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Agrico Case

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**Executive Summary**

Agrico Inc. was formed by two farmers in Iowa in 1949. They provided farm and ranch management services for over 690,000 acres of land across multiple midwestern states. They had a market value of $500 million in 1987 and were ranked as one of the largest agricultural management firms in the nation. They had four regional offices, and each housed an average of five farm managers. Using the managers Agrico was able to provide cost effective management services for over 350 farms and ranches.

Agrico would act as an agent and equity interests in farms and ranches for their clients and managed them to provide cash flow and appreciation. They also had three different arrangements for the properties including directly manages arrangements, crop-share arrangements, and cash-rent lease agreements. 47 percent of Agrico’s arrangements were under crop-share lease agreements, under these agreements tenant farmers would agree to farm Agrico land in return for a portion of each year’s crops which Agrico would then sell. 51 percent of Agrico’s arrangements were under cash-rent leases, under these agreements’ farmers made cash payments for the use of land.

To automate and modernize business processes Agrico contacted AMR’s software and built an information systems team to manage new software. Due to some negotiation tensions between Agrico and AMR regarding backup and source code, Burdelle was tempted to take advantage of an opportunity to steal AMR’s source code. The following analysis will give a full organizational image of Agrico, their courses of action, and then offer a recommendation based on the facts provided.

**Mission**

Agrico’s mission is to offer land management to farmers in exchange for a percentage of the crop yield or cash. The crops that are gained this way are then resold on commodity markets. These products and services are offered to Agrico’s clients through a cost leadership strategy and value chain process.

**Five Force Analysis**

Threat of New Entrants: Medium

Given what Agrico offers, there is a small field where new entrants could enter but it would be hard for them to compete with an already established company.

Threat of Substitutes: Low

There is very little differentiation here. The threat of substitutes would be low.

Supplier Power: Low

There aren’t any required raw materials needed since Agrico only manages farms and ranches.

Buyer Power: Low

Since the field is so small buyers don’t have many options when it comes to farm management. Agrico is also dealing with commodities where the market helps determine the cost.

Degree of Rivalry: Medium

If new competitors did decide to enter the market the rivalry could be high if the new firm had enough money and resources to get stated.

**Organizational Structure**

Agrico has a functional organizational structure. Their organizational chart has traditional boxes and sticks style with a clear indication of the hierarchy. The structure that Agrico is using seems to work with their corporate functions and reginal offices that are designed for higher involvement in operational processes.

**Stakeholders**

The first stakeholder would be the clients and customers. These include all the customers and clients that work with Agrico daily. The second stakeholder contains all 83 of Agrico’s employees. Burdelle and A.M. Rogers are the final stakeholders, they are the ones who own and run the company.

**Problem Areas**

The main problem given in the case is how Agrico should manage its declining relationship with AMR and fix their concerns about business functionality and backup processes. Their relationship was strained because of AMR’s software cost outweighing the benefit for Agrico causing rejection of the technology (Smith).

**Options**

*Option 1:* Do Nothing

If Burdelle decides to do nothing, then he will choose not to do anything with the source code left on the computer. This will also mean that Agrico will choose to trust AMR with storing the source code and updating it to fit the future needs of Agrico. Agrico’s customers will continue to get service, but this could affect how Agrico operated in the future and if they will be able to manage current and future clients.

Agrico employees would be affected because if nothing is done then they will still be able to operate on a normal schedule with the equipment that they already have. They may discover bugs in the system, but AMR will fix them. Also, Agrico would not be able to make any modifications to the code. Burdelle will help make the decision, if he does nothing the contract won’t be violated and he would put his trust in AMR storing the code.

*Option 2:* Steal the Source Code

If this course of action is taken, then Burdelle will choose to copy the source code and send it to the off-site storage facility. This would breach the contract signed by both Agrico and AMR, this in turn could cause fines and/or AMR backing out. The customers would continue to get service from Agrico, but the customer service could be a little slower due to the potential lawsuits that could come from the breach of contract.

The employees would also be affected by this because they would be able to modify the source code and make it do what they need it to. If AMR found out about this then fines could be given as well as negative publicity. Burdelle would be the most affected by this because he would be the one making the decision. If they found out that he did this then he could lose his job and be taken to court.

*Option 3:* Restructure the Contract

A final option for Agrico would be to attempt to restructure the contract. If they were to succeed, then one of the possible results could be Agrico obtaining the source code legally. However, given the current rift between Agrico and AMR this would be unlikely. Agrico is currently not able to build their own software and the best option is AMR. Therefore, any negotiation would most likely create more tension.

**Conclusion**

With the analysis given, it is apparent that the best solution for Agrico would be to do nothing. This is the most ethical and moral decision to make sense Agrico decided to enter a contract with AMR. The contract states that only AMR can make changes to the code so Agrico will have to trust AMR with this. Burdelle is trying to make the best decision for the company, if he make this decision then Agrico will be kept out of legal trouble and kept them on the right path.