Rob DeVoto

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Agrico Case Study

Agrico and vice president of information systems, George P Burdelle should continue on the current path. They should not steal the source code even though they could possibly get away with it and protect themselves. All of the alternatives have plusses and minuses but this solution minimizes sunk costs, litigation, and continues the relationship already forged. Work needs to be done to maintain and improve the relationship, but it is worthwhile for both sides. A consensus must be found to define the “satisfactory” storage of the source code in escrow with a third party.

The business issue of this case revolves around ethical behavior in the workplace. Agrico is in a position to get a copy of software source code that they are using in a manner that would not be deemed ethical and technically not legal. There is a contract in place between Agrico and AMR that states that Agrico must have written permission from AMR, the owner and developer of the software, in order to have a copy of the source code of the software they are using. The contract also stated that a copy of the source code be placed in escrow in case something happened to AMR. Therefore, if something did happen to AMR, Agrico would then be able to get the source code to fix bugs and make modifications and thus continue operations. According to Agrico’s attorney, there is some ambiguity with the contract as to what is a satisfactory way for the source code to be stored. Agrico and AMR seem to be at odds over what is “satisfactory.” With this ambiguity, Agrico could have a case in court that a judge may side with. But For Agrico to store the code would technically violate the contract.

Agrico’s current mission is as an agricultural management firm that provides farm and ranch management services in the Midwestern United States through a strategy of cost leadership. They provide management services in three ways: tenant farmers, cash-rent leases, and directly managed properties. The tenant farmers pay for the use of Agrico managed land with a portion of the year’s crops. Cash-lease farmers pay Agrico cash for farming on land. Agrico also directly manages properties to generate revenue. Agrico is implementing a new software system to handle their data processing and has purchased a software package from AMR to provide the system. There is concern with regards to the storage of the source code for the system that may put Agrico at risk. Agrico has been presented with an opportunity to acquire the source code, thus minimizing the risk, although it would not be legal and would violate the contract if done.

The generic strategy for Agrico is one of cost leadership. They are one of the larger agricultural management firms in the country. With their size they can do things at a lower cost. They are also heavily involved in the commodity market as they receive crops as payment in the tenant farmer agreements which comprise 47% of their business. Commodities are usually cost leadership companies since the units produced are identical to others on the market (Barker, 09-16-2021, 8:03). With this they operate on economies of scale (Barker, 09-16-2021, 10:00). Demand for commodities is inelastic and therefore the market sets the price (Barker, 09-16-2021, 11:45).

The analysis of Porter’s Five Forces (Team FME, 2013, p. 9) will play a key role in determining the direction of Agrico. Agrico is one of the largest agricultural management firms in the country. They manage 691,000 acres of land in the Midwestern United States. There is a competitive rivalry that Agrico has to deal with but they are in a good position due to the amount of land they manage and the favorable location of this land in the fertile farm belt of the United States. Land is at a premium as one cannot generally just create more of it.

The threat of new entrants does exist for Agrico. While a federal permit is not required for a farm generally, there are obligations that farms must satisfy. Regulatory pollution limit requirements, reporting requirements, operational standards are some of these obligations (EPA, 2022). It is generally not required to have a federal farming permit though (EPA, 2022).

The threat of substitutes does not exist for Agrico. This is due to the fact that they have a cost leadership generic strategy and cost leadership companies do not worry about substitutes. They are involved in the commodity markets where all the products are the same as all the others in the market (Barker, 09-16-2021, 11:30).

The bargaining power of suppliers is high in this instance for Agrico. They do not have very many options when it comes to the new software system that they need. There were only two firms identified that met the requirements necessary to provide the software that Agrico needed for their operations. They had already purchased hardware to run AMR's software and switching to the alternative company's system would require the purchase of completely different hardware. Time is also a factor which could be very costly for Agrico. Due to this, creating a system from scratch would not be favorable.

The bargaining power of customers is low. There is a limited amount of agricultural land available for farming. There are competitors but contracts are drawn out months in advance so the farmers would have to plan accordingly and far in advance. They would also be competing with other farmers for the right to farm land thus lowering their chances of getting a favorable return and limiting their power.

The organizational structure of Agrico is functional as it is excellent for efficiency, which is good for a cost leadership strategy. This is favorable for economies of scale, large organizations, and stable, static environments like the commodity markets. The division of labor tends to be narrow and deep. Decision rights are vertical and centralized. Coordination mechanisms are routine with rigid organizational boundaries. Data flows from the bottom up with information flowing from the top down. Their information technology topography is centralized as would be with Agrico's new software system which would make it easier to secure, efficient, and cheap to run (Barker, 07-19-2018, 8:25).

There are several stakeholder groups for Agrico. The employees of Agrico, the farmers who contract with Agrico, the landowners that Agrico deals with, and AMR who is involved with providing the software system. All would be affected by this new software system. AMR has a reputation to uphold and the customer it is contracted to, so it wants successful software implementation. The farmers and landowners could see price changes and fluctuations or less favorable terms if the software implementation is costly as Agrico would have to recoup costs somehow. The employees are affected as failed implementation could lead to firings or layoffs.

The first alternative for George P Burdelle, the vice president of information systems at Agrico, would be to do nothing. Although an opportunity to get a copy of the software source code has presented itself he could simply just let it be. He could pass up this small window through which he could copy the source code and abide by the legal terms of Agrico's contract with AMR stating that Agrico must have AMR's written permission to copy or store the source code.

A second alternative would be to seize this opportunity and copy the source code. That way he would be protecting the interests of Agrico. They could store the code away and use it if the need ever arose. They would no longer be at risk of AMR not following through with their contractual obligations of storing the source code away in escrow.

The third alternative would be to end the agreement with AMR and sign a contract with the other vendor that met Agrico's requirements to provide a software system. The competitor already had a software system being used by other companies and Agrico could have this tailored to their needs. The costs spent on the AMR deal would then be sunk costs but at least they would have more favorable circumstances and be better able to protect themselves.

The fourth alternative would be to have code written from scratch to handle the needs and fit the requirements of Agrico. A vendor would have to be found or Agrico itself could hire programmers to write this code from scratch.

My recommendation would be to do nothing. Although the source code is accessible and could be easily copied and stored without AMR's knowledge, it would not be the right thing to do. By doing nothing, Agrico would be abiding by the contract not to copy or store the source code. They would not be opening themselves up to a lawsuit from AMR for breaking the terms of the contract. They would not open themselves up to the possibility of bad publicity if knowledge of this ill-gotten gain ever reached public knowledge. This decision does put Agrico and additional risk though. Without access to the source code they have to trust that AMR is reliably storing a copy in a secure location and that the copy being stored is the most recent version. With this alternative, Agrico needs to continue communication with AMR to come to a consensus as to what constitutes "satisfactory" storage of the software by a third party in escrow. Both sides need to hold up their end of the contract or face serious consequences.

Stealing the code would not be recommended. As stated above, this action would be in violation of the contract, opening up Agrico to litigation, along with the potential for bad publicity. Although Agrico's attorney states that they could win the case if taken to court, the litigation could be costly and the bad press could compound the losses. On a personal level, this alternative is unmoral as subjectively this action would be considered wrong (Barker, 09-24-2018, 12:10). But businesses are not bound by morals and what is right or wrong (Barker, 09-24-2018, 18:00). Businesses are amoral (Barker, 09-24-2018, 20:00). They do not think about what is right or wrong, just what would increase returns (Barker, 09-24-2018, 20:15). They are bound by ethics though, but ethics are defined by what is good or bad. From Agrico's perspective stealing the code would be good and thus ethical. Despite these definitions I do not believe this is the best alternative.

Ending the agreement with AMR and signing a contract with the other company is a possibility. This would free Agrico of the risks and concerns present in the AMR deal but this assumes that the new contract and situation would be satisfactory to Agrico. The risk in this alternative is that the other company, although it has sold three copies of its software, this software has never been put into production yet. Therefore, it is not proven software. Also, all of the money put into the AMR deal would end up being sunk costs. This alternative is not recommended due to the uncertainty of the contract and the situation that this would present. The risk is too great. The software might not work as Agrico needs it to or the agreement with this other company may also not be satisfactory to Agrico and they would be in the same position as they currently are in.

The fourth alternative would not be recommended. Ending the agreement with AMR and building a system from scratch would be very costly and time-consuming. The risk that this new, built from scratch system would not work properly or adequately is a concern.

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