CIS 410

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Case 13-2 Agrico

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2020.3.21

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"Most often, organizational structure, rules, regulations, and procedures are viewed as rational instruments intended to aid task performance. Apolitical view of these arrangements, however, suggests that in many situations they are best understood as products and reflections of a struggle for political control." (Cited from "Images of Organization", by Gareth Morgan). Agrico, Inc. was founded by two farmers in Des Moines, Iowa, in 1949, provided farm and ranch management services for 691,000 acres of land in several midwestern states. Agrico ranked as one of the nation's larger agricultural management firm with $500 million market value in 1987. Agrico was able to provide cost-effective management services for more than 350 farms and ranches. Agrico had three main different arrangements for properties: crop-share lease arrangements represented 475 of their portfolios, cash-rent leases represented 51% and directly managed a few properties which represented about 2% of its total portfolio. In 1985, Agrico identify they have a need for office automation to improve productivity. Agrico select AMR for their software. George P. Burdelle, the project manager was facing a dilemma to make a decision that with the source code for the software provided by AMR, he could decide to violate the contract and copy the code to insure the latest version was available, or he could follow the contract and leave the code but it may have a risk for the information security in the future. We need to figure out a solution for this ethical dilemma situation. “In a protective organization, every manager wars with every other manager over issues like blame for problems, jurisdiction, fault and allocation of resources” (Cited from “The Reengineering Revolution”, by Hammer Michael).

1. The Competition In The Industry

As one of the largest agricultural management firms, Agrico has relatively more advantages in this field. The threat from other rivalry companies are low. Even though there are some companies provided the similar service comparing with Agrico, Agrico’s customers are more attractive and could keep their clients happy and their information safe.

2. Potential of New Entrants into The Industry

The threat of new entrants into the industry is medium. In this industry, it does not have a high barrier to prevent new entrants. Anyone who wants to start their business only need to have the similar function software and management system. They can also purchase the software product from AMR as well. Since Agrico’s service is not unique, new entrants will be a threat. However, they need a large amount of money to start up, and the leasing of farms, which means that most customers are in contracts and it would be really hard for the new firms to gain market share. Building customer relationship and trust base will take a long time to accomplish.

3. Power of Suppliers

I think the bargaining power of Agrico’s supplier is low. Due to they actually do not have actual “product”, they provide management system service for their customers. AMR would provide and develop them the software they need, they could have a low switching cost to get a substitute software, as long as the function meet their requirements.

### 4. Power of Customers

The bargaining power of the customers are medium. Because of the customers are everything for Agrico, they cannot lose their customer and they need to provide a better service than their competitors or their customer may switch to another firm provide the same service or even better. This makes the customers' bargaining power higher. On the other hand, most of the customers build their farms and ranches on Agrico's own land, they are also under the restraint of the contract, the switching cost will be high. And the cyclical nature of agriculture imposed a barrier to the customers with using Agrico's service. These factors lower the consumers' bargaining power. In conclusion, the overall bargaining power of the customers a medium, which will keep Agrico to enhance and improve their service while keep the customers happy.

### 5. Threat of Substitute Products

The threat of substitute products is low. There are lease and contract with farms, including cash-rent and crop-share leasing. This kind of customers are working on the land owned by Agrico. They would have a high switching cost under contract. Also, the customers will have loyalty with the brand, that would also need to be considered while the substitute products want to gain more market share. "Across organizations, businesses can vary according to industry and company size, technologies used and other capabilities, purchasing policies, and even risk and loyalty pro-files" (Cited from "Strategic Brand Management", by Kevin Lane Keller). Also, Agrico have advantage on their high-quality customer services, and their advanced management system would also be attractive than most of their substitutes. That would lower the threat of substitute products.

In this case, there are several stakeholders of Agrico. First would be Agrico themselves, and their general employees of Agrico. George P. Burdelle plays an important role in this case and he can decide the which path Agrico will choose regarding to their demand on the software. And his decision on whether to take or not to take the source code will have a huge impact to the company. AMR is also considered as a stakeholder. Due to they are the software provider, with losing their source code, that would be a great damage to them. Even they have right to enforce the agreement on the contract, AMR would not be the only one provided the unique software system. Agrico's customers would also be considered as stakeholders. They will also be affected by the decision George made.

Overall, the problem Agrico facing, or the vice president of information system George P. Burdelle is facing is to decide what to do with the source code left on his consoles by AMR employee. George need to make a decision to either leave the source code and put their customers' information at risk or make a copy of it but break the contract. "In talking about "interests" we are talking about predispositions embracing goals, values, desires, expectations, and other orientations and inclinations that lead a person to act in one way rather than another" (Cited from "Images of Organization", by Gareth Morgan).

The first alternatives will be do nothing. If George did nothing and do not copy the source code, Agrico will not have the source code. Agrico will have no way to update or make any changes on their software system. If Agrico want to update or make any changes, they need to contact AMR to accomplish it. There would probably create more cost in the future, but this decision is moral and ethical. On the other hand, that also follow the rules and agreements on the contract, keep Agrico having a good reputation. “Their research found that brand architecture strategies can have significant implications for a variety of different types of risk associated with a firm and can be related to impact on reputation, dilution, cannibalization, and brand stretch” (Cited from “Strategic Brand Management”, by Kevin Lane Keller). However, that will cause a potential problem and risk with their clients’ information and also leave Agrico in a dilemma.

The second alternatives will be copying the source code. Copy the source code will make Agrico have the backup for the software system while they are going to have ability to modify the code and update the function of the software to achieve their demand. With this decision, Agrico will get the maximum benefits from the software. Agrico would also use the source code to develop their own software. Their customers will not be affected, and Agrico could provide a better service for them. However, this action is unethical, and also will break the contract. Agrico may get accused by AMR and facing more problems. “Conflict arises whenever interests collide” (Cited from “Images of Organization”, by Gareth Morgan). George Burdelle might lose his job even he is choosing to do the thing that could have the best interest for the company.

The third alternatives would be finding another company to design the software system for Agrico. Agrico will get out of the contract with AMR and find another vender to get the software meet their requirements. In this situation, Agrico do not need to continue facing the ethical situation and get any impact from this incident. Customer will not get affected before Agrico get the software from the new company. Agrico will provide the same service as before. Nonetheless, switching to another company to develop a new software will let the Agrico lose the money and time they have already spend on AMR, the modifications for the system will be waste. They need to spend more money and time with the new product for at least one year. They also need to make sure the new software could perform all the functions they needed. Until then, the customers will not get any new benefits from Agrico's service.

I would recommend Agrico to choose the first alternative, which is do nothing. First of all, copying the source code without recognized by AMR is impossible. Agrico break the contract under an unethical circumstance and will also suffer the risk of the lawsuit. That will also ruin Agrico's reputation. Agrico is doing well in the previous customer service; they do not need to perform a bad image in their customer's mind. "Brand equity provides a common denominator for interpreting marketing strategies and assessing the value of a brand" (Cited from "Strategic Brand Management", by Kevin Lane Keller). Business should always endeavor to be moral and ethical, that will be great to long term development for Agrico. Do nothing would also eliminate the risk of having lawsuit and potential lost from customers and employees. Agrico already have a huge customer base and have over 350 farms and ranches which mean they should break the contract and put themselves in an unethical position, that would harmful to Agrico's reputation and suffer unnecessary risk of losing customers and even more. Furthermore, if Agrico choose the third alternative, they will have more cost and even lose they money they have already spend on AMR which is over $75,000 on developing and adjust the software. Also, developing will take another year which is bad for their customers to gain no improvement services during that time. Overall, do nothing is the best choice which will keep Agrico to follow the contract in a moral way, they can also try to cooperate with AMR with the source code to develop more functions they need.