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Agrico

Case Study

Background

Agrico is a ranch service management company, accountable for 691,000 acres of land across the Midwest U.S. The company was founded in 1949 by two farmers in Des Moines, Iowa. Agrico has been ranked atop the country’s largest agricultural management companies, managing a portfolio of $500 million since 1987. A group of executives for Agrico found that the current computer infrastructure for Agrico, which must be able to provide efficient and effective management for over 350 ranches in the midwestern states. George Burdelle was brought on as the VP of Information Systems, helping with the implementation of a new software to help manage each of the clients. The new software, AMR, is a specialized farm management software that integrates their private source code within their customers’ IT servers.

The new AMR system, however, hands George Burdelle a very ethical decision to make. As the VP, he wants to secure the software’s source code for Agrico to make sure the software is backed up. “The internal diversity of any self-regulating system must match the variety and complexity of its environment,” meaning that AMR must be able to match each of their client’s needs (Morgan). This will allow Agrico to have the most up-to-date version of AMR. However, the software engineer for the AMR system, Jane Seymour, is not allowed to give this code. Burdelle attempted to buy it, but AMR’s CEO refused because he did not want the code to be stolen or sold – giving out their competitive advantage. Seymour, however, accidentally left this source code open on a computer while deploying the process for Agrico. One of Agrico’s managers alerted Burdelle and discussed copying the code and shipping it off to their offsite storage facility. Burdelle has one hour to decide, which carries plenty of implications either way.

Stakeholders

1. Agrico

Agrico is the biggest stakeholder, as the company could be nothing if AMR files a suit against them. The company’s reputation is on the line and could be blacklisted from the business industry if they steal AMR’s code without permission. Stockholders would hold onto their money, as well, and not be at much risk.

1. George Burdelle

Burdelle is a stakeholder because it is ultimately his decision. If Burdelle decides to steal the source code, he is likely to be fired and sued as well. His decision will decide the future of Agrico, whether it is ethical or not.

1. AMR

AMR is a stakeholder because they have a lot of value on the line. The source code is very crucial to them to keep private, as this does not allow any other competitor to obtain their code. If Burdelle decides to steal the code, AMR will no longer have their unique source code to the system that has made them so much money.

1. Employees

Employees of Agrico are stakeholders because their jobs may be on the line if Agrico is sued. If Burdelle does not decide to steal the code, the employees will keep their jobs, and nothing will change unless AMR does not find out. If they do not find out, this may be a way that the employees can profit, as the company would flourish. However, if Agrico does steal the code, the employees could get laid off if AMR files a lawsuit. This would obviously be devastating to each of the employees.

1. Agrico’s Customers

Agrico’s customers have a lot on the line as the company could vanish after a lawsuit. This would leave the many customers without a ranch service management system. If the company steals the code and does not get caught, the customers may receive an advanced system and reap the rewards of Agrico’s risk. If the company does not steal the code, the system could become old and useless, hurting the company’s ability to provide their customers with effective and efficient service management.

Mission Statement

For Agrico, the goal is to make money both now and, in the future (Goldratt). Burdelle wanted to take the most logical and ethical route, ensuring that the future changes and updates to the software use the most recent source code. While the executives decided that Agrico did not have adequate technology, they elected to get help. “They contracted with a large computer consulting firm for recommendations on their computing needs and responsibility for them” (McFarlan). Burdelle is faced with a very important ethical decision, as the future of the company and its stakeholders lie in his hands.

Competitive Analysis

Agrico is ranked as one of the largest agricultural management firms but does have a high threat of rivalry. The company spans largely across the midwestern portion of the country and needs this AMR system to help sustain the large amounts of information that their current computer systems cannot handle. The decision that Burdelle must make could end in 3 ways: the company thrives with the stolen source code, the company gets sued and loses everything, or the company remains and lets AMR implement the software privately.

Generic Strategy

Agrico operates within the Cost Leadership strategy. This makes Agrico “a firm which finds and exploits all sources of cost advantage and aims at becoming a low-cost producer in the industry” (Tanwar). This strategy emphasizes being efficient while also producing very high amounts of products. In order to successfully maintain the strategy, the business must continue to evaluate how to reduce costs in all aspects.

Porter’s Five Forces

Porter’s Five Forces is a tool used by organizations to analyze the “attractiveness” of the business industry, analyzing many different factors that determine the level of competition within the business market. The five forces that Agrico must evaluate for opportunity and risk are examined below:

1. Competitive Rivalry:

The level of competitive rivalry for Agrico is Medium. Since Agrico is ranked as one of the country’s largest firms, it is wise to believe that there are competitors, however, not as large as Agrico. Other competitors are likely to not have as large of a market share as Agrico, so their level of rivalry is Medium at most.

1. Threat of New Entrants

The threat of new entrants is High for the industry. Companies can easily be started up to manage agricultural operations as there are not very many requirements that must be met to join the field. New entrants must be able to attract ranchers, however, and the majority within the Midwestern region are likely to be working with Agrico because of their large amount of land. In order to compete with companies like Agrico, startup businesses must have a large amount of assets in the beginning phases.

1. Threat of Substitutes

The threat for substitution is Low for Agrico. There are not many alternatives to agricultural management companies, other than the rancher doing it him/herself. Since Agrico has a large market share, they likely provide an exceptional level of service that few can rival.

1. Bargaining Power of Suppliers

The bargaining power for suppliers is Low in this case. Other than software suppliers, there are not many “suppliers” for companies within the industry.

1. Bargaining Power of Customers

The bargaining power for customers is High. Without the ranchers who pay for these management services, Agrico would make no money. Customers have a lot of power, as they could find new entrants in the field who charge less for their services. By doing so, Agrico would have to match the price.

Potential Solutions

1. **Do Nothing**

By doing nothing, Burdelle and Agrico would not steal AMR’s private source code. This would be the safest alternative, as the stakeholders would not be at such extreme risks as they would if the code was stolen. While Burdelle would not be able to get the code, it is more important to understand the risks he was taking when making the decision. If he were to get caught, AMR would be able to sue Agrico and Burdelle for millions of dollars, as the company would have committed theft among many other charges. Employees will be able to relax and keep their jobs, and so will Burdelle. The company’s reputation will continue to be positive, one of the most important things for the future growth of the business. Customers, too, would be able to continue to use Agrico’s services and would not be forced to find an alternative that can do the same thing for their ranch. The negatives of doing this are as follows: Agrico would not have the code that would ensure that they have the most up-to-date systems, and the system may not be improved in the future. However, there are no lawsuits that will come from this decision.

1. **Steal the Source Code**

There is a ton of risk involved with this alternative. This is the ultimate high risk versus high reward scenario. The risks are lawsuits, Agrico going out of business, employees being laid off, and so much more. The rewards, though, include Burdelle taking the code and having the ability to make sure Agrico is operating at the most up-to-date version and be able to ensure backups. Burdelle has been in talks with the CEO of AMR in attempt to buy this code, however, they have not been able to agree upon anything (Cash 159). If Burdelle steals the code, he will make sure that Agrico’s consumers receive the best service possible and hold an even larger advantage over rivals. By taking this risk, Burdelle shows little ethical and moral compass, portraying a dark cloud over Agrico’s operations.

Course of Action

The course of action that George Burdelle should take is A, Do Nothing. By not stealing the source code from AMR, the company will be able to stay safe and keep their integrity. While it would be very valuable to have this code, the risks far outweigh the rewards. By allowing Seymour to implement the system at Agrico, Burdelle and the company will be able to see how well the software works without necessarily needing the source code. While AMR’s CEO has been reluctant to give up the source code, who knows if he will give in later on down the road. Because of this, it is smart to not breach the contract and steal the source code from AMR. By copying the source code, Agrico will likely be sued for every dollar it is worth, and the stakeholders would be strongly affected. Agrico would likely never operate again, Burdelle would be jobless and be involved in many lawsuits, and the employees of Agrico would be looking elsewhere for jobs after being laid off. Agrico’s business would also be dispersed to their rivals, as the company would cease to exist, and these people would need to find the next-best agricultural management company.

Conclusion

In conclusion, George Burdelle is faced with a very important ethical decision. He can either steal the source code for AMR to ensure that the company has the most modern versions available, or he can let AMR install the software privately and hope that the system continues to update. While Burdelle would love to have this source code, the risk of ruining the company, facing millions of dollars in lawsuits, ruining the jobs of the employees who work for him, and making customers find an alternative far outweigh the greed that is the rewards.

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