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CIS 410-50

Agrico Case

27 March 2021

# Case Overview

**Brief:**

This case involves an ethical decision pertaining to their business’ relationship with AMR. In the late eighties, Agrico had begun working with AMR to help create a one-off management software that would be used to assist Agrico by helping with the development of this software to help Agrico manage its property portfolio. The primary prominent issue was that the disagreement over AMR’s persistence that it would not give the source code to Agrico, but would just compile the object code. Agrico viewed the inconsistency of AMR as a potential and lethal threat, even with the insuring of the third-party escrow of the source code given if AMR failed in some matter, such as filing bankruptcy.

# Industry Competition Analysis

**Agrico Information:**

**Industry of operation:**

Agrico operates in the agriculture management field. Agrico manages farms and ranch services for a vast variety of properties in the Midwest region. In 1987, the financial total situation was ranked fairly good, with them managing 500 million dollars in portfolios. In regards to total client number, they manage 350 properties using three management models. The first program involved crop share leases and helps makes up half of their total revenue, the second one uses cash rent leases, also taking up nearly half of the portfolio almost similar to an apartment lease. Lastly, the last type of program, was a direct management program with the remaining 2% of their business collectively.

**Company effectiveness analysis:**

Fiscal:

Agrico manages over 690,000 acres of land with nearly $500,000 in property value. There are about 250 farms and 130 ranches. Agrico has a total of 83 employees with a total of 170 clientele as well. The tenants are split into 175 different crop-sharing leases, and 197 crop-renting leases. The total revenue for 1986 are over 5.3 million dollars, with approximately 485 thousand dollars net income totaling in at over 3.03 million in total assets.

Market:

There was no information given on the total market share.

Product/service:

Agrico supplies management services to all of its clients. Each client may have a different product, but generally speaking, they are most around the realm of crop-sharing arrangements and they tend to sell those on the commodities market.

Critical Success Factors:

Agrico is dependent on information which their infrastructure lacks proper support for. In addition, they need to be currently up to date on the commodity markets, as most of their business that is done is leveraged by them. They need to have some basic and advanced knowledge on the real estate markets, as their records rely on having their regional offices manage properties, as well as holding a equitable stake in each meaning that they are restricted by the same forces that restrict individual farms, from market price of land to the individual management of each.

**Five Forces Analysis:**

**Threat of new entry:**

The threat of new entry is fairly low because as Agrico is established and getting familiar with the industry, it requires a great amount of investment to acquire such a set of assets assuming that they would be following the same business model. Though smaller companied could accumulate a small portfolio of clients, but capital would still be a large barrier to overcome entry in the field, unless the new entrant did not hold stake in the particular land assets they managed and offered their management as a service.

**Bargaining power of buyers:**

The bargaining power of buyers is low on the commodities market, as shifting the asking price must occur for the whole marker for a change to be in place for a buyer’s price to decrease. If a buyer were to attempt to decrease their buying price, the buyer would be ignored, as there are other buyers who are willing to pay the current price for the product.

**Threat of substitutes:**

Substitutes are fairly scarce. AMR services a number of other companies that provide farm and ranch management, yet they are spread across the country in a great number of regions. They are not directly a threat to Agrico, but there is nothing mentioned about alternative methods of supplying farm management structure.

**Bargaining power of suppliers:**

Suppliers have little impact on the commodities market regardless of the properties that are owned and market price dictates the value of product. This case, there is a pseudo buyer-seller relationship between the clients of Agrico and Agrico itself. Agrico would want to take the necessary steps to help limit the ability of the share-croppers to being able to negotiate a larger cut for themselves for example.

**Competition:**

There is a great number of companies in this field that can prove to be great competitors with Agrico, but there is a degree of separation given that they operate on the commodities market due to them operating on the market for a large share of their business. This case implies that the company can maintain cost leadership and will be successful. Most of the competitor’s organizations to be in such a similar scale and functional organizations.

# Overview of Stakeholders

**Business Stakeholders:**

**Organizational Stakeholders:**

AMR helps create the software that is used by Agrico. As their business is licensing custom Ips, they want to ensure that the source code used is safe and protected and locked away. Their product offers a huge competitive advantage to a purchaser, and is thus worth a great amount.

**Management Stakeholders:**

Burdelle faces a decision that could impact his life and career and the lives and careers of those around him. His ethical dilemma contains him doing what is best for his shareholders, which would essentially require the new system to be installed on time. He wants to uphold the agreement, but has a serious concern about the performance of AMR as a whole and insisted that the product was being developed by AMR would be as perfect as possible that would call for heavy documentation and extensive testing.

Louise Alvaredo is involved as well and potentially more than Burdelle. As the systems/programming manager, she would be the one who is copying the new software form AMR. Any type of action could effortlessly have an impact on her personally. She would likely be the one to face any type of persecution for the copying of files as she does not have the ability to claim a level of separation as the higher-level managers do.

**AMR Stakeholders**:

Jane Seymour is the software engineer for the new system at AMR, and a mistake caused the new software to be available from her workstation.

A.M. Rogers is the founder of AMR and seeing as there is only one product available for sale, it is generally defensive of the source code assets, barring any customer form holding a copy of the source code, feeling that the backup concerns are not needed at the moment.

**Consumer Stakeholders:**

**Agrico Clients:**

Agrico has an incentive to build or acquire a system that would serve their client base adequately. Burdelle’s reasoning towards the acquisition of the source code services this: in the even that the new system would become inoperable, or would face a lack of updatability, the clientele would suffer the risk of data loss and struggle to operate in real-time.

# Potential Alternative Solutions

**Copy the software from Seymour’s workstation:**

**Alternative overview:**

In this case, Louise would begin to gain control of the source code from Seymour’s workstation while she would be on break. Then it would be given to Burdelle, where he would ship it out to a warehouse for safety reasons.

**Potential business impact:**

This would have a large potential benefit but also a large potential cost. Gaining access to the source code, would eliminate BUrdelle’s anxiety regarding the current escrow dilemma, as he would want control of the technology as a means of obtaining autonomy, reliability, and power (Morgan 6,Power section), yet if found out, there would likely be a sever lawsuit which they might win, which would lead to a negative PR nightmare. Also this action would be equivalent to the corporate espionage, as well as IP theft.

**Consequences for stakeholders:**

If Agrico was not caught there would likely be no lawsuit and Burdelle would continue to work on an arrangement with AMR. However, AMR would face the loss of their property and a large portion of their original source code and losing bargaining power in the process since Agrico could take that software and run for a brief period of time. If Agrico was caught, there would be a lawsuit, and neither party would so call “win” the case because both of them breached a contract. Both companies would face a negative PR and an expensive legal process. Louise and Burdelle would likely be punished and Seymour would likely lose her job at AMR.

**Alternative Two: Start legal proceedings without stealing the software:**

**Alternative overview:**

Agrico has a legitimate complaint with the performance and record of AMR, and it is not in breach with the contract. Instead of stealing the management software to put it into a warehouse that they control, Agrico could attempt to secure more access to the source code and concessions from AMR, or have a middle ground agreement of some form of lawsuit.

**Potential business impact:**

This option is a hit or miss type of question because while it is the correct “ethical” choice, it still carries the legal proceedings costs and would further strain the relationship between Agrico and Rogers. This could result in Agrico not receiving the software at all if they were to lose the case which would end up setting them back a year.

**Consequences for stakeholders:**

No jobs would be put out on the line which would mean that both parties run the risk of losing the contract and AMR is at risk of being forced to release it’s IP to Agrico for either modification or possession. There would be multiple legal fees for both organizations, and Agrico properties would likely not receive the advantages of the new management suite assuming they would even get to transition to that. Neither company would face any type of PR issue as it would be seen as two smaller companies disputing.

**Alternative Three: Do nothing:**

**Alternative overview:**

Agrico would continue to attempt to resolve their concerns with AMR personally and try to come to an mutually acceptable agreement.

**Potential business impact:**

Taking into account the progress of the current negotiations, it already seemed inevitable that Agrico and AMR would fall out of the contract anyway. It could honestly go either way.

**Consequences for stakeholders:**

No ethical issues are raised with this option, as negotiations would merely continue. No one runs the risk of a lawsuit, and if a mutually beneficially solution could not be formulated, then they would both go their separate ways. Essentially, if the contracts holds, both parties benefit from the contract completing AMR would get their payment and Agrico and its clients would reap the benefits of the new and improved management software.

# Selected Option & Reasoning

**Selected Option: Do nothing:**

This is fairly simple and reasonable. By doing nothing, it allows for Agrico to wait it out and if need be to push back the delivery of the system, or involve a further falling out meaning that there would still be the chance of the two reaching a solution to the issue. Additionally, Agrico can always transition to the legal route if they want to take that when they are ready to do so. This option is not appealing, but it avoids the ethical and legal doom that is the theft and espionage option.

**Rejected Option: Take immediate legal action:**

With taking immediate action legally, it would ruin any change for a personal mediation option between Rogers and Burdelle. This would almost certainly prevent any change of the contract being completed, and either party would risk intellectual property or the proper operation of their assets at the completion of the lawsuit. This would be the first backup option.

**Rejected Option: Steal the software:**

From a legal standpoint, corporate espionage and electronic theft of intellectual property is a serious unacceptable action to take. Agrico, Louise and Burdette would be leaving themselves open to a world of criminal and civil charges, which while they have a fairly solid chance of winning because of the ambiguity of the contract, which would still violate the CFAA and a number of other pieces of legislation. Assuming they somehow manage to not get caught then the option would seem perfect, but if they do, then it is like burning the company down from the inside. The public relations nightmare would end up crippling the company if the other consequences don’t destroy Agrico first. I would not recommend this option at all.