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10/26/22

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CIS 410-50

Agrico Case

Overview

George Burdelle was the vice president of Agrico INC., a company that had \$500 million in farm management properties. Agrico was set to convert to a new computer system from AMR, a vendor for their farm management software. The dispute comes when Agrico is hard set on getting the source code for the farm management software to back up their data in case of an emergency. On the other hand, AMR is concerned about the possibility of something going wrong if their source code that they sell gets leaked. On May 27, 1987, Burdelle and Agrico's programming manager, Louise Alvaredo, stumbled upon the source code because of a mistake of an AMR employee. Burdelle is faced with an ethical problem to either steal the source code and risk a lawsuit, or comply with AMR and let the company take on all of the risk in case of an emergency.

Five Forces Analysis

Competition

Agrico Inc. is a farm management service company that operates in the mid-west. They hold a solid standing in their market with \$500 million in properties under their portfolio. They have a medium level of competition as they are stated to be “ranked as one of the nation’s largest agricultural management firms.”. Note that they are not the biggest in their field so that is why I believe that there is somewhat of a competition to Agrico.

Threat of New Entrants

The threat of new entrants is high. I believe this because it would not be hard for a new company to develop or buy software from another company that can be used to manage farms anywhere in the country.

Power of Suppliers

The power of suppliers is very high. Agrico is buying their software from AMR, a software development company. The entire issue lies on the fact that AMR has the power to withhold the source code from Agrico.

Power of Customers

The customers or farming companies that Agrico manages have a high degree of power.

Customers are Agrico's obvious main source of income and without them, they wouldn't have any property to manage and would fail.

Threat of Substitutes

Agrico is already a large company in their industry and has a portfolio of over \$500 million in property management. It may be difficult for a farming company to just switch to another farm management company easily. The only other way a company would switch would include developing the \$200,000+ software themselves, which is likely not feasible for most companies back then.

Key Stakeholders

Stakeholders within Agrico include: George Burdelle, Louise Alvaredo, and Agrico customers. All of the above are key stakeholders and are directly affected by Agrico's performance and efficiency. Burdelle is faced with the ethical choice of stealing the source code to protect the company, or to let it be and have the company take on the security risks involved. Alvaredo is the one who notified Burdelle of the code mishap that led to the decision.

Customers of Agrico are directly affected by either decision that Burdelle makes. They uncertainty of the handling of their information, as well as a lawsuit if the stealing of the code were ever to come to fruition.

AMR is also a stakeholder that isn't within the company. They already weighed the risk of letting other companies have access to source code and decided that it is not worth it. If source code were to be stolen, it would be a bad look on their part and affect their stakeholders as well.

Company's Strategy

Agrico utilized three different business processes: direct management properties, cash-rent leasing, and crop-share lease arrangements. The crop share lease agreement would allow companies to farm on land that Agrico had owned. The farming companies would then get a percentage of the yield for themselves.

Organizational Structure

Agrico operated under a functional organizational structure. Decisions were made vertically, and they developed a stable routine.

Alternatives

Go through with AMR deal

Agrico can go through with the deal that they have in place with AMR and acquire the object code that AMR implements for them. This would be the “safest” option, but would result in Agrico taking on some risk involving backups, as well as having to pay AMR for “maintenance” when updating the code.

Stop Business With AMR

Agrico can stop doing business with AMR all around. The late 90’s was filled with many new software development companies that would bite at the opportunity to sell a very expensive product to a company in need. Burdelle would no longer have to deal with people like Rogers at AMR that are unwilling to cater to their customers’ needs.

Steal AMR source Code

Stealing the source code that was left unattended to is another option that Burdelle could consider. Doing this and sending it to another location where it would be handled and changed to fit Agrico’s needs would benefit the company in a couple different ways; Agrico would be able to ensure backups in house, Modify the source code to fit their specific

needs, and not worry about having to pay AMR for maintenance every X amount of time.

The downside to this is what could effect stakeholders and people within the company. If

AMR were to find out and file a lawsuit against Agrico, it could be a bad look for the

company and get Burdelle, along with Alvaredo fired. Agrico would also lose some

reputation and risk damaging the business.

Recommendation

I recommend that Agrico stop doing business with AMR. They are being difficult to deal

with and there have to be other options in the open market. The fact that “Rogers was

really irrational about keeping the source code” proves that AMR are going to be a struggle

to deal with in the future. The mid to late 80’s was one of the best times to be a customer in

need of software as the software market was growing exponentially. Agrico can find

another software company that can cater to their needs more and not have to worry about

the stress and cost of maintenance and backups from AMR.