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THE ROLE OF RISK MANAGEMENT IN PROJECT SUCCESS: ANALYZING BEST PRACTICES AND OUTCOMES WITH REFERENCE TO ICICI PRU

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ABSTRACT

The following objectives may be met by the use of risk management to new product development projects:

- Strike a good balance
- Increase the risk's profitability or value
- Provide backing for the company's plan

The senior management team of a company or division is in charge of risk management. Managing the product pipeline and making decisions about product risk are responsibilities of this team, which meets often and might be referred to as the Product Committee. The organization's stage-gate assessments are often carried out by the same personnel.

Making a product plan outlining your target audience, target products, strategy methodology, competitive focus, etc. Is a good place to start. The second thing to do is figure out how much money or resources you have to offset the risk. Third, there has to be an evaluation of the project's risks, resources needed for investment, profitability (rewards), and any other relevant criteria.

When deciding between goods, the relative importance of the objectives differs from one business to the next. However, businesses need to strike a balance between several objectives, such as profit against risk, innovation versus improvement, strategy fit versus reward, market share versus product line, and long-term versus short-term thinking. The risk management procedure has made use of a number of methods:

- Regression models
- Approach to scoring
- Methods using pictures or maps

Using heuristics or quantitative models, the first Risk Management approaches optimised the financial returns or profitability of projects. However, neither the Risk's balance nor its alignment with the organization's strategy were given any thought in this approach. Investment needs, profitability, risk, and strategy alignment are all factors that scoring methods take into consideration when weighting and scoring criteria. One possible drawback of this method is that it may place too much focus on financial metrics and not be able to optimise the combination of projects.

1. INTRODUCTION

The Risk Management to Business Success

Risk management is an important part of planning for businesses. The process of risk management is designed to reduce or eliminate

the risk of certain kinds of events happening or having an impact on the business.

Definition of Risk Management

Risk management is a process for identifying, assessing, and prioritizing risks of different

kinds. Once the risks are identified, the risk manager will create a plan to minimize or eliminate the impact of negative events. A variety of strategies is available, depending on the type of risk and the type of business. There are a number of risk management standards, including those developed by the Project Management Institute, the International Organization for Standardization (ISO), the National Institute of Science and Technology, and actuarial societies.

Types of Risk

There are many different types of risk that risk management plans can mitigate. Common risks include things like accidents in the workplace or fires, tornadoes, earthquakes, and other natural disasters. It can also include legal risks like fraud, theft, and sexual harassment lawsuits. Risks can also relate to business practices, uncertainty in financial markets, failures in projects, credit risks, or the security and storage of data and records.

Goals of Risk Management

The idea behind using risk management practices is to protect businesses from being vulnerable. Many business risk management plans may focus on keeping the company viable and reducing financial risks. However, risk management is also designed to protect the employees, customers, and general public from negative events like fires or acts of terrorism that may affect them. Risk management practices are also about preserving the physical facilities, data, records, and physical assets a company owns or uses.

Process for Identifying and Managing Risk

While a variety of different strategies can mitigate or eliminate risk, the process for identifying and managing the risk is fairly standard and consists of five basic steps. First,

threats or risks are identified. Second, the vulnerability of key assets like information to the identified threats is assessed. Next, the risk manager must determine the expected consequences of specific threats to assets. The last two steps in the process are to figure out ways to reduce risks and then prioritize the risk management procedures based on their importance.

Strategies for Managing Risk

There are as many different types of strategies for managing risk as there are types of risks. These break down into four main categories. Risk can be managed by accepting the consequences of a risk and budgeting for it. Another strategy is to transfer the risk to another party by insuring against a particular, like fire or a slip-and-fall accident. Closing down a particular high-risk area of a business can avoid risk. Finally, the manager can reduce the risk's negative effects, for instance, by installing sprinklers for fires or instituting a back-up plan for data.

Having a risk management plan is an important part of maintaining a successful and responsible company. Every company should have one. It will help to protect people as well as physical and financial assets.

NEED & IMPORTANCE OF STUDY

Portfolio management or investment helps investors in effective and efficient management of their investment to achieve this goal. The rapid growth of capital markets in India has opened up new investment avenues for investors.

The stock markets have become attractive investment options for the common man. But the need is to be able to effectively and efficiently

manage investments in order to keep maximum returns with minimum risk.

Hence this study on **RISK MANAGEMENT** to examine the role process and merits of effective investment management and decision.

SCOPE OF STUDY:

This study covers the Markowitz model. The study covers the calculation of correlations between the different securities in order to find out at what percentage funds should be invested among the companies in the portfolio. Also the study includes the calculation of individual Standard Deviation of securities and ends at the calculation of weights of individual securities involved in the portfolio. These percentages help in allocating the funds available for investment based on risky portfolios.

OBJECTIVES:

- ❖ To study the investment decision process.
- ❖ To analysis the risk return characteristics of sample scripts.
- ❖ Ascertain Risk Management.
- ❖ To construct an effective portfolio which offers the maximum return for minimum risk

2. METHODOLOGY:

Primary source

Information gathered from interacting with employees in the organization. And the data from the textbooks and other magazines.

Secondary source

Daily prices of scripts from news papers

SCOPE

- Duration Period 2 months
- Sample size : 5 years
- To ascertain risk, return and weights.

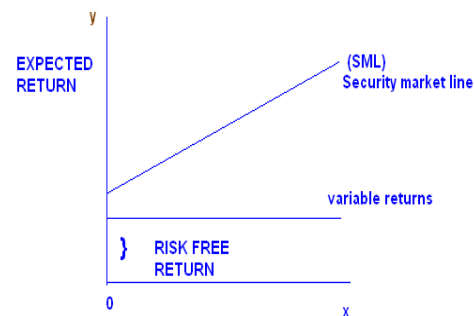
LIMITATION:

- Only two samples have been selected for constructing a portfolio.
- Share prices of scripts of 5 years period was taken.

RISK RETURN ANALYSIS:

All investment has some risk. Investment in shares of companies has its own risk or uncertainty; these risks arise out of variability of yields and uncertainty of appreciation or depreciation of share prices, losses of liquidity etc

The risk over time can be represented by the variance of the returns. While the return over time is capital appreciation plus payout, divided by the purchase price of the share.



Normally, the higher the risk that the investor takes, the higher is the return. There is, however, a risk less return on capital of about 12% which is the bank, rate charged by the R.B.I or long term, yielded on government securities at around 13% to 14%. This risk less return refers to lack of variability of return and no uncertainty in the repayment or capital. But other risks such as loss of liquidity due to parting with money etc., may however remain, but are rewarded by the total return on the capital. Risk-return is subject to variation and the objectives of the portfolio manager are to

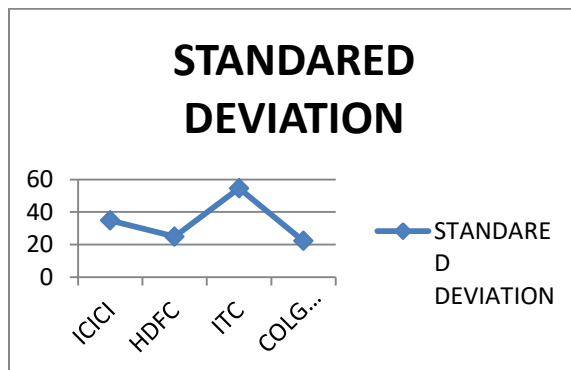
reduce that variability and thus reduce the risky by choosing an appropriate portfolio.

Traditional approach advocates that one security holds the better, it is according to the modern approach diversification should not be quantity that should be related to the quality of scripts which leads to quality of portfolio.

3. DATA ANALYSIS AND INTERPRETATION

STANDARD DEVIATION

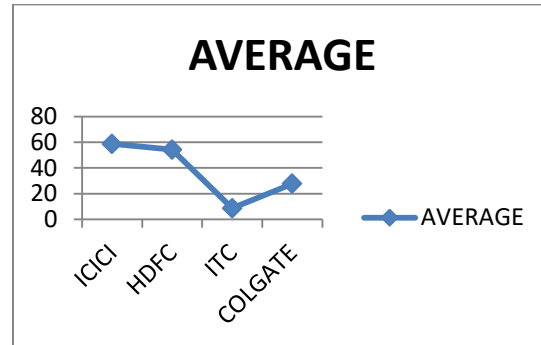
COMPANY	STANDARD DEVIATION
ICICI	34.846
HDFC	24.88
ITC	54.55
COLGATE	22.21



AVERAGE RETURN OF COMPANIES

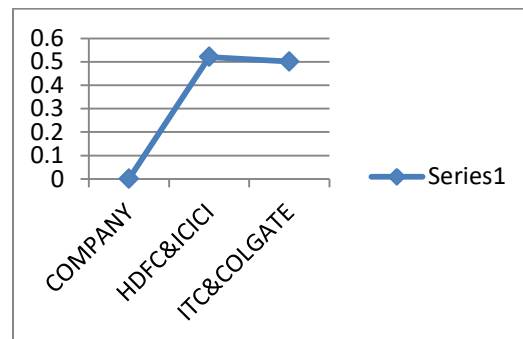
COMPANY	AVERAGE
ICICI	58.652
HDFC	54.24

ITC	8.686
COLGATE	27.74



CORRELATION COEFFICIENT

COMPANY	ρ
HDFC&ICICI	0.5206
ITC&COLGATE	0.5008



4. FINDINGS

HDFC&ICICI

The combination of HDFC and ICICI gives the proportion of investment is 1.1801 and 0.8199 for HDFC and ICICI, based on the standard deviations. The standard deviation for ICICI is 34.846 and for HDFC is 24.88.

Hence the investor should invest their funds more in HDFC when compared to ICICI.

as the risk involved in HDFC is less than ICICI as the standard deviation of HDFC is less than that of ICICI.

ITC & COLGATE PALMOLIVE

The combination of ITC and COLGATE gives the proportion of investment is 0.0503 and 0.9497 for ITC and COLGATE, based on the standard deviations. The standard deviation for ITC is 54.55 and for COLGATE is 22.2.

Hence the investor should invest their funds more in COLGATE when compared to ITC as the risk involved in COLGATE is less than ITC as the standard deviation of COLGATE is less than that of ITC.

SUGGESTIONS

Investor would be able to achieve when the returns of shares and debentures. Resultant portfolio would be known as diversified portfolio. Thus portfolio construction would address itself to three major via. Selectivity, timing and diversification.

In case of portfolio management, negatively correlated assets are most profitable. Correlation between the BAJAJ are negatively correlated which means both the combinations of portfolios are at good position to gain in future.

Investors may invest their money for long run, as both the combinations are most suitable portfolios. A rational investor would constantly examine his chosen portfolio both for average return and risk.

5. CONCLUSIONS FOR CORRELATION

If the stocks or securities are completely connected, the risk may be minimised.

If the securities are negatively correlated, then the risk is zero. (which is the

risk that the corporation bears), but all of the portfolio's securities are subject to market risk.

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