

Enhancing Rail Delivery Operations for an Export trading company

Background

You are a new management consultant, and the partner has asked you to join the proposal team for a potential new client.

The potential client is ExportCo, a major Southern US commodities exporter. Commodity prices have risen to record highs and the client is looking to maximize its exports to take advantage of the current market situation.

ExportCo relies on rail to get its commodities to port. Rail capacity has become a bottleneck to increasing export volumes, with multiple external stakeholders involved in rail operations:

- Network operator
- Rail operators
- Regulators
- Other passenger and freight services

ExportCo's executive team, led by CEO Mona Singh, recently conferred on organizational objectives and key results (OKRs). They prioritized an objective to improve ExportCo's market position by export volume, with key results to

- increase export volume by a minimum of 12% in the first quarter
- increase export volume by a minimum of 30% in the first year

The high commodity prices to remain consistent over the next few months

Zara Rodriguez, VP of Sales Strategy, shared industry projections from a trusted third-party economics firm. While there is market uncertainty for commodity prices in the near future, most models show that prices will remain high for a min. of 6 months or more.

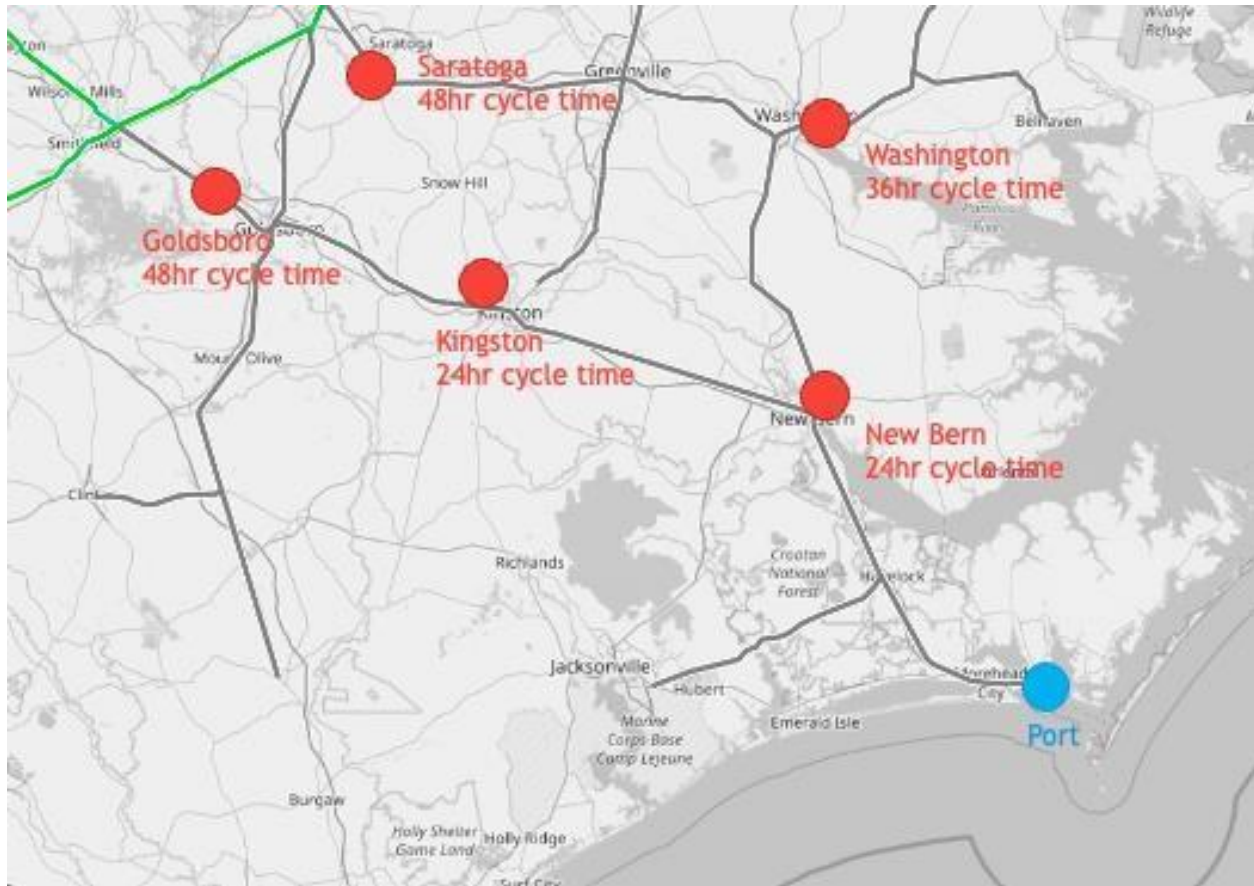
ExportCo is unable to add new trains to their fleet

According to Moe Emrani, the CEO's Chief of Staff, ExportCo made inquiries with several rail manufacturers, leasing companies, and network partners for the potential to borrow compatible trains. Moe's team determined that securing additional trains is not feasible in the short timeframe.

Additionally, due to future uncertainty of the commodity prices, the business is not keen on taking on a major capital investment to permanently add new trains.

Rail capacity is currently not optimized

In a needs assessment with ExportCo, you met André Miller, the new Director of Rail Operations. André was a consultant at your firm before you started, but you were quick to build a rapport with him. He was willing to share more detailed information about the current state of their operations, including their current operations map:



ExportCo currently operates 8 trains at an average of 76% utilization. Each train consists of forty (40) 75-ton wagons. Each wagon can hold all commodities at its maximum 75-ton capacity.

André's frontline manager's report that there is sufficient capacity to handle additional trains at load sites and port.

Rail is the most cost-effective way of getting commodities to port. Road is possible at a higher cost, which can be currently justified due to high commodity prices.

There is potential to attach additional wagons per train, but this will require trains to take an alternate route to port (+30% more time). There is potential to optimize loading per wagon (currently wagons are loaded at 90-92% capacity).

Each cycle between load site and port averages 48hrs total (loading, unloading, and travel time). Different load sites have different cycle times due to distance to port and differing load times (between 5 – 10hrs loading time per train). Currently, all load sites are scheduled for 48hr cycles, regardless of actual cycle time.

Prompt :

You are part of the management consulting team and will be speaking to the CEO in three days' time. What are your business recommendations?

CEO likes your business recommendations and has brought your firm back to propose an approach to implementing your business recommendations.

With the relationship that you built with André, you know that the following people will also be in the meeting:

- CEO Mona Singh. She is the third generation of her family to work in the commodities industry, so she normally drives major decisions for the company. However, lately, she has preferred to empower her team, letting them run their businesses and come to a consensus agreement.
- Project Management Office Lead, Enoch Chang-Janavs. While he was not in the initial business recommendation meeting, he was able to catch the recording. Enoch is very concerned about project delivery when it comes to using outside consultants. Enoch wants to be assured that timelines are reasonable, risks are mitigated, and dependencies are acknowledged. He also applied for the Director of Rail Operations job, but André was eventually hired because he had a reputation for delivering value, faster.
- Chief of Staff, Moe Emrani. Moe was previously the Director of Rail Operations prior to his promotion. He is fiercely proud of the Rail Operations Team, but in his current role, he is charged with identifying improvement opportunities across the entire company. His team has identified a huge backlog of improvement opportunities, particularly with system reliability.
- Director of Rail Operations, André Miller, will be at the meeting. André is still building rapport with his frontline managers. André wants to achieve the OKRs so he wants to ensure his managers are set up for success and do not take on new commitments without sufficient resources.
- VP of Sales Strategy, Zara Rodriguez, will not be at the meeting. André confided to you that Zara has been very insistent, particularly with Moe, that ExportCo not incur any major capital spending on the account of the recent market spike in prices.