



KAPITEL 9 / CHAPTER 9⁹

MANAGEMENT OF THE INVESTMENT ENVIRONMENT IN THE CONTEXT OF BUSINESS ENTITY ACTIVITY DURING MILITARY CONFLICT

DOI: 10.30890/2709-2313.2023-19-03-006

Introduction

The relevance of the study is formed by the fact that the imposition of martial law creates a unique state of the investment environment in the country where it is introduced. Currently, martial law is in effect in Ukraine due to the full-scale invasion by the Russian Federation.

Taking into account the peculiarities that have already manifested themselves in the investment environment of domestic entities of economic ownership, we note that such a state is distinguished not only by an increased risk of financial losses and uncertainty (which can significantly affect the property object, in particular, limit the sphere in which it operates) but also due to the expansion of the risk field.

In particular, the risk field will be formed by the following specifics:

1. The risk of political instability is increasing (the action of martial law may lead to political instability, which forces investors to be more cautious in investing in projects of a particular country's economic ownership entity);

2. The risk of worsening economic situation. Thus, a state of war can lead to:

- a decrease in production and an increase in business risks (which can affect not only the profitability and investment attractiveness of an individual country but also of the entity of economic ownership);

- an increase in risks for foreign investors and a decrease in their interest in investing in the country's economy, which can lead to a decrease in the inflow of foreign investments and an increase in economic instability.;

3. The risk of currency turbulence is increasing (the action of martial law may affect the stability of the country's exchange rate, which can synthesize additional risks for the economic ownership entity developing projects that require foreign currency investments);

4. The risk of security breaches for the economic ownership entity's activity is increasing (martial law may create additional risks for the security of the economic

⁹Authors: Sterniyuk O.



ownership entity's investments and their investment property);

5. The risk of inflation is increasing (martial law may lead to an increase in inflation risks and additional depreciation of monetary assets).

The following pictogram or schematic drawing depicting the risks of the investment environment in the context of the activities of a state-owned entity during a state of war can be indicated in Figure 1.

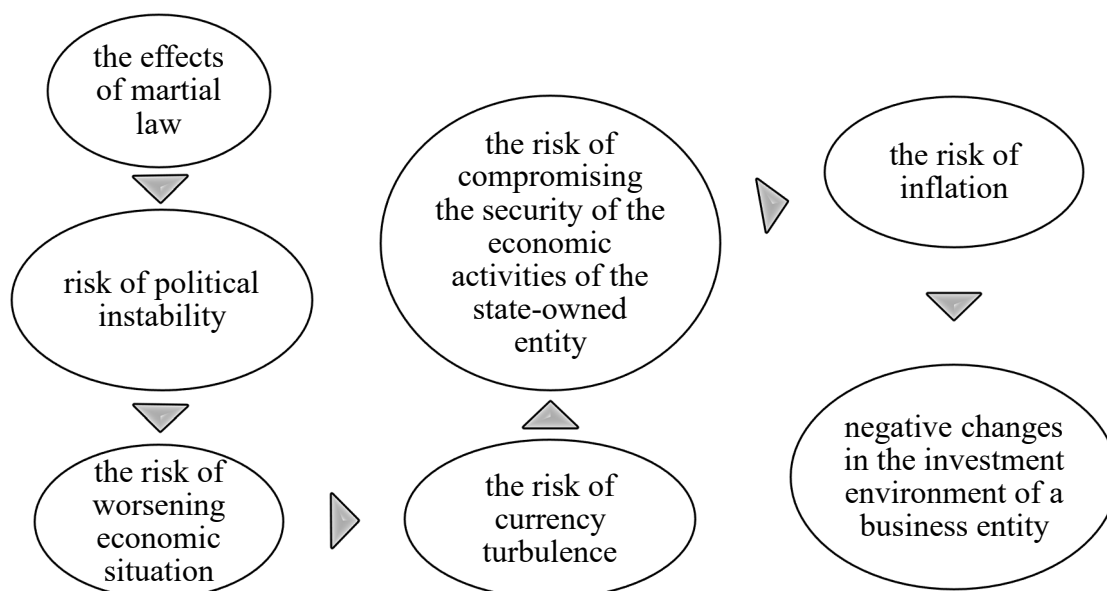


Figure 1 - Pictogram of investment environment risks in the context of the economic activity of a subject of property during martial law

Source: created by the author based on [1-2; 5]

Therefore, investment environment management in the context of an economic entity's activities during a state of war should be:

1. more cautious (which is possible with an increased level of caution and readiness of investment managers to different scenarios of changing conditions that affect the attractiveness and safety of investments in a particular country);

2. aimed at minimizing risks and maximizing opportunities in conditions of changing investment environment during a state of war.

In particular, possible directions of change encompass various aspects such as the functioning conditions of the legal environment, tax policy, economic conditions, political stability, and conditions of functioning and utilization of infrastructure.



9.1. Main features of investment environment management in the context of economic entity activity during a state of war.

Within the scope of the study, the author considers investment environment management, which, in the context of the economic entity's activity, is interpreted as a set of measures aimed at increasing the efficiency of capital investment in various assets, including production capacities, real estate, securities, investment funds, and others. Considering that the main goal of investment environment management is to ensure the most effective use of resources and attract necessary capital for business development, it undergoes certain changes during the period of martial law. This became evident on February 24, 2022, due to the military aggression of the Russian Federation against Ukraine, and Presidential Decree № 64/2022 introduced martial law. In the context of martial law, the management of the investment environment of the subject of economic ownership is currently focused on directions determined by its focus on reducing risks, ensuring the attractiveness of property objects, and investment safety, under the specifics presented in Fig. 2.

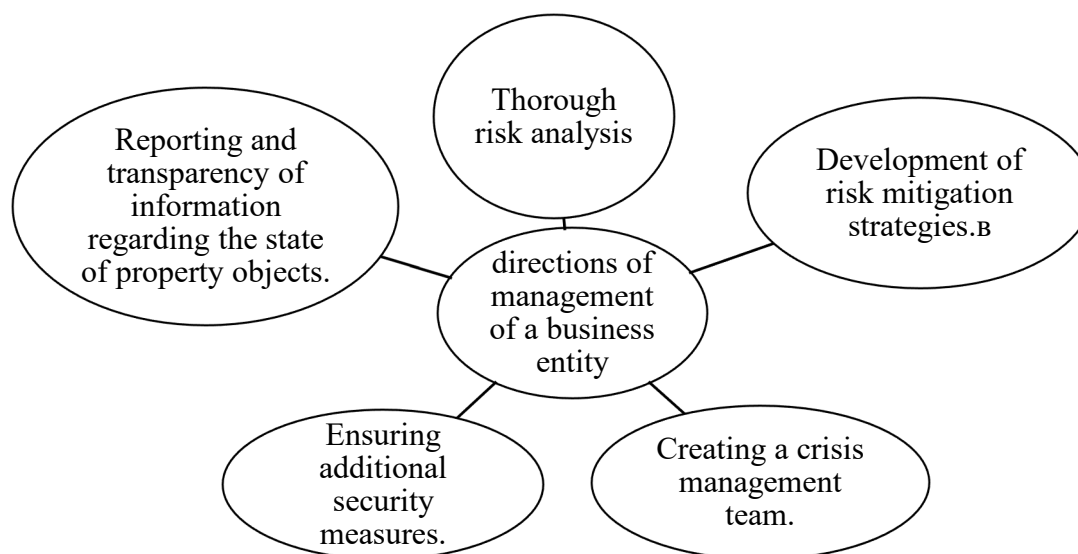


Figure 2 - Directions of investment environment management in the context of economic entity activity during the state of war.

Source: created by the author based on [1; 5]

According to the above, it can be concluded that during the period of martial law, the management of the investment environment of the subject of economic ownership is focused on six basic directions, including: (1) a thorough analysis of risks; (2) development of risk mitigation strategies; (3) ensuring effective project management;



(4) providing additional security measures; (5) creating a crisis management team; (6) transparency and reporting of the status of property objects.

Meanwhile, under normal conditions, there is a significant variety of such directions for managing the investment environment, which can be generalized as follows: (1) market analysis and evaluation; (2) development of investment strategies; (3) selection of investment objects; (4) providing investment financing; (5) monitoring investment portfolios; (6) interacting with partners and investors; (7) providing legal support for investment projects; (8) developing new property objects; (9) other directions.

The directions of investment management in the context of the activity of the subject of economic ownership under normal conditions and during martial law are systematized and compared in Table 1.

Table 1 - Directions of investment environment management in the context of economic entity's activity in normal conditions and during martial law.

Subject of economic property	Directions of investment environment management														
	in during martial law conditions						in normal conditions								
	1	2	3	4	5	6	1	2	3	4	5	6	7	8	9
LLC "ATB Market"	+	+	+	+	+	+	-	+	+	+	-	+	+	-	-
NJSC "Naftogaz of Ukraine"	+	+	+	+	+	+	+	+	-	+	+	+	+	+	+
LLC "Oldsids Black Sea"	+	+	+	+	+	-	+	+	+	-	+	+	+	+	-
LLC "Suffle Argo Ukraine"	+	+	-	+	+	+	+	+	+	+	+	+	+	+	+
LLC "Food Development"	+	+	+	+	+	-	+	-	+	+	+	+	-	+	-
LLC "Satellite"	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+
PJSC "DTEK Dnipro Electric Networks"	+	+	-	+	+	+	+	+	+	-	+	+	-	+	-
PJSC "Obolon"	+	+	+	+	+	-	+	+	+	+	+	+	+	+	+

Note:

Directions for investment environment management during martial law: (1) a thorough risk analysis; (2) development of risk protection strategies; (3) ensuring effective project management; (4) providing additional security measures; (5) creating a crisis management team; (6) transparency and openness of information regarding property status.

Directions for investment environment management under normal conditions: (1) market analysis and evaluation; (2) development of investment strategies; (3) selection of investment objects; (4) provision of investment financing; (5) monitoring of investment portfolio; (6) interaction with partners and investors; (7) providing legal support for investment projects; (8) development of new properties; (9) other directions.

Source: compiled based on data from entities of economic ownership.



Therefore, during a state of war, investment environment management of the subject of economic ownership not only changes its focus but also restricts it [4-5]. Thus, investment environment management in the context of the subject of economic ownership's activities during the state of war differs from that in normal conditions in the following ways, such as:

- Focus on thorough risk analysis. In particular, during a state of war, the risks identified in Figure 1 are the most significant, so it is mandatory to monitor their impact on the activities of the entity in real time. The result of such analysis should be clear recommendations and risk protection strategies that will help reduce the possible consequences in case of their realization. This feature contributes to increased awareness of potential changes in the profitability of property objects.

- Orientation towards the development of defensive strategies (or those aimed at reducing potential risks and increasing protection against them). In the context of a state of war, such strategies should include measures to increase the security of premises, restrict access to critical zones, increase reserves of necessary resources, reduce dependence on certain suppliers, etc. Special attention should be paid to measures aimed at ensuring the safety of employees in those property objects that may be at risk during a military conflict.

- Ensuring effective project management. Conditions of a state of war can significantly affect the execution of projects, so investment environment management must ensure effective management of all available economic or social projects based on investments and take measures to ensure their successful completion. These may include measures to plan and monitor project execution, take additional measures to ensure the safety and stability of project activities and respond quickly to possible unforeseen changes in the situation.

- Providing additional security measures. During a state of war, the subject of economic ownership should take additional security measures to protect their assets. These may include measures to ensure the physical security of facilities, information security, access control, etc.

- Establishment of a crisis management team. The entity of economic ownership should have a crisis management team that would ensure effective decision-making in times of war and take measures to ensure the financial stability of the entity. This may include measures to improve resource management efficiency, reduce costs, and support the workforce.

- Transparency and disclosure of information regarding the state of property. In



conditions of martial law, the image of the entity of economic ownership may be affected, so it is important to ensure a high level of transparency and disclosure of information regarding the state of property (depending on property rights to the enterprise, property, intellectual property, and other assets and the results of their use in economic activity). This feature contributes to maintaining the trust of investors and partners. Measures for regular publication of reports on the state of the property, its financial condition, press releases, and briefings for the media, and the public are advisable.

Therefore, the conditions of martial law transform the investment management systems of the subject of economic ownership in such a way that they synthesize the above-mentioned features related to risk reduction, security, and attractiveness of property objects, transforming them into rational or management-based principles.

9.2. Steps to enhance the stability of the investment environment of the economic entity during the state of war.

Building an effective investment environment management should start from the moment of the declaration of the state of war, as it requires the implementation of a whole range of measures, including:

- 1) identification of the current state of the investment environment during the state of war;
- 2) identification of the concept and specific actions through which the subject of economic ownership will attract and manage investments during the state of war;
- 3) ensuring the possibility of making necessary changes in accordance with changes in the investment environment.

Therefore, the author has proposed a basis for a methodological model that can be used to identify sets of methods, procedures, algorithms, and approaches that are used to solve a specific task or achieve a certain goal in order to build an effective management of the investment environment in the context of the activities of a subject of economic ownership during a state of war (Figure 3).

This framework for a methodological model allows for the systematic and sequential implementation of actions necessary to achieve the desired result - effective investment attraction and management during a state of war.

The main steps to improve investment environment management in the context of

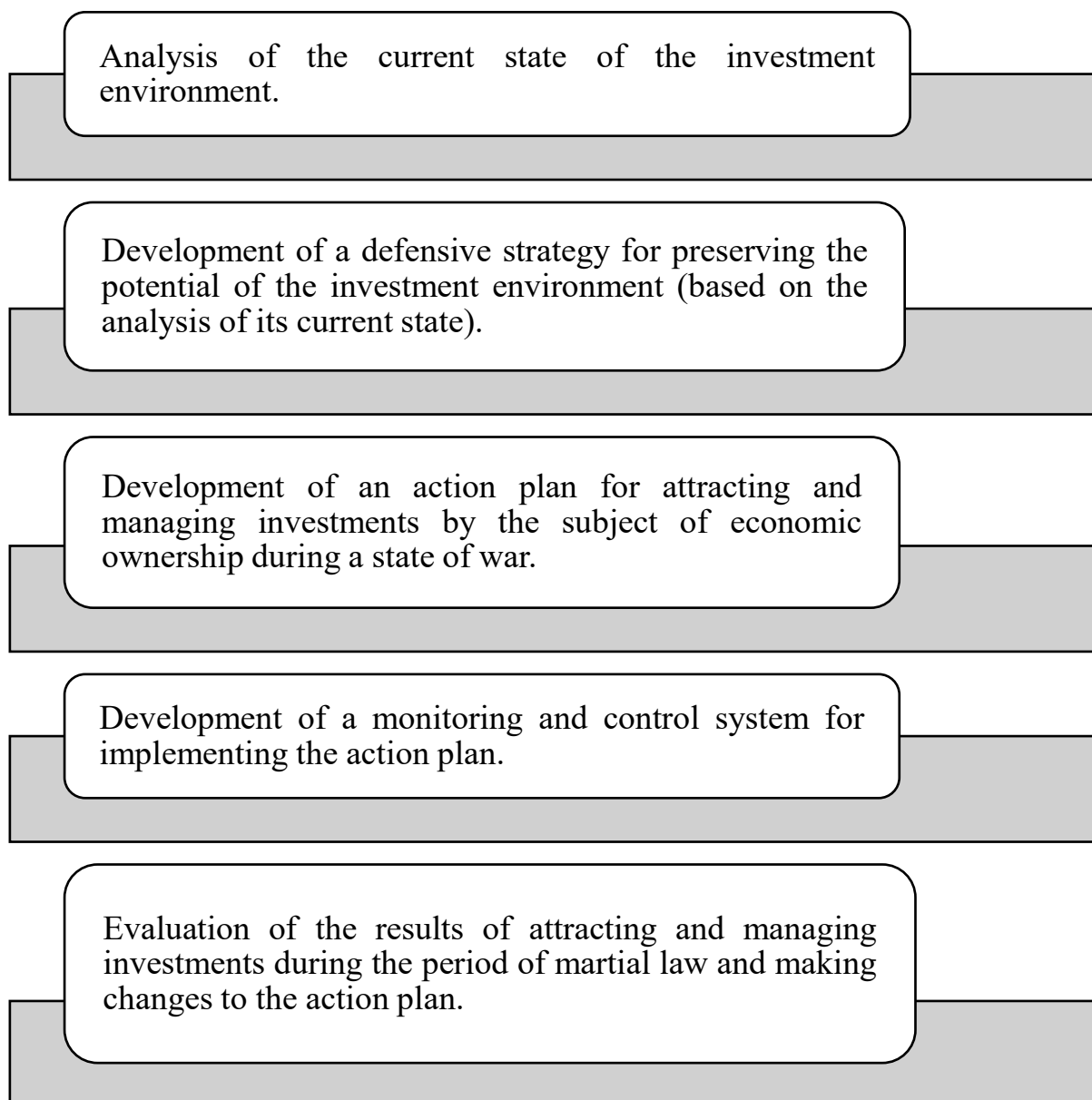


Figure 3 - Basis for a methodical model that promotes effective investment management in the context of the economic entity's ownership during a state of war*

Note

possible investment management algorithms: investment portfolio analysis, risk, and potential benefit analysis; determination of investment goals and objects; comparison of expected and actual investment results; evaluation of goal achievement and identification of opportunities for improvement.

Source: created by the author based on [1-2; 5]

a subject of economic ownership include the following:

Step of analyzing the current state of the investment environment. At this step, a



preliminary assessment of the state of the investment environment of the subject of economic ownership during the state of war is carried out.

To do this, various analysis methods should be applied by the management system, including analysis of the investment portfolio, competitor analysis, and others, in particular:

- to determine the strengths and weaknesses of the investment environment, as well as opportunities and threats that may arise during the state of war;
- to analyze investment legislation and identify possible obstacles that may arise during the state of war;
- to analyze the economic and financial stability of the subject of economic ownership, which invests.

This will allow identifying the advantages and disadvantages of the investment environment, as well as understanding which directions require additional attention.

Step in developing a protective strategy for preserving the potential of the investment environment. At this stage, it is necessary to develop a strategy that will determine how the subject of economic ownership will attract and manage investments during a state of war. [3].

Protective strategies for preserving the potential of the investment environment can vary, as their content depends on the specific situation. Thus, at this stage, protective strategies of the following types may be developed, in particular:

- those aimed at diversifying the investment portfolio (allowing for risk allocation among several different types of property objects, which reduces the overall investment risk);
- those aimed at reducing the portfolio (allowing for risk reduction by reducing the number of investments, including reducing the number of investments in industries that are most susceptible to risks);
- those aimed at creating insurance funds (involving reserving funds for possible risks);
- those aimed at creating preparedness for crises by developing and implementing crisis action plans and personnel training.

Regardless of the chosen type, a protective strategy should be:

- clear and specific (reflecting the purpose, objectives of the investment environment preservation strategy, and the main directions of action that need to be implemented);
- considering the risks and opportunities that arise in the investment



environment;

- realistic (corresponding to the available resources and potential of the economic subject). This will allow for choosing the best way to achieve maximum profit during a state of war, preparing for possible negative scenarios, and thus determining how to mitigate their impact on the investment environment.

Development of a tactical action plan for a subject of economic ownership to attract and manage investments during a state of war. The action plan of a subject of economic ownership for attracting and managing investments is a plan that outlines how the subject of economic ownership intends to attract investments and how it will manage them to achieve its goals.

The content of the action plan should be:

- results-oriented, taking into account possible difficulties and challenges;
- aligned with the goals and needs of the subject of economic ownership (including their financial capabilities),
- taking into account the needs of employees and other stakeholders;
- clear (including clear timelines and responsible individuals, as well as resources and means for implementation, such as financial, human, material, information, etc.);
- flexible and capable of adjustment depending on changing circumstances (including considering different scenarios of events and anticipating the ability to respond to them);
- taking into account the possibility of restoring normal conditions after the end of the state of war.

Based on the strategy, specific actions must be identified and implemented to achieve the goal.

The step towards establishing a monitoring and control system for the implementation of the action plan is to ensure the ability to make necessary changes according to the changes in the investment environment.

The monitoring and control system for the implementation of the action plan should be:

- systematic (implemented regularly);
- transparent (providing accessibility of information to responsible persons and interested parties regarding the financial performance of investment projects, adherence to schedules, and implementation of necessary measures in case of deviations from the plan);



- effective (allowing timely identification of problems and making adjustments);
- automated (utilizing modern information technologies and software for data collection, processing, and analysis).

The monitoring and control system should allow for the evaluation of the effectiveness of implemented measures and timely adjustments to achieve success.

Step for assessing the results of investment attraction in property assets and their management during the period of martial law and making changes to the action plan. At this step, it is necessary to provide conditions for evaluating the results of implementing the action plan and applying a monitoring and control system to ensure their implementation.

The system for assessing results and making changes should be:

- systematic and regular (it is important to analyze the reasons for deviations from the plan and take measures to prevent them in the future);
- flexible and adaptive to changes in the investment environment;
- open and accessible to all stakeholders to ensure interaction and cooperation among them.

The results of the assessment should be used to make necessary changes to the strategy and action plan, as well as to the monitoring and control system for implementing the action plan of the economic entity that manages property assets and attracts investments during the period of martial law.

Therefore, effective management of the investment environment of the economic entity during the period of martial law should be understood as a specific set of measures aimed at preserving and optimizing the use of investments.



Conclusion.

Under normal conditions, there exists a significant variety of directions in the management of the investment environment, which includes market analysis and assessment, investment strategy development, selection of investment objects, investment financing, monitoring of investment portfolio, interaction with partners and investors, legal support of investment projects, and other areas.

However, during a state of war, the approach to managing the investment environment changes, and the subject of economic ownership focuses only on six basic directions that should guarantee financial stability and effective investment management during crisis conditions.

Under such circumstances, effective management of the investment environment of the subject of economic ownership should be understood as a flexible and adaptive complex of measures aimed at preserving and optimizing the use of available property objects and investments in them, taking into account changes in the internal and external environment.