IMPORTANCE OF PORTFOLIO MANAGEMENT pdf

1: The Value of Portfolio Management

A portfolio is a collection of investment tools such as stocks, shares etc, and Portfolio Management is the art of selecting the right investment policy in terms of minimizing risk and maximizing returns.

This can include a variety of asset classes. Unexpectedly, people with similar investment objectives often have substantially different portfolios due to differences in style of management and the types of asset classes owned. As you view your own investments, it can become extremely clear why portfolio management is important. Many investors choose their holdings one at a time when a balance becomes available to invest. The problem is that all these holdings acquired over time may not work well together to meet specific objectives. They may also be taking more risk than necessary to meet their desired objectives. There are several steps an investor will wish to follow to ensure their portfolio is effectively managed over time. The first of these tasks is to decide why to invest at all â€" these are your investment objectives. Your investment objectives are what you hope to achieve with your money. They are the fundamental starting point from which to design an initial portfolio or change it over time. What do you hope to accomplish? One investor who hopes to replace his paycheck in retirement may manage a portfolio differently than another investor who hopes to preserve a legacy that provides for children or grandchildren. Your goals might even change over time. We generally hope to accumulate and grow our money when we are young and then preserve and spend at a later point in life. Establishing these goals can give us objectives to manage our portfolio toward. This will involve several decisions that lead to the second task of deciding what types of assets may be appropriate. Asset Allocation Choosing an asset allocation is one of the most important decisions an investor can make. What types of asset classes make up your portfolio and in what amount? Often the decisions that go into selecting an asset allocation can be counter-intuitive. Investors often question why certain asset classes need to be present in their portfolio at all. Should they just choose the assets that most clearly meet their objectives and leave out the other types which appear inappropriate at first glance? It can seem natural to select only those investments providing the greatest current income, possibly selecting an all-bond portfolio. Why hold any growth stocks, or even income producing stocks if the yield is less than that provided by the purchase of additional bonds? This can be especially relevant for those seeking to receive income during an extended retirement. Adding equities may not directly produce income, but they will achieve a secondary objective of helping the portfolio withstand the effects of inflation. Goal Example 2 â€" Growth Another investor may have growth as their primary objective. Why hold anything not likely to experience substantial appreciation? Such an investor may be tempted to select an all-equity portfolio just like as our previous investor was tempted to invest exclusively in bonds for current income. Selecting assets on the exclusive basis of their likelihood of appreciation should most likely provide a hedge against inflation over extended periods. However, there are other reasons why this investor may wish to opt for a broader asset allocation. This is because the desired returns may be achievable with less risk. If you can design a portfolio with an expected return meeting that meets your requirements with less risk, why take more risk than necessary? Diversification In both situations, we can see the importance of diversification. Different assets have distinct functions in a portfolio. Our income investor did not need equities to produce income but rather to hedge against inflation. Our growth investor did not need bonds because of their potential for appreciation but to provide stability and minimize risk to a level appropriate for the desired return. Choosing asset classes based on function within the portfolio is important but you should also consider the advantages of diversity among asset classes since they are often not correlated with one another. Choose Uncorrelated Assets Choosing assets that are not heavily correlated to one another is important to reduce overall risk in your portfolio. Assume you have two portfolios with the same expected return over time. The rational investor would likely choose the one with the least amount of risk. Why not have a smoother ride along the way? By owning multiple non-correlated asset classes, you can reach your return goals and let the difference in performance year to year between assets smooth out the return for you. You should know why you are making exceptions in addition to why you made your initial decision for the style of management you hope to employ. For many investors, a fundamental choice in their portfolio is the decision to use an active or passive investment strategy. The debate about the merits of active vs passive management styles is one of the most heavily debated issues in finance. Active Management When one decides to engage in active management, this implies that the investor believes there are inefficiencies in market pricing that investors can potentially detect and take advantage of when making decisions in their portfolio. To put it simply, it is possible to make superior selections over time that are not simply related to chance. Passive Management Those who take a passive investment strategy believe that markets are efficient, and that superior evaluation of investment information will not lead to outperformance of the market in the long-term. All available information about investments will be reacted to by the market by numerous market participants at the same time. Those who support the Efficient Market Hypothesis recognize that there are often examples of superior performance by portfolio managers. They point to the fact that past performance is not an indicator of future results as a reason to engage in passive investment strategies rather than attempt to outperform the market. There are additional arguments for passive management, such as the fact that even if active managers outperform, they must do so by at least the amount of transaction costs and taxes that are caused by their activity. Those who advocate active management counter with the difficulty in applying passive strategies to markets that are less liquid as well as some of the practical difficulties created in the market by products designed for passive management strategies. Although there are investors who consider themselves in one camp, many investors believe that markets are generally efficient with the occasional opportunity to achieve superior returns by engaging in active management. Investors should also consider the tax implications of their investment decisions and design their portfolios accordingly. Investments sometimes result in taxes, so we cannot forget to take this into account. The decision of what account types to place certain assets is called asset location, not to be confused with asset allocation , a topic we discussed earlier regarding which assets are selected. Your asset location decision will have a significant impact on your portfolio. They are the tax-free pool, the tax-deferred pool, and the taxable pool. Many investors understand the importance of diversity of asset classes in their portfolio but not necessarily the importance of tax diversity. Once the portfolio is utilized in or before retirement, there will be a greater opportunity for flexibility in choosing withdrawal sources depending on the tax situation at that point in time. Managing a portfolio for tax efficiency involves several decisions. Considering the tax implications of your decisions before implementation in your portfolio can increase your after-tax return. Assume you have decided to hold a certain amount of fixed income, some of which will be in accounts that are taxable. You would like to receive the highest rate of return for these assets consistent with your risk tolerance but also considering your tax situation. An investor who is consistently in the lowest tax brackets may wish to select corporate bonds or other higher yielding fixed income options. An investor with a similar portfolio who is more often in a higher tax bracket may wish to select tax-free municipal bonds for this portion of their fixed income need, particularly if they reside in a state with a high tax liability. They may experience a lower nominal return but a higher return after tax. Example Investors will also consider the tax implications of sales occurring in non-qualified accounts. This may include opportunities for tax loss harvesting. If no gains exist, a limited amount of ordinary income such as income from wages or withdrawals from deferred accounts can be offset each year. If you have a year with very little or no tax liability, you can consider gain harvesting. This involves intentionally selling an asset and repurchasing it at again to reestablish a higher cost basis, potentially lowering future tax liability when the asset is ultimately sold for good. This strategy can be convenient since the same asset can be purchased immediately without waiting 30 days. Conclusion As you can see, there are several factors relevant to successfully managing a portfolio, including but not limited to which asset classes to select, how to diversify, what management style to employ, and how to consider tax implications. Some investors enjoy managing their own portfolios, but others do not have the time to do so and recognize the benefits of working with professionals. Disclosures Intended for educational purposes only and are not intended as individualized advice or a guarantee that you will achieve a desired result. Before implementing any strategies discussed you should consult your tax and financial advisors. Investing involves risk including the potential loss of principal. No investment strategy can guarantee a profit or protect against loss in periods of declining values.

2: The Difference: Project Management vs Project Portfolio Management

For understanding portfolio management (PM), it is important to understand the term 'portfolio', the meaning of PM, who is a portfolio manager, what does PM service involve, classification of PM services, objectives and an importance of PM.

Fostering an environment where collaborative decision making is easier and more fruitful. Minimizing the risks to individual projects in terms of business impact. Making sure that your human resources are maximized for control and efficiency. Proving the value of the PMO to important stakeholders â€" in terms that are important to them. Making sure that success not only happens today, but is more likely with future project initiatives. When you have a good handle on past project metrics, it makes it much easier to predict future factors like resource utilization. And when you have a good handle on what is happening in your current project portfolio, you can find out which projects are not contributing to corporate objectives. In the area of resource utilization, a good PMO strategy will help you understand how what you change on one project impacts the delivery of other projects. It will also help you re-prioritize and re-allocate as necessary. And finally, a good PMO strategy, backed up by solid technology, will allow you to model multiple scenarios to make sure the projects you add will contribute to corporate objectives and not bog down other projects. If you attended the first webinar in our PMO series, titled the Disturbing Reality of Todays PMO , you have heard about the many ways that the PMO can be considered a detriment to the organization and this is not a pleasant place to be. There are several categories of risks, including financial, governance, resource utilization, and misdirected efforts. On the financial side, good PMO policies will help you to calculate the benefits vs. The sooner you identify these wayward projects, the sooner you reduce your risks. As for reducing governance risk, the goal is to build an accountability framework that ensures that the right level of compliance is followed through every project lifecycle. The greater degree of visibility we mentioned earlier, both on the macro and micro level, makes it possible for you to gain the type of control over your projects that is not possible in a non-PMO environment. A centralized approach also allows you to reduce your project costs, primarily though the reduction or elimination of duplicate effort. Since human resources are by far the greatest cost of implementing projects, this can be a substantial benefit. Nothing increases the frustration and cost of a project more than skills shortages, especially during peak demand periods. With a good capacity planning tool you can see your overall and specific project demand and redeploy your resources accordingly. With a resources database you will be able to quickly find the right resource for each project, keep skills profiles up to date, and then manage resource demand, allocations and capability. By stakeholders, I mean anyone who has a vested interest in the PMO or individual projects. This group includes line-of-business managers, project managers, financial analysts and the executive team. Remember that is not only the actual value of what you are doing and what you accomplish, but the perception of value, that counts. And when you are able to achieve the reality and perception of a well-oiled and functional PMO, lots of benefits accrue. You can greatly expand both external and internal morale and reduce the time it takes to produce executive and board-level reports. An effective PMO and PPM strategy also allows relevant stakeholders to have access to the project status and results data they need, without bogging them down with sorting through reams of data that is irrelevant and confusing. The net result of this greater degree of transparency is that stakeholders gain a much greater comfort level and appreciation for what you are doing both in terms of project execution and results. One of the best ways to do this is to demonstrate how the PMO creates an environment that leads to repeatable and predictable project success. While not discounting the skills of the PMO leadership, the essence of an effective PMO is providing a process framework and technology infrastructure that allows you to continuously meet your business objectives. Repeatable success is gained by establishing best practices and proven project management methodologies and enforcing their use throughout the organization. You need to be able to leverage the processes and lessons learned from previous projects and capturing this information in the project repository. This allows you to not only use past data, but also real-time data to continually improve your project operations and results. In this way, you will be seen as a proactive, not reactive organization. Finally, you need to ensure that you have a single version of the truth to enforce consistency in evaluating past projects and guiding the prioritization and execution of future projects.

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3: Portfolio Management - Meaning and Important Concepts

Importance of portfolio management. What is portfolio? A Portfolio is the combination of investment instruments like Stocks, Mutual Funds, Fixed deposits, Bonds, Gold, real estate etc.

Importance Of Portfolio Management October 5, Imagine a situation where the technology sector is booming in a record manner. So in the fourth month, you decide to take the plunge and make some significant investments in the sector. Next month, you are richer by quite a margin and feel extremely happy with your decision. As a result, you then go ahead and make additional investments in the sector. By the twelfth month, you are neck deep in the one industry, but see no harm in doing so, as you also have sky high profit margins. On the thirteenth month, however, it turns out that the meteoric rise of the industry was based on a bubble, and in a span of days, almost the entire worth of your investment is wiped out. This is an unfortunate but realistic story. This is where the importance of portfolio management comes in. So, what exactly is a portfolio in the first place? A portfolio is basically a collection of investment tools like stocks, mutual funds, commodities and such. Simply put, it is a comprehensive record of what you have done with your investments and what your current investments are. The importance of maintaining and managing a portfolio therefore lies in planning for the future. What is portfolio management then? It is basically the process of choosing the right investment policy to make sure that you maximise profit while at the same time minimising the chance of any possible risk. Better investment planning A better look at your past investment strategies can give you a slightly better indication regarding your future investments. Not only this, but you can also plan more holistically while taking into consideration your age, propensity for risk, budget and your income. Once you consider all of these factors before making an investment decision your chances of loss significantly go down. Minimises the risk This is just a reiterating a point but a very necessary one. Portfolio management reduces the risks of your investment strategy to an extent which should not be ignored. Portfolio management gives you the opportunity to plan and account for specific goals you may have in mind and customise your strategies and expected returns and risks to your benefits. Tax planning Taxes are usually a drain on your income and most people do everything they can to avoid any excess tax paid. A sound plan and well managed portfolio can thus go a long way for that. Go ahead, give your portfolio some time and build a wealthy one.

4: An Introduction to Portfolio Management

The Value of Portfolio Management Portfolio management is a process to ensure that your organization or department spends its scarce resources on the work that is of the most value. If you practice portfolio management throughout your organization, this process helps to ensure that only the most valuable work is approved and managed.

It provides a framework for issue resolution and risk mitigation, as well as the centralized visibility to help planning and scheduling teams to identify the fastest, cheapest, or most suitable approach to deliver projects and programs. Portfolio Managers define Key Performance Indicators and the strategy for their portfolio [2]. Pipeline Management[edit] It is the determination of whether and how a set of projects in the portfolio can be executed with finite development resources in a specified time. Fundamental to pipeline management is the ability to align the decision-making process for estimating and selecting new capital investment projects with the strategic plan. These can include financial resources, inventory, human resources, technical skills, production, and design. Change Control [edit] The capture and prioritization of change requests that can include new requirements, features, functions, operational constraints, regulatory demands, and technical enhancements. PPM provides a central repository for these change requests and the ability to match available resources to evolving demand within the financial and operational constraints of individual projects. Financial Management[edit] With PPM, the Office of Finance can improve their accuracy for estimating and managing the financial resources of a project or group of projects. In addition, the value of projects can be demonstrated in relation to the strategic objectives and priorities of the organization through financial controls and to assess progress through earned value and other project financial techniques. Risk Management [edit] An analysis of the risk sensitivities residing within each project, as the basis for determining confidence levels across the portfolio. The integration of cost and schedule risk management with techniques for determining contingency and risk response plans, enable organizations to gain an objective view of project uncertainties. Another more senior audience had emerged, sitting at management and executive levels above detailed work execution and schedule management, who required a greater focus on process improvement and ensuring the viability of the portfolio in line with overall strategic objectives. Enterprise Project Portfolio Management[edit] Enterprise Project Portfolio Management EPPM is the practice of taking a top-down approach to managing all project-intensive work and resources across the enterprise. This contrasts with the traditional approach of combining manual processes, desktop project tools, and PPM applications for each project portfolio environment. Business Drivers for EPPM[edit] The PPM landscape is evolving rapidly as a result of the growing preference for managing multiple capital investment initiatives from a single, enterprise-wide system. The project portfolio roadmap details the links of the planned components, their contribution to the strategic goals of organization. The key aims of EPPM can be summarized as follows: Prioritize the right projects and programs: EPPM can guide decision-makers to strategically prioritize, plan, and control enterprise portfolios. It also ensures the organization continues to increase productivity and on-time delivery - adding value, strengthening performance, and improving results. Build contingencies into the overall portfolio: Do more with less: For organizations to systematically review project management processes while cutting out inefficiencies and automating those workflows and to ensure a consistent approach to all projects, programs, and portfolios while reducing costs. Ensure informed decisions and governance: Extend best practice enterprise-wide: Understand future resource needs: EPPM software also allows an organization to establish complete project capacity. Project Portfolio Optimization[edit] An example of defining funding priority by the chart: A key result of PPM is to decide which projects to fund in an optimal manner. Project Portfolio Optimization PPO is the effort to make the best decisions possible under these conditions.

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5: Portfolio Management | Definition, Objectives, Importance, Process, Types

The Importance of Project and Portfolio Management (PPM) March 3 In today's world of ever-changing technology, projects shouldn't just be evaluated by whether the triple constraint objectives of scope, schedule, and cost are achieved.

A project portfolio is a collection of projects. A company may have several project portfolios of technology, quality-control and human resource projects. Project portfolio management is the centralized management of project portfolios and the responsibility of the project or portfolio management office PMO. Structure The PMO structure depends on the company size and the number of ongoing projects. For example, a large public-sector organization may have several PMOs staffed with dozens of employees, while a small business may have an informal PMO structure of mainly part-time staff. The PMO manager usually reports to senior management, such as the chief operating officer. PMO staff may include portfolio managers, project managers and project analysts, along with administrative staff. It makes resource-allocation decisions after considering the impact on the entire company. For example, it may move resources between two projects to ensure they are both on schedule. Similarly, it may move equipment or funds between resource-constrained projects to ensure timely project completion. Implementation PMOs play an important role in the portfolio implementation process, which usually begins with a list of viable projects. The next step is to determine if there are enough capital and human resources on hand to manage the existing projects. In addition to allocating resources among projects, PMOs may lend out experienced project managers to serve as internal consultants and mentors on critical projects. They can bring a fresh perspective to problems and work with the project team to resolve these problems. Issues PMOs do not guarantee project success. For example, a project may fall behind schedule because of last-minute changes demanded by the client or if product testing uncovers a quality problem that requires a major redesign. PMOs are cost centers, which means that they do not make any money. Therefore, they have to control costs and add value to ongoing projects to maintain management support. A successful PMO is supportive, not intrusive. It fits within the corporate culture and serves as a knowledgeable resource for project staff.

6: Project portfolio management - Wikipedia

Portfolio management is the art and science of making decisions about investment mix and policy, matching investments to objectives, asset allocation for individuals and institutions, and.

What is the difference between project management and project portfolio management? This is a common question. If you are reading this blog post, then you have probably asked this question yourself. Directing the individual project correctly will ensure it is done right. If you put project management and project portfolio management together that would ultimately mean doing the right projects right. What Is Project Management? Project management put simply is a series of tasks that are done to produce a specified product, service, or result usually within a designated time frame. Project management includes work collaboration and task management. A project typically has a project manager and a project team. A project manager can manage several projects as long as he or she has sufficient capacity. A project manager has the following tasks: Clarifying project objectives, and assigning tasks and responsibilities Planning and keeping track of project timelines and detailed milestones Checking the progress of the project and its adherence to the timeline, budget, and requirements Monitoring the risk portfolio Managing the team to success. This involves overcoming conflicts on the lower level, communicating with team members and tying in key stakeholders A project manager needs to have not only technical skills, but also a number of soft skills, including team management , social competency, self-management, and stress management. What Is Program Management? A program is a group or sub-portfolio of related projects that together fulfill the same benefit or strategic objective. Program management focuses on the success of the program as a whole as opposed to the individual successes of each project. In other words, the goal of program management is to achieve the desired result for that group of projects as efficiently as possible. Program managers communicate regularly with project managers. They also coordinate with the PMO to ensure the right projects are chosen and prioritized, to identify risks, issues, and dependencies, and to find solutions in order to achieve the objective and keep the program on track. What Is Project Portfolio Management? Put very simply, project portfolio management PPM is the management of all projects in an organization from a high-level perspective. The PMO is a fixed and permanent entity within the business organization. The focal points of its work are resource management and cross-level as well as cross-project communication source: In other words, the purpose of PPM is to prioritize projects, plan and staff them realistically with qualified and available employees resource management , monitor them, and keep all involved parties informed about their status. This practice causes employees to be constantly overloaded and overextended. It also leads to projects being stopped due to low quality or simply because they are not feasible. This bottom-up approach consumes unnecessary resources, neglects the business strategy, and pits projects against each other in a competition that usually only has one winner. PPM, on the other hand, follows a top-down approach. This ensures that important, less risky projects are implemented first and that they also have the necessary resources. Remaining capacities are then used for additional initiatives. PPM places great value on resource planning and resource conflict resolution, which in turn increases value creation in a business. Project portfolio management tasks include: For companies that work on a large number of projects, it makes sense to clearly delineate between PPM and project management. Project management focuses on the execution of individual projects doing the projects right. Many companies have a good handle on project management, but have more trouble when it comes to project portfolio management. At Meisterplan, we have developed a lean project portfolio management method to help you focus on the high-level, strategic decisions for the entire project portfolio doing the right projects. Strategize â€” translating your business strategy Collect â€” collecting project proposals Decide â€” deciding which projects will be implemented, and when Execute â€” managing approved projects Our Meisterplan software is your Lean PPM solution, and we develop it specifically to complement the Lean PPM method. With features like sub-portfolios, what-if scenario simulation, interactive resource management, and built-in reporting, our Meisterplan software supports you and your lean PPM processes, ensuring that the information you need is available whenever you need it, and that challenges can be resolved as they arise. Ready to Get Started?

7: Why Portfolio Management is Important | Pure Financial Advisors, Inc.

A project is a collection of tasks designed to create a new product, infrastructure, service or result within a specified period. A project portfolio is a collection of projects. A company may.

Closed Funds Expert portfolio management services entails determining marketplace strengths, weaknesses, opportunities and threats when it comes to the following: Debt versus equity â€" There is always risk when investing and that risk comes down to the marketplace being either: Not in your favor â€" The marketplace is unpredictable and when this sometimes yields financial loss. Domestic versus international â€" Domestic and international markets vary greatly and have different investment strategies as the global economy fluctuates from the U. The economy is increasingly global, which is why asset allocation and diversification can be important. This means that the best investment plan for one person is completely different for someone else. For example, there is a different strategy or investment plan for each individual based on their income, budget, age and risk ability. There is a delicate balance of key elements when it comes to expert portfolio management. Here are the basics: Asset Allocation A long-term mix of assets desired for an effective financial portfolio. Asset allocation is based on the concept that different types of assets have different marketplace performance. Asset allocations seeks to optimize the risk versus return profile of an investor by investing in a mix of assets that have low correlation to each other. Investors with a more aggressive profile can weight their portfolio toward more volatile investments. Investors with a more conservative profile can weight their portfolio toward more stable investments. Diversification The spreading of risk and reward within an asset class. Diversification seeks to capture the returns of all the sectors over time, but with less volatility at any one time. Diversification takes place across different classes of securities, sectors of the economy and geographical regions. Rebalancing Rebalancing is used to return a portfolio to its original target allocation at annual intervals. Consider Hiring Professional Portfolio Management Services If you are looking to retire within the near future, there is no time like the present to consider hiring a professional to manage your financial portfolio. Savvy financial and retirement planning , and taking measures to prevent financial mistakes, will help you develop a financial portfolio you will be not only be proud of; but will also greatly influence your quality of life and financial success.

8: Portfolio Management

Executive Summary PPM processes govern the various stages of project lifecycle and help effectively manage them. Project Portfolio Management is an approach or set of.

If you practice portfolio management throughout your organization, this process helps to ensure that only the most valuable work is approved and managed across the entire enterprise. If you practice portfolio management at a departmental level, it will provide the same function at this lower level. Department leaders that do not understand how their budgets are spent, and who cannot validate that the work being funded is the most important, will find themselves under greater scrutiny and second-guessing in the future. Portfolio management can help your department answer some of the most basic, yet difficult, questions regarding work performed and value provided. You have a chance to answer simple questions such as the following. Are your resources allocated to the most important work? Are you allocating the right amount of resources in new business investments versus keeping the older, mission-critical processes up and running? Do you have capacity to do all the work on your plate for the coming year? When new work comes up during the year, can you identify the previously approved work that will no longer be completed? When should you stop supporting old stuff and make the investment in new stuff? In general, the value of utilizing a portfolio management approach to managing your investments is as follows: Too often today, low value projects, or projects in trouble, squeeze scarce resources and do not allow more valuable projects to be executed. One critical step is for all departments to prioritize their own work. However, that is only part of the process. True portfolio management on an organization-wide basis requires prioritization of work across all of the departments. In addition to more effectively allocating labor, non-labor resources can be managed in the portfolio as well. This includes equipment, software, outsourced work, etc. Just because you outsource a project, for instance, and do not use your own labor, does not mean it should not be a part of the portfolio. The same prioritization process should take place with all of the resources proposed for the portfolio. Improved Scrutiny of Work. Everyone has pet projects that they want to get done. In some departments, managers make funding decisions for their own work and they are not open to challenge and review. Portfolio management requires work to be approved by all the key stakeholders. The proposed work is open to more scrutiny since managers know that when work is approved in one area, it removes funding for potential work in other areas. More Openness of the Authorization Process. Utilizing a portfolio management process removes any clouds of secrecy on how work gets funded. The Business Planning Process allows everyone to propose work and ensures that people know the process that was followed to ultimately authorize work. Less Ambiguity in Work Authorization. The portfolio management planning process provides criteria for evaluating work more consistently. This makes it easier to compare work on an apples-to-apples basis and do a better job in ensuring that the authorized work is valuable, aligned and balanced. Improved Alignment of the Work. In addition to making sure that only high priority work is approved, portfolio management also results in the work being aligned. Improved Balance of Work. In financial portfolio management, you make sure that your resources are balanced appropriately between various financial instruments such as stocks, bonds, real estate, etc. Business portfolio management also looks to achieve a proper balance of work. When you first evaluate your portfolio of work, you may find that your projects are focused too heavily on cost cutting, and not enough on increasing revenue. You might also find that you cannot complete your strategic projects because you are spending too many resources supporting your old legacy systems. Portfolio management provides the perspective to categorize where you are spending resources and gives you a way to adjust the balance within the portfolio as needed. Changed Focus from Cost to Investment. You invested the money and now have stock in return so you focus on the stock that you now own. Likewise, in your business portfolio, you are spending money to receive benefits in return. Portfolio management focuses on the benefit value of the products and services produced rather than just on their cost. This switch in focus is especially important in the Information Technology IT area, where many executives still think of value in terms of the accumulated cost of computers, monitors and printers. Using the portfolio management model, you show the value of all expenditures in your portfolio. These expenditures include not just the computing hardware and software, but also the value associated with all project and support work. If the value is there relative to the cost, the work should be authorized. If the value is not there relative to the cost, the work should be eliminated, cut back or backlogged. However, the basic discussion should be focused on value delivered â€” not just on the cost of the products and services. In many organizations, senior managers make business decisions while only taking into account their own department. The Marketing Division is making the best decisions for Marketing, and the Finance Division is making the best decisions for Finance. However, when all the plans are put together, they do not align into an integrated whole, and, in fact, they are sometimes at odds. You cannot perform portfolio management within a vacuum. If you practice portfolio management at the top of your organization, all departments will need to collaborate on an ongoing basis. This is a similar benefit to increased collaboration. In many organizations today, functional departments do not communicate well with their peer departments or even within their own groups. Portfolio management requires an ongoing dialog. If your portfolio is organization-wide, the heads of the departments will need to communicate effectively. This enhanced communication will also be required between the Executive and the portfolio management team. In addition, there are many more opportunities to communicate the value of the portfolio. Portfolio metrics should be captured and shared with the rest of the departments. A portfolio management dashboard should be created and shared. The business value of portfolio projects should also be measured and shared. Increased Focus on When to Stop a Project. This is equivalent to selling a part of your financial portfolio because the investment no longer meets your overall goals. It may no longer be profitable, or you may need to change your portfolio mix for the purposes of overall balance. In either case, you need to sell the investment. Likewise, when you are managing a portfolio of work, you are also managing the underlying portfolio of assets that the work represents. As you look at your portfolio, you may recognize the need to "sell" assets. While the asset may not literally be sold, you may decide to retire or eliminate the asset. A number of years ago you may have converted to new database software and now you realize that only a couple of the old databases remain in use. It may make sense to proactively migrate the remaining old databases to the new software. This simplifies the technical environment and may also result in eliminating a software maintenance contract. This is equivalent to selling an asset that is no longer useful within the portfolio. Where to Start Many implementations of portfolio management start directly with trying to identify and prioritize the work of the portfolio, most likely because that is obviously where you will find the greatest value. However, if you start there directly, you will soon find your group is in disagreement over what work provides the most value. Alignment to strategy is not so easy to achieve without some work up-front. Corporate strategy is usually expressed as high-level statements that describe what your organization is trying to achieve through goals and objectives and how the organization plans to achieve it strategies and tactics. If you do not have this base of reference, you cannot evaluate your work for alignment. If you are in agreement on the need for alignment, the next question is how best to define the goals and objectives. You cannot just sit down in a room and make the decisions in isolation. The right approach is to develop a corporate strategy that looks at where you are today and where you want to be in the future, then determining how best to get there. Without a clear picture of where you are and where you want to be, it is very difficult to put the necessary organization and processes into place.

9: What is Portfolio Management? Meaning and Objectives

Portfolio Management is defined as the art and science of making decisions about the investment mix and policy, matching investments to objectives, asset allocation for individuals and institutions, and balancing risk against performance. (Source: Investopedia). Simply put it, someone has given you.

Portfolio Management - Meaning and Important Concepts Portfolio Management - Meaning and Important Concepts It is essential for individuals to invest wisely for the rainy days and to make their future secure. What is a Portfolio? Following are the two types of Portfolio: The art of selecting the right investment policy for the individuals in terms of minimum risk and maximum return is called as portfolio management. Portfolio management refers to managing money of an individual under the expert guidance of portfolio managers. Need for Portfolio Management Portfolio management presents the best investment plan to the individuals as per their income, budget, age and ability to undertake risks. Portfolio management minimizes the risks involved in investing and also increases the chance of making profits. Portfolio management enables the portfolio managers to provide customized investment solutions to clients as per their needs and requirements. Types of Portfolio Management Portfolio Management is further of the following types: As the name suggests, in an active portfolio management service, the portfolio managers are actively involved in buying and selling of securities to ensure maximum profits to individuals. In a passive portfolio management, the portfolio manager deals with a fixed portfolio designed to match the current market scenario. Discretionary Portfolio management services: In Discretionary portfolio management services, an individual authorizes a portfolio manager to take care of his financial needs on his behalf. The individual issues money to the portfolio manager who in turn takes care of all his investment needs, paper work, documentation, filing and so on. Non-Discretionary Portfolio management services: In non discretionary portfolio management services, the portfolio manager can merely advise the client what is good and bad for him but the client reserves full right to take his own decisions. Who is a Portfolio Manager? A portfolio manager is one who invests on behalf of the client. A portfolio manager counsels the clients and advises him the best possible investment plan which would guarantee maximum returns to the individual. No two clients can have the same financial needs.

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