**Case #1: Burlington Northern Case Analysis**

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Burlington Northern Railroad was founded in 1970 from a merger of four different railroads. The company has provided excellent service to its customers and its clients that is unmatchable. They have recently seen a decline of railroad service with the increase of people paying for the convenience of door to door service with delivery trucks. Burlington Northern was recently faced with an idea to adopt a new technology system for their services named ARES (Advanced Railroad Electronics System). This system is very costly to adopt since it would cost Burlington Northern around 350 million dollars to utilize this new technology (Barker, 2018). After reviewing the costs, the benefits and the drawbacks of this proposed solution, I have come up with a recommendation that could prove to be a good compromise. Before we give our recommendation for this case, let’s look at a few things.

Burlington Northern Railroad has a mission just like any other organization. Burlington Northern wants to continue bringing exceptional service to its clients and customers since they were founded in 1970. The company provides safe and profitable railways to help transport seven different primary segments. Burlington Northern revenue is attributed to the transporting of coal, agricultural commodities, industrial products, consumer wants, food, and other items. Coal is the key force to Burlington Northern’s largest source of revenue. The revenue that Burlington Northern brings in requires a generic strategy (Barker, 2018).

According to Business Dictionary, a “generic strategy is the approach to strategic planning that can be adopted to improve competitive performance” (Dictionary, 2018). The generic strategy that Burlington Northern uses is a low-cost strategy. They use this strategy to retain better business over the competition. Burlington Northern wants to have the leg up on their competition so that they can increase business which leads to larger revenue. This is how the company has become increasingly profitable in the coal transportation industry. People would rather transport their coal through railways than other forms of transportations. According to the Association of American Railroads website, “70% of U.S. coal is carried to its destination by railways. (Association of American RailRoads, 2017). The generic strategy ensures that the company will remain profitable which leads to the management being pleased.

Burlington Northern’s organization structure for their company is very similar to most other companies. They want all their chief officials knowing what is going on. Their organizational structure needs to be updated to better improve the business because it is disorganized and hard to determine who’s reporting to who. There are also no board of trustees in the company which is causing a lot of disputes within management (QuickBooks, 2018). Adding a board of trustees will help the organization by run efficiently and determine the future steps they need to take such as, deciding whether to participate in the new ARES project or not. All businesses need a board of trustees. Bill Greenwood could be the Director of the Board of Trustees since typically a Chief Operating Officer (COO) can make a great director (QuickBooks, 2018). Once they can clean this up, then everyone can get together to determine the proper placement of this project.

Burlington Northern has major problem on their hands whether it is to implement the ARES project or continue their ways of doing business without the ARES project. Employees inside Burlington Northern have voiced their opinions on the problem that faces the company. Dick Lewis, Vice President of Freight Equipment, has voiced his opinion of the problem that the company is facing. He stated, “The company and rail road industry are facing two major challenges, services and capital intensity” (Barker, 2018). This issue has multiple people involved with this case.

When a company comes under fire with a major problem, the heads of their company are the ones who get involved first. In this instance, Bill Greenwood (Burlington Northern’s Chief Operating Officer) and Jerry Grinstein (Burlington Northern’ s President and CEO). These two men are faced with the problem which determines whether Burlington Northern will adopt the ARES project.

The customers of Burlington Northern are another key stakeholder in this case. The customers are involved because they can decide whether they want to continue their business with Burlington Northern or decide to go another way of transporting their items. The 1980’s was very low for rail freight industries in transporting goods. The freight industry was transporting mostly coal till 1990 when there was a major turn for more variety in goods being transported by railways (Kriem, 2010). The customers are an important to the continuation of Burlington Northern. These customers help Burlington Northern bring profit which can help support the ARES project. As customers wait for the next move, as are Burlington Northern’ s competitors.

Burlington Northern’s competitors are another key facet in this problem because they are wondering what the company will do in this predicament. As in most companies, competitors are wanting to try and get all the information on Burlington Northern’ s choice because it can affect their company money and customers too. Lastly, one stakeholder we should look at with this case is the transportation industry. The transportation industry is vital and needs to be included within this analysis of this project because the transporting of items and goods through railways is much more efficient compared to transporting through truck, plane or any form of transportation. The railroads account for 16% of freight shipments (Kroll, 2016). While the number might be small, in the grand scheme of things it is quite important. These are just a few key stakeholders we found when reading this case between the heads of the company, their customers, their competitors, and the transportation industry.

After reading this case multiple times, weighing the numbers presented in the case, and doing some side number crunching for Burlington Northern’ s financial records to reach a decision on this ARES project, we have decided that they should go forward with the ARES project. This will cost the company more than $350 million upfront, but the return of investment for this project will be very profitable. Grinstein agrees that the debt is large, but it is a risk they are willing to take. He states, “Our goal is to achieve a total debt level of 50% of total capitalization by 1994, paying down debt at an average rate of $200 million per year”(Barker, 2018)This company needs an upgrade and the ARES project will aid in the continuation that the railway system is still a vital option for the transporting of goods and materials. The Association of American Railroads shows that the use of railroads was declining majorly till 1990 when there was a major boom to turn the freight shipping back into the railways (Association of American Railways, 2018) The ARES project is what will bring Burlington Northern back into the conversation of being one of the top companies for freight shipping.

Burlington Northern has many ways to approach this problem that they are currently facing, whether it is to implement the ARES project or not to. This project has a lot of money tied into it. As Goldratt states in *The Goal, “*So this is the goal: To make money by increasing net profit, while simultaneously increasing return on investment, and simultaneously increasing cash flow”(Goldratt & Cox, 1984)*.* This is the goal for every organization no matter what industry that your business is in. Burlington Northern is just another company trying to reach *“The Goal”.*

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