BURLINGTON NORTHERN CASE

After reviewing the case and factoring in a multitude of options, I have come to the conclusion that Burlington Northern Railway should incorporate the focused strategy with the ARES system. Implementation this way would solve several issues that need to be addressed. In doing so, better and more concrete data will be collected in order to do more analysis on whether or not the profits would be significant enough to change the entire railway system to using ARES. On top of this, the financial feasibility is more realistic than the $576 million price tag on the expansion strategy. There were two areas of concern in this case which each posed their own problems. There are problems with the business itself, and problems with the ARES system. In this paper, I aim to conclude why incorporating the ARES system will fix both sides of the issues.

The first problem that I noticed with Burlington Northern was that they had not invested much into bettering their system for the better part of 100 years. As stated in the paper, railway dispatchers relied on the system and technology from the 1920's. The second problem I noticed with the business was that capital was highly competed for within the company between different departments. The reason BN did not want to be hasty with spending money was because they were already viewed by their shareholders and investors as risky because of their debt-to-capital ratio. People were unsure of whether or not BN had the capital to back up their share price. A risky investment that did not have a great consensus could do the company and shareholders bad.

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After doing five forces analysis on the company, it became clear that BN was in a unique situation to do something unseen and gain a completive advantage on every other competitor in the market. The competition that BN had were other railways that may have been investing in newer technology, but nothing to the scale or as advanced as ARES. Burlington Northern also would become the first railway company to automate their railway system. One worry for the owners at BN was that new entrants into the market could adapt a system like ARES and benefit from the mistakes that BN would make in the process of using it. I don't know how well that argument would hold up considering that competitors would not have access to data collected by BN to track how well the ARES system has actually helped them. I also analyzed that the cheaper substitute system (ATCS) system did not provide the safety that ARES did, nor was the technology even close to being complete.

The three options that I believe Burlington Northern has are: Do not invest in ARES, Do a small scale implementation with the Focused or Base strategy, or an all out expansion strategy. Not investing in the ARES system would be playing it safe and trying not to scare the shareholders and investors. While that is a benefit for the company, they would allow other competitors to view the progress of the ARES system that they have been testing. This could allow other companies to produce projects similar to ARES and gain yet another competitive advantage. The expansion strategy would consist of implementing ARES across the entirety of Burlington Northern's railway system. This would be a $576 million investment that could possibly scare stakeholders and plummet the BN share price. If successful, BN would gain a massive competitive advantage over its competitors and reign supreme in the railway industry for years as other companies try to catch up. They would however, have to deal with

unexpected difficulties that they had not predicted which would help other companies learn from to improve their system.

The best course of action would be a small to medium scale integration of the ARES system. The company tested already in a smaller portion of the railways and concluded that there was indeed a efficiency benefit. The companies' top management and owners did not think that a wide scale integration was worth the $576 million price tag as it came with too many unknowns and could scare stakeholders. If BN were to not invest, there is also a risk in letting competitors gain another competitive advantage. That is why a small to medium scale integration is the most feasible answer to this problem. BN can showcase new technologies to shareholders while also being able to track data until the owners feel more comfortable with a wider scale integration. The company can sell this to the stakeholders as a safe, more efficient outlook on the future of railway systems. They also gain a competitive advantage over other railway companies and trucking companies as their trains move faster and more efficiently.