

# **Agrico**

**Matt Beisler**

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## **Summary**

Agrico Inc. was started in 1949 by two farmers in Des Moines, Iowa and exists to provide farm and ranch management services across the Midwest. Agrico provided service to 350 farms with a total of 691,000 acres of farmland. Agrico had a portfolio market value of \$500 million in 1987. Agrico “acted as an agent, buying equity interests for clients and managing those to provide cash flow and capital appreciation” (McFarlan).

Agrico’s three business process were a crop-share lease arrangement, cash-rent leases, and direct management of properties. Crop-share arrangements made up 47% of the portfolio and was an agreement that saw farmers using land owned by Agrico in exchange for a portion of crops each year. Cash-rent leases saw farmers make cash payments in exchange for the use of land and made up 51% of the portfolio. Agrico’s direct management made up the remaining 2% of the portfolio.

## **Mission Statement**

Agrico’s mission was to provide management services for the agriculture industry and operate utilizing the cost-leadership strategy. Agrico offers various solutions to clients that benefits the client and Agrico while being able to cater to certain needs. Agrico is wanting to make money both now, and in the future (Goldratt).

## **Problem**

The problem with Agrico is an ethical issue with a firm called AMR. Since Agrico was not a tech company, they used AMR to build up their IT infrastructure. AMR was a small software based in Nebraska and founded in 1977 by A.M. Rogers. They sold a singular software package which consisted of a system used to manage farm and ranch portfolios, to 12 clients in 9 different states. Agrico and AMR signed a contract stating that AMR would provide software consistent with Agrico's needs for a price of \$200,000 and an additional monthly fee of \$2,000 as a maintenance fee. As a part of the agreement, AMR's code was maintained in escrow with a third party and Agrico had limited access to the source code, only allowed to see while necessary to test the system.

Agrico quickly realized that AMR was not a great fit. Although AMR gave a singular software package to all clients, all clients until Agrico only utilized some of the options offered. AMR develops deleted and added code based on client needs. Agrico wanted to utilize all options offered by AMR, but they did not work correctly when used. Agrico also noticed that some functions were not tested, and that AMR installed and converted software then fixed bugs only when they were discovered by the client. The relationship between AMR President A.M. Rogers and the Agrico project lead, George Burdelle quickly diminished as Rogers did not want to deal with the defects that Burdelle's team was finding. Agrico developed overtime a relationship with Jane Seymour, an engineer for AMR, who offered to leave the source code open on a computer while she left for dinner.

Burdelle is in a dilemma on what to do in regard to the future of AMR. Burdelle wants to abide by the contract with AMR but also doesn't want to jeopardize the clients they have. Burdelle has offered to outright buy the source code from Rogers, in which he refused in fear that the code would be stolen or sold.

## **Industry Competitive Analysis**

### **Five Forces Analysis**

1. Rivalry among Existing Competitors: Low – Although agriculture is a narrow industry that is limited to suitable farmland, Customers are bound by contracts. This means that even it is difficult for customers to switch to a competitor.
2. Threat of New Entrants: low – Agriculture is a narrow industry that is limited to suitable farmland and with this in mind, the only way a new entrant can be competitive is buy buying suitable farmland which would be difficult and costly.
3. Bargaining Power of Buyers: Low – The majority of the clients of Agrico utilize land that is owned by Agrico. If a client wanted to switch to a competitor, they would have to find new land to farm on. Also, clients are under contract with Agrico, they could not leave for a competitor until the contract is over (Porter).
4. Bargaining Power of Suppliers: High – From an operational standpoint, labor from the farmers is the only requirement and the farmers are under contract. From a technical standpoint, AMR has a large leverage on Agrico. AMR is the sole holder of the source code of the software solution that Agrico utilizes.

5. Threat of Substitutes: Medium – Banks can offer the same financial support to farmers that work on land not owned by Agrico.

### **Stakeholders**

George Burdelle – Burdelle has a large stake in the outcome of the problem. Burdelle is the person responsible for the negotiations between Agrico and AMR including the contract.

“Manager’s choices of when and what IT tools and data to acquire or applications to develop are complex” (Cash). If Burdelle copied the source code Agrico could face legal repercussions which would be drastically detrimental to the stakeholders.

Agrico Employees – If Burdelle decided to copy the code from AMR and got caught, Agrico could face legal repercussions which could lead to having to fire employees.

AMR / AMR President A.M. Rodgers – In the case that Agrico copied the source code and it got leaked, AMR would lose the sole profiting product they own. Without the code, AMR loses all of the competitive advantage that they have.

Agrico Customers – Agrico’s customers consist of all of those who rely on Agrico’s properties. These customers depend on Agrico to be able to efficiently farm.

### **Alternatives**

Do Not Copy the source code – Not copying the source code would save Agrico from any potential legal fees from a contract break. Agrico would still be at AMR’s mercy as Agrico would have to wait for AMR to make any code changes. Agrico would still be responsible for the monthly maintenance fee to AMR. Employees would keep working as normal. Customers

could get upset if when the software package by AMR is implemented and bugs cause issues with client assets.

**Copy the Source Code** – This scenario would see Burdelle copying the source code from Jane Seymour's computer while she is at dinner. Burdelle would see this as doing the right thing to have a great impact on the firm (por). This would put great risk on Agrico, if AMR found out that AMR has the source code, they can take legal action as they violated the contract. Burdelle could potentially lose his job. Clients may feel inclined to take their business elsewhere as they may not trust Agrico. Employees may be laid off to recoup legal fees.

### **Chosen Action**

The best course of action for Agrico is to not copy the source code. The repercussions from AMR discovering that Agrico is in possession of their source code outweigh the potential upside. After AMR discovers the code is compromised and start an investigation, they will eventually discover that Agrico is in possession. This would be a breach of contract and Agrico would face legal consequences. Burdelle would be able to keep his job if he decides not to copy the code. Agrico employees are still employed, and AMR does not lose the precious code that they keep away from the world. Agrico customers have the potential to face problems due to the software package by AMR. This could cause some customers to leave for competitors.

## Works Cited

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