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Agrico, Inc. Case Write-Up

Case Background / Problem

Agrico, Inc is an agricultural management firm; founded by two farmers in the city of Des Moines, Iowa, in 1949. Agrico quickly grew, and by 1987 Agrico's portfolio was valued at a modest $500 million. Agrico grew this portfolio through the providing farm and ranch management services for 691,000 acres of land throughout the Midwest. Agrico maintained four regional offices, with five farm managers per office, they provided services to over 350 farms. Agrico was able to amass so many farms and ranches through buying equity interests in a farm or ranch and managed them providing operating cash flow and capital appreciation. Agrico had three main arrangements or business processes for their properties. "…the internal diversity of any self-regulating system must match the variety and complexity of its environment…" (Morgan) The first being crop-share lease arrangements, a crop-share lease agreement is when a farmer, known as a tenant farmer, would come in and farm the land owned by Agrico; this made up 47% of their portfolio. Second, was cash-rent leases, which entailed farmers paying rent to Agrico for the use of their land; this made up 51% of Agrico's portfolio. Finally, the third business process is direct management of properties, which was an Agrico owned and ran farm; this made up only 2% of Agrico's portfolio.

The problem at hand within this case study revolves around an ethical decision regarding Agrico's business relationship with AMR. Agrico entered a legally binding contract with AMR, a software development firm, to update their farm management information system. Agrico signed a contract with AMR, the terms of the contract were vague and in the long run gave AMR more advantages than were offered to Agrico. The primary issue, found by the Vice President of Information Systems George P. Burdelle, was a disagreement over the sharing of the source code. AMR would not provide Agrico with the source code for their new farm management information system but would merely provide them with the compiled object code. Burdelle became aware that the escrow did not adequately perform backup technicalities. Burdelle was looking for a way to obtain the source code for Agrico. Burdelle is presented with an interesting dilemma; one-night Jane Seymour, the software engineer for Agrico's new AMR system, had left the source code open on her computer when she went out to dinner. Burdelle must decide whether to trust AMR when they said that their proposed agreement to secure the source code was sufficient, or to copy the source code to tape and ship it off to their off-site storage facility. He had to consider the risk of data being altered or corrupted with Agrico's portfolio being converted to a new computer system.

Industry Competitive Analysis

Mission Statement

Agrico, Inc. is a farm and ranch management service that provides many different services of management, while still maintaining cost-efficiency.

Porter's Five Forces

Competitive Rivalry: Medium

Agrico does not have an inter-industry rival, such as another management firm, but the farmers themselves do pose a potential rivalry. There is a potential that the farmers attempt to eliminate the middleman, Agrico, and buy the farm management software directly from AMR. The only other potential rival is a disgruntled employee who understands the business and leaves to start his own rival farm and ranch management company.

Threat of Substitutes: Low

Agrico provides a very differentiated service to all its different farms, already owns a large amount of land, and has a large amount of vested capital already in the business. It would be difficult for a firm to provide the same level of service while still maintaining a quality service. Agrico also always kept the happiness of their clients in mind and as a company wanted to “abide by the terms of the contract, but didn’t want to jeopardize Agrico’s clients assets.” (McFarlan)

Threat of New Entrants: Low

Agrico already has contracts with over 350 farms, the contracts hinder the farmers from changing management services. Agrico’s portfolio is also made up of 51% cash-rent leases, so if those farmers wanted to get out of their contracts, they would have to find new land to farm. A new entrant would need a large amount of capital in order to achieve the economies of scale that are required to be profitable (Porter’s Five Forces; Strategy Skills).

Bargaining Power of Suppliers: Low

Agrico does not require much to operate as a company due to the fact that only 2% of their portfolio is ran by the actual parent company, Agrico. The other 98% is broken up between cash-crop lease arrangements and cash-rent leases, which do not require anything but labor and capital from Agrico.

Bargaining Power of the Customer: Medium

Agrico must keep their farmers and worker happy because there is nothing stopping the farmers from leaving once their contract is up. “Although mergers and acquisitions often increase the financial strength of the suppliers, the buyers must be aware that specific products may be discontinued or lose support as a result.” (Fried) Also, if their farmers aren’t happy they won’t be producing at the same rate, which would cut into Agrico’s profit margins.

Stakeholders

Agrico Employees

Agrico’s employees has an interest in the success of the company because if there are any problems with the implementation of the new management information system, where data is compromised or leaked then the company would be susceptible to a large loss of revenue. Which in turn could lead to the loss of land and the laying off of employees.

Agrico Customers

Agrico has a vested stake to build or acquire a new management information system that would serve its customers properly. They customer base is also riding on a smooth transfer of the information system, because if not there is a chance that their personal information would be susceptible to hackers.

Agrico Shareholders

The shareholders have a stake in Agrico because the price of their stock rides on the implementation of this new management information system. If the implementation goes well then, the stock price will most likely increase due to an increase in efficiency, but there is also aa chance for the exact opposite.

AMR

AMR is vested in Agrico because they are the software company that is designing their new farm and ranch management information system. If the new system transfer does not go well or data is lost that would give them a bad name as a company, which potentially could lead to them losing existing and new clients. Also, could lead to a lawsuit by Agrico to them.

Alternatives

Copy the Source Code

If Burdelle decides to steal the source code from Jane Seymour's computer, it is likely that AMR would find out. Agrico's actions would cause Rodgers to become very suspicious. Rogers would not hesitate to start an investigation and take Agrico to court. While in court they would find that Burdelle stole the source code. As a result, Agrico would be sued by AMR and Agrico would be left with a slew of legal fees, that would throw off their entire operation. Agrico would be in violation of copyright infringement and would owe a large amount of money to AMR is legal fees.

Agrico's employees would not benefit because Agrico would be forced to shutdown many operations in an attempt to pay back AMR, due to the copyright infringement. Leading to the laying of many farmers and potentially the shutting down of the entire operation. Agrico's customers would likely look for a new way of doing business, because they would have lost trust in the operation ran by Agrico. Agrico's shareholders would not be happy because Agrico's stock price would plummet, causing them to lose their money invested in Agrico. AMR would not be happy that Agrico stole their source code, but they would not be upset because they would be getting paid a large amount of money due to the copyright infringement by Agrico.

Renegotiate the Contract with AMR

If Agrico renegotiated the terms of their contract they would save themselves lots of money in legal fees, because they would not have stolen the source code. The power associated with the control of technology becomes most visible in confrontations and negotiations surrounding organizational change. (Morgan) They would also achieve the deployment day they wanted. Agrico does put themselves in a situation where AMR would have access to critical information. In the renegotiation Agrico should focus on the main points that were lacking in the original contract: the awful maintenance fees that would cost them $2,000 a month and the unsatisfactory estate of the escrow for the source code. Is it likely that AMR would accept the renegotiation? I do not think it is likely that AMR would accept the terms of the newly renegotiated contract because I do not believe they would budge on the maintenance fee.

Agrico's employees would benefit from the renegotiation because they would become more efficient. Agrico's customers would benefit from the renegotiation by the means of obtaining a new management information system. The shareholders would benefit because Agrico as a company would increase its stock value because they are implementing a new software system. Showing that they are changing with the times and likely increasing the price of their stock due to implementation of new technology. AMR would be happy because they have obtained a new client and would be getting paid to implement a new management information system.

Do Nothing

If Agrico did nothing there would still be issues with the company's current state. Currently the company is having problems with their software and computer system, and if they do not implement a new information system I believe that it would have a relatively large impact o the company if they do not implement any sort of new software. The current state of the code if left as is could potentially leave the company in a dilemma. Agrico would continue to attempt to resolve their issues with AMR personally, not in court, and would attempt to come to a reasonable solution.

Agrico's employees would be happy because they do not run the risk of being sued, therefore their employees do not run the risk of losing their jobs. Agrico's customers would not be happy because Agrico would continue to have problems revolving around their management information system. Agrico's shareholders would likely be unhappy because due to the lack of a new software system they could potentially lose clients, thus causing them to become less profitable. AMR would not be happy because the would be losing a customer in Agrico and this would lose the potential profit they stood to gain having Agrico as a customer.

Recommendation

I would recommend that Agrico do nothing. I would say do nothing because if they sign the contract they would be getting screwed by AMR and would be giving them access to all their client's personal information. Doing nothing does not mean that Agrico will never implement a new system, but it will save them from being manipulated by AMR. "It seems that successful organizations evolve appropriate structures and processes for dealing with the challenges of their external environment." (Morgan) Agrico doing nothing also potentially gives the two companies time to come to an agreement, on the terms of the contract. Although this option is not particularly appealing at this time it does void Agrico of any legal or unethical dilemmas, such as theft and a potential lawsuit. Having trustworthy employees within a business, will ultimately benefit the company in the long run, and will keep them out of legal trouble.

Works Cited

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