florida State University, prepared this teaching note for classroom discussion rather than to illustrate effective or ineffective handling of an administrative situation.

## **Teaching Overview**

This case deals with the ethical implications involved in producing and selling a product with unknown health and environmental side effects. Monsanto claims that its products are safe, even beneficial for society. However, critics are not convinced. A major issue in this case pertains to the debate over whether genetically modified plants and substances (milk) are safe both for the environment and for human consumption. Other issues Monsanto faces have to do with intellectual property and patent protection, and the question of whether seeds can be proprietary goods. Traditionally, farmers save seeds from one year to plant in the next year, but Monsanto wants introduce a “kill gene” to force farmers to purchase new seeds from the company every year. The case also covers Monsanto’s long history of ethical misconduct, including instances of hiding illegal pollution and taking bribes. Finally the case goes on to cover Monsanto’s corporate responsibility initiatives, charitable giving, and how its genetically modified seeds may actually help farmers in less developed countries. The case concludes by asserting that Monsanto claims to have realized the errors of its ways and is on the path to greater corporate responsibility in the future. The question to students remains: Do they believe Monsanto, or is it just lip service to avoid further criticism?

## **SWOT Analysis**

### **Internal Strengths**

- World’s largest seed company
- Known specialist in biotechnology with huge worldwide market share
- Patented seed technology
- Products have increased worldwide food production and revenue for farmers
- Roundup herbicide is well known and widely distributed in both agricultural and consumer markets

### **Internal Weaknesses**

- Known reputation for creating environmental problems in the past
- Known reputation for past ethical violations
- The company’s stance toward farmers and its patented seeds (i.e., the seed police) casts doubt on Monsanto’s motives
- The company’s plan to create “sterile” seeds is creating much controversy

### **External Opportunities**

- Continuing shortages of food and inefficient food production in many lesser developed countries
- Increasing pressure on agriculture industries to increase production at lower costs
- FDA maintains posture that biotech crops are safe

## External Threats

- Unknown potential health and environmental effects from genetically modified food products
- Extreme consumer backlash against genetically modified foods in many parts of the world
- Third-party research casts doubt on safety of continued use of herbicides

## Problem/Decision Statement

This is a very complex and contentious case, and students should be encouraged to conduct further research at Monsanto's website (<http://www.monsanto.com>). Students should find the exercise of perusing the website interesting, as much for what is left out as for what is included. The instructor should point out that such websites, which are designed for all stakeholders, often only contain positive information on the company and do not address any negative press.

## Strategy Alternatives/Recommendations

This case does not necessarily pose a challenge or dilemma to be solved by offering strategic solutions. Instead, the case is designed to promote discussion on a number of fronts. The overall theme should be gauging Monsanto's true dedication to ethical and socially responsible business, and how to best alleviate stakeholder concerns. Three potential avenues for fruitful discussion include:

1. Charitable Donations – In 2007, Monsanto made charitable donations of \$24.5 million, which represented less than .66% of its \$3.74 billion in annual profits. The average individual in the United States donates 2.2% of his or her disposable income. Small businesses that earn between \$250,000 and \$1 million contribute, on average, 6 percent of their profits to charity. Discussing these numbers and Monsanto's true level of interest in charitable donations should result in a lively debate.
2. Intellectual Property – The issue of sterile seed technology as well as the firm's "seed police" can lead students into a discussion of whether patents on food products, particularly seeds, are socially responsible. Within the U.S., patent infringement lawsuits are increasing, especially within pharmaceuticals and gene therapy for specific diseases. At the heart of this issue is whether seeds, no matter how scientifically manipulated, should be considered technology, considering how essential they are to the basic necessities of agriculture and food markets. Does Monsanto have any sort of moral obligation to farmers and consumers to make its seeds available at prices affordable to even the poorest of farmers? Students should also debate the question of piracy and lack of intellectual property protection in less developed countries. How do they think large multinational corporations should handle this problem?
3. Sustainability – While Monsanto is the first to assert that it has increased food production wherever its seeds are planted, many ask *at what cost?* Sustainability is an increasingly popular word in the business community. While Monsanto claims that it has helped

farmers grow more food in less space using less water, no one can make the argument that what Monsanto sells is a natural product. Students should discuss the products introduced in this case, and whether they think they offer advantages and hope to farmers. Is it problematic that farmers have become dependent on Monsanto for their seeds, pesticides, and herbicides? Or do they think there are better solutions out there? The case touches on the growing importance of organic farming, which purports to be a more thoughtful, sustainable solution to food problems that takes care of the land instead of maximizing output. Students can discuss the pros and cons of Monsanto's products, and what they think the long-term costs to people, animals, and society will be.

### Teaching Questions

1. If you were Monsanto's CEO, how would you best balance the conflicting needs of the variety of stakeholder groups that Monsanto must successfully engage?

Students will provide a variety of answers to this question. However, most will probably agree that, while the company may have made strides in terms of its corporate responsibility, Monsanto does not maintain the most ethical culture possible. Monsanto is in a difficult position, as it produces products that many people do not understand or trust. The corporation also does much business in very poor countries where it is very easy for critics to accuse Monsanto of taking advantage of people who do not know any better. Monsanto's low levels of charitable giving and history of ethical lapses do not help the company's case that it is seeking to improve the lives of the people of the world. However, Monsanto has poured considerable energy into publicizing its efforts to produce seeds that generate higher yields, use less water, and are hardier—thereby serving and improving the lives of stakeholders around the world.

2. Companies, like Monsanto, that can offer technology to improve human lives are often said to have a moral obligation to society. How can Monsanto best fulfill this moral obligation while also protecting society and the environment from the potential negative consequences of its products?

While this is a difficult question, parallels can be drawn with the pharmaceutical industry. Most research-based pharmaceutical companies give away their medicines to people who cannot afford them (both in the U.S. and in other nations). In matters of life and death, rational people will agree that companies that offer life-saving products have a moral obligation to society. Food, like medicine, certainly falls into this category. Students are likely to argue that Monsanto's "seed police" and plans for "sterile" seeds do not fulfill this moral obligation. With respect to the potential negative effects of genetically modified food, students should be encouraged to provide better answers to the problems of hunger and inefficient food production in less developed nations.

3. What can Monsanto do to alleviate stakeholder concerns? How could these actions be woven into the marketing strategy for the company's products?

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The answer for Monsanto is simple: trust. Students will argue that Monsanto's past lapses put them in a precarious position. Why should stakeholders trust Monsanto? In this case, actions speak louder than words. Unfortunately, Monsanto's current actions – low charitable giving, seed police, and sterile seeds – do not give stakeholders a basis for trust. Monsanto should revisit its policies and marketing programs in order to build trust. Biotech food may be a good solution to problems in less developed nations, but why should developed countries trust that Monsanto has their best interests in mind?