Case 5: Agrico

Mission Statement

Agrico is a one of the largest agricultural management companies. It has three main management sessions: crop-share lease, cash rent lease, and it managed some properties directly. These three sessions formed its 500 million portfolios.

Generic Strategy

Agrico used a cost leadership strategy. For saving cost, they only had contractors for their computing needs, and they only hired 5 system staff even after they started using the new system from AMR. Agrico was not satisfied with AMR terms and performance; cost was still the largest concern that stopped them from switching vendor.

Organizational structure

Agrico adopted the functional structure, with functions like marketing, Treasure and Operation set up. They later also set up a system department to manage the information system and hired Burdelle as the manager who became a vice president of information system. Regular employees reported to the farm managers.

Porter's Five Forces

Competitive Rivalry: As one the larger agricultural management companies, Agrico's competition risk is medium, having to compete with the bigger ones and the smaller companies were growing.

Threats of New Entrants: This threat was high. Agriculture management industry required less investment to enter. This industry did not require high technology to start with. The risk of entering this market was not as high.

Threat of Substitutes: This threat was high, since its tenant farmers and farmers could have other opportunities, which did not have to be farming. There were kinds of factories and companies they could turn around to.

Bargaining Power of Suppliers: This case gives a lot of details about their software packet provider AMR, who had very high power over Agrico. The actual options that Agrico had to choose from was only two. And after using AMR, the switching cost was high.

Bargaining power of Customers: Costumers had high power. The switching cost was not high and there were many options. Customers did not have to rely on their commodities to live. Agrico was a large company but not a monopoly.

Problems and Stakeholders

General problem: Agrico was stuck with the software provider vender AMR. "The combination of more data, users, systems, and applications, compounded by a lack of time and resources,

has contributed to a complex crisis (Kalakota).” To switch to a new provider, suck cost and new cost were too high and there were not many options they could have. Agrico was not happy with the agreement with AMR. On top of that, AMR showed some performance and support problems and lose trust from Agrico.

VP Burdelle: Burdelle was not a formal employee on Agrico during the software selection and negotiation process, but he was heavily involved. He cared about the client’s assets, but in the end of the case, it strongly indicated that he made an unethical decision of making a copy of the source code. This decision would put Agrico in a legal risk and reputational risk. “If we use an ethic of destruction to enhance evolutionary processes, the risk is that all manner of new instabilities and pathologies can arise. (Morgan)”

Jane Seymour (AMR’s software engineer): As a software engineer, Jane Seymour was unprofessional, failing to keep the source code secure. Having the source code exposed in the client’s site, she made an unprofessional impression of herself and AMR. Even if Agrico would act ethically, Jane and AMR lost Agrico’s trust completely.

AMR: AMR got the deal they wanted, getting Agrico to agree with the way how they wanted to manage their source code. However, they messed up in some ways: 1) software flaws were found by Agrico; 2) did not make up for the relationship with Agrico after bad performing; 3) failed to manage its own software engineer and had the source code exposed. Their flaws and incompetence were undeniable.

Clients: Clients’ assets were at risk at a level, because of the deal between Agrico and AMR. They were unaware of this situation.

Alternatives and Impacts on stakeholders

Alternatives 1: Ignore the source code, look for another vendor or develop its own system. This is the most ethical way to react to the exposed sources code. AMR had showed enough signs that they were not reliable or competence. It was time to dump AMR and look for another vender. Agrico knew so well what they needed, it could also expand its system department and develop a customized system. “Regardless of whether builds or buys software, a firm should first define, develop, and document the processes it seeks to automate independent of the software to be developed or selected (Kalakota).”

Impacts: Burdelle would not need to worry about the risk of an unethical decision and would have a chance to have a better control of Agrico’s system, either from a new vendor or developing it internally. Jane Seymour would end up unpunished and it was possible she may bring worse disasters to AMR later. AMR would lose Agrico as a customer and under a risk with unprofessional software engineer. Clients’ assets would be in a better hand.

Alternatives 2: Let AMR know about Jane Seymour’s mistake and renegotiation with them in a better position. Agrico could keep evidence that Jane Seymour exposed the source code and called AMR for a crisis meeting. Agrico could list the risk that AMR could have put them in and suggested a renegotiation about the terms in a better position. It could also be an alarm for AMR and would “establish and coordinate the information security standards-setting process by creating a corporate information security standard document. (Fried)”

Impacts: Burdelle was very likely to make a much better deal with AMR, gaining some level of control of the source code. Jane Seymour would be possibly fired. AMR would lose some

control of the source code and in a worse position within the relationship, but they got to keep Agrico and continue to profit from the deal. AMR would also perform better to gain trust back, which would benefit Agrico's clients.

Alternatives 3: Make a copy of the source code but not use it until it is necessary. Agrico could make a copy of the source code and would not make use of it. It could make a line where they thought it was bad enough that they would need to start taking advantage of the source code before the situation become unsavable.

Impacts: Burdelle would have put Agrico in a severe legal and reputational risk. Jane Seymour's one time mistake could lead to a complicated situation. AMR would be unaware of the source code being copied or it would be too late when they figured it out. Once the unethical decision/behavior were exposed, it was hard for clients to trust them.

Selected Alternative and Conclusion

The best solution is alternative 2. Let AMR know about Jane Seymour's mistake and renegotiation with them in a better position. Although AMR showed some flaws and incompetency, they managed to correct the flaws and the system was serving its purpose. Agrico could take Jane Seymour's mistake as a trust and information security crisis. AMR had to respond reasonably to make up the mistake, having to give in with some terms in the new agreement. Agrico would get better service and quality from AMR without extra cost and would not have to look for or development a new system. "Implementation and management of quality management techniques will require development of procedures, trainings and monitoring results (Fried)." It could become a chance for them to work together more closely.

Alternative 1 would be too costly. There were not many vendors that would meet Agrico's requirement. Developing a new system is costly and time consuming, especially Agrico's system department was small. Alternative 3 was unethical and risky. What they gained would not worth the risk. "New IT capabilities raise new ethical concerns, which, if not addressed effectively, may result in disgruntled employees, dissatisfied customers, and lawsuits. (Cash)"

Works Cited

Cash. (n.d.). *Building the Information Age .*

Fried. (n.d.). *Managing Information Technology in Turbulent Times.*

Kalakota, R. (2001). *e-Business 2.0.*

Morgan, G. (2006). *Images of organization.*