**Case Analysis: Agrico**

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**Problem Statement**

Agrico Inc. and its vice president of information systems, George, P. Burdelle, faced a major dilemma in 1987. Agrico had purchased software from AMR and signed a contract stating that while AMR would be required to provide Agrico with access to source code so that they could understand it, Agrico could not copy nor store the source code. AMR would need to store it in a “satisfactory” manner, but the two companies disagreed on what was considered “satisfactory.” Burdelle was worried that the code could be lost somehow, and that Agrico would then lose the ability to backup or modify code later as needed. After the programming manager, Louise Alvaredo, accidentally left the source code available on her computer for Agrico to access, Burdelle was faced with the dilemma: should Agrico copy and store the source code and face the legal ramifications of that later?

**Industry Competitive Analysis**

I. **Mission Statement**

Agrico Inc. is an agricultural management firm that provides farm and ranch management services across several midwestern states, operating through a focus strategy. A focus strategy is one in which the organization does one thing so well that it is difficult for others to compete (Barker). There are two types of focus strategies: focus differentiation and focus cost, with Agrico’s strategy being focus cost.

**II. Five Forces**

Porter’s five forces are power of suppliers, power of customers, threat of new entrants, threat of substitutes, and competitive rivalry. The following is an analysis of each force and how it affected Symantec and the company’s environment.

The first, power of suppliers, explains the relationship between supplier and buyer where if the supplier holds bargaining power, then they can influence prices in the market and availability of supplies (Team FME 23). Since Agrico provided farm and ranch management services to its clients through the use of information technology, rather than sell a product or service that would require suppliers, Agrico did not need to worry much about the power of suppliers since the only supplies they would need would be software packages sold at a one-time cost or membership that would not vary in price.

The second force, power of customers, explains the relationship between customer and seller, where if the customer holds bargaining power, then they can influence prices and quality of products in the market (Team FME 25). Agrico was one of the top firms in agricultural management services, and therefore would have had a decent amount of power over their customers, especially since there were not many competitors. However, there would be a mutual need between the two sides as neither would be able to survive without the services (since this is a business-to-business relationship), and so both Agrico and its customers would have a somewhat equal amount of power in the market.

The third force, threat of new entrants, describes the threat companies face when there are new entrants in the market who can increase the bargaining power of customers. Current sellers in the market will try to erect entry barriers, such as copyrights, patents, or contracts (Barker). Agrico’s business model was fairly niche, and although their portfolio had a market value of $500 million by 1987, there was not an obvious demand in the market for more agricultural management companies.

The fourth force, threat of substitutes, explains how the threat of substitute products or services, which meet a consumer’s need but in a different market, can affect the competitive environment and subsequently profitability for the producers of current products or services by allowing consumers to choose the substitute products or services instead. Since Agrico’s business model was involved in a highly specific industry and operated through a focus strategy, there would not have been much room for any kinds of substitutes to enter the market. Any competitors Agrico had would have been competing through the same strategy rather than competing as a substitute.

The last force in the model, competitive rivalry, describes the threat to existing sellers in the market by other competitors in the same market. Agrico was in the top of all agricultural management firms by 1987. While they had competitors, this was not a significant concern they would have had at the time and would not have affected their business dilemma and decision-making as much.

**III. Organizational Structure**

A firm’s organizational structure is determined by the environment. It is the way in which businesses deploy assets in an environment in order to achieve their organizational goals (Barker). Agrico’s organizational structure was a functional one in nature, where the organization is dealing with a stable and static environment that is very predictable and is the easiest to structure.

**Key stakeholders**

A stakeholder of an organization is anyone who is affected by the organization’s operation and performance, and he or she typically has a vested interest in the company, either internally or externally. The internal key stakeholders of Agrico include all board members, top executives, and employees. Top executives include: CEO Henry Hockenberry, Chief Counsel Joe Warburn, Senior VP of Marketing Don Mintner, CFO Myra Enfants, Senior VP of Corporate Operations Lonnie Martin, COO Robert Morgan, Senior Accountant Executive Joyce Purvis, VP and Controller and Assistant Treasurer Ben Douglas, Marketing Analyst Doug Nevitt, Assistant Treasurer Darlene Bertucci, VP of Information Systems George Burdelle, VP of Commercial Investments Betty Ricci, VP of Personnel Nancy Patt, Regional VP of IA Regional Office Jack Clavis, Regional VP of IL Regional Office Buck Donovan, Regional VP of KS Regional Office Ross Etheridge, and Regional VP of SD Regional Office Bob Strickland. All external stakeholders include AMR and all of Agrico’s clients.

**IV. Possible Solutions**

Burdelle needed to make a decision on what to do next for the sake of the company. He had a few choices he could make. He could make the decision to copy the source code and store it and deal with the legal ramifications afterwards. He could decide to change nothing by honoring the contract and continuing to do business with AMR without a copy of the original source code in storage. He could also decide to discontinue business with AMR and look to another business to buy software from. The following is an analysis of the impact of these decisions and how each one would affect stakeholders.

**Copy the Source Code**

If Burdelle decided to go ahead and copy the source code that was accidentally left accessible, then Agrico would have a huge increase in security and protection for the business as they would have a guaranteed way to back everything up and leave the door open for future code modifications. This decision however would be breaking the legal contract that they signed with AMR and would thus require them to enter a lengthy court battle to deal with all the legalities of breaking the contract. This would financially impact the stakeholders greatly, particularly the board members, who be financially responsible for the cost of the legal proceedings as well as any potential punitive damages if they lost. Other stakeholders, such as top executives and employees would benefit greatly, depending on how the court case went. They would have an improved experience working with the software as they could deal with any bugs themselves and not worry about AMR holding up their end of that, which would in turn also provide an increased customer service to its clients. However, if the court sided with AMR, then this could potentially result in Agrico filing for bankruptcy, which would negatively affect everyone involved, including all internal and external stakeholders.

**Continuing As-Is**

If Burdelle decided to honor their contract with AMR and not copy and store the source code, then Agrico would continue to do business as is, which would mean incurring the risk that they might lose access to the systems if a disaster happened and they could not restore the original software. This would negatively affect top executives and employees who would have the headache of dealing with AMR fixing all bugs and potentially not storing the source code properly. If something happened, this could mean a huge financial burden on the board members to restore the system, as well as a significantly decreased customer service to their external stakeholders.

**Look to Other Software Available**

If Agrico decided to discontinue their business relationship with AMR, then they would not need to worry about the source code dilemma. However, this would mean a huge financial impact on board members since all of the money they invested into the AMR software ($200,000 plus $75,000 for incurred costs for the consultants’ bills for debugging the software) would be a sunk cost, and not only would they be financially impacted by the time lost, and therefore would lose money by not being able to provide for clients (who would receive diminished customer service) but would also need to spend more money on buying replacement software. The options are also extremely slim and would require Agrico to change the hardware they use to accommodate any new software, which would be another incurred cost on the business.

**V. Recommended Solution**

The decision Burdelle should make for Agrico is to break the contract with AMR and copy and store the source code. This is the most advisable as it would best financially impact Agrico. If they continued to honor the contract, they risk losing much business due a disaster that could likely happen, and buying software from another business could be too costly for the business. It is very likely that even if Agrico broke the contract that they could win in a court case, as stated by the firm’s laywer. However, it is important to examine the ethical side of this decision. First, a distinction between morals and ethics must be made. In business there is a difference between the two terms (Barker). When there is a distinction made between the terms “ethics” and “morality,” ethics is defined as “generally considered standards of good and bad, right or wrong that are imposed by some outside group,” such as a society or profession, whereas morality is “one’s own personal sense of wrong” (Carneades.org). A business has a fiduciary responsibility to be ethical and make decisions that are good for the business. Therefore, making the decision to copy the source code is still an ethical decision, even if considered immoral by some, because it is in the best interest of the business. A business cannot be moral or immoral, but rather is just an entity defined by following a process and is therefore simply a force of nature (Political Loudmouth). In other words, it is amoral (Barker). Some might argue that while the business itself cannot be moral, the employees can because “a corporation is simply an artificial legal structure. But the people who are engaged in it—whether the stockholders, whether the executives, whether the employees—they all have moral responsibilities” (Milton Freedman). However, organizations have a fiduciary responsibility, not to their employees, but to the business itself, and therefore must make decisions that are in the best interest of the business. In Agrico’s case, this is to copy and store the source code.