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Case Analysis – BAE Automated Systems

**Business Issue**

The business issue of BAE was the unsuccessful implementation of an automated baggage system at Denver International Airport (DIA). The project faced several problems, including poor relations between the management team and the contractors, inexperienced project management, underestimation of the task, and work ethic issues. These issues resulted in several delays in the scheduled opening of the airport and ultimately, the discovery of numerous problems in the system, including software and mechanical problems, during a test run. The problems were so severe that the airport's opening was postponed indefinitely. As a result, the City of Denver incurred additional costs of $330,000 per month and had to engage a German firm to assess the state of the automated baggage system. The firm recommended the construction of a backup baggage system, which raised the projected cost to $50 million. The City of Denver, as well as many major airlines, hired legal firms to assist with negotiations and future litigation, adding to the overall cost and complexity of the issue.

**Industry/Competitive Analysis**

The mission at Denver International Airport was to build a new airport to serve the city of Denver and its residents. The goal was to build a state-of-the-art airport that would improve travel and provide economic benefits to the area. The generic strategy used by the City of Denver and its contractors was a differentiation strategy, as they aimed to build a unique and innovative airport with cutting-edge technology, including an automated baggage system.

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***Porter's Five Forces:***

Threat of New Entrants: The threat of new entrants in the airport construction industry was low, as the cost and complexity of building a new airport is high.

Threat of Substitutes: The threat of substitutes was low, as there were limited options for air travel in the area.

Bargaining Power of Suppliers: The bargaining power of suppliers in the airport construction industry was likely moderate, as there were several companies providing materials and services for the construction of DIA.

Bargaining Power of Buyers: The bargaining power of buyers was high, as the City of Denver had significant leverage in negotiations with contractors and suppliers due to the importance of the project and its large budget.

Rivalry Among Competitors: The level of rivalry among competitors in the airport construction industry was likely moderate, as there were several companies competing for contracts.

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The City of Denver had a hierarchical structure, with various departments and departments working together to manage the construction of the airport. The contractors and consultants, such as BAE, had a similar structure, with project managers and teams working on specific aspects of the project.

**Stakeholders**

The stakeholders in the case study are individuals or groups who have a vested interest in the outcome of the Denver International Airport's baggage handling system project:

*City of Denver*: The city was responsible for the construction and operation of the airport, which was a major public works project. The city had to communicate with the United States federal grand jury, Securities Exchange Commission, and the General Accounting Office, who were conducting investigations concerning the airport.

*Mayor Webb*: Mayor Webb's reputation was at stake, as the success of the baggage handling system was critical to the successful opening of the airport. He had to take steps to resolve the issues and engage a consultant to assess the state of the automated baggage system.

*Airlines*: Major airlines, such as Continental and United, were stakeholders in the project, as the functioning of the baggage handling system was critical to the smooth operation of their airlines. The airlines had hired legal firms to assist with negotiations and future litigation.

*Traveling public*: The traveling public was also a stakeholder in the project, as the functioning of the baggage handling system directly impacted their travel experience.

*Contractors*: BAE were contractors involved in the project, and their work ethic and management practices were subject to criticism. The contractors were left to work out issues among themselves, leading to almost anarchy.

These stakeholders all had different interests, goals, and levels of influence over the outcome of the project.

**Alternative 1: Implementing a more streamlined production process**

With this alternative, BAE would focus on streamlining their production process to improve efficiency and reduce costs. This could involve the use of new technologies such as automation, as well as changes to the company's organizational structure.

Impact on Stakeholders:

Customers: The improved efficiency and lower costs could result in faster delivery times and lower prices for customers, which could improve their overall satisfaction.

Employees: The implementation of automation could result in job losses for some employees, particularly those in manual labor positions. However, for those who remain, the streamlined production process could result in a more efficient and satisfying work environment.

Shareholders: The improved efficiency and lower costs could result in higher profits and a stronger stock price, which would benefit shareholders.

**Alternative 2: Expanding into new markets**

With this alternative, BAE would focus on expanding into new markets to increase revenue and market share. This could involve entering new geographic regions or entering new industries with complementary products or services.

Impact on Stakeholders:

Customers: The expanded product offerings and market reach could result in more options and better service for customers.

Employees: The expansion into new markets could result in new job opportunities for employees, as well as the need for additional skills and training.

Shareholders: The expansion into new markets could result in higher revenue and market share, which could improve the financial performance of the company and benefit shareholders.

**Alternative 3: Investing in research and development**

With this alternative, BAE would focus on investing in research and development to improve existing products and services and develop new offerings. This could involve the hiring of additional researchers and engineers, as well as investment in new technologies and processes.

Impact on Stakeholders:

Customers: The improved products and services, as well as the development of new offerings, could result in better solutions and higher customer satisfaction.

Employees: The investment in research and development could result in new job opportunities for employees with advanced skills and training, as well as opportunities for skill development and career advancement.

Shareholders: The investment in research and development could result in improved financial performance, as well as a stronger position in the market, which would benefit shareholders.

**My Recommendation**

Investing in research and development (R&D) would be the best alternative for BAE Automated Systems for several reasons:

Increased competitiveness: By investing in R&D, BAE can stay ahead of the competition by developing new and innovative products that are more advanced and efficient than those of their competitors. This would help the company establish a competitive advantage in the market and attract new customers.

Increased revenue: With the development of new products, BAE would be able to increase its revenue by selling these new products to existing customers as well as to new customers. This would also help the company maintain its market position and increase its market share.

Improved customer satisfaction: By investing in R&D, BAE can develop products that better meet the needs and demands of its customers. This would improve customer satisfaction and lead to increased customer loyalty, which would be beneficial for the company in the long run.

Increased employee morale: Investing in R&D would provide employees with opportunities for professional growth and development, which would help increase employee morale and job satisfaction. This, in turn, would lead to increased productivity and efficiency, which would be beneficial for the company.

In conclusion, investing in R&D would be the best alternative for BAE as it would help the company stay ahead of the competition, increase revenue, improve customer satisfaction, and increase employee morale, which would lead to long-term benefits for the company. With more research and development, BAE would be able to qualm poor relations between the management team and the contractors, generate more experience in project management, have a better understanding of the task, and improve work ethic issues.