THE STUDY ON VALUE-BASED MANAGEMENT OF AN INVESTMENT PORTFOLIO IN THE PRODUCTION INDUSTRY

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ABSTRACT

The purpose of this study is to examine that the managerial implications of the generic strategies is that the business can face four possible situations: the business has the capacity to produce and create value but is short of cash; the business has the capacity to create value and general a surplus of cash; the business is a value destroyer but generates cash; and the business is a value destroyer and suffers from a shortage of cash. A firm with diversified businesses will have to consider an allocation process and determine what to do with the projects or business segments. However, most are based on simple slogans rather than on a comprehensive approach to management as well as based on the principle that management at all levels have the responsibility to manage the firm’s resources along the axiom that managers at all levels are mandated to manage the firm’s resources with the ultimate objective of enhancing the firm’s economic or market value. Here, it is understood that managing value requires the conduct of formulating business plans, sound business decisions, evaluating actual business performance and design of an effective management compensation packages to mention few generic strategies.

KEY WORDS: Capital structure, Economic value added, Market value added, Production investment portfolio, Value based approach.