



The Coach's Notes:

Martin Richenhagen has been CEO of AGCO, the world's third largest manufacturer of agricultural equipment (and the power behind the Massey Ferguson, Challenger, Fendt and Valtra brands) since 2004.

Widely credited with rebuilding a business reeling from the double blow of losing its CEO and sales chief in an air-crash in 2002, he is the only German to lead a Fortune 500 company and is responsible for some 15,000 people worldwide.

A polymath and talented linguist, Richenhagen, 56, studied for degrees in theology, French literature and philosophy at the Sorbonne and the University of Bonn.

After toying with the idea of becoming a professional horse-trainer, he became a teacher, eventually launching his business career with the German steel group Hille & Muller. Richenhagen has evolved a distinctive management style and written extensively about it.

Dividing his time between AGCO's Atlanta headquarters and his German estate in Westphalia, he loves tinkering with vintage tractors. But horses are still his main passion. He was Chef D'Equipe of the German dressage team at the 2008 Beijing Olympics, returning triumphant with the Gold Medal.

From YQ Magazine, Great Britain

Martin Richenhagen

By Jane Lewis

You enjoyed an unusually varied early career. Would you recommend that to any young person starting out in life?

I would certainly recommend being open-minded, flexible and creative – trying things out things to see what

you can achieve. I never expected to run a big company. But I always wanted to learn new things and I was never afraid of change. If you don't have a plan, you are more versatile and more receptive to new experiences. I see myself as a lifetime student: if you

want to get one step higher, it's much better to learn than to get into intrigues and politics.

Do you view yourself as an internationalist?

Before coming to the U.S., I worked in Germany, Switzerland, the Nether-

lands and France. My first girlfriend came from Liverpool – I met her in London. I like to understand different cultures and countries. People aren't as flexible today as companies would like them to be. When a job was offered in a new city or a new country, I was usually pretty keen to take it – and it helped that I could speak English, French German and Italian. You can differentiate yourself by speaking more languages.

You're the only German CEO in the Fortune 500. How does your approach differ from that of other U.S. business leaders?

I was hired because the company was looking for a true international guy and that's more difficult to find in the U.S. than in Europe: Americans tend to like staying in their own country – and they don't learn languages. I think AGCO is a lot less hierarchical than many U.S. companies. On the surface, it is an egalitarian society, but my impression is that Americans are more hierarchical than they look. As a result, decision-making is very much consensus-driven. I'm more straightforward and outspoken, and I invite my people to be very open. In our culture, you're allowed to disagree.

Is management an art or a science?

A bit of both. There are some fairly scientific guidelines in my book "Simply Management," but they're based on my own experiences. The art part of management is down to style.

I don't present myself as the Godfather – I believe in the empowerment of people, and in delegation. And I think a sense of humor is crucial.

Forbes describes you as "conservative, patient, philosophical". True?

I'm conservative in terms of my business beliefs; but modern in terms of how I manage people. I try to be patient, but I don't like it when peo-

ple are very slow.

I don't lose my temper at work—that happens more at home. But, according to my wife, I'm improving... On the whole, friends and family say I'm the same person I've always been. I have kept my feet on the ground.

How has your Roman Catholic background and your study of philosophy influenced the way you manage?

Having that kind of background makes you broader as a person: you understand the world better than if you study law or economics. It gives you an understanding of ethics that goes way beyond just doing business responsibly. It makes you think about other people and the wider environment. I studied in Paris for year and my favourite philosopher is Jean-Paul Sartre [whose existentialist philosophy stresses the uniqueness of the individual experience, the importance of freedom of choice and of taking responsibility for one's actions].

How did you respond to the financial crisis?

2008 was actually a very good year for our industry. We caught the impact somewhat later. Last year was difficult, but the downturn was much less radical than in other industries. Overall, I was always more optimistic than most people – and I still am. If this was the biggest financial crisis in history, I think mankind survived it much better than anyone expected; mainly because we reacted fast.

Do you think it will lead to a big change in the way companies are managed, or do you predict a return to business as usual?

There's been a lot of political discussion around that question: President Obama seems to have a tendency towards heading in a more European direction. But, although I'm in favor of good guidelines and rules, I don't believe in the state run-

ning business, or managing the economy. The positive result of the crisis is that it has forced companies to start concentrating on their financial strength and independence again. We saw too many mergers in which size was the only benchmark. I think companies now will be much more diligent about analyzing the risks – and ensuring that their debt-to-capital ratio is reasonable.

How have you applied that philosophy at AGCO?

When I took over in 2004, debt-to-capital at AGCO stood at 60%; we're now down to zero. We had some pretty good years and I made a priority of paying down debt. AGCO was founded in 1990 and grew rapidly, achieving revenues of around \$4bn within 15 years – mainly because the company made around 30 acquisitions. But it lacked a clear strategy, so it was vital to focus on post-merger integration and to develop mission and vision. We came up with a major program of 100 strategic initiatives and, within five years, doubled the top line and made the company much more profitable. We don't make acquisitions any more; we're focusing on generating growth internally.

What processes have you introduced to encourage talent?

There was a lot of work to be done. We didn't, for instance, have a proper HR department – though that is perhaps an advantage if you want to create something from scratch. So we defined a global organizational structure, introduced a grading process, and then reviewed the portfolio of existing managers. The aim is to have a development plan for every individual in the company. A typical plan would describe an individual's strengths and weaknesses and define their development goals, including a road-map and a game-plan. We address any weaknesses either by giving them dedicated training [Richenhagen has founded an AGCO

University], or by rotating them into a different department.

How do you achieve ‘buy-in’?

Most of the management students we train go from being a student to a teacher – when you’re a teacher, you identify much more with the program. Making someone a change agent isn’t easy. But the more openly you talk about it, the better. Sometimes people think that you don’t need passion in business, but the more passion the better.

You say you’d like to stay on at AGCO for many more years. Doesn’t that go against the prevailing trend for ever shorter CEO tenures?

I’m not in favor of short assignments. CEOs in U.S. companies last an average of two and half years. That’s far too short. You need a five-to-ten year time frame to understand a company properly and develop and roll out strategies. I’ve been here six years and we’re not yet where we want to be. As long as I keep delivering results, and my board and shareholders appreciate what I’m doing, I’ll stay.

How important is succession planning, given AGCO’s past experiences?

Very. We have a succession committee at board level and get pretty positive feedback from Wall Street. But we concentrate on succession right the way through the organization: we run a two-day workshop on it every year and there’s a detailed succession-planning system. For any one position, we identify three potential successors – but obviously

every candidate has to have an alternative roadmap too. We don’t make the process 100% transparent because we don’t want to make it over-competitive. The important thing is people know what they have to do to get there.

How do you see the agricultural industry evolving?

Every minute, 156 people are added to the world population – we’ll reach ten billion within twenty years. The change towards a more protein-based diet in developing countries adds to the strain on resources: you need around six times the crops to raise animals. And there’s increasing competition for land for renewable fuel crops. All this at a time when we are losing 100 hectares of farmland globally every day: either to desertification or building infrastructure. So the challenge is huge.

Are you optimistic about meeting that challenge?

Our role is to provide technology solutions to make farming more efficient and productive. The agricultural sector has a great track record: there’s no other industry in the world that has shown such great leaps in productivity. Our vision for the future is for high-tech solutions to tackle increasing demand. I’m confident we will find a way.

What’s your position on GM crops?

Broadly very positive. I’m on the board of a company with a director from Monsanto and I’m reassured there’s no negative impact on human health. The intention is to help hu-

manity. If, for instance, you could develop a corn crop that needs just 20% of the water needed today, that would help a lot. There are a lot of myths surrounding bio-engineered crops. Most people don’t understand what they really mean – they’re just scared. I find it interesting that the main opposition comes from the cities of Europe. The concept is better understood in places like Brazil and the U.S. where people are closer to farms.

So what does keep you awake at night?

Normally I sleep very well. If I’m awake it’s mainly down to private things – like when my youngest son is downtown partying with my car.

What do you like to read?

I like reading novels. I’m a Francophile and Balzac is probably my favorite. But I read a lot and I’m a fast reader. The disadvantage of that is that I don’t remember so well! But that’s fine: after a year or so, it’s like having a new book.

What’s your solace in times of trouble?

My love of horses. I was a dressage rider – and I’m still a fan. I love the way that horse and rider combine together as a team. Training horses is about coaching and encouragement – very like training humans really. A difficult horse needs a lot of time and the right balance between motivation – such as hugging and candy – and tougher incentives, not all of which you can use with people.