Ryan Smith

Agrico

CIS 410-01 Case 5

11/1/2018

**The Problem**

Agrico has entered an agreement with software vendor AMR to implement a new system to manager their portfolios. Agrico believes they need a new system to satisfy their present and future needs which is common for established businesses attempting to meet the requirements of the new e-business era (Kalakota). The system that AMR is offering is not exactly what Agrico needs and adjustments need to be made to AMR’s source code to fit Agrico’s needs. AMR owner A.M. Rogers will not agree to give Agrico the right to copy and store the source code. Rogers fears that the source code would be modified or sold. Agrico fears that AMR’s backup plan is not sufficient and could leave them with the inability to alter the system. Agrico is unsure how to proceed and I will give my recommendation.

**Industry Competitive Analysis**

## Mission

Agrico provides farm and ranch management services across the Midwest.

## Market

Agrico’s clients are usually pension funds. Agrico’s primary property arrangement is their cash-rent leases for land where farmers pay cash for use of land.

## Strategy

Agrico uses a differentiation strategy. In this case they are looking for an IT solution that can help them be more effective. First you must become more effective than efficiency can be added later (Barker). Their differentiation strategy allows them to generate higher profits than a cost leadership strategy (Tanwar).

## Porter’s Five Forces

**Inter Industry Competition** is a low concern for Agrico. There are not many firms, there is high switching costs, and there is some differentiation when it comes to choosing a firm to manage your farm (Bristoll & Newton).

**Substitutes** is a low concern for Agrico. There is really no substitute product available. The only other option is for customers to manage the farms or ranches themselves.

**New Entrants** is a medium concern for Agrico. There is proprietary knowledge required to manage the farms and ranches. However, there is no significant barriers to entry.

**Suppliers Bargaining Power** is low for Agrico suppliers. Agrico supplies the land to be farmed. Agrico does not need a specific supplier of labor as they have plenty of options.

**Customers Bargaining Power** is high for Agrico customers. There are a lot more customers than suppliers, customers are price sensitive, and the customers own service is affected.

The industry is not the focus of this case. Agrico is in a fine position in the industry and is attempting to acquire a new IT system to become more effective and efficient. With that said, the decision made in this case could certainly alter their position in the industry.

**Identifying Stakeholders**

**George Burdelle** – Burdelle is the vice president of information systems at Agrico and it is his decision on whether the source code gets copied and stored off-site.

**A.M. Rogers** – Rogers source code is in jeopardy and it was his decision to initially prevent Agrico from having authorization to copy and store the source code.

**Agrico Customers** – If the source code is not backed up properly customers could lose service. If a contract is willingly breached by Agrico it shows customers that they may not be able to trust Agrico.

**Generating Alternatives**

1. **Do nothing** – The first option is to do nothing and continue with the system installation process while following the contract. This is likely the safest option for Agrico. They have invested time and money into this system and it will fit their needs. Their only concern is the backup procedure.
2. **Breach the contract and copy the code** – This option would be Burdelle instructing his programming manager to copy the source code tapes and store them offsite. Copying the code and storing it offsite would be a clear breach of contract. The contract explicitly states that “The source code listings shall not be copied or duplicated” and “The source code listings shall not be removed from Agrico’s premises”. Burdelle instructing his programming manager to copy the code and knowingly breach the contract sets an awful perspective that will have an impact on the culture at Agrico (Morgan). On the other hand, the purpose of the business is to survive and make money now and in the future (Goldratt). Copying the code gives Agrico the most security regarding the system.
3. **Reject the software and search for a new vendor** – Agrico has not completed the installation process of the system and can reject the software and avoid paying for the remaining cost of the system. The main issue with this alternative is that Agrico has been unable to find a vendor that suits their business needs like AMR does.

**Analyzing Impact on Stakeholders**

## Do-nothing

**George Burdelle** – Burdelle will have successfully installed a new system that fits Agrico’s needs. The only concern of his is that AMR’s backup plans are not sufficient to protect the business.

**A.M. Rogers** – Rogers will have successfully landed his firm a big contract and the system installation will continue. Rogers has a new client and his concerns about the safety of the source code will be relieved.

**Agrico Customers** – Agrico customers will receive better service after the new system is installed.

## Breach the Contract and Copy the Code

**George Burdelle** – Burdelle will have the system installed successfully while also easing his fear of insufficient backups from AMR. If it’s never discovered that they copied the code, then it will be no harm. If it is discovered, then they will certainly be facing legal action from AMR. The costs of the court battle will not be cheap and if it is ruled that AMR purposefully violated a contract it will be a very bad look for the organization.

**A.M. Rogers** – If Rogers never finds out then it will be no harm and they will successfully install and maintain the system. If Rogers does find out, then he will take Agrico to court over the breach of contract. This court battle could use up an extreme amount of the small companies’ resources.

**Agrico Customers** – They will receive better service and security because the source code is backed up. If it is discovered that Agrico purposefully violated a contract, then it could sow distrust for the company and customers may not be comfortable with Agrico managing their assets.

## Reject the software and search for a new vendor

**George Burdelle** – Burdelle will take the blame for wasting time and money on the AMR system and must find a replacement that suits Agrico’s needs.

**A.M. Rogers** – Rogers will have lost a big client due to his stubbornness regarding the safety of the source code.

**Agrico Customers** – Agrico customers won’t receive the benefits of a new system until even further down the line.

**Solution**

My proposal is that Agrico do nothing and continue with installation of the system. AMR is the only vendor that is offering a solution that suits Agrico’s needs. If another vender eventually comes then they can switch, but they need a system now. Burdelle’s concerns about the safety of the back up plan are valid, but Agrico agreed to the contract stating that they were not allowed to copy and store the source code. It would be ethical or good for the business for them to have a copy of the source code stored at their own chosen site, but the risks that comes along with it are high. What makes copying the source code unethical is the backlash and legal costs that Agrico would likely have to occur if it was ever discovered that they breached the contract and copied the source code.

The do-nothing approach allows Agrico to finish installation of the system they have already invested time and money in. AMR has upheld their end of the contract and fixed all bugs that Agrico has brought to them. They will have a functioning system that fits their needs. They could start to build a better relationship with Rogers and possibly even eventually get their own copy of the source code.

Breaching the contract and copying the code is a very risky move for Agrico. While it will fix one of their concerns it will open more. If it’s ever discovered that they copied the code, then based on Rogers safeguarding nature of the source code it can be assumed he will seek legal action. While there is ambiguity about what is an acceptable nature of storage for both companies, the contract is not ambiguous in the sense that it clearly states Agrico is not to copy or store the source code. This will result in Agrico losing a lot of money in legal fees. AMR could stop supporting their system and Agrico would be in a terrible position. To make matters worse, the news of a legal loss due to a purposeful breach of contract will reflect terribly on the company. It could lead to customers switching firms if they don’t believe they can trust Agrico.

All these factors are why it would be an unethical decision for Agrico to copy the code.

The final option to reject the system and find another vendor would have to be a last resort. If there was another vendor available Agrico would have already found them and used them. Simply put, AMR is the only company at this point in time who can suit Agrico’s needs. They’ve demonstrated that the system works, and it works for other companies as well. The next closest option runs on a mainframe and has never even been put into production. If Agrico wants the system now AMR is their only option. These factors make the ethical and best decision for Agrico to do nothing and continue with the installation of the system.s

**Citations**

Barker, R. Lecture 9/04/2018

Bristoll, H. & Newton, P. (Team FME), Porter’s Five Forces

Cash, Building the Information-Age Organization: Structure, Control, and Information Technologies

Goldratt, E. The Goal.

Kalakota, R. E-Business 2.0: Roadmap for Success

Morgan. Gareth Images of Organization

Tanwar. Porter’s Generic Competitive Strategies