



Case 5: Agrico

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Executive Summary

Agrico is a company which provides management services to the agriculture industry. They are currently attempting to get a new IT software package from AMR but are having conflicts regarding availability of the source code.

Agrico Background

Agrico was founded in 1949 by two farmers. The company continued to grow which by 1987, the company's portfolio was valued at roughly \$500 million. Agrico is currently providing services to 350 farms via 4 regional offices located thru out their service area.

Agrico has 3 major business models: crop-share agreements, cash-rent agreements, and direct management. In the crop-share agreement, a farmer would farm land owned by Agrico and in return they would share in the profits when the crops were sold. The next model, the cash-rent agreement would see farmers pay Agrico rent to farm Agrico's land. The last model which is direct management sees Agrico directly oversee the land and maintains the farm themselves.

The Problem

In 1985, Agrico agreed to replace their existing IT architecture with a software package purchased from a company called AMR. The software package was recommended by a consulting firm which Agrico had hired due to their inexperience in the technology sector. "Established companies need the most help in transforming themselves to meet the requirements of the new e-business era." (Kalakota).

Agrico required a complex IT solution since they have 3 separate business models. The easiest to implement is the cash-rent agreement since it only requires the system to keep track of the rent payments being made to the company. The direct management would be more difficult as it was required to keep track of an entire farm's operations. The other complex system to design would be the crop-sharing agreement as it had to keep track of all types of crops being sold along with the price and had to calculate the proper dividend to give both Agrico and the farmer within the agreement. The system design would not be a problem as AMR is known for designing custom IT solutions using its software. "...the internal diversity of any self-regulating system must match the variety and complexity of its environment..." (Morgan).

An agreement was settled upon in which the system would be designed by AMR and delivered by October 1st, 1986. The system was to be maintained by a third party as AMR would not allow Agrico access to the source code. This was unacceptable to George Burdelle, the VP of information systems for Agrico, who attempted to buy the source code from AMR, since he believes Agrico needed access to the source code as it would allow them to maintain a backup of the system. AMR refused all offers as they needed to maintain the secrecy of this system since it was the basis of their entire business model.

This secrecy will be put to the test as an AMR engineer, Jane Seymour, has left a terminal open with the source code exposed while she went on break for one hour. The terminal was noticed by one of Agrico's technician who went straight to Burdelle with the information. This means Burdelle has an hour to decide what he wants to do.

Competitive Analysis

Mission Statement

The mission of Agrico is to provide a variety of management solutions to customers in the agriculture industry.

Porter's Five Forces

Threat of New Entrants

The threat of new entrants is medium. This is due to the ability of anyone with knowledge of the agriculture industry to enter the industry. However, Agrico has economy of scales in its favor so if it continues to provide adequate services this should not be a problem.

Bargaining Power of Suppliers

The power of suppliers is low as Agrico only needs the farmer, land and capital.

Bargaining Power of Consumers

The power of consumers is medium since Agrico has farmers under contracts but once the contract is over, they could go else where if they are dissatisfied with Agrico's services.

Competitive Rivalry

The market for agriculture management is a smaller one, therefore there is likely to be quite a lot of competition. This can be mitigated by having signed contracts to prevent farmers from being able to switch to other companies.

Threat of Substitutes

The threat of substitutes is low since Agrico deals in highly differentiated solutions which would be difficult to replace.

Stakeholders

George Burdelle

Burdelle is clearly a stakeholder as he is going to make the decision of whether to steal the source code. This could have a massive effect on his business and the relationship with AMR going forward.

Employees

The employees of Agrico will be affected by any decision that Burdelle makes as it could harm or help them in the long run.

Customers

Customers could be greatly affected if decisions are made by Agrico, which help or hurt the company, as it could cause issues for them as customers of Agrico.

Shareholders

Shareholders will gain capital from the improved IT architecture or they could potential lose money if Burdelle steals the source code and AMR finds out.

AMR

AMR is a stakeholder since if Burdelle steals the code and it gets leaked it could cost AMR its entire business as they rely on this single product.

Solutions

“What to change? What to change to? and How to cause the change?”
(Goldratt). This statement is very important when related to the current situation Agrico finds itself in. The only reason Agrico should change is if the solution is able to give Agrico the opportunity to become profitable and prevent further losses.

Do Nothing/Do Not steal the code

In this situation, Burdelle would decide to not steal the source code as stealing it could jeopardize the relationship with AMR and may if cause AMR to launch a lawsuit against Agrico for stealing the source code

Effect on Stakeholders

Burdelle would suffer no consequence as by not stealing the code, he has done nothing wrong. Customers will benefit as AMR will design the IT system as intended which should help Agrico provide better services. Employees will benefit from an upgraded IT system. Shareholders will benefit from the increased efficiency of Agrico's IT services. Lastly, AMR will benefit as their source code will remain securely within their control.

Steal the source code and take it off site

In this situation, Burdelle will take the source code and backup the system at an off-site location as this was what he wanted to do with the source code originally. This could cause the source code to get leaked which would likely cause AMR to sue due to breach of contract.

Effect on Stakeholders

Burdelle could potentially lose his job since if the theft of the code is discovered it could lead to a major lawsuit which would hurt the Agrico brand. Employees would suffer since a lawsuit could cause some of them to lose their jobs. Customers would be less likely to go to a company with known potential ethical issues due to the theft of the source code. Shareholder would lose a lot of money if a lawsuit tanked Agrico's stock value. Lastly, the theft of the source code if it was leaked could cause AMR to lose its entire business model and force it to go out of business.

Find a different IT vendor

In this situation, Burdelle decides to pay to drop the contract with AMR and find a different vendor for the IT software package. They have a list of 39 other vendors so Agrico should be able to make a deal with another company to procure a software system for their agriculture management use.

Effect on Stakeholders

Burdelle will have to pay out a large sum of money to get out the AMR contract which may be too much at this point due to the amount already paid to AMR via the

incremental payment scheme. Employee will have to continue using the same system and may have to learn a new skillset if the next IT vendor requires Agrico to support the system unlike AMR. Customers will benefit at a later point as the new system will take longer to produce as the next vendor will effectively be restarting the project from scratch. Shareholders may lose money due to the falling out of Agrico and AMR. Finally, AMR may lose a lot of money if they already sunk a lot of capital in this project for it not to be accepted by the client.

Recommendation

I recommend that Burdelle not steal the source code. The current system which AMR is building for Agrico seems to be what they need, and any breach of contract could lead to AMR suing Agrico. It makes no sense to steal the code as AMR will eventually find out due to Agrico being able to edit the system or if a backup is created without AMR performing it themselves. If Burdelle wanted the source code so badly he should have simply made sure it was in the contract that was signed with AMR.

It is also not a good plan to find another vendor as Agrico and AMR have already spent a lot of time and money on this IT system so stopping now will be very costly. Therefore, not stealing the code and allowing AMR to continue developing the system seems to be the best solution which will benefit Agrico with a new IT software package and allow AMR to keep its source code private. This will also prevent AMR from being able to take legal action against Agrico since by not stealing the source code Agrico has not breached the contract.

Works Cited

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