**Agrico**

**Case 5 Analysis**

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**Executive Summary**

Agrico was started in the Midwest by two farmers in 1949, in Des Moines, Iowa. They started providing services to 691,000 acres of land. Later in 1987, Agrico had a market value portfolio at $500 million. They boast four regional offices, each with about five managers.

Agrico has 3 main business processes. Crop-chare lease arrangements, 47 percent of their portfolio where tenants would farm Agrico managed land for a portion of the year’s crops. Cash-rent leases, 51 percent of their portfolio, “farmers made cash payments for use of the land.” (Cash, Agric0, 770). Lastly, Agrico also managed some of their own land.

AMR is a vendor of farm management software that was selected to implement a new system for Agrico. Modifications and enhancement requirements were identified for the system. Dates and the full contract for AMR and Agrico was set up and purchased for $200,000. As well as 20 percent upon contract signing, 60 percent 30 days after acceptance testing, and the rest 90 days after system conversion. A maintenance fee would be paid once every month at 1 percent. The sy stem would be maintained in escrow with a third party to insure backups.

**Mission Statement**

Agrico is ranked as one of the larger agricultural management firms in the nation. They also would not allow for any new systems code to be installed before all bugs were tested and fixed, this led to a longer wait time for an install. Agrico seems to be striving to do well for their clients and create better opportunities for their company.

**Main Problem**

The main problem that Agrico faces is what to do while under their contract with AMR. They have been experiencing many communication issues with A.M. Rogers, the founder of AMR. Under their contract Agrico is allowed to have access to the source code for the newest system under implementation. However, Agrico is not allowed to store the code themselves. This has proven to be a larger than needed problem when finding out just how AMR operates their code. Another importance is that “without having source code, there was potential for our being forever locked into the existing code with no chance for enhancements or modifications.” (Cash, Agrico, 774) This is mainly an ethical contract problem. Agrico’s goal is to “make money now and as well as in the future” (Goldratt). This goal is not met if their system is filled with bugs or the system is unable to be modified.

**Organizational Structure**

Organizational structure is divisional for Agrico. This is because there are individual divisions in charge of different geographical regions. Each area of lands is managed by its own division.

**Generic Strategy**

**Porter’s Five Forces Analysis**

Competitive Rivalry

The threat of rivalry is low to medium. The industry Agrico is in is narrow and difficult to join. No rivalries are mentioned, however, there has to be at least some competition. This competition could be in the form of independent farmers, differing farm management services, or larger farming corporations not needing outside management.

Threat of New Entrants

The threat of new entry is low because Agrico is quite established. It is difficult to acquire a large amount of land that can be used as an asset for use in the same 3 main business process that Agrico offers. Agrico is also one of the largest in the nation and that is difficult to match.

Threat of Substitutes

Threat of substitutes is a medium risk. Substitutes are shown earlier as forms of competition. They are independent farmers, self-managing large independent farming corporations, and other management firms.

Bargaining Power of Buyers

Bargaining power of buyers is low. Once a contract through Agrico for land is made payments are set for the whole time.

Bargaining Power of Suppliers

Low risk. There are not a lot of issues that could arise from relying on a supplier. Agrico mainly manages farmers and farmland and only has to sell crops within commodity markets. This means that there are not a lot of suppliers. However, AMR is a supplier that seems to have some control. They are Agrico’s largest “supplier” right now.

**Business Process Modeling**

Agrico is a Value Network. Value Network, “which involves brokering and intermediating. Companies competing under the value network model facilitate transactions between diverse communities, for example, by bringing buyers and sellers together.” (Afuah, 122) This is a result of Agrico bringing farmers that own a portion of their land profits and are also allowing them to get 10 percent of the land’s crops.

**Key Stakeholder Overview**

1. CEO, Henry Hockenberry
   1. He is affected because it is his company, and he does not want to see it fail.
2. Vice President of Information Systems, George P. Burdelle
   1. Burdelle has been invested in this whole project since fruition. He has worked alongside this new system and AMR.
3. Systems and Programming Manager, Louise Alvaredo
   1. The system that Alvaredo would be managing is currently not ready and in negotiations.
4. Agrico Clients
   1. Changes and bugs found in this new system would greatly affect the clients that use the systems for their lands.
5. Shareholders of Agrico
   1. Having a stake in what their clients perceive them as may affect their paychecks.
6. Jane Seymour, AMR software engineer
   1. Jane left the source code and is therefore liable for what may happen to that source code after Burdelle makes his decisions.

**Alternatives**

1. Do Nothing (and correct the Roger relationship)
   1. This decision would allow for the already in place contract with AMR to finalize and allow input of the newest system they have been working and paying for.
2. Copy the software and store it themselves.
   1. First this would affect Jane Seymour because she is the one that left the source code, she may lose her job. Also, there is any understanding as to why Burdelle would want the copy. First it would really help for modifying the source code, but also through “technology as a means of obtaining autonomy, reliability, and power” (Morgan 6). Having more of this power would allow for assurance within Agrico. This decision seems like a PR and Lawyer nightmare. It is clearly stated in the contract that copying is not allowed.
3. Try and renegotiate the AMR contract.
   1. The Agrico lawyer is sure that the ambiguity of the contract might lead to a push against AMR and a new contract that better fits the system needed. This is an unsure route to take and may end up with way too much money spent and not worth the time it would add to having a clear system done when needed.
4. Hire another software firm.
   1. This decision would take a large amount of time and show a waste of assets for the payments that would still need to go to AMR for the previous contract.

**Course of Action**

Agrico should choose to do nothing. While the contract is ambiguous about certain things it clearly states, “The software may not be copied or reprinted in whole or in part without prior written permission.” (Agrico, 775) AMR would be able to sue. There has been a lot of work gone into a system that is close to being fashioned for what Agrico wants. If having the source code was so important than Burdelle should have stood firm on applying it in the contract.

Clearing the air with Roger from AMR and mending that relationship will lead to better and easier communication for both companies.

Later if issues arise then a talk with lawyers present about pushing for copying permission might be needed but that is not advised for the short time frame.

**Conclusion**

In conclusion, Agrico should do nothing except go through with the contract that is already set in place. Roger and Burdelle must come together to make the right decisions for both of their companies. And this is the best course of action.

**Works Cited**

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