Burlington Northern Case Study Analysis

**Introduction**

After reviewing the Burlington Northern Case study and putting the information provided into consideration, I would recommend they go with implementing these changes themselves instead of making a huge investment into a system like ARES or ACTS. The reasons of why I came to this conclusion are quite simple. In the study it stated that many of the benefits listed by the Ares company weren’t guaranteed or wouldn’t even be able to be tracked or predicted which already proves inconsistencies within the system. When considering such a big investment that cost 350 million dollars you must put into consideration the solid effects it will have on the business and whether it is worth it or not. A final reason connecting back to the last one is the decision of whether they can afford the investment or not. In the study they stated how they were not in a stable economy and many railroad companies already were facing bankruptcy so how would they be able to afford to pay for this investment and if they did will it guarantee success or completely put them into bankruptcy. When it comes to doing all this themselves, it will pose a challenge as to finding out how but will eliminate many extra expenses that may come from the system like ARES.

**Business Issue**

The business issue that Burlington Northern railroad company faces is keeping up with the ongoing competition and changes to the environment it’s in by increasing overall performance and creating new opportunities all while keeping their services unique to their consumers. Burlington Northern is forced to make changes and consider adding new implementations like the ARES project and the ACTS all because of competition with other railroad companies and the addition of trucking transportation which both are direct competitors that have a high risk towards them.

**Mission Statement**

BNs Mission statement is to improve their transportation of products efficiently and effectively to their consumers all while making the product unique through differentiation to gain the edge over their competitors and offer a competitive price to keep up.

**Competitive Analysis**

Regarding the generic strategy, Burlington Northern’s cost leadership strategy (Gordon 2018) is to be able to deliver their services at a price in which they can still make revenue but have the consumers choose them over the competitors. With differentiation (Gordon 2018), BN must be able to compete with Railroad company competitors in pricing and efficiency in terms of scheduling and avoiding delays. With all the rail roads relying on old standards and systems regarding the train scheduling and keeping track of the trains BN must come up with a way to more efficiently track their trains compared to just having conductors write it down from one post to another and risking the chances of mistakes and inefficiency. BN implemented a reporting system known as the service measurement system which increased their performance from 25% to 58%. From this alone, it taught BN managers that simply changing on thing created an opportunity for huge marginal success and began giving more ideas. For BN’s Focus Strategy (Gordon 2018), they will have to focus on delivering their services efficiently and cost effectively all while trying to gain customer loyalty and adapt and modernize to ever changing conditions. If BN decides to implement more systems like this themselves rather than outsources to corporations and systems which cost a lot more, they will be able to focus on area that individually need addressing and find solutions to those problems. Along side this, BN can support more studies of different projects and technological advancements that can support their needs rather than overpaying for something that will address a lot of areas in the business that don’t necessarily need help. BN must really investigate what it is that is holding the company back and what can really help them and shift their focus there rather that changing the business.

**Five Forces Positioning**

For porters five forces, the first one addressed competition within the industry (Martin 2023). Competition that BN faces would be other railroad companies and the threat of trucks. They must be able to offer a unique service at a competitive price to compete. The second force is the threat of new entrants (Martin 2023). With entry of truckers causing such a big competitive risk to BN what future competitors may come in and cause bigger risk. The third force is the power of suppliers (Martin 2023) which refers to the train supplies needed like the prices of tracks, carts and land that can drive up price. The fourth force is the power of customers (Martin 2023) which refers to the power that customers hold. BN knows that consumers don’t care about the railroad company but how fast and efficiently they receive their products so they must be able to pleaser their consumers so they will continually return. The last power is the threat of substitutes (Martin 2023) which relates back the threat of new entrants. As truckers enter and offer a substitute deliver method to consumers the entry of new transportation methods like airplanes will also create a substitution risk and BN must pout that into consideration if they are to thrive in the future.

**Stakeholders**

BN must also put into consideration the stakeholders of the business and how they’re decision will affect them now and in the future. In the study, it already spoke of layoffs for employees which affect the employees who are stakeholders in the company. Examples of these employees would be conductors who jobs are at risk of the new implemented systems because of train automation. While conductors may be at risk of losing their jobs, the need for engineers will increase as new implementations require more technology and engineers to guide and fix them. Along with the higher ups in the company who are faced with the big decisions that can also affect their jobs because if the company goes into bankruptcy their jobs and salaries are on the line. ARES employees and project developers also face a risk due to BN deciding not to invest in them.

**Alternatives**

While ARES does prove to be a drastic change that could benefit BN there are still too many questions and benefits that cant be tracked to officially invest into their system. Alongside this, it was stated that the ARES initial investment price of 350 million could be well understated and could end up costing the company more. Adding onto that, Managers discussed how ARES comes with a lot of “Bells and Whistles” which reference to how ARES has top of the line technology and advancements and question whether those were worth it to the company or whether they can find alternative options that will be able to give a large majority of the benefits at a fraction of the original ARES investment cost. One final reason against the ARES system investment would be the worry of having a return on the investment. While they company may invest 350 million and be given all these benefits will they be enough to make the initial investment back and will they benefit them in the future. For such a big investment there are too many unanswered questions and concerns for it to be considered. The Case study covered another alternative known as the Advanced Train Control System will controlled trains. They stated that the ARES system was 5 years ahead of that system, but this system was a significant amount cheaper than the ARES system. With this being stated, if the ARES system is said to be five years ahead then investing a good amount of money into a system which can already be outdated could pose as a hit on the business not just now but in the future when this progress more. The final alternative would be outsourcing to other solutions that could prove to be cheaper. With ARES being a new system that developed recently there will be room for new entries of competitors to them along with options of using smaller sources to support small parts of the business that can help increase efficiency just as the service measurement system did. A small implementation of the measurement system increased performance drastically so continuing to make small changes like this could help the business in the long run a lot more than risking a huge investment that doesn’t cover benefits clearly. A downside to making small investments would be setbacks from the investments through failures and time wasted which allows competitors to gain an advantage but the risk there is far less than making an investment that puts the company at risk of bankruptcy

**Alternative Impact**

With all these different options considered the different stakeholders are each affect by which ever outcome is chosen. If BN decides to go with ARES, the engineers will benefit, and other employees may face the risk of losing their jobs where the high ups will either also benefit or could face bankruptcy if the ARES system does not work. Regarding the ATCS, train conductors will face the risk of losing their jobs due to train automation, but engineers will benefit. As for the last alternative, the risk varies based of the decision and investments made. If the company decides to prioritize its employees, it can work around supporting them but if the companies need to sacrifice one set of employees for a new system, then it will need to be done.

**Alternative Decision**

The best alternative to go with in my opinion would be the last one stated which is outsourcing to companies and developers to deal with the problems they are facing rather than making huge investments that don’t guarantee certain benefits. The reason I choose this alternative is because BN can find problems in certain areas that they are facing and higher companies or outsource to different developers to help solve problems in those fields instead of going and making a huge investment that will affect fields that don’t need help but only cost the company more. ACTS is a small example of this alternative, but ACTS is outdated and not guaranteed a benefit for how much of an investment it will cost which is why I rule that alternative out also. With the simple implementation of the service measurement system, they were able to benefit greatly and not pay such a huge price so what is stopping them from trying others. Alongside this, they can invest into cheaper alternatives that provide the same benefits as systems like ARES for only a fraction of the price as stated in the study.

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