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Case Analysis

The mission of Agrico is to provide efficient farm and ranch management services through three different arrangements (crop-share, cash-rent, and directly managing) depending on the customer. Agrico crop shares with their clients and sells to a commodity market. Thus Agrico’s generic strategy would be cost leadership since farming goods are commodities and we stated in lecture that “If you’re selling undifferentiated goods (i.e. commodities) you must be a cost leader in the market if you want to make a profit.” [1] Agrico’s organizational structure is a functional structure according to their organizational chart presented in the case. It provides a vertical tree diagram providing a CEO at the top and CFO, COO, etc. as you worked down the tree diagram.

The problem Agrico is facing is their current computer services are no longer acceptable for their present and future needs. A consulting firm recommended Agrico should switch to in house data processing but Agrico did not have expertise in this field. Agrico selected AMR to create their new software for their computer systems and all seemed well for Agrico. Except for when Agrico began to test the AMR software on their computer systems there were many bugs. Agrico did not know AMR fixes the bugs as they appear to their clients which makes Agrico’s system become less efficient. Also, Agrico wanted to take the software source code from AMR and make their own changes to the software source code, but AMR would not allow it because it was a breach to the contract between AMR and Agrico. AMR believed giving the source code out would give AMR less control over their client and their client could potentially sell the source code for profit. This tends to happen when you have no internal information system staff and are an adopter of information technology. Fried states “adopters make poor use of information technology, usually just adopting off the shelf products. Most adopters must build (or rebuild) a basic technological foundation.” [2] AMR seems to have a set foundation for Agrico and is willing to rebuild and modify their software for Agrico, but AMR is unwilling to let Agrico have their source code for themselves and make customizations as they please. AMR is even unwilling to allow Agrico to have backups of their software systems source code in house. Making it difficult for Agrico to make modifications because they are unable to easily revert back to the original code if the new code becomes corrupted. Agrico wants full control of their software information system but AMR is not allowing it.

In assessing Agrico with Porter’s Five Forces. The bargaining power of Agrico’s buyers seems to be low because both cash-rent and crop-share arrangements come with a binding lease agreement. According to Porter’s Five Forces, “reduce bargaining power to buyers by increasing switching costs.” [3] I would assume that the lease is signed by the clients and the lease agreement involves policies and penalties for breaking the lease agreement. Thus providing high switching costs for Agrico’s customers.

The bargaining power of Agrico’s suppliers seems to be high because their seems to be only one other supplier besides AMR that could potentially fulfill Agrico’s software package. According to Porter’s Five Forces, factors that increase supplier power “few substitutes are available.” [4] Reiterating Agrico’s suppliers having high bargaining power. Also, It is mentioned in the case that the one other supplier could not meet all requirements Agrico was asking for. Thus increasing supplier bargaining power even more.

The threat of new entrants seems to be high considering the farming industry is very large and Agrico is an adopter of technology that virtually anyone can adopt and enter the agricultural management market with. The only issue for new entrants is Agrico is one of the larger agricultural management firms making it difficult to compete with them.

The threat of competition seems to be low. There is no direct mention of competition in the case but I would assume since Agrico is one of the larger agricultural management firms in the nation that they would be hard to compete with. Considering that Agrico has high market share.

The threat of substitutes seems to be low. There is no mention of substitutes in the case, but I would assume since Agrico provides lease agreements to clients that are binding lease agreements, the agreement provides high switching costs to switch to a substitute service.

The main stakeholders involved are George P. Burdelle who is the Vice President of Information Systems at Agrico, AMR who is the vendor and provider of the software for Agrico’s information systems, Agrico shareholders, and Agrico clients.

My first alternative would be to do nothing. Agrico would continue to allow AMR to make all requested modifications and bug fixes as they are discovered in operation. Also, they would trust AMR in providing all software backups if Agrico needs them. Agrico would do this instead of copying the source code that Jane Seymour left open on her company computer while she went to dinner. Cash states “rapidly evolving information technologies are altering employees life in three ways: by creating new work, new working arrangements, and new human resource issues.” [5] This is what Agrico is currently witnessing as they created new positions for managing their new information’s systems software and hiring a Vice President of Information Systems. If the source code is copied from Seymour’s company computer then HR as well as legal would become involved if AMR and Agrico are caught in a lawsuit. Although, it is completely normal for Agrico to be having hardships with their new software information system. Fried states “ To be successful, planning technology strategy and acquiring and introducing new technology must be a continuing effort in support of business operations and strategic planning.”[6] Agrico may not have the best planning strategy for their new technology but Agrico could adapt to the way AMR wants to display power over them. If Agrico and AMR do not put aside their differences it could force Agrico to have less of a moral attitude towards AMR.

By doing nothing Vice President Burdelle would continue to argue with Rodgers about not allowing Agrico to have full access to the source code and not being able to hold back ups of the software for themselves. AMR would continue to hold the source code and not have to stress about Agrico potentially selling the source code to make profit. Agrico’s shareholders would not be pleased because Agrico’s efficiencies would soon be affected due to the amount of time it takes to perform modifications and acceptance testing of the software information system. This could lower shareholder return. Agrico’s clients will begin to become frustrated because the information system software could have bugs that would affect their efficiencies of production.

The second alternative would be to breach the contract AMR and Agrico share and take the source code off of Jane Seymour’s company computer. Morgan states “conflicts arise when interest collide.” [7] Agrico wants a copy of source code and AMR will not give them one. AMR wants to uphold their control of scare resources. Morgan states “control of scare resources is the ability to control the flow of resources, such as money, materials, technology, or personnel. We can also increase our power by reducing our dependence on others.” [8] Agrico has to fully depend on AMR to modify, repair, and store backups of their source code. Agrico does not believe this is in their best interest because they have no control over their software information system. This is where business ethics could give Agrico the reasoning that for the best interest of the company, Agrico must take the code for themselves and store the code themselves. We stated in lecture that “ethics is about costs.” [9] If Agrico believes the costs of taking the source code from Seymour’s computer is less than the cost of breaking contract with AMR and potentially getting themselves into a lawsuit between AMR and Agrico, then it is ethical for the business to do so.

By taking the source code from Seymour, Vice President Burdelle would be pleased because he would finally have full control of modifications and backups of the source code.

AMR would not be pleased because Agrico would have breached their contract between each other and potentially AMR would file a lawsuit against Agrico. Agrico’s shareholders would be pleased because the new software information system would be fully controlled by Agrico and shareholders would expect the new software system to increase revenues providing greater shareholder returns. Agrico’s clients would be pleased because the new information system would be more efficient because Agrico would have full control of what their clients need and have easily accessible source code backups for when the information systems are being enhanced or modified.

To conclude, the best alternative would be to do nothing. The reason being is many firms encounter hardships when they rapidly evolve information systems like Agrico. Also, Agrico has never not had full control over their operations which is nerve racking to them because they are a management firm. Agrico is not used to having other firms doing the managing for them. If Agrico and AMR work out their differences in beliefs I believe it will work out for the best. This is because once the testing of the new software on the information systems is rid of all bugs then Agrico will become more efficient and produce more throughput than they were with the old computer services. Goldratt states “The goal of an organization is to increase throughput while simultaneously reducing inventory and operating expense.” [10] Also, Agrico will avoid a potential lawsuit from breaching the contract between Agrico and AMR. This would have produced bad publicity for Agrico and that could persuade clients to opt out of their lease with Agrico.

**Sources**

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