**Burlington Northern Case**

**Background**

Burlington Northern was shaped in 1970, by the consolidation of four rail lines. These combined organizations additionally possessed a great amount of natural resource assets, including minerals, lumber, and oil and gas. Burlington Northern income comes from seven essential sections: agricultural items, coal, intermodal, industrial products, forest products, food and consumer products, and automotive products. Coal is one of Burlington Northern's biggest flow of income (representing around 33% of total income).

**Mission Statement**

The mission statement for Burlington Northern is to transport and deliver all their clients’ shipment needs throughout the country in a timely, inexpensive manner. This allows Burlington Northern to keep costs as low as possible and be extra appealing to their clients.

**The Problem**

Burlington Northern is considering investing in a new railroad control system to completely overhaul their railroad operations. The intent of this case is to determine if the investment in development and deployment of their ARES System would be a beneficial business decision, or if there are alternate solutions that can provide a greater return on investment. There are numerous risks related with the implementation of a new system like this. One of the biggest issues with this new system would be cost. ARES would cost around 350 million dollars. Spending that much money would put a lot of pressure on Burlington Northerns executives. They would have to be very careful and efficient with their money since they use a cost leadership business strategy.

**Stakeholders**

**Burlington Northern’s Employees**

The employees of BN who help keep the trains operating. Employees have a stake in any decision made by the company to improve the efficiency of their services. There is the potential for the creation of new jobs, the degradation of other jobs, and even the increase in the standard of living of some workers.

**Burlington Northern’s Customers:**

Burlington Northern’s customers will be affected by any decision the railroad takes in attempting to provide improved service. Increased on-time delivery, reduced prices, and more efficient operations will all impact any customer’s supply chain. Any person who uses Burlington Northern to transport their goods would have stake in the company and the implementation of the ARES system. Utility and coal consumers benefit from the ARES system the most, by allowing Burlington Northern to consistently be prepared to supply them, thanks to lower cycle times.

**Burlington Northern’s Employees Shareholders:**

Burlington Northern is a publicly traded company, so individuals who own stock would be a stakeholder as well. Big decisions like implementing ARES would swing the stock for the company in a certain way, making shareholders extremely invested with how the company distributes its money.

**Generic Strategy**

Burlington Northern transports immense loads of goods: coal, food, etc. Burlington Northern’s business strategy is cost leadership since the goods are not vulnerable to damage during transportation, normally shipped in large amounts, and aren’t super time sensitive. To be successful with a cost leadership strategy, a firm must have a nice market share. (Tanwar). Burlington Northern constantly tries to find ways to reduce costs, while also seeking methods to increase the amount of goods it can transport per train car.

**Organizational Structure**

**Porter’s Five Forces Model**

1. *Threat of Substitutes:* The threat of substitutes is low. This is because when attempting to ship huge amounts of natural resources (like coal) there are not a lot of options. “As part of your analysis using Porters Five Forces model, you need to look outside of your own industry and think about those substitutes that pose a threat to your market.” (Porters) When considering potential substitutes, the only other options are ship by semi-truck, or by plane. A semi-truck cannot hold a huge amount and would not be financially savvy for an organization. A plane also is not able to carry as much as a train, and is a terrible way to go financially, being the most expensive option. Thus, the threat of substitutes for the train organization is extremely low.
2. *Supplier Power:* The supplier power is high inside the railroad business because there are very few suppliers in the railroad field, so this gives them the power to charge whatever they’d like to (if it isn't an excessive amount).
3. *Competitive Rivalry: “*The larger the number of organizations involved in a market, the greater level of rivalry” (Porter’s Five Forces). There isn't a lot of rivalry in the railroad business, yet the opposition can't control the entirety of the business. On the off chance that they took all the business, this would be known as a Monopoly. The government puts regulation on organizations that don't allow for this to happen.
4. *Buyer Power:* The buyer power is exceptionally low in the railroad business. The buyer has extremely restricted choices, since there are not an enormous number of railroad organizations.
5. *Threat of New Entry:* It is an extremely difficult to create a railroad company. This involves buying and building their own tracks and getting government consent on where to have the option to lay the tracks. The danger of new entries into the railroad business is exceptionally low.

**Alternatives**

“Organizations, like organisms, are "open" to their environment and must achieve an

appropriate relation with that environment if they are to survive. “(Morgan).

**Implement ARES Software in Certain Sections of Country:**

They could implement ARES but do so in a deliberate and organized way. They could implement ARES in certain areas in America. This way, BN would be able to assess certain sections of the country and see what areas are making good use of the investment and see if it benefits the organization. These test groups would let them know if it is worth it to implement ARES across the entire organization. If it does fail, they lose only a fraction of what it would have costed if they had spent $350,000,000 to implement it in the whole company.

Do **Nothing:**

Choosing to not implement the ARES framework is a reasonably safe one. They would not need to spend $350,000,000 to purchase the ARES framework. They also wouldn’t need to spend extra time and resources to implement the system. They can focus them on the same plans and that their workers have been doing. Stakeholders wouldn’t see anything change at all, but by doing this, they could see a lot of negative change in the coming years as competitive rivals put emphasis on technological innovation, Burlington Northern is being left in the past.

My Solution

I feel that Burlington Northern should carry out the ARES framework. It has positives and negatives, but the only big negative it has it its massive price tag of $350,000,000. I feel that it would take care of itself rather fast. As Goldratt writes in The Goal “If the goal is to make money, then putting it in terms Jonah might have used), an action that moves us toward making money is productive.” (Goldratt 41).

I imagine that this framework would permit Burlington Northern to have more clients (thus, have more cash-flow) since they would have the fait in us to make sure their items would arrive in a convenient manner. With this new system, they would lessen operating expenses by having a programmed GPS global positioning system and would not require extra people to assist with the tracking the trains. In order to stay competitive, you have to find ways to improve efficiency, in a cost-efficient way, like Goldratt says in *The Goal, “*to stay competitive these days, we've got to do everything we can to be more efficient and reduce costs." (Goldratt) Not implementing the system, keeps the company from helping to prevent other things that are costly such as injuries. Conductors, and maintenance workers work in high-risk areas to injure yourself. If someone were to get injured, the expenses of the accident could be near the price for the ARES system. This system would permit Burlington Northern to know where the train is within 100 feet rather than 15 miles. This is a significant distance when attempting to figure out the wellbeing of workers. Carrying out this system would likewise give Burlington Northern an upper hand so it would assist them with dominating later on. “Every action that brings a company closer to its goal is productive” (Goldratt 32).I believe that this is the best answer for Burlington Northern.

Work Cited

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