CASE REPORT 4

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Summary

Agrico, Inc. a farm management service company by purchasing equity interest and managing the funds to allow their clients with "operating cash flow and capital appreciation". (McFarlan and Smith) Agrico, Inc. contracted the services of AMR, a small software company, to create an information system to help manage client portfolios for $200,000 in addition to a monthly maintenance fee and a delivery date of October 1, 1986. The contract negotiations were concise and unbending for what both parties agreed upon. Agrico wanted to invest in a product they could grow without fear of a disappearing software firm asking for a guaranteed right to own their unique source code in the event of AMR's dissolution. AMR wanted control of their software source code to satisfy paranoid reservations by leaving source code unprotected and thus available to stealing. Both parties mutually agree in a contract to utilize an escrow account providing Agrico with a safety net in the event of AMRs demise by receiving the rights to the source code and giving AMR the security surrounding its source code to prevent thievery providing that the source code is held securely as long as AMR is a viable company. After a frustrating 6 month testing phase where the relationship between AMR CEO Rogers and the Vice President of AgriCo, George Burdelle, became tenuous and the additional 6 months to debug and fix the system, AMR was refusing to provide the source code in escrow effectively breaching the contract by non-fulfillment. The Vice President of Agrico, Burdelle, is presented with the ethical quandary to attempt to fulfill the initial contract in a "satisfactory" manner by gaining a copy of the source code but additionally breaching his contractual obligation by copying the source code. How far would a company go to protect a trade secret? And how far would a company go to get what they paid for?

Problem

This is an ethical dilemma between getting what was requested and paid by any means necessary when given the opportunity or potentially losing the overall investment and be left without a final product.

Agrico's responsibility is to its stakeholders in the interest of earning a profit. According to Morgan's "interests", there are predispositions embracing goals, values, desires, expectations, and inclinations. Agrico entered into the contract with their current and future "interests" in mind (Morgan). Burdelle's interest standing at the Ms. Seymour's computer at a virtual impasse determining the weighted interests of his company, the responsibility to the shareholders, the tasks of his position against his personal moral.

Generic Strategy

Agrico, Inc. uses a focus strategy based on the niche market of agricultural lending and financing. Porter's Five Forces presents:

Competitive Rivalry: Low

Agrico is a niche market mostly by region which limits competitive rivalry.

Threat of New Entrants: Low

The threat of new entrants is constrained by their focus niche market and bound by regions.

Threat of Substitutes: Medium

While Agrico has a niche market, banks and investment firms can potentially meet the need of the local farmer.

Bargaining Power of Suppliers: Low

The suppliers of the software is low considering the capital investment necessary and other firms available to create the product Agrico needs to meet the wants of their customers.

Bargaining Power of Customers: Low

The consumers didn't know what they didn't know. Agrico, Inc. was bringing a new product service to meet their customers' needs coupled with an advancing technological world.

Stakeholder(s)

Critical Stakeholders of Agrico, Inc. include:

- Agrico Customers
- Agrico Stakeholders
- Agrico Suppliers
- Agrico Employees

Alternative Actions and Outcomes

1. *Do nothing:*

   Burdelle's options, if chooses not to copy the code and maintain the status quo, would be the most honorable position by upholding his side of the contract and not owning a copy of the source code without express written permission from AMR. Morgan states that "power is the medium through which conflicts of interest are resolved" (Morgan). Burdelle's frustration of the product implementation should not cloud his judgement nor his ethical duty to both himself and the corporation. He should not copy the code and maintain the ethical boundaries that he set with AMR upon the execution of the contract. Burdelle at least still has some leverage with the control over the remaining balance of the amount owed to AMR. This leverage can manifest in non-payment until the contract has been completed.

2. *Copy the source code and breach the contract:*

   With the organizational needs at the forethought, Fried's Rule 18 states "the end objective of a software project is to implement the requested system" (Fried). Burdelle has the option to give the orders to have the AMR source code copied and meet the amoral corporate goal for the shareholders. If he copies the code, he not only put his personal values at risk he jeopardizes the company's reputation. By breaching his contract, he opens himself and his company up for litigation that would only damage the reputation of the company and potentially lose his job with cause.

3. *Sue AMR for breach of contract:*

   AMR's clear violation of the contract has left Agrico in a conundrum to meet the organizational obligations or operate under the ethical guidelines thus far. Burdelle by the advice of his attorney is well within the right to sue for breach of contract (McFarlan and Smith). However, under advice of counsel the potential fallout is an uncertainty. The unforeseen cost of a case would not only generate bad publicity but endanger their end game for a completed project and could possibly be more costly than the AMR's remaining balance.

4. *Scrap the product and invest in a new software program:*

   According to *Managing Emerging Technology*, Fried notes that business do not acquire technology or its own sake (Fried). They acquire appropriate systems to push their competitive edge. With great consideration, Agrico reviewed the options available to include scrapping the AMR's software solution for a different and potentially inadequate software program. The sunk costs as well as the labor and time investment far outweigh seeing the AMR project through to the end. A new system would mean starting at the beginning with a new company and most likely with many of the same scope problems that can't be avoided with software projects.

Recommendation

According to the economist Adam Smith's moral theory, people have an innate desire for mutual sympathy and gain pleasure from seeing their own sentiments reflected in others (Otteson). Burdelle's best course of action is to do nothing and complete the project. In doing nothing, Burdelle's maintains his integrity as well as the reputation of the company by maintaining that they are trustworthy. He is hoping that by continuing the path that has been so heavily invested in with capital and labor that AMR will see the error of his ways and complete the project in full with the code in escrow.

Based on the mention that AMR's product has been implemented on 12 occasions each resulting in a custom software package for each industry would lead to a Fried classification that Agrico is an "inventor" by creating a new product that combines their needs into one software package (Fried). By aligning technology needs with the business needs the "inventor" brings a new competitive edge to Agrico's financial/commodities industry. Adam Smith again shares that competitive markets are the best means for the "self-interest of rational individuals to achieve maximum satisfaction of individual happiness" (Desjardins). Using Occam's razor that the simplest answer is usually the right answer, Burdelle did everything within his power to validate and ensure the future success of the product. The answer is clear that Agrico should finish the software product and write off the losses. If they compromise their integrity for one unethical opportunity that only places their actions at a biblical level, "an eye for an eye" but will not find any capital gain.

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