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*RESEARCH ARTICLE*

# EFFECTIVE PORTFOLIO MANAGEMENT TO RAISE FUNDS IN MANAGEMENT OF BUSINESS.

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***Abstract***

Despite an uncertain business environment, organizations today remain under pressure to innovate and grow by successfully executing their business strategies. At the same time, they are expected to maintain existing operational efficiencies and costs – a daunting challenge in the wake of an economic downturn that forced businesses to eliminate project managers and other resources. As businesses gear up for growth, many find they are hobbled by inadequate portfolio management (PM) practices and resources.Some businesses, for instance, invest significant capital spending on programs and portfolios that do not directly align with strategic corporate objectives. Others struggle to balance risk with the opportunities required to achieve these objectives. Many are unable to accurately assess their portfolio's performance, yet they must continuously justify funding requests for both new and existing projects. This paper focuses on how a business enterprise can raise funds by effectively and efficiently managing the portfolio where they have invested.



## Introduction:-

Portfolio management is much more than simply managing multiple projects. Effective portfolio management aligns a company's investments, people, and programs with its overall strategic objectives. It is a continual process that integrates business strategy with operational performance to synchronize resources, strategies, and schedules. The fundamental challenge of portfolio management is that a strong methodology will only take business so far.

Portfolio Management is a process of encompassing many activities of investment assets and securities. It is a dynamic and flexible concept and involves regular and systematic analysis, judgment and action. A combination of securities held together will give a beneficial result if they are grouped in a manner to secure higher returns after taking into consideration the risk element.

Portfolio Management involves time element and time horizon. Investment decision should be considered based on economy, industry consideration and company fundamentals including management & financial performance. The main objective of portfolio management is to help the investors to make wise choice between alternative investments. Any portfolio management must specify the objectives like maximum returns, optimum returns, capital appreciation, safety etc. Portfolio management is all about resource allocation to achieve corporate product innovation objectives. In this process, new projects are evaluated, selected, and prioritized.

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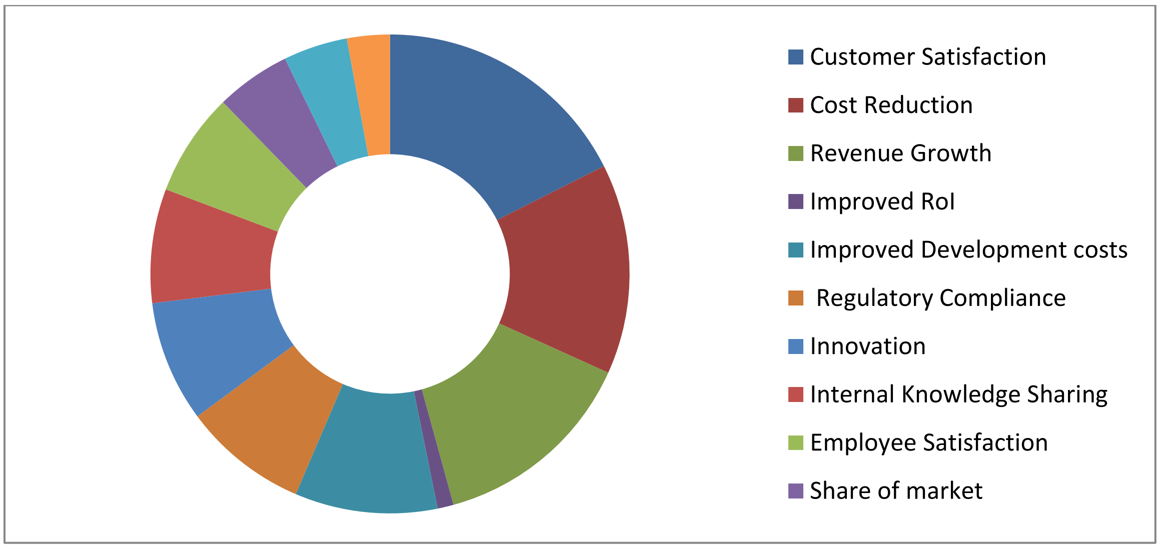
## Objectives of the paper:
1. To understand the goals of efficient portfolio management.
2. To know the importance of portfolio management in an organization.
3. To identify problematic elements of best portfolio management.
4. To recognize ways to eliminate crisis in portfolio management.

**Contemporary ways to raise funds**

Large corporations could not have grown to their present size without being able to find innovative ways to raise capital to finance expansion. Corporations have five primary methods for obtaining that money. Few of the modern ways of raising funds in an organization are mentioned below:
1. Issuing bonds
2. Borrowings
3. Capital markets
4. Government sources
5. Bank lending
6. Leasing

The sources through which a company can raise funds are many, but the advantage of each investment can be availed only through efficient portfolio management conducted by the financial analysts of the organization.

**Why do organizations practice portfolio management?**




**Goals Of Portfolio Management**

While the portfolio methods vary greatly from company to company, the common denominator across firms are the goals executives are trying to achieve. According to 'best-practice' research by Dr. Cooper and Dr. Edgett, five main goals dominate the thinking of successful firms:

**Value Maximization**

The end goal is to ensure that your new product portfolio yields long-term profitability and the maximum return on your new product development investment. Capital and people resources should be allocated to increase the value of the new product portfolio. Allocate resources to maximize the value of the portfolio via a number of key objectives such as profitability, ROI, and acceptable risk. A variety of methods are used to achieve this.

**Balance**

Your portfolio of new product projects should contain a balance of different types of projects: long-term versus short-term projects, high-risk versus low-risk projects, and projects across various markets and technologies. Achieve a desired balance of projects via a number of parameters: risk versus return; short-term versus long-term; and across various markets, business arenas and technologies.

**Align Your Portfolio with Your Strategy:**
Strategy becomes real when you start spending money. Ensure that how you spend that money reflects the business's Product Innovation and Technology Strategy – align the resourced projects with the strategic priorities already set out. There are two different approaches organizations use: a bottom-up approach (project-level decision-making at the gates), and a top-down approach (dominated by a portfolio review of all projects). Some organizations have enjoyed success by combining both approaches. A company operates having some common vision therefore while investing in any security; it needs to consider the strategy which it undertakes to achieve that goal so that the due's and commitments can be met on time.

**Pick the Right Number of Projects :**
People resources, assets, and capital are finite. Selecting the right number of projects to maximize your resources therefore becomes critical. Too many projects in the pipeline and not enough resources to complete them on time may result in an investment failure. A common method is to prioritize a list of projects by rank-ordering them. Another method is monitoring resource supply-and-demand to determine the availability of resources for your new product projects.

**Benefits Of Portfolio Management**
The benefits of a mature portfolio management system are myriad. Organizations with best-in-class portfolios typically complete projects on time and under budget, with increasing ROI in portfolio management. When implemented properly and conducted on a regular basis, Portfolio Management is of high impact and high value activity:

1. Maximizes the return on your product innovation investments
2. Maintains your competitive position
3. Achieves efficient and effective allocation of scarce resources
4. Forges a link between project selection and business strategy
5. Achieves focus
6. Communicates priorities
7. Achieves balance
8. Enables objective project selection
9. Top performers emphasize the link between project selection and business strategy.

Companies that excel at portfolio management are able to complete projects on time and under budget, increasing ROI and other benefits. To achieve this factor every company should undertake proper communication about the objective of investing in particular sector to whole company:

**With clarity**
Clarity is the most important factor for the success of portfolio management. People can't commit to what they don't know or don't understand. Clearly state and communicate the portfolio objectives, policies and procedures.

**With openness**
On top of developing a nice-to-have framework for project selection, prioritization and portfolio monitoring, spread the word throughout the entire organization on why the company needs portfolio management and how it works.

**With alignment**
Corporate objectives and how portfolio management can help the organization reach those goals have to be part of the message. Alignment means credibility for portfolio management, because it shows how it adds business value. To communicate the value, show the organization the selection criteria and key performance indicators and their rationale.

**With discipline**
Portfolio management requires consistent feedback, information and reports -- mainly from projects and programs, but also from functional managers, senior managers and more. Discipline means setting up processes and procedures to push and pull communications in a dependable way for the organization. In other words, in-and-out

communications have to flow without interruption, overcoming organizational barriers to get information needed and to provide useful, timely information.

**With accountability**
Everyone in the organization should be responsible, in one way or another, for the portfolio results. And the best way to achieve that alignment is by ensuring everyone is on the same page about the corporate portfolio strategy, through rigorous governance and consistent communications.

**Problametic Elements Of Portfolio Management**
**Inadequate treatment of risk**:
Several studies have shown that the most important decision when constructing a portfolio is asset allocation. This means making sure your portfolio has the right mix of assets to suit your individual circumstances, investment aims and attitude to risk. As a key part of the process of constructing a portfolio, one needs to consider the attitude towards risk. All investments entail different levels and types of risk.

**Safety of the principal**:
another serious constraint to be considered by the investor is the safety of the principal value at the time of liquidation. Investing in bonds and debentures is safer than investing in stocks. Even among stocks, the money sholud be invested in regularly traded companies of longstanding. Investing money in the unregistered financial companies may not provide adequate safety.

**Liquidity:**
Liquidity need of the investment is highly individualistic of the investor. If the company prefers to have high liquidity, then funds should be invested in high quality short term debt maturity issues such as money market funds, commercial papers and shares that are widely traded. Keeping the funds in shares that are poorly traded or stocks in closely held business and real estate lack liquidity.

**Time horizon:**
If a company want a return in near future then it has to choose and invest in such security which avails instant cash. But usually short term securities do not earn a high return, so in such a situation for a company with high need of cash cannot get money from any source. This is one of the major problems faced by any business in present world.

**Tips To Overcome Portfolio Mismanagement**
New Product Portfolio Management is about doing the right projects. Doing the right projects can result in a neproduct portfolio of high-value projects, thereby maximizing the overall return on innovation investment. When New Product Portfolio Management is properly implemented, occurs on a regular basis, and conducted well, the portfolio decisions that follow can have a significant impact on your business

**Diversification can overcome risk:**
Risk diversification is the key to the management of portfolio risk, because it allows investors to significantly lower the portfolio risk without adversely affecting return. In order to reduce risk, the company need to diversify – that is, spread the portfolio across a broad mix of assets. Investment markets move in different cycles, reflecting the underlying strength of the economy, industry trends and investor sentiment. Individual assets also move differently according to external factors. Diversifying the portfolio can help smooth out market ups and downs: so returns from better performing assets help to offset those that aren't performing so well.

**Avoid dangerous fads:**
Using an asset allocation strategy helps free the company from the risk of following temporary investment fashions. Even professional investors sometimes get their timing wrong, following the herd into a temporarily popular asset or market that has reached its top and may fall dramatically. Having a formal strategy can help ensuring that a portfolio stays balanced.

**Balancing risk and return:**
The concept of risk/return suggests that low levels of investment risk will result in potentially lower returns, while high levels of risk will generate potentially higher returns. Of course, there are no guarantees. While increased risk

offers the possibility of higher returns, it also can lead to bigger losses. Adviser can help you construct a portfolio with the potential to give you the best possible returns for a given level of risk.

**Select uncorrelated assets:**
For effective asset allocation, professional investors often seek to combine assets that tend to do well at different times.

**Portfolio Agility**
Organizations should evaluate their current portfolio against their ability to shift with changing dynamics in the organization as well as in the market. Furthermore, portfolio agility calls for organizations to:

**Sense**:
Implement a mechanism to identify and filter changes that affect the portfolio to ensure the organization is choosing the right projects and programs.

**Seize**:
Align projects to organizational capabilities and resources so it can fully leverage opportunities.

**Transform:**
Realign available resources and structures.

## Conclusion:-

In response to challenging economic conditions, CEOs are looking to innovation to gain competitive advantage, and they're focusing on expansion into developing markets. This shift in the geographic market makes the need for excellence in portfolio management more acute. By creating solid foundations for investment portfolio, a company can almost guarantee to prevent serious losses, while giving the fund ample opportunity to grow. The key is to buy a mixture of different types of investment rather than putting all money in single investment.

The forecast for business remains uncertain, but many organizations are preparing for innovation and growth, particularly in developing markets. These changing priorities and increasingly complex projects have magnified the risk of project failure and business efficiency.

Today, many organizations are responding by attempting to improve the efficacy of portfolio management. A framework that ensures end-to-end portfolio management, from idea to execution, is a necessary start, but only the beginning.

Successful project management requires a renewed focus on governance and financial discipline. Implementing these added dynamics is not a one-size-fits-all proposition, however. Each business will require a customized set of tools, processes, and methodologies to help realize the most effective portfolio management.

Many organizations lack the expertise necessary to take a step back and critically assess their project management strategy for proper governance and financial responsibilities. Experienced portfolio management team provides the tools, methodologies, and people to ensure accurate assessment, design, and delivery of an effective PM strategy. In today's tentative economic environment, a renewed focus on effective portfolio management can bring competitive advantages; reduce costs, and lower risk. It can make the company a top performer.

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