

Mission

Agrico's mission is to offer farm and ranch management services within the Midwestern states. Services in regard to land, crops, and information systems allowed Agrico to flourish and eventually grow into a \$500 million portfolio company.

Generic Strategy

The generic strategy of Agrico is cost leadership. Agrico's services offer extensive management services at a cost-effective method. These services were offered to more than 350 farms spread through the Midwest Region. In addition, their strategy was able to instigate the growth of their company to \$500 million portfolio managing at least 691,000 acres of land.

Problem

The problem that Agrico faces is that they considered the current information system inefficient. Agrico desired a system that could handle several different operations of the company within one consolidated system. After searching possible alternatives, Burdelle decided to solicit a software package from AMR Software Consulting. Based on their research, AMR possessed the package that they needed and was used through 9 different clients that wrote good reviews. However, Agrico took it upon themselves to take the source code and customize it to the needs of the company. However, once they received the package, they realized that the package was not compatible with the several different operations needed for the company. This resulted from AMR customizing the package differently for each client which hindered compatibility for the company. Rogers, the CEO of AMR was hesitant in sending the source code due to possible theft of the code, but eventually sent it but sent a contract along with the use of the source code. Burdelle was notified of the source code being stored on an employee's computer which breach

the terms of the contract. Agrico could face possible lawsuits which could put the company in bad public image.

Porter's Five Forces

1. Bargaining Power – Buyers

The bargaining power of buyers is relatively low. Agrico's reach is dispersed throughout the Midwest, managing at least 691,000 acres of land and at least 350 farms. Agrico is a large regional agricultural company which gives buyers low bargaining power due to Agrico being a large part of the market. The main concern with attracting and retaining buyers is that if Agrico cannot fully implement the information system, Agrico will not be able to perform business functions to fulfill customer needs. If customer needs are not met, then it is evident that customers will either lose interest or become frustrated.

2. Bargaining Power – Suppliers

The bargaining power of suppliers is relatively high. Supplies such as crops are supplied by the farms that are under management of Agrico. The supplies that Agrico sells in the commodity markets represent 47% of their portfolio. These farms are under the jurisdiction of Agrico, due to the use of their land, however, if these tenant farms were able to separate themselves, their portfolio would decline.

3. Inter-Industry Competition

Based off case 13-2, there was no information listed about possible competitors. Agrico was ranked as one of the leading agricultural management firms in the nation by 1987. Considering Agrico's reputation, it is safe to assume that Agrico faces a low threat in regards to inter-industry competition. Agrico has been able to expand and offer services in the Midwest Region indicating

the capacity of the company. Issues can arise if the company faces legal troubles in regards to the storage of source code on an employee's computer. Agrico can face financial repercussions which can hinder reputation, causing clients to choose different alternatives.

4. Threat of Substitutes

The threat of substitutes is relatively low. Based off Case 13-2, there is no information in regards to substitutes. However, farms can decide to manage themselves and perform the services that they need themselves. If Agrico encounters legal trouble, it is possible that clients may search for different alternatives whether it be a different agricultural management firm or a possible substitute.

5. Threat of New Entrants

The threat of new entrants is high. Due to the business model of the agricultural management firm, the start-up cost is not as costly. The capital required includes software and hardware needed, as well as the employees needed to conduct business operations. It is possible that the farms that they manage can decide to branch off into their own management firm. This can greatly impact the business of Agrico.

Stakeholders

1. Clients

Agrico is heavily involved with their clients, considering the extensive services that they offer. About 350 farms and ranches are under Agrico management, and have access to several different services such as purchase of equity interests, operating cash flows, capital appreciation, crop-share lease agreements, and cash-rent leases. In buying equity interests, it usually focuses on pension funds. Crop-share lease agreements give a percentage of crops towards Agrico as

payment, which they sell at commodity markets. Cash-rent lease agreements are exchanges of cash payment for use of the land they occupy. The purpose of the system is to utilize all functions within one system. However, with implications of the project hinder these processes which can frustrate clients.

2. Employees

Due to Agrico not having an internal computer staff, the current employees are struggling in customizing the system. Because the object code has been adjusted to each client's needs, the software package is incompatible with the entire system of Agrico. As a result, Agrico cannot perform the different functions that it offers to their clients. The problem stems from the source code being stored on an employee's computer. This is a violation of the contract which can put Agrico in legal trouble.

3. Management

Bundelle was appointed as the vice president of Information Systems for Agrico based on his experience. Along with his pursuit of implementing a new software package for Agrico, he maintains communication with Jones, the CEO of AMR. Upon discovery of the source code stored in employee's computer, Bundelle must decide what to do with this newfound information knowing that this is a violation of the contract that came along with the source code.

4. Shareholders

The shareholders invest money in stocks or shares of the company in hopes of gaining financial benefit. As the company grows and succeeds, the market share increases which puts their stock in a better position. However, if the company gains a bad reputation or loses financial stability,

shareholders may lose interest and stop investing in the company. As a result, the company can lose out on potential revenue and decline in market share.

5. AMR Software Consultants

AMR is the company that Agrico wants to solicit their software package from. The software firm has already established itself as reliable and a leading company in its industry which influenced the decision for Agrico to choose their services. In addition, Agrico's research indicates that the software package will be able to perform all functions that the firm has to do. AMR allowed to send the source code to make the necessary changes as long as Agrico followed the contract in terms of using it. The contract is to protect their intellectual property and is legally binding.

6. Attorney

The attorney is responsible for advising what courses of action can be taken to mitigate the possibility of lawsuits.

Alternatives

1. **Do Nothing**
2. **Pull out of the Contract**
3. **Notify AMR**

Do Nothing: Agrico has the alternative to do nothing as their course of action. This is assumed that

Proposed Solution

