AGRICO

CIS 410-50 Case 5

Baltazar,Trisia May

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**The Problem**

Agrico is partnered with AMR, a software vendor, to convert to a new computer system. AMR is a small software company founded by A.M Rogers and Agrico saw them as an easy choice to provide the tools they needed. AMR and Agrico signed an agreement statin that AMR will provide software consistent to Agrico’s needs and make modifications as needed. Agrico wanted to buy the source code from AMR but Rogers refused for the fear that the code would be sold or modified. The maintenance and modification of the software is where most of AMR’s revenue comes from. Agrico wanted the source code for backup in case something was to happen in the system. “As the actors in their various roles attempt to do the job for which they have been appointed, interpreting their task interest in a way that seems ideally suited for the achievement of organizational goals, they are set on a collision course” (Morgan). Agrico’s George Burdelle, vice president of information systems, has an opportunity to steal the source code, but is unsure about what decision to make.

**Industry Competitive**

**Mission Statement**

Agrico provides cost-effective farm and ranch management services to several midwestern states.

**Core Competency**

Agrico is a well-established firm in their industry. They are ranked as one of the nation’s larger agricultural management firms and provide services for more than 350 farms and ranches. They can provide their clients land and profit through their business.

**Primary Markets**

Agrico’s’ primary markets are the owners of farms and ranches in the Midwest.

**Generic Strategy**

Agrico uses a differentiation strategy. They are differentiating their services by converting to a new computer system. They have researched vendors that will give them the effective and efficient tools to better utilize assets. “Their differentiation strategy allows them to generate higher profits than a cost leadership strategy” (Tanwar). Through this they are able to provide cost-effective management services for their clients.

**Porter’s Five Forces**

**Supplier Bargaining Power**

Supplier bargaining power is low for Agrico. There is a lot of land that Agrico can choose from therefore they do not need a specific supplier.

**Buyer Bargaining Power**

Buyer bargaining power is medium for Agrico. Buyers are more likely to be price sensitive and there are other options for them other than Agrico. Agrico offers a special kind of service that is differentiated in some way based on the client, so this might encourage repeat purchase/contract between Agrico and its clients.

**Threat of New Entrants**

Threat of new entrants is medium for Agrico. There seems to be no specific entry barriers that could stop new and upcoming companies. However, the knowledge and experience in the management business would be a considerable barrier.

**Threat of Substitutes**

Threat of substitute is low for Agrico. There does not seem to be a significant amount of other firms in the industry that provides the type of service that Agrico offers. Since they use a differentiation strategy, the quality level of the service may be hard to mimic for other substitutes and they are also ranked as one of the nation’s larger agricultural management firms.

**Threat of Infra-Industry Competition**

Threat of infra-industry competition is low for Agrico. As clients are tied down with contract, switching would not be an easy option. Clients could also manage their business themselves if need be.

**Stakeholders**

**Agrico & Employees**

This includes company employees, management, and executives. Employees will be affected because if accepted, it may turn the company into a positive direction. All of Agrico can benefit from it. If accepted but is caught in a lawsuit, people may lose their jobs and the company may eventually go out of business.

This also will affect George Burdelle, the vice president of Information Systems in Agrico. It is essentially his decision that will decide the fate of Agrico.

**AMR & Employees**

This includes company employees, managers, and executives. AMR is supplying the software code that Agrico needs and is considering on taking without their consent. A.M Rogers has concern with sharing the source code and has stayed firm with his decision on not sharing the code. This is where the tension between Agrico and AMR is rooted.

**Shareholders**

Shareholders are dependent on the success of Agrico for their financial gain. If a lawsuit were to be brought over on Agrico over taking the source code, they may lose money. If all goes well, they will continue to gain money. Agrico’s main concern is making the shareholders happy and this will influence Burdelle’s choice greatly.

**Alternatives**

**Do nothing**

This alternative would mean that Agrico does nothing and continue with their current process. They will continue with the installation of the new system and continue to bargain and compromise with AMR in terms of the source code because of their concerns about the need for a backup if all else fails. This is the safest option for Agrico as there is no legal risk and AMR has offered them a specialized system that fits their needs and has fixed any bugs and errors that has been found thus far.

1. **Impact on stakeholder: Agrico & Employees**

Agrico will continue “tiger testing” AMR’s new system for bugs. They will get the software they need from a reliable source. They have already invested a significant amount of time and money into this project so the predictability and legality in this approach would make this a safe option for Agrico. Burdelle may still be unhappy with the inability to keep the source code so they will be dependent on AMR for any issues that may arise with the code. This may contribute to more tension between the companies as so far there has been no compromise that fits both their wants.

1. **Impact on stakeholder: AMR & Employees**

AMR will continue to main the system for Agrico and gain compensation. Burdelle may still be adamant in taking the source code so this may create more tension between Rogers and Burdelle. AMR will benefit economically and in reputation as they are partnered with Agrico which is good for AMR as they are a small company.

1. **Impact on stakeholder: Shareholders**

Shareholders will not see significant impact, but AMR was hired to make the system effective and efficient so business and reliability of Agrico to its clients will increase. This will attract more clients for the company, thus bringing in more money for the shareholders.

**Copy the code**

This alternative would mean that Louise Alverado, Agrico’s programming manager, copy the code and ship it to an off-site storage facility. Excerpts from the AMR agreement clearly state that “the software may not be copied or reprinted… without the prior written permission of AMR” and “the source code listings shall not be removed from Agrico’s premises.” Copying the code would breach the contract. While this benefits Agrico in terms of keeping the code secure, the risk of ruining their company reputation and legal costs could backfire.

1. **Impact on stakeholder: Agrico & Employees**

The new computer system would be installed without AMR’s knowledge that the source code has been copied and moved. Burdelle will be satisfied that he finally gets what he wants. If AMR were to find out of Burdelle’s actions, there will be a law suit coming for Agrico. Agrico could lose trust from its clients, reputation, and business. AMR would cut ties with the company as well.

1. **Impact on stakeholder: AMR & Employees**

If AMR were to be oblivious of Burdelle’s actions, they will continue to support Agrico’s system. If AMR were to find out, the relationship between Rogers and Burdelle would ultimately end in court. AMR could receive a lot of attention and business and Agrico could lose business. AMR could also become more strict in their agreements to ensure that this does not happen again.

1. **Impact on stakeholder: Shareholders**

If Agrico does not get caught, shareholders will continue to receive money as business will continue as usual. If Agrico were to be caught in a law suit, shareholders would lose money and cut ties with the company.

**Search for another vendor**

This alternative would mean that Agrico stop the conversion to the new system and look for another vendor. The time and money that went into the project with AMR would essentially go down the drain. During Agrico’s search vendors, their second choice was a larger company that met most of their functional requirements but had issues with mainframe and automation. They would most like be downgrading from AMR’s project.

1. **Impact on stakeholder: Agrico & Employees**

Agrico would essentially start over from scratch from the progress they have made with AMR. The money spent would be wasted and more money would be spent on looking for another vendor that may not do as good of a job as AMR. They would risk getting a possibly worse system and lose ties with AMR.

1. **Impact on stakeholder: AMR & Employees**

AMR would lose a client. As a small company, Agrico would have been a great step in getting more recognition for AMR.

1. **Impact on stakeholder: Shareholders**

Shareholders will not see a big impact but may question Agrico’s costly decision in looking for a new vendor. If the new vendor gives a system that does not meet Agrico’s need, they will lose more money and Agrico will have to spend more money in looking for another vendor.

**Recommended Solution**

I recommend that Agrico does nothing and continue with the conversion to the new computer system with AMR’s current services. AMR is already providing the software that Agrico needs and have been altering it to fit their demands. Bugs and fixes that have shown up during testing has been fixed in a matter of months by AMR. Burdelle’s concern for the backup of the code is a god security concern, but “the software agreement purchase between Agrico and AMR provided that the source code be placed in escrow to provide protection in case of a natural disaster or in the event of AMR’s bankruptcy or inability to provide adequate support for the software” (Smith). The AMR agreement also says that “the software may not be copied or reprinted in while or in part without prior permission of AMR” along with other statements that does not allow Agrico to copy the code. This goes against one of the four major ethical issues in IT: Property. In business, ethics is more important than morals. Ethics in business is about maximizing good (profit) and minimizing bad (loss) (Barker). The important questions that Agrico and Burdelle must ask is the legality of the action and the benefits that the company can receive. Going against the agreement and stealing the source code from AMR is logically illegal. The legal costs and the reputation damage that Agrico are big risks just for having the source code in their hands. The computer system has been tailored to Agrico’s needs and the time, money, and relationship that the two companies has put into this project would go to waste if they were caught in a legal battle. Agrico already has the system and if they were to continue with the conversion, they will receive the system they need. Burdelle has also said that a good percentage of Roger’s revenue came from maintenance and modification of the software. It is logical that Roger wants to keep the source code for the sake of business. The economic value of an organization A decreases if knowledge acquisition were to take place as the dependency of organization A to organization B would decrease (Barker). They are essentially caught in a deadlock, but Agrico must look to the future and see that this is just a temporary roadblock. Both parties will gain equal compensation and the security of the source code has already been established in a previous agreement. AMR has fixed and maintained any bugs and errors that has appeared during testing and therefore Agrico should have more trust in AMR. Eventually, the system that Agrico is looking for will be implemented and by then tensions may decrease and the possibility of another compromise or an alteration of the agreement may come up. By going with this alternative, Agrico will still receive financial gain as they will have the computer system they want and make the shareholders, employees and clients happy. They will also be taking the moral high ground and maintain their reputation. And they can eventually rebuild a relationship with Rogers to talk about a possibility of property agreements with the source code. This would be the most ethical and safe decision Agrico could make.

**Rejected Alternatives**

Copying the code would lead to multiple risks that would affect Agrico and its shareholders. “…Stakeholder analysis, goal-based analysis, rights-based analysis, and duty-based analysis can help the manager identify acceptable alternatives” (Cash). Copying the code would put Agrico and it’s shareholders at stake and this would go against the stakeholder analysis. The costs of the risk of getting cost outweighs the benefit of security which would go against the goal-based analysis. The illegality of the issue and the conflict of interest in terms of the agreement between AMR and Agrico would go against the rights-based analysis. The unethicality of copying the code would violate fundamental ethical duties in duty-based analysis. If Burdelle were to go through these four approaches, he would see that the better alternative would be to not copy to code and let AMR continue to store the code under the basis of their contract.

Searching for another vendor would be the costliest alternative. This would be considered another option if AMR was not delivering Agrico’s needs but as far as Agrico sees, AMR has been fixing every issue or bug that Agrico comes across and has built a system that fits their needs. This alternative would not make sense if there is already a working system that Agrico has already invested their time and money in.

**Citations**

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