

Timothy Mahan

10/31/17

CIS 410 - 01

Agrico Case

Agrico is a farm management service, that rents land and sells a management service to land owners and farmers alike. Basically, Agrico would buy equity shares

in land for clients, then had a few arrangements for getting the land to generate wealth for equity investors. Close to half of the business was modeled in a share-cropping fashion, where farmers would work the land in exchange for a portion of the crops each year. Agrico also did cash-rent leases with farmers, where the farmers would make cash payments to use to land to grow crops. Finally, Agrico managed a few properties directly, though over 95% of the business was in share-cropping and cash-leases. Agrico had four regional offices throughout the Midwest, which had an average of five farm managers each. They were one of the largest agricultural management firms, and offered what the case describes as a cost effective management service, which handled more than 350 farms and ranches. In 1985, Agrico decided it needed to replace the nearby real estate firm with its own in-house system.

Agrico contracted with an outside company, this move makes sense from a number of standpoints. To start with, Agrico appears to be focusing on a low cost strategy. There is only so much land to farm, and whatever can be bought can be worked. The cheaper the cost of doing business is for Agrico, the lower rent and crop-sharing fees can be. Anything produced on the farms can be sold, that's pretty much guaranteed, so we know the company is operating on a low-cost strategy. Because it operates on a low-cost strategy, Agrico is highly risk-averse. Because of this, Agrico hired AMR to handle the development of the project. It would be a lower risk to pay someone \$200,000 than to hire an entire team of developers, none of whom have done any previous work for Agrico. In the course of development, Louise Alvaredo brings to Burdelle's attention that an AMR engineer, Jane Seymour, left a copy of AMR's source code on an Agrico computer. The dilemma is whether or not to copy the source code and keep it, or to turn it back over to AMR. On the one hand,

the less risky option in terms of keeping the software operational would definitely be to keep a copy without telling anyone. On the other hand, this course of action is both immoral and potentially unethical if a lawsuit ever incurred.

In the Agrico case, there are five stakeholders worth consideration. The first and most obvious is Burdelle. What he does has huge implications for Agrico and AMR alike, his actions could result in a lawsuit, damaging to the corporation, or his inaction could leave Agrico in trouble should anything happen to AMR's source code. Agrico employees and farming associates have a lot at stake in this as well. Farmers depend on Agrico to rent land in order to make a living, other Agrico employees depend on the farmers and farms to manage for their livelihoods. If things go south, and Agrico made a large investment in a failed system, that could spell trouble for a lot of people. It might be less damaging if a lawsuit incurred, as farmers still need to farm, and farm managers still need to make a living, but equity investors might pull back, leaving less land to work and making it difficult for Agrico to survive. AMR is another group of people worth considering. All of the fuss is over their code, and the same code has been used in twelve other organizations, albeit tweaked code, it still is foundational to the AMR's success. If it ever got out, the company could be ruined, leaving all 10 people at AMR jobless. The last group really worth considering are the shareholders of equity in the land that Agrico invests in and works. If Agrico can't perform and make them some money back, they'll pull their investments out. If Agrico takes the AMR source code and a big lawsuit get filed over this, they'll likely lose investors as well, no one wants to have their money in a business that would apparently have no qualms about stealing. I wouldn't be a far stretch for Agrico to steal investor money if the people at Agrico are willing to steal from a company they contracted to work for them.

In this case there are three major alternatives to consider. On the one hand, Burdelle could simply choose to do nothing. If Jane leaves the source on the computer, then legally speaking Agrico didn't do anything wrong. There isn't anything in the contract that obligates Agrico to return any source code if AMR copies it onto an Agrico system, Agrico just isn't allowed to copy the software or reprint it. Technically it's ok if they keep a copy that AMR essentially gives them. The second option is to copy the software, and get rid of AMR. This seems to be the route Burdelle would like to take anyway, there are implications of this throughout the case. With this option, Agrico would minimize the risk of development since AMR did most of the heavy lifting with its custom source package, and they would get the benefit of steering the direction of development in the future to suit Agrico's interests on Agrico's timetable. It seems to bring about the best of both worlds in terms of minimized risk and increased control, however, there are legal considerations which may make this option too unattractive to consider. Finally, Agrico could reach out to AMR and return the source code, unmodified, not copied or backed up on an Agrico machine. This is the most honest option, though it may not make the most business sense. If the advantage is there for the taking, it seems it would be best to just copy the software and give Agrico the boot.

As this case is based on the risks and rewards Agrico will face either way, it would serve the analysis well to review Porter's five forces. In this model, Porter lists off five key factors for analyzing opportunities and risks businesses deal with on a daily basis, among these key factors are Intra Industry competition, the threat of new entrants, the threat of substitutes, bargaining power of suppliers, and the bargaining power of customers. Intra industry competition is not the largest concern Agrico faces, they are one of the largest agricultural firms in the United States, and

offer an affordable service for hundreds of farms. The threat of new entrants is low; it is difficult to find enough land at a cheap enough price to make it worth farming. Someone else may copy Agrico's model and use equity investments from other people to buy stakes in farms and farmland, but the headache of setting up a comparable service to Agrico makes entering the market rather unattractive. The only real substitute for Agrico is for a farmer to purchase their own land to farm, which getting a farm started isn't cheap, so the threat of substitutes is very low. The bargaining power of suppliers is moderate, purchasing equity in arable land might give landowners with more fertile land or land in regions better suited for agriculture more say in the price of the land, but even then, Agrico already has equity in a large portions of land already, the only time they would need to worry about suppliers of land is if they were looking to expand further. Finally, there is the bargaining power of customers. These we will consider to be the farmers as they pay in labor and rent to work the land in which Agrico has purchased equity on behalf of investors. This analysis of the environment basically means Agrico is in a stable environment with a focus on commodity goods. This is why they are risk averse, this is why it makes sense to get someone like AMR to shoulder the cost of development. The less risk Agrico takes on, the less likely it is Agrico will need to pass on further costs on to farmers, meaning they continue to supply equity investors with farmers to make money off of land that would otherwise just sit.

The first alternative we will look at is to simply do nothing, and by that I mean leave the source code on the Agrico system, if Jane forgets to remove it when she's done, then AMR is the one who left their code with Agrico. Looking at the contract, Agrico is not required to alert AMR when they have made such an oversight, and Agrico is not expressly forbidden from retaining the software. Agrico is only forbidden from

copying or redistributing the source code. For Agrico, this seems to be the least risky option, and honestly the most attractive. With a low-cost strategy and a divisional structure, Agrico is focused on providing quality service at affordable rates, it is a hybrid of strategy, though the emphasis in the case was on the low-cost aspect. According to Cash in chapter two, this kind of divisional structure and focus allows a company to satisfy client expectations in multiple geographical regions, which describes Agrico perfectly. As I have also already stated, this means Agrico is risk averse, and this is one of the least risky options. If the head of AMR, Rogers, ever found out about the copy of the source code, all Burdelle and Agrico would need to do is return the source code, it would be hard to prove Agrico allowed this to happen on purpose, especially if multiple copies of the source aren't floating around the company. At the same time, it is doubtful AMR would ever come to realize a copy of the source was in a system at Agrico. The likelihood of the source becoming an issue here is low, and while this method seems a little underhanded, Fried talks about how these external contractors are not partners in chapter 9. AMR has different business interests than Agrico, that is evident in the fact that Rogers flat out refuses to hand his company source over to Agrico, even though Agrico is willing to pay a premium for it. This level of action is very passive, allowing the software to reside on an Agrico machine does not necessitate AMR get the short end of the stick, it is kind of like insurance, if AMR is going under and can't deliver on the promised source per the contract, Agrico has somewhere to start in continuing the development of a system that will become an integral part of its business. For Agrico, getting a copy of the source just makes sense, and in this alternative, there is a chance (yes it is a gamble) that Agrico will get the source without violating any laws, and this may even have a minimal impact on the business if the issue ever

came to light. With this alternative, Burdelle can get what he wants, a copy of the source, he also doesn't run as big of a risk in court if it comes to it. Agrico's risk is minimized, which is good for business. Agrico can take risk elsewhere, risk that may aid in further reducing costs or increasing profit. When profits go up, shareholders are happy. Shareholders (shareholders in land, not Agrico necessarily) may have more incentive to purchase further equity if all goes well, and even if the case ever saw court, the circumstances wouldn't be so obvious that equity holders would pull out, which is good for Agrico since they essentially buy equity for people and then get farmers to turn the land into a revenue stream. AMR, especially Rogers, would be very unhappy if it ever came up that Agrico had the source, but as long as no one goes and spreads the word, AMR would be non-the-wiser. They likely would get to retain the maintenance contract with Agrico, since firing AMR and building from their source would be a little too obvious for it to be worth the hassle for Agrico. AMR may actually come out better for it.

The next alternative is to copy the source and fire AMR. It would be simple enough at this point to obtain a copy of the source, which could be stored, analyzed, and then handed back to AMR once the case was settled and Agrico no longer needed AMR. With a decent, working system in place, Agrico would have plenty of time to develop their own software in house, modeled after the spec of the AMR software, not a complete copy of course, but something similar enough that Agrico would already be familiar with the interface. From there, adding or removing features as necessary is entirely up to Burdelle and his team depending on the needs of Agrico as a whole. This isn't the most relationship friendly way to go about things, but Adams covers this concept in his book *The Dilbert Principle* in chapter 5, *Machiavellian Methods*. Each practice described in the chapter, from pinning one's

name to work well done, withholding information, downright lying, all are done in self-interest. Taking source code you are entitled to store yourself is just another expression of this self-preservation Adams lays out, it is simply a less tasteful way of getting what Agrico was supposed to already have. None of these practices are intentionally harming anyone, copying the source code, just like a lot of the other practices Adams preaches, are all done to ensure the individual, or in this case the business, is here tomorrow.

Morgan considers organizations in chapter 3 that have had success in multiple organizational structures. Some organization had to move from hierarchal to more flat and organic, others thrived in rigidity and efficiency. In any case one observes, the organizations had to find the right kind of structure to meet its needs so it could continue to make money now and in the future. For Agrico, getting this source would be a big step in a direction that could further cut costs and position Agrico for the upcoming age of the internet. This copying and storage of the code is just how Agrico stays in business, it is how it gains an edge and ensures its own survival. AMR failed to satisfy in multiple ways, from handing out recycled, buggy code, to refusing to give Agrico a copy of the source, and worst of all being ill-equipped to handle the growing needs of Agrico in the future, the relationship with AMR is likely to fail anyway, might as well Agrico gets the most for the money spent in the development cycle.

There are several issues to take with simply copying the software. To start with, Burdelle knew well what he was getting into when he chose AMR, if he did not, then Burdelle really had no business being in the position to make the decisions. AMR was a small company that Burdelle acknowledged on signing with AMR that a good percentage of the small company's revenue came from software modification. To

this end, of course they were going to recycle code from other projects. If the revenue come from modifying the software, there is no reason for AMR to create a standard package for their software, they make less money that way. To doubt the ability of the company because of a lack of standardization at this point is a lame excuse to justify thievery. AMR was also only ever required to provide “viewing listings reasonably necessary to test the system”. Only Burdelle seemed to be under the impression that Agrico had any right to store the source. To copy the software also breaks a legally binding contract, while the case may be winnable for Agrico, it would certainly tarnish whatever good faith they had with farmers and equity investors. If Agrico is willing to pull one over on a small software company developing a system for them, would it be so unreasonable that Agrico would do the same to customers and investors? The only way Agrico would ever get part or whole source code is if it obtained written consent from AMR, involving Jane makes a good case for economic espionage, which the Cornell defines as “the unlawful or clandestine targeting or acquisition of sensitive financial, trade or economic policy information; proprietary economic information; or technical information”. AMR had also not missed the promised delivery date, if it went to court, there does not appear much to stand on aside from AMR failing to make the escrow agreement and failing to provide what Burdelle considered and adequate backup. All in all, this would be wrong from a business and moral standpoint. Burdelle knew what he was in for when he picked the smaller company, if there is so little faith, Agrico needs to either develop their own system in house, or get a bigger company to take care of the problem. With this alternative, it is certain litigation would ensue. Equity investors would want to pull out of dealing with Agrico, they would be obviously untrustworthy. Burdelle would get blamed for the pull out of investors, and would

eventually lose his job. AMR would struggle having to fight a bigger company, and would probably lose in the end. The farmers who work under Agrico management would likely look for other means of making a living. If the company one works for thinks it is fine to pull one over on supposed partners, they likely won't mind doing the same to farmers when it becomes convenient. There is generally little power for these farmers in the relationship otherwise, and at this point, it would be easy to see Agrico abusing them as well.

The final alternative to consider is to simply give the source back to AMR. This alternative represents the least risk to the business, second to just leaving the source on the Agrico computer. The biggest potential benefit here is good faith between Agrico and AMR. It is a long shot, I doubt it would actually happen, but maybe Rogers would find Burdelle and company to be trustworthy after such an exchange. If that happened, Burdelle and Agrico might get updated source as it is developed. If Burdelle does nothing, the best he can hope for is that Jane comes back later with more up to date source code. AMR would ideally be thrilled with this option, but likely suspicious due to the already strained relationship between the two companies. Burdelle would still have to deal with AMR, so this wouldn't be his favorite alternative. Agrico employees would be indifferent, this option likely would not change the relationship farmers have with Agrico, may make it a little better if they feel Agrico is more trustworthy, but it would be a stretch to say this would be more than minimal. Finally, investors would at least find comfort in working with an honest business. Most would probably prefer a more profitable solution for Agrico, but to do so might violate investor trust anyway, one of those where there is no perfect solution for those investing in equity shares.

The options Burdelle should take is just to leave the source code alone. The relationship is already too strained with AMR, alerting them to the fact that a copy of the source exists off their system would just arouse Rogers' suspicions. If it came out that a copy did exist on an Agrico system, it is AMR's fault the copy exists. If they do not want that sort of intellectual property floating around in the nether, they should be more careful with where that stuff gets worked on. If the relationship does go south with AMR, or if AMR really cannot deliver a satisfactory solution, which up until this point has not been an issue, Agrico has a backup of the code. Granted, there is not guarantee that Jane left the source there on purpose, and it may not be there later. The biggest problem with copying the source code from the perspective of Agrico's health is that Burdelle seems bent on being rid of AMR, and there are legal obligations for AMR to provide backups of the source in escrow. At this point in time, to solve the issue of continuity, Burdelle needs to take AMR to court to get things worked out. Just leaving the code alone is the least risky way of ensuring some backup is available, as it does not violate the contract, and isn't an active attempt to take intellectual property, it is simply allowing AMR to be a victim of the carelessness of its employees, which Agrico has no obligation to stop.

Work Cited

- Adams, Scott. "5." *The Dilbert Principle: A Cubicle's-Eye View of Bosses, Meetings,*
- Fried, Louis. *Managing Information Technology in Turbulent Times.* N.p.: Wiley-QED, 1995. Ch9. Print.
- Cash. "Chapter 2." *Building the Information Age.* N.p.: n.p., n.d. 35. Print.
- Morgan, Gareth. *Images of Organization.* N.p.: SAGE, 1997. Ch 3. Print.
- Staff, LII. "Economic Espionage." *LII / Legal Information Institute.* N.p., 06 Aug. 2007. Web.
- Team FME. *Porter's Five Forces.* N.p.: Free-management-e.com, 2013. Print.