Overseas Manufacturing Investment: Risk and Reward Management
-- a new architecture for Risk & Reward management process

Aims

♦ To understand the new global business environment in which the risk and reward management process in overseas manufacturing investment is evolving.
♦ To understand the characteristics of overseas investment decisions in terms of the global business environment and industry dynamics.
♦ To identify the risk and reward management process at corporate level, project level and operations level.
♦ To develop a strategy process to facilitate the analysis of the overseas business environment and the design of an integrated risk and reward management process.
♦ To identify core capabilities required to establish the risk and reward management process. This includes information process tool, integration process tool, communications tool, control point in process and monitoring process.

Background

Manufacturing companies in developed and developing countries are facing the challenge of depleting earnings growth in competition with global leaders. For example, manufacturing industry is growing at the rate of only two percent a year on average with a six percent rate of earnings per annum in the UK. The industry has several alternatives to achieve high growth and earnings, for instance, cost cutting, the provision of value added services, new technologies, and increased economies of scale to reduce cost. On the other hand, they could invest overseas in Greenfield or Brownfield projects where high growth opportunities exist. However, finding the overseas business opportunity and its evaluation often exposes companies to high risk.

Current manufacturing industry dynamics involve shutting down and starting up new operations at specific global locations. This research is an opportunity to understand overseas manufacturing investment decisions from the perspective of risk, investment and international manufacturing networks. Investment in overseas manufacturing increases the different kinds of risk an organisation faces. This research therefore addresses the primary issue of achieving high growth in business by increasing overseas manufacturing earnings while reducing its international manufacturing risk.

Outcomes

♦ Map of key organisational risks from an international manufacturing network perspective.
♦ Trends & characteristics of risk and reward management.
♦ Strategic framework and design process for risk and reward management.
♦ Case examples of risk and reward management process design, implementation and operations.
♦ Guidelines for the integration of organisational levels (corporate, project and operational) in the risk and reward management process.
♦ Working manual on risk and reward management in overseas manufacturing.

Further information from

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**Research Scope**

The research work on the risk and reward management process in overseas investment includes three main strands:

- **Corporate level**: Identifying the risk and reward management in the development of organisational goals.
- **Project level**: Identifying the risk and reward management in the development of resources and capabilities.
- **Operational level**: Identifying the risk and reward management in physical and organisational investments.

These three levels are linked with key issues:

**Research Approach**

This research aims to develop the risk and reward framework or construct a working manual in line with current international manufacturing industry practices and challenges.

This research will be a collaborative work with companies on the primary issue of achieving high growth in business by increasing overseas manufacturing earnings and reducing the international manufacturing risk.

**Benefits to Companies**

- Mapping of organisational risks from an international manufacturing network perspective.
- Access to the working manual on risk and reward management in overseas manufacturing through case studies in international manufacturing corporations.
- A report on company specific risk and reward management.