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CIS410-01

Case: Agrico

Due: Thursday, March 21, 2019

**OVERVIEW**

Agrico was started in 1949 by two farmers in Des Moines, Iowa. They provide farm and ranch management services for 691,000 acres of land in several midwestern states. Their market value in 1987 was $500 million which ranked them as one of the nations larger agricultural management firms.

Agrico had three different arrangements for their properties. These were crop-share lease, cash-rent lease, and direct property management. Crop-share lease made up 47 percent of their portfolio, cash-rent lease made up 51 percent, and direct property management only made up 2 percent.

In 1985, the Agrico executives decided their existed arrangement for computer services were no longer adequate. Agrico did not have internal computer systems staff, so they contracted with a large consulting firm to get the advice and recommendations for their computing needs. Agrico expected one software package that could be used for all three of their property arrangements.

**MISSION STATEMENT**

To provide farm and ranch management services in a cost-effective manner, primarily through cash-rent leases.

**ORGANIZATIONAL STRUCTURE**

Agrico had a functional organizational strategy. All the decisions were made by the executives which means it is a vertical, all of the information would flow from the executives down to the managers and to the workers. Agrico was broken up into different departments which were Marketing, Treasury, Corporate Operations, and Farm Operations. When an organization grows beyond the affairs that can be handled by a single group of people and one boss, management usually opts to form a functional structure (Cash).

**Generic Strategy**

Agrico used a cost-leadership generic strategy. They focused on offering the cheapest prices possible while still profiting. They focused on automation to improve productivity to keep costs down and wanted a software package that could handle all their arrangements.

**PORTER’S FIVE FORCES**

Organizations use the Five Forces Analysis to help them make a qualitative evaluation of their strategic position (Porter).

***COMPETITIVE RIVALRY***

Agrico has a low competitive rivalry. They are already an industry leader and have a huge customer base. They are very efficient at what they do so it would be hard for someone to come in and do the same thing for a competitive price.

***THREAT OF NEW ENTRY***

There is a high threat of new entry for Agrico. Since Agrico is a management firm, they don’t have an extremely high startup cost since they are managing another company’s farms. They would just need the knowledge.

***BARGAINING POWER OF CUSTOMERS***

Agrico customers have a low bargaining power since they do not have many management companies to choose from and Agrico is an industry leader.

***BARGAINING POWER OF SUPPLIERS***

If the software company is considered the supplier, they would have a high amount of bargaining power. Since it is one program to handle all three of Agrico’s arrangements, once they are switched over to it, they will be very dependent on it.

***THREAT OF SUBSTITUTES***

Threat of substitutes would be high. If the customers don’t like the way Agrico is managing their farms, they could potentially just do it themselves especially if it would save them a lot of money. They would just need the expertise.

**PROBLEM**

There were issues between Agrico and AMR where Agrico’s attorney got involved. AMR did not want to release the source code to Agrico because they did not want Agrico to modify the software themselves. Only AMR was allowed to make modifications to the code. It was odd that Rogers would not release the source code since in the contract it explained that Agrico could not copy or sell, reprint, give, or allow access to anyone not employed by Agrico. Rogers (AMR) and Burdelle (Agrico) went back and forth all the way up to the signing of the paperwork. Rogers was afraid that Agrico would modify or sell the source code. Conversations really got no where and came up empty. Power is the medium through which conflicts of interest are ultimately resolved (Morgan). Roger did not have a good reason to keep the code from Agrico since the contract already protected it from being misused. It is likely that since Roger had already done the same thing with his previous 12 clients that he was affected by the psychic prisons concept. “That is how it has always been done” (Morgan).

After an agreement was reached, the code was delivered and began the software acceptance testing. It was discovered that there was no standard software. There was a different version for each of AMR’s clients and none had used all of the features together. Options worked individually but had problems when combined. It was AMR’s practice to install the software and fix the bugs as they were discovered by the client. At this point, Burdelle had to consider discontinuing the relationship with AMR or looking for other vendors. AMR did not receive most of their money until the acceptance testing passed.

**STAKEHOLDERS**

**Agrico Clients –** These are the Agrico’s clients, if bug filled software is implemented, this could jeopardize their assets.

**Shareholders –** This is anyone who has stock or investments in Agrico

**AMR –** AMR is the company developing the software for Agrico. They have 12 other clients that they provide different versions of the software to.

**Agrico Employees –** These are the executives, and employees that will be using this software to manage their clients.

**ALTERNATIVES**

**DO NOTHING**

With this alternative, the software will be implemented, and they will stick to the idea of fixing bugs as they are found since there is no standard version. This will be a huge risk for Agrico since they have a large customer base that they provide management services for. This could jeopardize their client’s assets.

**Agrico Clients –** This option would create a risk for the Agrico Clients. Their clients are expecting a reliable management service. This will create unnecessary risk for them. This could potentially be a huge negative impact.

**Shareholders –** If bugged software is implemented and it creates huge problems for Agrico, this could cause their stock to drop if this leads to significant issues for their clients. This would be a negative impact on shareholders.

**AMR –** This would probably be good for AMR because they would still get paid on time on there normal schedule and can fix their issues after the fact. This would be a positive impact on AMR.

**Agrico Employees –** Doing nothing will create frustration for the Agrico employees if they are trying to operate software where bugs keep popping up. Frustration for the employees would obviously move up the chain to the executives.

**CREATE A COPY OF THE SOURCE CODE**

Since Jane Seymore “looked the other way” in leaving the source doe on the computer when she went to dinner, Agrico had a chance to make copies of the source code to use in the future to make any changes needed. This however would violate the contract and could allow AMR to potentially sue Agrico. This solution would break the law and hurt the relationship between AMR and Agrico if AMR were to find out. If Agrico doesn’t abuse the fact that they have the code, AMR may never find out it was copied. Ethically, this could be a good choice for Agrico but morally, it would be bad since it violates an agreement. New IT capabilities raise new ethical concerns, which, if not addressed effectively, may result in disgruntled employees, dissatisfied customers, and lawsuits (Cash).

**Agrico Clients –** This would improve the quality of the software and have a better impact on Agrico’s clients.

**Shareholders –** This could be a risk for the shareholders depending on if AMR decides to sue or not.

**AMR –** This could still be positive for AMR because they will still get the contract which will increase their revenue.

**Agrico Employees –** This alternative will make employees jobs easier, but it would put the company at risk. If AMR found out, they could sue.

**RECOMMENDATION**

My recommendation would be to do nothing. Violating the contract would be a huge risk. If there was ever a disgruntled employee working with the code, he could potentially tell AMR that it was copied. This would be hard to monitor and prevent anyone from sharing the information. After the testing, Agrico just needs to put pressure on AMR to fix the bugs and get the software working in an acceptable manner. While taking the source code may make Agrico more money now, it may not make them more money in the future if they get sued. The goal is to make more money now as well as in the future (Goldratt). Having an effective software to manage clients is Agrico’s bottleneck. As long as they get something better than what they are currently doing, they will be able to take on more clients and keep costs down. The capacity of a business is equal to the capacity of its bottlenecks (Goldratt).

**Works Cited**

Goldratt, Eliyahu M., and Jeff Cox. *The Goal: a Process of Ongoing Improvement*. Routelege, 2016.

“Porter’s Five Forces: Strategy Skills.” Team FME, 2013, pp 1-33

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Morgan, Gareth Images of Organization. SAGE publications, CA, 1986