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BAE Systems Case Analysis

**Summary:**

BAE is a design and manufacturing company that designs airport baggage transportation systems. BAE was originally hired by United Airlines to design the baggage system for their concourse in the new Denver International Airport (DIA). DIA is the first new airport to be built in the United States since Dallas-Fort Worth Airport in 1974. The City of Denver commissioned the DIA project due to the growing economy in Denver. The DIA project used the “fast-tracking” method to get the project done as fast as possible.

**Problem:**

With the DIA project being fast-tracked things fell through the cracks and created a mismanaged system. For starters, the creation of the project was under then-mayor Peña. When construction began in November 1989, a transfer of authority was taking place in Denver. Wellington Webb was elected as the new mayor of Denver. This led to unsuccessful management, with no individual in charge of overseeing all aspects of the project. The project was divided into 5 different areas that were subdivided into even smaller units. An area manager, controlled construction within each area. Area managers were responsible for the administration of all assigned contracts and, in coordination with other area managers, for management of the portion of the overall site in which their work took place.

  As a part of one of the areas, each of the four concourses had a manager. Concourse A was being built for Continental Airlines. Concourse B was being built for United Airlines. Concourse C was going to be for all other airlines. And the main terminal was a separate area as well.

Almost 3 years into the operational development and the building of the airport the Project Management Team (PMT) approached BAE who was already working on the baggage system for United Airlines. To create an integrated airport system that could serve all the different carriers in every concourse in the airport. After securing the contract BAE went to work.

The problem that emerged was trying to get all the different areas, and all the contractors to work as one unit. BAE repeatedly asked who is in charge, to be able to get a final ruling on who has the right to get the work done first. Without anyone in charge of all areas, BAE fell behind in constructing the system. Which led to the inability to test with time, down the road. Additionally, with no one in charge of all areas, it was extremely difficult to plan for events.

**Industry and Competitive Analysis:**

           The primary function of BAE is to design and manufacture airport baggage transportation systems. If the system design is good, it can impact the speed and “friendliness” of airports and airlines.

Generic Strategy

           The goal of BAE is to create a system that is affordable as well as easy to use. This means BAE uses the Cost leadership strategy. When BAE focuses on affordability and easy accessibility of its services. It leads to higher brand awareness and recognition, which impacts sales growth and provides a competitive advantage for the company.

Porter’s Five Forces

Competitive Rivalry

           In the baggage transportation industry, BAE is one of only a few competitors. This means the number of competitors is at a minimum, but the competitors are large in size. This means that companies in the industry do not go unnoticed, which leads to a stronger force of rivalry in the industry.

Threat of New Entrants

Entering the market is difficult due to the capital required to enter. This makes it easier for the existing companies to produce at a higher margin. And makes it more costly to enter the market. This makes the threat of new entrants a weak force.

Threat of Substitutes

With the market being as small as it is and having overall aspects similar to the competition. This means the substitutes available are either not of superior quality or more expensive than BAE. This makes the threat of substitutes weak.

Bargaining Power of Suppliers

The number of suppliers in the industry in which BAE operates is a lot compared to the number of buyers. This means that the suppliers have less control over prices, and this makes the bargaining power of suppliers a weak force.

Bargaining Power of Buyers

           The industry that BAE operates in has only a few competitors, which means buyers do not have many to choose from, and therefore, do not have much control over prices. This makes the bargaining power of buyers a weaker force within the industry.

**Stakeholders:**

           The stakeholders of BAE are the Denver local government, meaning the mayor’s office and any local officials. The Airlines, because of the money that can be made if they can turn an aircraft around in less than 30 minutes. The Airport, From the public's perspective, the "friendliness" of any airport is measured by time. The traveler because they want to have things done as quickly and as easily as possible. The U.S. Government issued a grant agreement to help build the new airport. Lastly, the workers that helped build the airport, are important because without them the airport would not have been built.

**Possible alternatives:**

One alternative could be to scrap the entire automated system for a manual transportation system. Use the areas that had been used for tracks as a road that a tram or a trolley could run on that would get to the places it is needed. The downfall to this is that it is needed to have labor to operate and that it might not run-on schedule during the busy times of the day. But it would allow the airport to operate as soon as the rails are taken out.

Another possibility is that you bring in a project overseer to verify all portions of the project are running smoothly. This might take longer, due to the current systems still needing to be finished. This keeps the project details the same, it just changes that there is now an overseer that can settle disputes and keep the plan within the timeframe. While some of the issues can be technical issues, building a fully automated system as they plan is a huge and problematic undertaking.

An additional option that is possible is to create a hybrid system in that in each concourse there is an automated system like the one they were designing for United Airlines. But for baggage to move from one concourse to another, they have to be moved manually. This allows each concourse to run independently. But allows baggage to be able to be moved between the concourses without having to have a complex system. You might still run into problems with the slowdown between concourses. But it would allow the systems to run independently so that if one goes down the entire system is not down.

**Recommendation:**

I would recommend the hybrid option. BAE has already proven they can build a closed system in the concourse. If they built three maybe four different systems and had manual transportation if the baggage needed to move systems. It would make the system 75% - 85% automated. And be much easier to manage in the short run to get the airport up and running.

Work Cited

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