

DAKOTA, MINNESOTA & EASTERN RAILROAD-1997

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Case Objectives and Use

This case was designed to introduce the student to the nature of the regional railroad segment of the U.S. rail industry. It exposes the students to a real world example of an organization in the very early stages of a “pause” strategy and encourages them to identify, evaluate, and propose methods used or needed to realign DM&E’s espoused market penetration/product development strategies. The case asks students to examine the impact of the elements and terrain on organizational effectiveness and efficiency, and requires them to identify, select, and plan implementation of an appropriate future strategy. The students are then required to identify and select appropriate means for raising funds to support this future strategy.

This case is appropriate for courses in strategic management, marketing research, entrepreneurship, and financial strategy at the undergraduate and graduate level.

Case Synopsis

Approximately twenty-five years ago, a majority of the railroads in the industry were either in or near bankruptcy. As a partial cure, a series of federal and state legislation was enacted which freed the industry from archaic laws passed in the days railroads enjoyed a virtual monopoly in U.S. transportation. One of the outcomes of this new legislation was the freedom granted major railroads to abandon or sell off excess trackage to entrepreneurs. The Dakota Minnesota & Eastern (DM&E) is a regional railroad that was spun off from the Chicago and North Western(C&NW) Railroad in 1986 and purchased by a group of entrepreneurs. The railroad’s mainline extends from the Mississippi River at Winona, Minnesota across southern Minnesota and central South Dakota to Rapid City. In 1996, the DM&E acquired more than 200 miles of track from Union Pacific Railroad, extending from Colony, Wyoming through Rapid City to Crawford, Nebraska. Grain currently accounts for more than 40 percent of the railroad’s 60,000 annual carloadings, which have increased more than 40 percent since 1987—DM&E’s first full year of operation. The DM&E began operations with 130 employees, 37 locomotives and no freight cars. The DM&E now employs 350 people, and owns or leases 70 locomotives and almost 30,000 freight cars. The case traces DM&E’s first eleven years of operations from its chaotic beginnings to its development as a profitable railroad, to its recent apparent unraveling.

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