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CIS 410-50
30 October 2022

Agrico Case Analysis

Executive Summary

Agrico's main mission was to provide farm and ranch management services in a cost-effective manner, primarily through cash-rent leases (Cash). They have a few different strategies, one of them being generic and the other being organizational. Agrico experienced some issues with introducing AMR's agriculture management software system into their own system, or to not use them at all. The main caveat was that AMR was unwilling to release the source code to Agrico under any circumstances which Agrico wanted to modify the software themselves. Through this, there are some solutions that can be offered to keep Agrico afloat.

Overview

Agrico was started in 1949 by two farmers in Des Moines, Iowa with the goal of providing farm and ranch management services for over 691,000 acres of land and for more than 350 farms and ranches in many midwestern states. Their market value was $500 million by 1987 making them one of the larger agricultural management firms in the United States. They accomplished this by providing three diverse types of arrangements for their properties: 1) crop-share lease, 2) cash-rent leases, and 3) direct property management (Cash).

Crop-share leases provided tenant farmers an agreement to return a portion of that year's crops back to Agrico in exchange for the farmers using the land owned by Agrico, and whatever portion was given back to Agrico would eventually be sold for a profit. This encompassed fortyseven percent of their total revenue which equated to $2,477,840 in 1986. Next, they had cash-rent leases which had the farmers pay Agrico directly with cash rather than crops. Fifty-one percent of their revenue came from this type of lease, bringing in $2,688,720. Lastly, their smallest arrangement, was direct property management. This brought in roughly $105,440 a year, or two percent (Cash).

With that, Agrico's executives decided that their existing arrangement for computer services – an agreement with a nearby commercial real estate concern that provided all services for a yearly fee- was not adequate for their present or future needs. They had no internal computer systems staff, they contracted with a large computer consulting firm for recommendations on their computing needs and responsibility for them. They had a system planning project that indicated that Agrico should do in-house data processing. But due to little expertise and the want to minimize cost and installation lead time, it was recommended that they use a software package rather than attempt to develop a custom-coded system. Requirements for the system was very complex, while the cash-rent leases were straight-forward.

Problem

As mentioned earlier, Agrico faced several issues with their system, with the main on being introducing AMR's agriculture management software system into their own system, or not at all. "The total purchase price for the software, including modifications, was approximately $200,000," (Cash). It was also negotiated that Agrico would pay one percent of the approximate total cost monthly – considered a maintenance fee that the CEO explained would be used to make unique modifications geared towards Agrico. The biggest caveat with this scenario is that AMR is unwilling to release the source code to Agrico (or anyone for that matter) under any circumstances which Agrico wanted to modify the software themselves. This included signing nondisclosure agreements, but A. M. Rogers was against giving away. However, the source would be kept in escrow to ensure adequate backups (Cash). The argument between AMR and Agrico (Rogers & Burdelle) grew strong leading up to the signing of the paperwork since Rogers did not want to release source code even after Burdelle insisted many times. It was odd that Rogers would not release the source code to their customers, even though the contract was written up. Under Item 16 "AMR Proprietary Material", it explains in full that Agrico would not copy or sell, nor could they reprint, give, or allow access to anyone not employed by Agrico (Cash). One could conclude that Rogers was a mentally strong individual. According to Amy Morin, mentally strong people don't waste time feeling sorry for themselves, don't give away their power, don't shy away from change, don't waste energy on things they cannot control, don't worry about pleasing everyone, don't dwell on the past, and many more things. This could be one of the reasons he was so reluctant to change the contract, which then led to the altercations.

This put Agrico in a poor position as they were financially sued and would eventually hurt the company's reputation. There was an agreement after all where twenty percent of the price was to be paid upfront to AMR and sixty percent was to be paid thirty days after completing the software acceptance testing, and the rest ninety days after the system went online. Burdelle soon found out that Rogers did not really give Agrico a full version of the software, but rather a modified version geared towards their organization. This unfortunately left little to no room to modify the software in the future.

Alternative Solutions

1. Do Nothing – One option is for them to make no changes and is the simplest choice. The process laid out by Rogers and AMR will be followed, source code backups will be made

by AMR, and put into a third-party escrow account to be held until it is truly needed. Employees would not be affected by this solution, however they would have to learn a new system to manage their company's leases. There also would not be a real effect on shareholders, customers should see the effect of a new management system, Agrico can provide quality service to their customers, and AMR will win the contract.

2. Look for a new system – Although Burdelle did not want to create any delays in converting to the new system as it would cost Agrico or want to start over and develop a custom system, there are some benefits to this. Employees would be able to keep up with changes as they are starting from scratch, customers would also be able to see progression and stay updated, and Agrico would be able to make alterations as needed as they would know the ins and outs of the system. While this would not be the best choice financially speaking, it would allow more wiggle room.
3. Create backups of source code – Burdelle will decide to make backups of the source code that an employee has left open on their desktop so when future modifications are needed, they can take care of them. This is obviously an issue as it is a violation of the contract and AMR would have power to sue Agrico under reasonable cause. Only Burdelle and his team about be affected by this, but it is possible that the company would fold if AMR ever found out that their source code was copied in an "unsatisfactory" manner. There wouldn't really be an effect on the shareholders, AMR will win the contract, customers would be able to see the effect of the new management system immediately. Theoretically speaking, this would be a good solution, but it wouldn't benefit Agrico in the long run.

Solution I Chose

The solution I would choose is Solution 1 – Do Nothing. By going with the original plan that AMR has laid out, the source code would be put into the third-party escrow to be updated once a year and backups of that source code will be taken to the escrow account. Rogers will eventually begin to fold and give into Burdelle's request, either by rewriting the contract or suggesting alternative approaches. They would come to this conclusion by testing their software in hopes of this agreement.

Conclusion

Overall, Agrico was challenged with many issues – the main one being their system. There were many flaws that were identified in the software since there wasn't a standard version. AMR installed twelve versions - one for each of its clients – around the country. AMR was required to make modifications to its software package, which led to some disagreements between Rogers and Burdelle. There are some solutions one could suggest to help this situation, but the best option would be to do nothing and continue with the plan currently in place.

Works Cited

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