Drew Harris

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Case Analysis: Agrico

**Introduction to Agrico & their Mission**

Agrico was formed in 1949 by two farmers in Des Moines, Iowa. Agrico's portfolio was valued at $500 million by 1987. Agrico maintained four regional offices, each with five farm managers, to handle 350 farms. Agrico hired them to manage 691,000 acres of land. Agrico's business procedures were divided into three categories: crop-share leasing agreements, which was 47% of their portfolio, cash-rent leases being 51% of their portfolio, and direct property management only compromising 2% of their portfolio. Tenant farmers would come in and farm land held by Agrico under crop-share leasing arrangements. As payment, these farmers would receive a share of the agricultural harvest. Farmers would pay rent to utilize Agrico's land under cash-rent agreements. Agrico was also in charge of a few assets on its own.

During their 1985 business planning process, Agrico's management determined that their current arrangement for computer services—a contract with a local commercial real estate firm that offered all services for an annual fee—was insufficient for their current or future demands. They saw a need for workplace automation to boost productivity the same year. Their local contract for computer services expired on September 30, 1987, and because summers were generally sluggish, the target conversion date was established for June 1, 1987 (Packet).

**Business Issue**

Agrico was implementing a new computer system that would enable them to automate many of their business activities. Agrico picked AMR to handle this, and the object code would be available in a few months. The program did not always function properly, and many of the required parameters had never been evaluated before. From October until January, Agrico and its staff collaborated with AMR to conduct software acceptance testing. When it came to software check-ups, AMR got dissatisfied with Agrico's "tiger testing." Agrico would not sign off on the acceptance testing unless everything was perfect. The power associated with technological control is most obvious in confrontations and discussions involving organizational reform (Morgan). The object code was extremely unique, and if it was accidentally lost, there would be no way to recover it without the source code.

AMR also refused to enable Agrico to store its source code at their own facility. The proprietor of AMR did not trust anyone with his source code and only consented to place it in an escrow site. Agrico was unable to reach an agreement with AMR on the placement of the source code despite several conversations. It would have been helpful to have the source code in case any changes were required; otherwise, any changes would have to be made by AMR employees. Because the contract specified that "AMR had the right to copy and store the source code," Agrico was not permitted to do so. Yet, the contract also provided that it must be stored in a "satisfactory manner." Agrico also did not trust their code was secure in the hands of AMR, and they did not know if the code was up to date.

While on a lunch break at work, an AMR software developer left Agrico's source code open on her computer. When George Burdelle, Agrico's vice president of information systems, saw this, he had to decide whether it would be right to copy it to tape and ship it to their off-site storage facility. This decision could create many different outcomes, especially because it may eventually violate their contract with AMR and cause legal complications, but it may also allow them to alter at will while knowing their software is protected.

**Porter’s Five Forces**

Threat of New Entrants: Agrico faces a significant threat from new entrants. The barriers to entry for this industry are very minimal. Anybody wishing to start a firm dealing with many types of agricultural activity would have no difficulties. One factor that may make it difficult to begin are establishing a solid reputation to entrust people’s property with. They'd also need a lot of money to get started, specifically if a competitor wanted to acquire land and employ people to cultivate it.

Threat of Substitutes: For Agrico, the threat of substitutes is rather small. If a corporation wants someone to manage its farm, the only choice is to hire an agricultural management company. Another option would be to just purchase the management system for your own farm, but this would be too expensive for most farmers given the software's cost of roughly $200,000.

Bargaining Power of Suppliers: Because Agrico does not have any suppliers in their business, the danger is low. One could argue that AMR is a provider for them, but other from their software, there aren’t any true suppliers.

Bargaining Power of Buyers: Buyers have a lot of bargaining power. Customers are Agrico's main focus, and without them, the company would have a really tough time. If a rival of Agrico can provide a better or the same service at a lower cost to the client, Agrico will be unable to remain in business.

Rivalry Among Competitors: Agrico has a moderate to high level of competition. The lawsuit stated that "Agrico rated as one of the nation's major agricultural management organizations." Given that it claims that there are currently other businesses in the field and that they are not the largest, I believe they face a fairly strong competitive challenge in the farm management market.

**Stakeholders**

George Burdelle: Burdelle is the main stakeholder since he decides whether or not to remove the source code from the computer. If they are sued, he could potentially lose his job. If they do not end up in court, he may have made the right decision for the company's long-term viability.

Agrico: Agrico is a shareholder because if AMR discovers that they obtained the source code without authorization, AMR may bring a lawsuit against Agrico, and Agrico may lose everything. If this were to happen, Agrico's public image would take a fall, and clients may end up choosing another provider.

AMR: If their source code is lost, any firm may easily reproduce their program. This would be devastating for AMR since they would no longer have a distinct system to provide.

Employees: If Agrico takes the code and a lawsuit is subsequently filed, a large number of workers might be laid off. In the worst-case scenario, everyone might lose their jobs as a result of Agrico's inability to operate. Of course, if they do take the code, they may be able to provide better service to their consumers, increasing their profits and maybe giving personnel promotions or increases.

**Option 1: Do Nothing**

Doing nothing means Agrico would not take the source code from Jane Seymour's computer. This is a decision that should definitely be thought through seeing as taking the code may have a number of unintended outcomes.Taking the code, on the other hand, may also provide plenty of advantages. Being able to obtain the code assures that you will have a backup of your $200,000 system and allows Agrico to make changes and fixes in the future.

This approach would have the least significant impact on the stakeholders. Of course, not taking the source code would be the greatest choice for AMR, since their secret source code would not be lost. George Burdelle would be safer without taking the source code because he could not be fired for doing so. This might be beneficial or detrimental to Agrico. Agrico as a firm may gain from obtaining the code, but it may also get them into a sticky situation with AMR. Employees at Agrico would benefit from this option since it provides the most job stability. Customers may see a positive impact from this choice as well because it will help Agrico's reputation. However, it might also be detrimental to them because not having the code means no future system changes.

**Option 2: End the Contract with AMR**

Agrico could choose to terminate the contract with AMR. If they cannot convince a judge that the contract's specifications were not followed, they may have to fork out some dough to get out of the contract. If they could eliminate AMR, they would be able to construct a system in-house or outsource it to a new company they trust (Goldratt 140). Seeing as Agrico are already feeling uneasy about AMR, this is not a terrible choice.

Terminating the contract with AMR would benefit Agrico if they would not have to pay money to terminate the contract. They'd be able to select a new software vendor, which may be advantageous in the long run and could help Agrico's staff and consumers. This would certainly be detrimental to AMR because it would imply that they lost a big deal and a wasted a bunch of time and money.

**Option 3, My Recommendation: Take the Source Code**

Choosing to take the source code is probably the most difficult option, but obtaining the source code enables them to create backups of their system.It also enables companies to add new improvements and fixes in the future, allowing them to prepare for the future with better precision (Morgan 80).If AMR learns they stole the source code, this option may land them in serious trouble.AMR is extremely protective of the code, and I am confident that if it was stolen, they would sue Agrico. The contract states, however, that they are to be granted access to the code to do system tests. But, since they could not come to an agreement on how to implement this, it could be used as a reason to take the code themselves.

Taking the code is the riskiest option, but this is a high risk, high reward scenario. Taking the code might endanger George Burdelle's job if AMR discovers that they took it. Nonetheless, it may save him a lot of problems in the future. Taking the code might put Agrico's staff and customers in danger, as they may go out of business or lose a lot of money in an AMR lawsuit. Taking the code would be detrimental to Agrico, as another corporation would have access to their valuable source code. If Agrico accidentally leaked the code, AMR's competitive edge in their industry would be gone in an instant.

It may not be completely moral, but it is, in my opinion, ethical, because using this code ensures that they can maintain their system and always keep it operational and up to date. If George Burdelle does not take the code, it may come back to impact his business in a negative way. From an ethical sense, you are in business to generate money, and you are not technically stealing anything since you are paying this company to create a product for you. The contract requires AMR to provide them with the source code in a visible format, so either way they would receive it in some form or another. According to Goldratt, at the end of the day increasing sales and throughput is the main goal, and taking the code will impact this significantly and positively.

**Citations**

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