

## ***Greyhound's Product Risk Management Model***

Greyhound's willingness to undertake financial risks plays an important role in the new product development and investment decision making process. Greyhound Lines, Inc. launched its first loyalty program called Road Rewards/Megabus giving special offers to customers who purchase tickets on the transportation company's Website; this was a comprehensive economic decision analysis to evaluate strategic investment decisions which requires a measure of the organizations tolerance for internal and external risk.

With increasing customer demands it has become commonplace in constructing balanced products to frame the decision in terms of exposure to various systematic market risks like a Cost Breakdown Structure model for cost risk; a Network model for time risk; a functional model of the product for performance risk; a cash flow model for financial risk; also considering for instance deliverables; functional systems components; integration make and buy processes, resources and costs.

Considering the probability of incurring a risk event or challenges, the magnitude of the possible deviation allows for a quantification of the risk. Companies need to align their manufacturing capabilities with their business strategy which may explain why Greyhound is pumping out its best profits in years. Under the new President, the company has taken its new competitor head-on, overhauling its schedules to focus on trips of 450 miles or less and adding routes between big cities.

Stakeholders should be associated with exposures to these systematic risks with relatively little effort as it is critical to understand this analysis provides probabilities associated with realized compound rates of return and not expected rates of return on new developments. Greyhound risk analysis techniques typically develop models based on the discounted cash flow (DCF) approach for new product investment decision-making.

Companies should recognize that most risky projects need decision flexibility so that senior management and key stakeholders can monitor the progress of the new development. They can then attempt to make decisions that add value to the project, which should bring customer satisfaction and future growth.

### **CITE THIS AS:**

YouSigma. (2008). "Greyhound's Product Risk Management Model." From <http://www.yousigma.com>.