Case 13 – 2

Agrico

CIS 410-01

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**Problem**

Agrico has commissioned software from AMR. However, there have been multiple issues. The code delivered was not standardized or of functionable quality. Although the bugs have been fixed, the agreement of source code storage in escrow remains unresolved. Agrico believes it to be insufficient. Agrico has been provided the opportunity to copy the source code (against the terms of agreement) and do with it as they see fit. The deadline for implementation is approaching and the executive in charge (Burdelle) must make a decision on this opportunity.

**Industry Competitive Analysis**

**Mission**

Agrico provides management of cash flow and capital for farms and ranches through crop-share agreements, cash-rent leases, and direct management.

**Generic Strategy**

Agrico markets itself on the cost-effectiveness of its services. Their generic strategy is cost leadership.

**Five Forces**

1. Competition: Low threat. Agrico is one of the larger agricultural management firms, large enough that no one competitor could take them out.
2. New entrants: No threat. Agrico is a nearly 40 year established company. It’s doubtful that anyone new is looking to get into the industry.
3. Substitutes: Low threat. The only alternative to using Agrico’s services is to use another management firm or no firm.
4. Suppliers: High threat. AMR is one of only two companies that can provide the software system that Agrico is looking for.
5. Customers: Low threat. Agrico has contracts and leases with its customers.

**Stakeholders**

1. Agrico. Agrico needs a software and computer system to keep up with future needs and improve productivity.
2. AMR. AMR stands to make $200,000 plus $2000/month if they deliver the software to the standards of the agreement.

**Alternatives**

Webvan has a few options going forward.

1. Do nothing. Convert over with the current software and escrow agreement.
2. Stop. Halt the conversion and reach an agreement with AMR about the escrow before implementing.
3. Find someone else. Go to the other company that could provide the software and eat the associated sunk costs.
4. Copy the code. Meet the conversion deadline and avoid worries concerning future modifications but violate the agreement and get into a lawsuit.
5. Don’t copy the code. Miss the conversion deadline but don’t violate the agreement and take AMR to court claiming they violated the agreement.

**Recommendation**

The issue facing Burdelle is one of morality, ethics, and power. Morally, it would be wrong to copy the code. Copying the code would be considered stealing and stealing is generally considered wrong. However, companies make decisions regardless of morals. (Morgan, 273). This leaves a purely ethical decision. In immediate terms, copying the code is the ethical choice. It maximizes good for Agrico. It allows them to meet their deadline and avoid further costs now. Cost is the reason alternatives 2 and 3 are not viable. Alternative 2 means renewing the previous agreement with the nearby commercial real estate firm and opportunity costs of having the new system in place. The costs associated with alternative 3 are simply too great. Long term is a different story, however. The current escrow agreement provides Agrico with no certainty in the future reliability of the software. If a major issue came up under the current agreement, Agrico would be at the whims of AMR’s ability to fix the issue. Agrico’s portfolio is worth $500 million. A major issue such as data loss could devastate Agrico’s entire business.

This leaves alternative 4 and 5. It would appear that a lawsuit is in due order. The escrow agreement is the main point of conflict. Both organizations are operating on their task interests (Morgan, 150), their ability to do more. Agrico wants to know the system is reliable so that no business-impeding issues arise. AMR wants to leave the software unstandardized in order to make money off of maintaining the code. This is what brings the two into conflict (Morgan, 155). Ethically, maximization of good is balanced toward the $500 million portfolio than the cost of having the system delayed (an opportunity cost of a $1-3 million in revenue growth). However, if an escrow agreement is not reached, the potential cost of a new system makes the decision more balanced. Thus, a lawsuit. The remaining balance to be settled is that of power. As of now, Agrico has the power of rules and regulations (Morgan, 162) with their legally binding agreement. Their terms on the escrow are not being met. AMR currently has the power of knowledge (Morgan, 167) and technology (Morgan, 172). They have the software and they know how to use it. If Agrico copies the code, they gain the power of technology. However, they violate the contract and give up their power of rules plus the power of decision process (Morgan, 165), as AMR can take Agrico to court. This would have the added effect of bad publicity, which could affect their portfolio. However, if Agrico does not copy the code, they can go to court with the power of regulation and decision process on their side, which overpowers AMR’s knowledge and technology. If the decision is in Agrico’s favor, they would then gain the technology and knowledge. Alternative 5 seems to be the best solution.

Morgan, Gareth. *Images of Organization*. SAGE Publications, 1986.