Agrico, Inc. Case Analysis

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Agrico, Inc. is an organization dealing in the agricultural management market. According to Smith, they are successful in doing so. Founded in 1949 by two farmers in Des Moines, IA, Agrico is ranked as one of the nation’s larger agricultural management firms with an estimated portfolio value of $500 million. Agrico achieved success in this industry by using a differentiation generic strategy which can be deduced from its different packages it offers to the consumer (Tanwar, 13) : their crop-share lease which farmers would farm the land provided by Agrico in return for a portion of each year’s crops, the cash-rent lease which is a rent to buy model, and the land directly managed by Agrico itself (Smith, 2).

The competitive rivalry in Agrico’s market is high. The article does not mention any specific competitors by name, however Smith mentions that Agrico is “ranked as one of the nation’s larger agricultural management firms” in 1987 (Smith, 2). This could mean that rankings in this market are typically unclear and Agrico is dominant, or that Agrico is large but not large enough to be “one of the largest”. Either way, Agrico has at least a handful of rivals who provide competition.

The threat of new entrants is high. Unfortunately for Agrico, their humble beginnings of being run by farmers are a showcase of the amount of hurdles exist to enter this market. Asset specificity and internal economies of scale are the two relevant barriers to entry (Team FME, 18). There are not many assets other than employees who understand real estate management are necessary and internal economies of scale only refer to the level of deals they can make to save money by grouping multiple plots in the same deal.

The threat of substitutes is low solely because there are no substitutes available to a consumer looking for this type of service. This makes sense because the threat of new entrants is so high that a threat of substitutes would be crippling.

The bargaining power of suppliers is low. To understand why it is important to understand that the raw material they need for business is real estate. This real estate is traded as much as it is bought and sold (Smith, 2), which means that if the price from a particular seller is too high, Agrico has the option to look elsewhere for land. This type of ability to flippantly choose who they purchase from means that the goods are undifferentiated and therefore, have low brand loyalty (Team FME, 23).

The bargaining power of consumers is low. Agrico sells its services to farmers and agricultural businesses who need plots of land to grow their crops. Agrico owns the land with which these farmers generate crops on, which means Agrico provides a service vital to the farmer’s products. With that, the switching cost of the consumer is insanely high (Team FME, 26). They also incentive customers to use their services with attractive packages where Agrico shares in their fortune or misfortune financially.

The dilemma arrives from their need to acquire an updated software package with specific functional needs. After a consulting visit, they decided to use a product from AMR. The consultant, George Burdelle was offered a position as the vice president of information systems for his excellent work, which was graciously accepted. During the development, Burdelle realizes that AMR does not have a standard edition of their software, and wants AMR to give the source code to Agrico should AMR release an update which does not work, Agrico would be able to roll back. However, Rogers, the owner of AMR, declines to ever release the entire source code to Agrico which is settled by the use of an escrow. Burdelle eventually finds himself in a room where he has the ability to copy the entirety of the source code and is forced to make a decision on whether to violate the contract and copy the code or not.

The motivation for Burdelle to steal the code is apparent when Morgan discusses the power and control technology has in an organization, “...attempts to change technology often create major conflicts” (Morgan, 179). Through this lens, the quarrel between Burdelle and Rogers becomes clear and understandable. Rogers understands that he could lose business if he releases the source code to Agrico. Burdelle however, wishes the source code, or at least the first version of it, be in Agrico’s hands so that if AMR ever release a patch to their system with a bug, they can swiftly rollback without the need of a third party.

The stakeholders in this case are Burdelle, Agrico, and AMR. If Burdelle steals the code and gets caught, he would have Agrico face legal charges for violating the contract. Burdelle will most definitely get fired as a consequence of the legal complications. This would make it difficult if not impossible for Burdelle to get another job, since the unethical choices would most definitely leave a poor impression on Agrico who would give him terrible recommendations.

If Burdelle does not get caught, there are many positives. For example, the security and peace of mind in knowing they could roll back to a stable version after a fatal patch could save thousands of dollars and the headaches of going through the escrow or AMR for an older version. Burdelle also keeps his job and isn’t put at risk for long term unemployment. The consequences of not copying the code altogether shares similar rewards, except his department is much more vulnerable to the potentially unreliable nature of AMR’s deployment strategy.

Agrico’s stake in this mostly lies their public relations and their public image. The bad publicity that comes with ethically gray or black choices is seriously frowned upon by many. An example of how can be seen in the public disdain of Wal-Mart. Many people do not shop at Wal-Mart simply because of their tactics of domination in small towns and their treatment of their employees (Jenna). This bad publicity does not take into account the inevitable lawsuit they will have to fight. The legal fees could be enormous even if they are found innocent. In addition to all of this, they would lose a valuable asset in George Burdelle, their new vice president of information systems who helped them assess and select the software they intend to use.

If Agrico is not caught, they gain the ability to prevent damages to their customer trust. With fewer and shorter brownouts, consistency will be improved. Another benefit of copying the code is the preservation of the desired office automation which led them to settle with AMR over the runner up. The trust of the AMR partnership is also kept intact.

If Burdelle does not steal at all, they will still be subject to the “release now fix later” deployment style of AMR. Which is undesirable for Agrico since this solution is meant to be completely intertwined with their business processes, and a defect in the solution could permeate through the entire system rapidly. On the flip side, Agrico loses the risk of the lawsuit and the loss of Burdelle. This is also added on top of the fact that AMR has consistently beaming reviews from the 12 other clients.

If the code is copied and AMR finds out, AMR will definitely take legal action. This is undesirable for AMR since legal action would be an expensive and taxing endeavor which has a chance of not paying off. A ramification of the lawsuit would end in the partnership they have with Agrico no matter the outcome. This loss of revenue would have a huge impact on the future of AMR. If AMR wins the lawsuit, business will be like it was before Agrico ever contacted them. However, if the lawsuit is one by Agrico, the damages might put AMR in the red and they would have to go under.

The effects of Burdelle copying the code and not getting caught are the same as if Burdelle never copies the code. The relationship between AMR and Agrico will be mutually beneficial, providing AMR with more revenue streams as well fostering trust with another customer.

After weighing the costs of each course of action, Burdelle should violate the contract and copy the source code. For a company like Agrico, a lawsuit and some bad publicity would be a trifle compared to the vulnerability of being at the mercy of AMR’s volatile deployment strategy. To minimize the weight of these actions in the decision process, this is only if Agrico is careless and ends up getting caught. It’s also worth noting that AMR is going to be hurt more by the lawsuit than Agrico, especially considering that Agrico has a reasonably strong argument. If business runs as normal and Agrico has the source code, everybody wins.

Sources :

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