

Agrico

CASE 5, CIS 410-50 FALL 2019

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Executive Summary

Agrico is an agricultural management firm that provides land and ranch management services. It has a portfolio of around \$500 million dollars and manages over 350 farms and ranches totaling nearly 700,000 acres of land in the Midwestern United States. During a business planning meeting Agrico executives decided that they need a new computer system for managing their assets as their current system was being to become inadequate. Agrico tasked information systems vice president George P. Burdelle to find a solution to the problem.

Industry Competition Analysis

Agrico Strategy

Agrico's generic strategy is cost leadership strategy.

Agrico Organizational Structure

Agrico has a functional structure. With executives at the top making decisions.

Agrico Competitors

No Competitors are specifically mentioned in the case docket but it is stated that Agrico is one of the largest firms in the market in which it resides.

Supplier Power

Low. Agrico does not require raw material inputs for its business operations.

Buyer Power

Low. Agrico is in a small market with few competitors of which it is one of the largest.

Threat of Substitution

Low. Agrico has a large market share and the services it provides are not very differentiable.

Threat of New Entry

Moderate. Agrico is in a small market where barriers to entry are relatively low. However with many of the players in that market well established and not very differentiable it makes entering the market more difficult.

The Problem

After investing and analysis George Burdelle decided that AMR and their farm and ranch management system would be the best fit to solve Agrico's problem. The only other company that had a viable solution for Agrico was a larger company with an already developed system. However that system was unproven in the market and does it not completely meet all of Agrico's requirements. AMR was founded in 1977 by A.M. Rogers and sells one software package which it modifies to suit their individual client's needs. AMR had such a package that would suit the 3 different types of property arrangements under Agrico's management. The proposal for use of the system was \$200,000 and 1% of purchase price per month for updates and modifications. Burdelle quickly realized that the way AMR was going to be making money was off of the monthly update fees which could only be done by AMR. In response to this Burdelle offered to buy AMR's source code outright at a higher price to avoid these fees. Rogers refused this at first stating that he was worried that his source code would be stolen. Eventually it was agreed that the source code would be put in escrow with a third party. After working with the system it became clear that while AMR software worked great in its individual parts it became clear that the parts that Agrico needed didn't work well together. This is because the individual parts of the code are developed on a case by case basis for AMR's clients. Moreover it became clear that Agrico had no independent way to verify that the source code kept in escrow was the same

source code that generated Agrico's object code. Thus leading to the need to perform extensive acceptance testing whenever changes were made or updates were made. Burdelle wanted AMR to store the copy of the source code in one of Agrico's off-site facilities but this made Rogers worried that his source code would be stolen. The terms on the contract between Agrico and AMR stipulates that AMR must provide Agrico access to the source code but that only AMR has the right to store and copy it. However the contract also states that the storage of the source code must be done in a way that is "satisfactory" to both parties. Upon discussions with an Agrico attorney it was determined that Agrico may have a good case for storing the source code themselves in court but only if Agrico could obtain a copy of the code. This would of course violate the contract as only AMR is allowed to copy and store the source code. On May 27th an opportunity to take AMR's source code presents itself as an AMR employee Jane Seymour, whom Agrico had developed a good relationship with, left the source code open on an Agrico computer when she went to dinner. Burdelle is then faced with a difficult choice in whether to take the source code or not.

Stakeholders

Agrico: The customers and clients that depend on Agrico to help run their businesses

George Burdelle: The newly promoted VP of IS who could stand to gain and lose a lot

Agrico Stakeholders: Employees of Agrico

AMR: AMR employees and customers

A. M. Rogers: founder of AMR

Solutions

Solution 1: Do Nothing

Doing nothing would leave things much the way they are. There's a lot of uncertainty here for Agrico and its stakeholders who have a proven system from AMR but would need to incur extra costs and time to make it work to their standards.

Solution 2: Copy the source code

This is a really risky solution which hinges on a favorable court decision to be worthwhile. Court battles take a long time. AMR will not go down without a fight given Rogers paranoia about theft and the value that its source code has to the company. Agrico could likely be face with a long and protracted battle it may not win.

Solution 3: Pick another system

A costly one for Agrico and a devastating one for AMR. This solution would see Agrico break its contract and go with a larger but unproven system. Which is developed by another company that doesn't quite suit their needs. For AMR this would be a loss of a massive contract and source of revenue which the small company needs to grow and survive.

Proposed Solution

There's really only one good answer here. Ethically, Burdelle must do nothing. If Burdelle is to maximize the benefit to Agrico he cannot take the risk in copying the source code or going with another system. Copying the source code would likely lead to a long and protracted court battle between the two companies that could potentially cost both far more. Agrico would be unable to use the new source code as AMR would likely immediately file an injunction to stop its use. Even if Agrico does eventually win this battle it could lose more than it would have if it would

have simply worked on building a relationship with AMR and Rogers. This assumes that Agrico would eventually win this court battle. Agrico's attorney said they have a good case but there is a possibility that Agrico could lose this battle. A loss in court would leave Agrico without a system, with a bad reputation, and have a monetary loss of court fees, attorney fees, damages, and punitive damages for its actions. Legal issues aside it is a big risk to the company to enter a court battle now with Agrico's busy season coming up and the need for this new system to be implemented. Agrico will begin to suffer losses if it cannot keep up with the demand from its customers and acquire new ones without this system. It isn't likely immediately but a long battle will eventually negatively impact Agrico's business. The 3rd option is also a risk but perhaps less so than the court battle. It would require Agrico to go with an as yet unproven system from a larger developer. This system may need more time to get working to Agrico's requirements which could impact its business as well if extensive time is needed. In doing nothing Agrico is exposed to some uncertainty but it has a set of systems that it knows meet Agrico's requirements. It seems like a bad choice for Burdelle to risk Agrico's business at this juncture which could ultimately cost them a lot more than simply working with AMR. Ethically Burdelle must do what is best for Agrico which is to maximize value to its shareholders. It seems that his best chance for doing that is to continue to work with AMR and not to copy the source code.

Works Cited

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