Case 5: Agrico, Inc.

Case Analysis

Jared Borah   03/23/2021   CIS 410-50

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Company Background

The company Agrico, Inc. began it operations in 1949 in Des Moines, Iowa by two farmers.

Agrico provided management for both of its services which consisted of farms and ranches for

over 691,000 acres of land in the Mid-western states in the U.S. By 1987, Agrico Inc had a

market value of around $500 million, and was considered a raising firm during that time as well.

They were ranked as one of the larger growing agricultural management firms in the United

States. There were four regional offices that held 5 farm managers each, and provided cost

effective management services for over 350 farms and ranches. The company was essentially

an agent buying equity interests in farmland and ranches for clients. They were usually pension

funds as their operations brought in cash flow and capital appreciation. There were three

different arrangements for these properties. The first was crop-share lease, it represents 47%

of their portfolio. The next was cash-rent lease, it represents 51% of their portfolio. The last one

was direct management; it represents about 2% of their portfolio.

The Issue

By the mid-1980s , Agrico executives soon realized their computer services were not able to

meet their short- and long-term goals. They had to change their plans in order to meet their

goals as a business. They decided it was time for office automation, so efficiency can be

improved, and productivity will begin to increase as well. Their contract with a local computer

service was expiring on September 30th, 1987. During the summertime, their business activities

that included buying, selling, and leasing farms was usually slow, so they picked a date that would hopefully not cause problems. Their plan for a conversion was set on June 1st, 1987.

Agrico does not have an internal computer staff, they had to get in contact with a large computer consulting firm to get recommendation on what they need and the responsibilities for the system being put in place. The consulting firm assigned George Burdelle who was VP of information systems as the project manager. The results from the systems project planning determined that Agrico needed to do in-house data processing, the problem with that is that they had little expertise. So, they had to go with the route of using a software package instead of coding one themselves. Agrico came to an agreement with AMR as they believed only one vendor can meet their needs. AMR was a small software company headquartered in Omaha, Nebraska with only 10 employees. In July of 1986, Agrico and AMR came to an agreement and development of the new system began.

The contact came onto the agreement that AMR will provide software that is consistent with the needs of Agrico. In the contact agreement, it stated that Agrico was able to view the source code as often as "reasonably necessary". Only AMR could make any modifications to the code, and believed that Agrico asking to see progress felt like it was overstepping a boundary that was placed in the contract. "New IT capabilities raise new ethical concerns, which, if not addressed effectively, may result in disgruntled employees,"(Barker, C.P. pg. 231). As both parties disagreed on the code being viewed, and tested, tensions between the two began to raise. The founder of AMR, A.M. Rogers, wanted that code to be stored back at his headquarters. George Burdelle wanted the source code to be stored through a third party that stores computer tapes just like they have done in the past. Rogers became afraid that Agrico

would modify or sell the code without his consent if it was stored in the same off-site faculty

Agrico uses.

The code was finally delivered on time in the contract for October. Testing of the software was

done by both consultants from AMR and Agrico. During these tests, it did not take long for

Burdelle to discover that there were issues present. Some individual components worked

properly, but did not work correctly when they were combined. Many of the functions were not

even tested, and it was stated in the contract that AMR must perform tests on all functions.

AMR had the process of installing and converting software and then fixing the bugs when they

were discovered by their clients. They have 12 clients in total that they have done the same

process for and usually debugged the system once the issues were realized. Agrico was very

disappointed, and was not wanting to sign on the acceptance test until the software they

wanted to use was perfect, and bug free.

Ethical Dilemma

When dealing with ethical issues, managers can use four different methods they can apply.

These methods are the Stakeholder analysis, Goal-based analysis, Rights-based analysis, and

Duty-based analysis.

Stakeholder Analysis

This analysis identifies all of the parties with a stake in the issue. Who will be affected by the

decision made for data, and what consequences will be present(Gentile, 234)?

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Goal-based Analysis

This analysis selects the option that is set on promising the greatest good for the greatest number. Including Assets, Costs, and Benefits; also included is noneconomic factors(Happiness, General Welfare),(Gentile, 234).

Rights-based analysis

This analysis identifies or articulates specific legal, institutional, and human rights to privacy, free speech, and other information related values. It also identifies specific data storage, transfer, and transformation decisions that could possibly violate those rights (Gentile, 234).

Duty-based Analysis

This analysis identifies the most basic ethical duties like honesty, fairness, and no harm done. Does the actions violate fundamental ethical duties, and is there any alternatives actions?(Gentile, 234).

The main concern George Burdelle had was being able to convert Agrico's their portfolio which was worth over 500 million dollars to a new system that would help Agrico in the near future. The phrasing stated within the contract signed by both Agrico and AMR says that Agrico was not able to obtain a copy of the code being produced by AMR without written consent. Agrico began to dislike this idea, but they had to deal with it as the contract had already been signed by both parties. The attorney for Agrico states that the contract had an escrow agreement that was agreed upon.

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When it came time for the source code to be implemented into the company and storage of the code was still in the works, Burdelle and Agrico's attorney discussed about the situation. The attorney points out that AMR and Agrico came to an agreement that Agrico would have access to the code to get a better understanding. AMR would only have access to copy and store it. AMR under the contract was required to store this source code in a "satisfactory manner". It becomes clear that both parties viewed this differently. Agrico getting a copy of the code without AMR's permission would make the contract agreement void.

After Burdelle and Agrico's attorney talked things out, the software engineer that help work with the source code for Agrico, Jane Seymour, left the office without securing this code. George Burdelle and Louise Alvaredo, a programming manager, were in the office left with a decision that could question their ethics. Do they copy the code, and store it in one of their off-site facilities? This helps protect the portfolio Agrico has built, but will put them in violation of their contract. Do they contact Jane Seymour or AMR about the source code being left stored on their system? Agrico would follow protocol of the contract, but do they want to continue putting trust in AMR. Alvaredo even states that she believes that Jane was "looking the other way" by leaving the code on the computer. Jane Seymour may have realized the tough situation Agrico is in with AMR and wanted to help them out.

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Mission Statement

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Agrico has a mission of being able to provide management services for both of their main plots of land, farms and ranches all across the Midwest region of the United States by offering three different, and unique options that are sure to meet customer needs.

Generic Strategy

The generic strategy that Agrico used was a cost leadership strategy. "A firm which finds ad exploits all sources of cost advantage and aims at becoming a lot cost producer in the industry is said to pursue a sustainable cost leadership strategy"(Tanwar). This new system Agrico wants to implement for their business operations would hopefully increase both productivity, and efficiency to grow the business as they implement office automation.

Porters Five Forces

Power of Suppliers

The Bargaining Power of Suppliers is medium because Agrico has property rights of where crops are harvested, but equipment and farmers are needed to harvest those crops. Farmers need equipment and the knowledge of how to plant crops, but need the land in order to provide. Agrico needs the suppliers to help them grow, and the suppliers need Agrico to provide crops.

Power of Customers

The Bargaining Power of Customers is low because the farming industry requires those resources being used to be spent up front. Services can be switched without losing resources and that is around the time crops are harvested. Switching costs would happen because if

services are switched after that timeframe, and can result in a cost that can affect the

customers.

Threat of New Entrants

The Threat of New Entrants is low because there is a high cost that comes with entering the

industry of managing farmland. Buying the land is not cheap, and requires upfront resources

and knowledge of how to properly treat the land. Entering in this industry would be a challenge

for new organizations.

Threat of Substitutes

The Threat of Substitutes is low because there is not any competition that can provide an

alternative to what Agrico is doing.

Competitive Rivalry

Competitive Rivalry is low because there are not many services like Agrico that can compete.

Agrico is one of the nations largest agricultural management firms, and owns a huge portion of

the shares in this industry.

Organizational Structure

Agrico Inc. implemented a divisional organizational structure as their methods were based upon

geographic locations for their business activities. Agrico managed over 350 farms and ranches

providing three different types of services that made their business unique. They operated in

the Midwest with four regional offices consisting of five farm managers.

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Stakeholders

George Burdelle

George Burdelle is the Vice president of information systems and also the project manager for Agrico. He graduated from Georgia Tech and earned his MBA from Harvard Business School. He was assigned as the project manager for the new computer system that was going to be implemented into the company. Burdelle realized that in-house data processing was going to help them moving forward, and decided to invest in a software package to help them.

A.M. Rogers

Rogers is the founder of the software company AMR. A company that specialized in a software package that managed farm and ranch portfolios.

Louise Alvaredo

Louise Alvaredo is a programming manager at Agrico Inc. who found herself in the middle of an ethical dilemma that left her and George Burdelle questioning what they should do after Jane Seymour left the source code on one of their computers.

Jane Seymour

Jane Seymour is a software engineer for AMR producing the source code for Agrico. She left the office with the source code unprotected while she went to get dinner. It can not be determined if she was meaning to do that or not.

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Agrico Employees

The situation with the source code being a problem, the jobs of all Agrico employees are at risk. The portfolio could possibly be damaged or destroyed if the source code is not able to do the job Agrico hired AMR to do. There portfolios could possibly never be recovered, and can affect the jobs of those who work for the company.

Possible Solutions

Do Nothing

Burdelle and Alvaredo would do nothing to the code and just let it sit until Seymour came back. This option would prevent themselves from being stuck in an ethical dilemma and the plan can continue as planned.

Impact on Stakeholders

The impact this would have on George Burdelle is determined by if the source is actually going to work and protect each portfolio they have in the company. If the Source code works like it is supposed to, Burdelle will see success. If it fails, Burdelle can be seen as a scapegoat on why the project caused the portfolio to be damaged, and this can hurt his reputation.

The impact this would have on A.M Rogers is that he would not have been notified about this situation and the project would continue without any problems. He would not experience any issues.

The impact this would have on Louise Alvaredo depends on how the source code works. Just like Burdelle, she could be seen as a scapegoat if the source code fails and the portfolio becomes damaged.

The impact this would have in Jane Seymour is that she would experience little to no effect since the code was left untouched.

The impact this would have on the employees depends if the source code actually works. If the code works, employees will keep their jobs and continue with their everyday tasks. If it fails, employees can possibly lose their jobs and the company can take a hit.

Take the source code and store it in their off-site facility

Burdelle and Alvaredo would take advantage of the mistake Jane Seymour made and acquire the code stored on their computer. Once the code is in their possession, they can ship it to their off-site facility to protect it like they have done with their data tapes. Agrico would violate the terms of the contract with AMR and can lead to severe consequences. This option would question the ethics of both Burdelle and Alvaredo.

Impact on Stakeholders

The impact this would have on George Burdelle is going to vary. George Burdelle would be holding back on what he did as it violates the terms that AMR and Agrico agreed to. If the word gets out about Burdelle storing the code in their off-site facility, it can ruin his reputation. It can lead to him being sued by Rogers in court.

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The impact this would have on A.M. Rogers is also going to vary. If Burdelle and Alvaredo

manage to keep the deeds of what they done a secret, Rogers will not know about. If he does

find out, he can possibly end the contract as Agrico violate on the terms both parties agreed to.

Rogers can also sue Agrico or Burdelle specifically and can possibly win the case based on the

fact that Agrico did not follow the agreements made. Money could possibly be wasted

depending on the outcome.

The impact this would have on Louise Alvaredo would also play out the same as Burdelle. Both

of them worked together to get the code stored off-site and can keep it a secret without telling

anyone. If the word gets out about the both of them, it can ruin the reputation of Alvaredo.

The impact this would have on Jane Seymour is depending on if what Burdelle and Alvaredo did

becomes public. If it never becomes public, she will not suffer as A.M. Rogers would assume

that the code was properly stored. There is no way to be sure if she was meaning to leave the

code, or not. If it does become public, Seymour could face consequences for her actions due to

their reckless act.

The impact this will have on the employees depends on if the secret becomes public. If it does

not, there would not be much effect. If it does, A.M. could sue Agrico and employees can lose

their jobs

Steal the source code and bring AMR to court

This option will allow Agrico to end the contract between both parties without much money

being lost. The code would be copied by both Burdelle and Alvaredo to bring to their attorney.

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There is a good chance Agrico could win in court with the source code in their hands, but it also means violating the terms of the contract set in place. In the contract, Agrico could only see the code with written consent from AMR themselves, but AMR has to secure this code. Jane Seymour left the code open for both Burdelle and Alvaredo to look at, so the outcome of this depends on what the judge thinks if Agrico brings AMR to court. This decision is ethically questionable, and it is not the best solution to consider.

Impact on Stakeholders

The impact this would have on George Burdelle is that he could ruin his reputation. Even if the judge does agree with Agrico, and they win the case. Burdelle would still be in violation of the contract that was signed, and the news can spread like a wildfire. It would be much more difficult for Burdelle to recover

The impact this would have on A.M. Rogers depends on what the judge thinks. If Agrico wins the case, the contract is void and Rogers could possibly lose money. If AMR wins the case, Rogers could pursue legal action against Agrico and Burdelle.

The impact this would have on Louise Alvaredo would be about the same as Burdelle. Her reputation would be ruined if this secret becomes public as her and Burdelle worked together. The contract terms are violated, and no one would be willing to make future plans with her.

The impact this would have on Jane Seymour is that she would lose her job. She was the main engineer for this code, and is her responsibility to protect the code. Her reckless action would bring AMR into court, and there is a good chance Alvaredo may bring up the idea that Seymour did this on purpose to help benefit Agrico.

The impact this would have on the employees at Agrico depends on what the judge decides. If Agrico wins the case, the contract is terminated, and the employees keep their jobs. If AMR wins the case, they can sue Agrico even further, and Agrico could suffer. Employees could lose their jobs, and try to find a different place to work.

Contact AMR and Figure Out Escrow Arrangements

Burdelle and Alvaredo can call AMR to discuss about the situation taking place. They can figure out escrow arrangements by how Burdelle wants it. Rogers deems that the method he wanted to use to store the source code was good enough. Burdelle did not trust this idea, and wanted to verify the code that AMR said was Agrico's escrow copy. If the code was not to the liking of what Burdelle wanted, it could possibly ruin the portfolio Agrico has created for their clients. This can imply that the source code was not safely store like Agrico wanted it to be, and Rogers would have to come up with new agreements to the contract, so every party can be on the same page about how the source code needs to be stored.

Impact on Stakeholders

The impact this would have on George Burdelle is that he would have more input on the escrow arrangements. Burdelle became afraid of the methods AMR were practicing, and this could be proof that Burdelle was right. Wanting to show Rogers that he wants the integrity of Agrico's portfolio is safe and secure.

The impact this would have on A.M. Rogers would be being more open and listening to what Burdelle wants. The code that was supposed to be protected by AMR suddenly was left open

for Burdelle to view. Rogers would need to reconsider the implications of this happening and

have to figure out different escrow arrangements to ensure this does not happen again.

The impact this would have on Louise Alvaredo would be for the new terms that are put into

place.

The impact this would have on Jane Seymour is depending on what A.M. Rogers decides what is

best. He would definitely not be happy about the source code being open for view when Jane

Seymour left the office. He could either write this off as a mistake, and take human error into

consideration for her actions. Rogers can also fire Seymour, and she would be out of a job due

to her actions.

The impact this would have on the employees at Agrico is very slim. The only effect would come

from the new terms on the contract, and possibly change up their business activities due to the

change.

Recommendation

The decision George Burdelle has on hands is one that will question his ethical morale, and

shape the future of Agrico. George should get in contact with A.M. Rogers and notify him of the

situation that is happening. Burdelle put a lot of emphasis on the importance of what the

portfolio has done for the business, and wants software that will be able to protect it. Rogers

wanted the source code to be stored back at home because he believed it was a sufficient

method. If Burdelle gets into contact about the code being left unprotected right in front of him

could possibly make Rogers reconsider. "The people who are running the corporation are like

people riding up in the head of a giant robot stomping across the Earth. They control the

robot's arms and legs, so they can pursue the actions which make the most sense from the

point of view of "business," without ever getting their hands dirty"(American Psychiatric

Association). Rogers wanted to pursue action that made the most sense when it came to terms

of business, but now is in a situation where all that control is gone. Rogers would most likely

reconsider the contract agreements in this solution which is applying a goal-based analysis. This

would allow both parties to come to agreements on what needs to happen moving forward

without bringing each other to court, or suing.

This option would not tarnish the reputations of Burdelle and Alvaredo as they are working with

AMR to come up with escrow arrangements with how the code is going to work. If Burdelle

ignored this situation entirely, the issues that Burdelle has would not have been addressed and

can make him look bad later on. If Burdelle addresses the situation to Rogers without any

complications, it will show he is providing a moral solution. "The point of all this is that large

corporations cannot be expected to "do the right thing" from the point of view of our society.

And it's not that the people who are running most corporations are bad: That's not the case at

all. In fact, any CEO who did something other than make as much profit as possible for the

shareholders would be negligent, and not fulfilling the implied contract with the people who

own the company's stock"(American Psychiatric Association). This quote sums up why going

with this solution makes the most sense ethics wise. Burdelle would need to make sure the

project is still good moving forward as he would work out agreements that fit both Agrico's and

AMR's needs.

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