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Agrico Case 5 Analysis

The Issue:

Agrico is a public company that manages many agriculture properties that has a large portfolio that is valued at 500 million currently. Agrico recently decided that they needed a new IT infrastructure. Agrico selected AMR for the software portion of their new IT infrastructure. However, Agrico has been having some issues with AMR and has already sunk 70000$ into their software development with AMR so it is too late to consider changing vendors. The major disagreement lies around the source code, AMR does not want to give Agrico access to their source code and wants to instead escrow it so that Agrico can have access to it in case of an emergency. The issue is that Agrico wants access to the source code because they might be locked into their current software release and unable to update it over time. Currently, Agrico has an opportunity to copy the source code because the AMR developer left it open on her computer during her lunch break. The issue Agrico faces is whether to take the source code or not.

Mission, Generic Strategy, Porter's 5, and Organizational Structure:

Agrico's mission statement is "To help the agriculture industry thrive by providing superior managing services to farms and ranches". Agrico does this by using differentiation one of Porter's generic strategies. According to Tucci: "A product is differentiated if customers perceive it to have something of value that other products do not have. A firm can differentiate its products in eight different ways: product features, timing, location, service, product mix, the linkage between functions, linkage with other firms, and reputation" (Tucci 55). Agrico does this by standing out in its field of agricultural management. Porter's five forces are a way to tell a company's current health, it is made of the bargaining power of suppliers, the bargaining power of customers, the threat of substitutes, the threat of new entrants, and the threat of competitive rivalry According to team FME "Any organization needs raw materials and this creates buyer-seller relationships between the market and the suppliers. The distribution of power within such relationships varies, but if it lies with the supplier then they can use this influence to dictate prices and availability". (team FME 25). Agrico's threat of suppliers' bargaining power is something to be worried about. Whilst Agrico's current portfolio is valued at 500 million, Agrico must still get farmers to agree to their terms and supply Agrico with their portion of crops. The farmers, who are the suppliers, do have some power and Agrico must be aware of that. Agrico's customers' bargaining power is something that isn't a current threat but must still be monitored. Agrico's main customers are usually pension funds where Agrico acts as an agent where they buy equity in the farms to generate returns. Agrico must continue to generate revenues and keep current clients happy so that they do not wish to bargain. The client's bargaining power is still somewhat high because they can always take their business elsewhere and to combat this Agrico must differentiate itself from the rest of the competition. The threat of substitutes is the next force and according to team FME: "Substitutes can be defined as those products or services that meet a particular consumer need but are available in another market. A substitute product is a product from another industry that offers benefits to the consumer similar to those of the product produced by the firms within the industry."(team FME 22) The threat of substitution is somewhat high because pensions funds can always invest elsewhere, and to combat this Agrico must differentiate itself from the rest of the competition. According to team FME threat of new entrants is:" The number of potential new entrants into a market varies considerably and is a key factor you need to quantify. Sectors that require high levels of investment and expertise are much harder for new organizations to break into and challenge the existing providers, which protects the profit levels of the existing players."(team FME 20) The threat of new entrants is not a concern for Agrico, they already have a large portfolio of 500 million dollars, and this represents a large entry barrier to the agricultural management service industry. Agrico's competitive rivalry situation is currently unknown, it is unknown if this industry is filled with competitors or not. However, Agrico can protect itself from potential competitors by differentiating which will set Agrico apart from any potential competition. Agrico is using a classical organizational structure with a CEO in charge of Marketing VP, CFO, Chief Officer, and COO who are in charge of people in their departments.

Key stakeholders:

The key stakeholders at Agrico are employees, customers, suppliers, shareholders, and AMR's stakeholders. Employees will be hired more frequently and paid more if Agrico continues to be successful. If Agrico does poorly Employees might be let go, hired less, and paid less. Customers will continue to get returns from their investments if Agrico continues to be successful. If Agrico does poorly customers will receive fewer returns from investments and maybe even losses. Agrico's suppliers are the farmers, if Agrico does well farmers will continue to get quality management and will be less stressed. If Agrico does poorly it will result in farmers having a poorer quality in their management and will cause the farmers' stress. Agrico's shareholders depend on Agrico to perform well so that they can maximize their return on investment. If Agrico does well then shareholders will receive larger returns and if Agrico does poorly then shareholders will receive fewer returns and maybe even incur losses on their investments.

AMR's shareholders are also impacted based on how well AMR's software implementation goes. If AMR's Agrico software implementation goes poorly AMR's shareholders will be negatively impacted as well because the Agrico software will be a large source of income for AMR and a company's income typically impacts its stakeholders.

Alternatives and impacts:

There are two options for Agrico to either secretly copy the source code or not. There are risks either way. The main issue is that if Agrico copies the source code, they are breaking their contract with AMR and this risk could potentially harm stakeholders. If Agrico copies the source code this breaks the contract that they signed with AMR. This poses a risk to all of Agrico's stakeholders because if a lawsuit occurs it could hurt Agrico's reputation even if they win the lawsuit, and if they lose the consequences are unknown. Agrico's reputation getting hurt would decrease their profits because potential customers would be more hesitant in doing business with Agrico and decreased profits would hurt employees, customers, suppliers, and shareholders also AMR's stakeholders would be negatively impacted due to the negative perception of AMR being involved in the lawsuit. With decreased revenue employees would get hired less, paid less, and even fired if the company starts performing significantly worse. Customers would start receiving fewer returns on their investments and potentially even losses depending on how bad the lawsuit goes. Agrico would be unable to grow their portfolio and that means that the demand of suppliers of farmland would decrease and leave them with less revenue. Shareholders would receive fewer returns and maybe even incur losses on their shares depending on how poorly Agrico's lawsuit goes. AMR's reputation would also be hurt in a lawsuit, and this would hurt their key stakeholders by decreasing AMR's potential revenues as well. If Agrico doesn't copy the source code, they could potentially be forcibly locked into the system without any means to enhance or update it which means that they could have to eventually get new software which would be yet another massive cost. The risk here is having to incur yet another massive cost for new software which would decrease profits which would hurt Agrico's key stakeholders. With decreased profits employees would get hired less, paid less, and even fired if the company starts performing significantly worse. Customers would start receiving fewer returns on their investments and potentially even losses depending on how bad the profits are. Agrico would be unable to grow their portfolio as much as usual and that means that the demand of suppliers of farmland would decrease and leave them with less revenue. Shareholders would receive fewer returns and maybe even incur losses on their shares depending on how poorly Agrico's profits would be.

The best alternative and why:

There are risks for either decision in which could adversely impact key stakeholders. Fried says regarding how managers make data analysis decisions: "Stakeholder analysis: Identify all parties with a stake in the issue. Who will be affected by this data access decision? What are the consequences to each party of data access and disclosure?" (Fried 230). So, the right decision here is where the risk is least for the key stakeholders. Not copying the source code is the best alternative for mitigating risk to key stakeholders and is the action that should be performed. Both risks are an impact on profits and revenue, and I think the lawsuit would have a higher impact on revenue and hurt key stakeholders more than not having the source code would. The lawsuit also brings a worse impact on Agrico's reputation which hurts the chances that potential customers and suppliers would use Agrico as an agricultural management service. Also, according to Martin Friedman shareholder theory: "Martin Friedman believes that businesses do not have any moral obligations or social responsibilities at all, other than to maximize their own profit. This view is called Shareholder Theory" (Friedman 1). Any publicly-traded organization has an obligation to shareholders to maximize profit and not copying the source code minimizes the risk of losses so that in turn helps benefit shareholders.

Conclusion:

In conclusion, I believe Agrico should be protecting key stakeholders by choosing the option with the least amount of risk. The option with much more risk is copying the source code so Agrico should not copy the source code because it is the less risky option. This will have the least risk because they can always make new software, but a lawsuit would hurt Agrico's reputation with customers and suppliers in which it would be hard to gain that reputation back. Also, both options have the potential to affect Agrico's profits and the lawsuit would potentially impact Agrico's profits more than new software would. Therefore, I think Agrico should play it safe and not copy the source code.

Sources:

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