PROACTIVE MANAGEMENT

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Proactive management means running or managing an enterprise with the use of strategies, which address issues that expected before their happening with the aim of mitigating associated risks (Scarrett, 2010). The pro-active management system improves the returns, so it is essential to understand the meaning of the proactive management. The management plan should be focused on the trends, expected market, consumer demands, and problems. Additionally, it is highly encouraged to utilize the proactive management strategy while involving calculated risks (Stewart, 2016). The primary aim is to ensure that the business is always running positively with no or minimal slumps. The proactive management system is effective since it helps to detect the problems early enough. Early recognition of the problems can help in the evaluation of the capital value of an asset. Given the fact that market value of properties varies due to economic conditions, it would be wise to evaluate the risks in the market to make a wise decisions (Rodell et al., 2011). Thus, the main purpose of the paper is to define the proactive management and evaluate the benefits of proactive management system.

Proactive management system provides a continuous monitoring of the enterprise. As a result, problems are quickly identified, and mitigation methods are present. The business does not have to wait until the economic issue emerge to start acting (Lechowicz, 2012). For example, the phone industry would check on the trends of customers demand and purchase power before starting to offer a given phone product. The proactive management system would entail doing assessments on the consumers' buying capacity before they begin to manufacture a particular product, so it saves time and surety in venturing the market.

There is no doubt that this technique will always have a positive return, which considers being a proactive management. In commercial property investments, it would be absurd to wait for the success. The only way to improve the capital value of an investment is to consider the proactive management scheme. The expected difficulties must be sorted out in advance while considering an action that will mitigate all the risks involved in the investment. All the undertaken investments have one primary aim, and that is to get positive returns.

In comparison to reactive management scheme, proactive management is far beyond in ranking. It offers time for the administration to come up with a solid plan to improve the capital value of the investments (Zanon, 2014). The commercial properties are subject to many constraints. These limitations affect the capital values either positively or negatively. The breakdown of issues that may influence the capital values of properties include employment, political tension, policies, consumers' attitudes, and much more. When the management can evaluate such problems in advance rather than reacting to problems in real time, it would lead to positive returns (Knight Frank n.d.). The chances that a proactive management can lead to negative returns are minimal if not null. The management in their proactive management scheme must consider factors that favor the investment firsthand.

As an example, we may consider the capital value of an average house in Chelsea to be around £ 300,000 in 2016. The investment company, with the use of proactive management scheme, would evaluate the probability of selling the house in 2017 concerning expected market variations. For example, a political tension might be looming, and economic deterioration can happen with high certainty. Therefore, it would be wise to sell the house in 2016 since the market value is supposed to be lower than the capital value in 2017. Therefore, the investment company would experience negative returns on their investments (Nothern Ireland, 2011). Market value can be a subject of constraints that may lead to decrease or increase in the price of an asset.

Consider a case whereby the government has promised to increase the employment rate in 2019. The investors will make assessments on the strategies laid down by the government to ensure whether they are valid or invalid. If they look mature enough, then a building worth £ 1,230,000 in 2016 would be worth more than the capital value, because employment rate will be equivalent to special purchase rate and as a result, the return rate on the particular investment will be positive (Squires et al., 2009).

In the evaluation technique, the investors must be sure to know the full reason for asset existence in the first place. The example above uses the house, which is a fundamental requirement for life. However, changes in market trend and economy of the country have a significant influence on the property values (Tang et al., 2014). Therefore, the investment company must define the standard of service so as to know the price values of related services (Mack, 2016). The company can evaluate the factors that make other services better than theirs and in turn work towards improving their service. Other than knowing the standard of duty in the market, it would be wise to understand the performance of the asset. For example, it would be essential to know the features of one's house before it goes on the market. Then it is followed by plans of action to evaluate cost, benefits, and make required improvements (Willcom n.d.)

In summary, the commercial investments are subject to interest rates, economic conditions, government policies, and market variations. Therefore, there is a need for a proactive management plan to address the issues. The fall or rise in the interest rates in the country have an effect on the commercial properties (John, 2016). In addition, the cost of borrowing money contributes in the same way. When it becomes expensive to refinance a real estate, borrowers will shy off and as a result, market value goes down. The only way to do an intelligent business in this scenario is to consider a proactive management criterion. It will ensure that all the risks are taken care of and that the decision can be made as to whether to invest or not.

The economic conditions in the country have a significant effect on properties. For example, a hospitality industry would suffer most in the event of unemployment because no one would attend the hotels (Geltner, 2007). Also, government policies play a vital role in the real estate investment. For example, a case whereby the policies enacted does not favor a given company about waste disposal; the company would incur a lot of cost in disposing of wastes, which may result in laying off workers or increasing the price value of its products (Squires, 2011). Lastly, changes in the market trends have a great effect on the real estate investment. Conclusively, it is important to pay attention to the influences of the market system before the investment is considered in what is known as a proactive management system to accrue positive returns.

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