Agrico

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Agrico, Inc. is a company that specialized in farm and ranch management services in several Midwestern states. With a market value of $500 million in 1987, it was one of the nation's larger agricultural management firms. In short, Agrico makes money by allowing farmers to use their land. When the harvest comes, Agrico would then take a portion of the crops that the land yields and sell it in commodity markets themselves to turn a profit. They also made cash-rent leases in which farmers just made cash payments for use of the land instead. These two activities made up a majority of their portfolio, where about 2% of it was where Agrico directly managed a few properties.

Agrico's generic strategy is somewhat of a gray area. They serve the entire agriculture industry in the states they serve, and a large portion of their portfolio doesn't cost anything outright – they just take a portion of the product which allows them to lead in cost. However, they also buy equity interests in farms and ranches for their clients – something that the article doesn't say Agrico's competition does which helps differentiate them from competitors.

Agrico's organizational structure is functional for a number of reasons. The article implies that they have one computer when it says their new computer (single) was delivered in September. It was quite common in this time period for organizations to have one computer that did all of the work. This makes their IT centralized. They also operate in a stable environment where demand does not fluctuate much – modern agriculture tends to be quite predictable, barring unforeseen events. The upper management also makes the decisions for the business. The new software is a great example of one of these decisions.

The problem at hand for Agrico is an ethical, and legal, dilemma. An AMR employee left the source code for the software package that Agrico had purchased open on a terminal that was accessible by Agrico employees. A couple of managers of Agrico found this source code, and

one of them asked the other if they should copy the code to a tape and send it to their offsite backup facility. AMR had explicitly denied them permission to do this several times, even after Agrico had asked multiple times so they could make sure it was stored safely in the case of a natural disaster or some other sort of failure. Agrico was legally bound to this by a non-disclosure agreement and a contract that stated that the source code should not be copied and that it will be held in escrow. The question that results from this is: what should Agrico do with the source code left open on a terminal by an AMR employee?

The ethics of this problem are not a question of "right or wrong." Rather, it is a question of "good or bad." Per class discussion, good and bad for a business is solely about money. If you are making money, it is good, therefore it is ethical. If you are losing money, it is bad, therefore it is unethical. The only thing the business cares about is making money and maximizing shareholder return. Before we can dive deeper into an analysis of ethics, we should first conduct a Five Forces Analysis (Porter).

The bargaining power of suppliers in this case is extremely high. Their software supplier is AMR, who has legal documentation that prevents Agrico from copying the source code and/or storing it anywhere other than what AMR has said they can. The agreement states "The software may not be copied or reprinted in whole or in part without the prior written permission of AMR (Case 1)."

The bargaining power of Agrico customers is low. The case doesn't make it immediately apparent that their customers are going anywhere given the market share that the company holds in its residing states, and the company had an increase in revenues from the previous year denoting a growth. (Case 3). The threat of substitute products is fairly low. While the case doesn't explicitly mention any competitors, AMR has provided software to 12 other clients

which means competition does exist. The case also mentions Agrico's deep foothold in its operating states. The threat of new entrants is also low. Agriculture has been around for a very long time now, and the costs to enter the market are likely high given that land isn't always readily available, equipment is expensive, and experienced farmers are needed to maintain the land and ensure a good harvest. Lastly, the threat of competition is medium. While the case doesn't explicitly mention any competitors, AMR has provided software to 12 other clients which means competition does exist.

Next, it is important to briefly identify and analyze core Agrico stakeholders, for they are the one's that will be affected by the actions taken by Agrico to resolve this issue. First and foremost are the customers, which include any of the company's 350 farm/ranch owners who use or pay for Agrico's services. Next, there are Agrico Executives. This includes people such as George Burdelle, VP of Information Systems at Agrico, Louise Alvaredo, systems and programming manager, and other executive staff of Agrico. AMR is the aforementioned supplier, the software company that is building the new system that Agrico will implement. Lastly, there are Agrico shareholders, who are anyone who has invested in Agrico by purchasing shares of the stock. (Destination Innovation)

Now that a business analysis has been conducted, we can identify alternative solutions to the ethical issue at hand for Agrico. First and foremost, Agrico could simply do nothing. In this solution, Burdelle and Alvaredo would leave the source code as they found it. They wouldn't touch it, and they would wait until Jane returns from her dinner to close up and make sure everything is secure as she should have done in the first place. If Agrico does nothing, no one would be affected immediately. There are many potential effects of this decision, though. The concerns that Agrico has with disaster recovery, being able to update the software themselves,

and more could all become reality, but there is no guarantee that that would happen. The implementation could go very smoothly, Agrico's clients' assets would be safe, Agrico would have a new state-of-the-art system to better benefit their customers, shareholders would be happy because of increasing revenues, and AMR will be happy because it has received their full compensation for the project. Or, it could go the other way and the worst-case scenario could happen. A disaster could strike, and Agrico and its executives will jeopardize all of its clients' assets, lose the brand-new system it had implemented, AMR would ruin their great reputation, customers would be very unhappy with such a collapse, and shareholders would be unhappy due to declining revenues or even potentially the downfall of the organization should the organization depend heavily on the new system.

Secondarily, Agrico could choose to make a copy of the code and send it to their offsite backup facility as they had originally intended. In this solution, Burdelle would give the go-ahead to copy the source code to a tape and send it to their own backup site before Jane returns and can close down the terminal. With this solution, Agrico and its executives could face a heavy lawsuit for breaking the agreement set out between it and AMR, because at least two clauses of the agreement would be broken:

"The software may not be copied or reprinted in whole or in part without the prior written permission of AMR," and "The source code listings shall not be copied or duplicated." (Case 6)

AMR would probably come out of this with a large sum of money and Agrico would be out a brand-new system that they have already invested a large amount of money into. The customers and shareholders of Agrico would be very unhappy that a lawsuit was placed against Agrico because that would tarnish their reputation, which would likely result in reduced revenues.

Lastly, Agrico could cut ties with AMR and choose another software vendor instead. In this solution, Agrico would end their agreement with AMR and go to their second pick for developing the new system mentioned in the case. With this solution, Agrico would lose a lot of money – not only in paying another vendor for a different system, but in the sunk costs that have already been incurred for the system they are trying to implement now. AMR would be unhappy because they lose a client. Agrico's shareholders would be unhappy as their dividends would likely fall since Agrico is investing so much money in not one but two systems now, and Agrico's customers would be a bit unsettled if they were expecting an improved system only for it to be delayed and turn on its head.

The question again is an ethical one -- what should Agrico do with the source code left open on a terminal by an AMR employee? Ethical, however, should be looked at from a business standpoint and not a moral standpoint. Businesses only care about making money and maximizing shareholder return. If a decision you're making is not doing that, it is a bad decision. Therefore, the right decision in this case is to do nothing**.** Agrico is currently increasing revenues, which means they are making money. If you're making money, you shouldn't change anything. You can sit around and ask "what if" all day, but numbers don't lie, and Agrico's look good.

Engaging with the source code actively infringes upon the intellectual property rights of AMR's product, which AMR should rightfully be concerned with. AMR is concerned about the privacy of their source code and it being sold to someone else, so they lock down the source code with agreements such as the one they made with Agrico. Agrico is concerned with the accessibility of the source code for when they want to make changes or in the event of a natural disaster or something else that could render the source code inaccessible. Their concerns are

justified by the Cash text, where he states “If a contractor encounters financial difficulties or lawsuits, you may find your data and processing capabilities unavailable through a court-ordered lockup of the contractor’s facilities (Cash 163),” and “Disaster recovery and business resumption may be made more difficult by the contractor’s efforts to balance the needs of clients and its need to remain profitable (Cash 161).” However, there is no guarantee that any of this would happen. Assuming that everything remains as it is now with no catastrophic events, this will not be an issue. Agrico will have a new state-of-the-art system that will increase their bottom line with new and innovative technology to better serve their customers.

If Agrico copies the source code and sends it off, they’re breaching their agreement with AMR which would create a guaranteed headache for almost all of the stakeholders involved. According to Morgan, “We begin to see politics everywhere and to look for hidden agendas even where there are none (Morgan 205).” AMR is paranoid that Agrico will act maliciously with the source code if they are provided with it, which correlates directly with what Morgan states. Agrico has given AMR no reason to distrust them, but if Agrico copies the code, they will have reason to believe there actually is a hidden agenda, such as selling the code to a competitor, or distributing it to other people. Even though Agrico disagrees with AMR’s practices in this case, they should keep in mind an important point: “The key thing to keep in mind when outsourcing information systems is that although contractors may profess to be your “business partners,” they are not. They are separate firms that must maximize profits to satisfy their shareholders, and as a result, their business interests cannot be congruent with those of your firm (Cash 167).” AMR has to make money too. If something is a risk to their bottom line, they likely won’t take it. Allowing your clients to access the source code is a risk that they are not willing to take it seems. Morgan further strengthens this point by saying “…power rests in controlling resources on which

the organization is dependent for current operations or for creating new initiatives (Morgan 170).” Without control of AMR’s resources (the source code), they have no power over their current operations or to create new initiatives (seek out new clients). This would overall result in a loss of revenue, which is a poor decision.

Cutting ties with AMR and pursuing another vendor is likely the worst choice out of these three. Cash writes on the hardships you may face if you terminate a contract: “Termination penalties in an outsourcing contract may be severe unless the contract is terminated for cause. Even in that case, the dispute may wind up in court (Cash 163).” Whether Agrico copies the source code or terminates their contract with AMR and pursues another vendor, Agrico would be risking a costly and time-consuming lawsuit. The sunk costs of the AMR system would have been incurred, and the costs of setting up a new system would just compound on top of them, making Agrico’s revenues much smaller and therefore losing money. Losing money is bad as mentioned before, which means that it is a bad decision.

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