Agrico

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The Agrico case discussed the current issues with Agrico Inc., a farm and ranch management-service based company. The case went into detail about the ethical dilemma that Agrico’s Vice President of Information Systems, George P. Burdelle, faced on whether or not to tell Louise Alvaredo, the program manager to copy the source code from the laptop of AMR System’s software engineer, Jane Seymour. Agrico was facing issues dealing with AMR’s staff, but more specifically A.M. Rogers about how they were extremely apprehensive to provide a copy of the source code the way that Agrico’s upper management had wanted. After having all the information reviewed and analyzed, the best decision that Agrico and more specifically Burdelle can make at this time is to not steal the source code from the laptop. There are various reasons as to why this is the best course of action at the time and these will be discussed later alongside the two other options that Burdelle had during this time.

Before we go into why this was the best option, we have to discuss Agrico’s history. Agrico Inc. was founded by two farmers in Des Moines, Iowa in 1949. They soon became a company that dealth with managing over 691,000 acres of land. This business was rapidly growing and the market value by 1987 was $500 million. Not only that but after 4 regional offices with 5 farm managers per office, they were managing over 350 farms and ranches. As a company, they offered three different arrangements, and this is what comprised their business. They had a crop-share lease agreement, which took up 47% of their portfolio, cash-rent lease where farmers pay for the land they use, which took up 51% of their portfolio, and they themselves owned and managed a few other properties themselves, which took up the remaining 2% of their portfolio. By following a cost-effective management step-up, they were able to be one of the top competitors in this field of business.

Then, after a lot of company success, Agrico’s executive decided that it was time to change computer services. The contract for their current computer service expired on September 30th, 1987, so before that they wanted to research the other options, implement an option, and then roll this option out to the entire business for use. They had decided that because in the summer season business was slow, since the spring and winter seasons consisted of buying, selling, and leasing properties, and during the fall season, crop harvesting takes up a majority of the time, June 1, 1987 would be the best time to roll this out. The business at the time did not have an internal computer systems staff and it was recommended that they use a software package to meet their needs. This new software would change the game for Agrico and keep them at the top of their field of competition (Mallach).

After much research, they boiled it down to two companies out of forty, AMR and another mid-sized business. They decided to choose AMR over the other company because the company already had 12 clients and they were up and running, the customers of this business were content, and the only downside that Agrico saw as a whole, was that this company was small with only 10 employees. On the other hand, the mid-size company was there to choose from, but Agrico decided against this company because they had only 3 orders, but there was no production of this software yet, and the whole thing required a strong mainframe. AMR seemed like the best fit for Agrico’s needs.

Now that Agrico’s history and the dilemma they were having was discussed, we need to talk further about AMR as a company. This business was started in Omaha, Nebraska in 1977 by A.M. Rogers. They had sold only one software package throughout their time in business, and they had 12 clients across 9 states. They employed 10 individuals, but these individuals were more like “carpenters” rather than “architects” when it came to software systems. In July, AMR and Agrico made a $200,000 agreement where AMR would provide Agrico a software package and then charge 1% monthly for their maintenance fee. Agrico was excited to work with this company in order to fit their needs and accomplish their goal to best serve their customers in the most cost-efficient manner (Goldratt).

Overtime, Agrico realized that it was in their company’s best interest to try and request to keep a copy of AMR’s source code in case any problem occurred to the copy that they were working on currently. Although by time limits, AMR was good about starting the project in October and meeting all of the dates that were set up initially for the company to meet their goals by, Burdelle started to realize that working with A.M. Rogers was starting to get frustrating because Rogers was getting too overprotective about their source code. He was worried that Agrico would steal the source code and reveal it to another company, who can then duplicate that and use it for their own business. Although it is written in the contact between Agrico and AMR that such a doing would be wrong and against the contact, Rogers still was very apprehensive about the whole situation. After Agrico hired a systems and programming manager, two programmers, and two operators, they found out that AMR had no standard software but rather 12 different types of software-one for each business that they worked with. Due to the fact that no two softwares were the same raised concerns to Burdelle because in case of an emergency and the most updated software needed to be looked at, Agrico could not be sure if what source code AMR was storing was the right one to fit their needs (Cash).

Agrico also realized that all the requests of tasks that they wanted to software to address and accomplish were never all tested and that AMR would update the software to fit the businesses’ needs and as the business would start to see bugs in the system, the team at AMR would update it. This is something that Agrico was getting really frustrated with. Burdelle wanted to have a software that did not have so many problems, and as a result, the company made AMR check again and again for bugs that would come up in the system to the point where one of the AMR employees said that this was an example of “tiger testing”. Agrico wanted to have their software cause no problems for their clients and their needs, so this is the reason they decided that this was enough and some action needed to be made. This is when, the seeming golden opportunity arose where Jane Seymour had supposedly left the source code open on the laptop while she went out for dinner. This provided the opportunity for Agrico to make a copy of the source code and then save that in another location for later in case it is needed. Burdelle was informed by Alvaredo that he had a little over an hour to make this decision.

Getting into Porter’s five forces and how it relates to this company and which decision will end up being the best for Burdelle to take, we will start off with the threat of new entry. This company had a low threat of new entry. This is because Agrico has been established for a while and they are one of the top companies in the business right now. If others wish to reach Agrico’s level, it would be a lot of work. With that being said however, it would not be hard for a company to set up business the way that Agrico has, they would just have a very small business to begin with and it would take a lot of time to build the business up to compete with Agrico.

The threat of substitutes is also low in this case. This is because each of the clients that Agrico has have already signed a lease with the company, which would make switching businesses expensive for the clients to do. Also, many firms that clients would look into, will not be at the same level at Agrico because they are leading the way in this industry.

The competitive rivalry for Agrico is decently high because although they are leading the way currently in their field, there are a plethora of other businesses that are fighting with this company’s market share within the area. Because Agrico is doing well however, the competition is not as much of a problem as it would have been if this company had just started off. The rival companies probably also follow the same functional organizational step-up that this one does (Cash).

Moving onto the bargaining power of suppliers, suppliers do not have a lot of impact on this business. Agrico only really needs additional labor and capital in order to operate, they deal with mostly all other aspects of the business.

And finally, the bargaining power of buyers is also relatively low. Although the clients of Agrico are bind by a contact which is their lease at the moment, if Agrico ends up being dissatisfactory for them, then they have the option to change services. But because Agico is leading the way and there is a cost associated to changing different companies, then the clients are less likely to change companies and leave Agrico for another (Porter).

After much analysis about both companies in discussion, we have to figure out what the courses of action that Burdelle can take. As mentioned previously, Burdelle can either copy the course code and violate the contact that they have with AMR, Burdelle can stay faithful to AMR’s trust and loyalty, or then Burdelle can decide that they are going to break ties with AMR and find a new vendor best capable to fit their needs. The first course of action would go against the contact that AMR and Agrico have and would violate clauses A, D, and F. Also, once these clauses in the agreement they have with each other has been breached, then what goes to say that AMR would not sue the company. Although the attorney also recommended that this may be the best option for Agrico to take in order to be safe in the future, it is a risky decision. The stakeholders would be significantly impacted. Agrico for example would be happy with the decision they made, however, if AMR finds out that Agrico has a copy of the source code, then that could mean bad press for the company, which as a result can negatively impact the business. AMR would be negatively impacted for the most part because their contract had been breached and Rogers would be quite upset. The customers of Agrico would be least affected by this decision, unless the news comes out that Agrico violated the contact it has with AMR. And finally, the shareholders could potentially be impacted negatively if the word of the contract breach got out.

The second decision is to do nothing and to not steal the source code. In this option, although Agrico would still not have the course code and it could result to being a problem in the future where the company may have to go through rigorous testing again in order to fix the problem, this is the decision that is the most ethical (Makensize) This is the decision that although is morally right, it is also the decision that will end up costing the company the least amount of money in terms of liability issues. It is the safest bet that business is not heavily impacted by a poor decision that can result with bad press. The employees of Agrico would be affected because although they would not get the code as they wish, they would be in the right for sticking and abiding by the contract rules. AMR and Rogers would be content because they were listed to and although Rogers is apprehensive about giving the source code the business now, maybe he will provide it in the future. The customers and shareholders would be largely unaffected by this decision because there would not be any bad press that comes from this decision, however, the program that is being used may have glitches, that they would have to then deal with slightly. This can result in some negative conflicts, but not a lot.

And finally, the decision for Agirco to say goodbye to AMR and switch vendors is also on the table. In this scenario, Agrico would be both positively and negatively impacted because they would end up getting the job done that they would want, however it would cost them a lot of money to get to the place that they would want to reach. The shareholders and customers would be slightly impacted because the cost of operation for the company would be high so maybe in the future their costs would be slightly increased as well. However, for the most part, this is not an issue for these two stakeholders. And finally, AMR would be negatively impacted because they would be losing business from a large company.

As mentioned in the very beginning, the action that Burdelle should take in this situation is to take no action and avoid copying the source code. This is the best action to take because although they would still have the worry that if anything went wrong, then it would be an even greater hassle for the company in the future, Agrico is not positive about whether AMR is being totally honest about whether their code is being stored properly elsewhere. For all Agico could know, maybe AMR is truly storing their version of the code. Also, by not breaching the contract, the company would not be getting into any legal trouble which would avoid problems on that front. Burdelle even stated that he “wants to abide by the terms of the contract” (Cash). Although he also does not want to jeopardize Agrico’s clients’ assets, he has no decision than to be the bigger man in this situation and stick to this decision so that in the future and long-term wise, this would be the best decision he could have made. The upgrades that the system is getting right now fit the needs of Agrico and their clients, which is essentially what the company wanted and this impact that the software will have will be very beneficial to the company as a whole (Kalakota). This is why it is better to not jeopardize the contact and stick to this decision rather than put more stress on the other members and do something that could result in a loss of profit and clients.

Citations

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