Chapter 2
Planning Foreign Direct Investment Projects

ABSTRACT

This chapter develops a framework for the whole book and defines a road map for the chapters that follow it. However, in order to follow the road map or to go through the stages of analyses defined for a comprehensive economic study called a feasibility study for an investment project, the starting point is to select a country for the foreign direct investment contemplated. Therefore, country selection is the first step for starting a comprehensive economic study for planning and analyzing foreign direct investments. For this reason, before starting to plan, analyze, and evaluate a foreign direct investment, a country has to be determined for the direct investment project intended. As such, factors affecting country selection in terms of opportunities and risks related to alternative countries are specified and elaborated first and then put together in an example to develop a methodology for selecting a host country for the direct investment planned abroad. Country selection is based on a procedural methodology that goes through, firstly, a scanning stage that aims at identifying possible countries for investment; secondly, eliminating less desirable countries for determining possible candidates; and finally, choosing the most adequate country for investment through a so-called opportunity-risk matrix.

REASONS FOR PLANNING AND ANALYZING FOREIGN DIRECT INVESTMENT PROJECTS

Investment projects are proposals for making fixed or real capital investments either at home or abroad. In other words, an investment project is a proposal for construction of physical facilities and/or acquisition of capital goods, such as machinery and equipment for production of goods and services. Moreover, an investment project is a set of interdependent activities or jobs which have to be completed within a given period of time and with a certain amount of resources. Therefore, the projects for international or foreign direct investments, just like all the other real capital investment projects, have to be planned and/or designed in detail to determine all business activities involved in and costs associated with the investment proposals so as to appraise the values of direct investments.

In fact, when intending to make fixed or real capital investments in general or foreign direct investments in specific, business companies and/or project managers have to conduct comprehensive and detailed studies and analyses to determine in advance whether or not to undertake such investment projects. Such a comprehensive project study is often called a feasibility study and it involves lots of interrelated studies, analyses, and decisions that will be explained shortly. There are three essential reasons why a feasibility study as a comprehensive economic study has to be planned and conducted as stated below:

1. Foreign direct investments by nature are very costly investments and thus entail large amounts of limited resources. Because business managers always want to make prudent and rational decisions concerning resource allocation, the costly foreign direct investments are to be carefully planned, analyzed, and evaluated in order to justify the expenditures to be made. In other words, the rational use of resources as the essential principle of business management necessitates a comprehensive project study to rationalize the investment planned, since such investments are very costly and, thus, require lots of resources.

Furthermore, business managers or project managers are aware of the fact that it is almost impossible to reverse or correct the wrong and/or haphazard decisions made after the direct investment is realized. For instance, consider an investor that made a greenfield investment in a country and six months
Towards Black Box Forensic Cybercrime Investigation Model (BBFCIM): Beyond the Rule of Thumb
www.igi-global.com/chapter/towards-black-box-forensic-cybercrime-investigation-model-bbfcim/170928?camid=4v1a