

УДК 338.4:339.9

DOI: <https://doi.org/10.32782/2224-6282/189-47>**Kulinich Tetiana**

Ph.D. in Economics, Associate Professor of the
Department of Management of Organizations,
Lviv Polytechnic National University
ORCID: <https://orcid.org/0000-0003-0110-7080>

Obushok Ihor

Graduate Student of the Department of Management of Organizations,
Lviv Polytechnic National University
ORCID: <https://orcid.org/0009-0007-0317-104X>

Кулініч Т.В., Обушок І.І.

Національний університет «Львівська політехніка»

CONCEPT OF FORMING MODIFIED STRATEGIES FOR MITIGATING RISKS IN INVESTMENT MANAGEMENT DURING GLOBAL ECONOMIC CRISIS

Negative phenomena and triggers of global economic crises are always diverse, but classically, they are accompanied by market fluctuations, changes in exchange rates, and threats to financial stability. The systemic impact of these factors leads to losses for investors in terms of both profitability and the value of their investment portfolios. Therefore, the conditions of a global economic crisis present investors with the task of developing and effectively implementing modified strategies for risk reduction in investment management. Taking into account the limited elaboration of the outlined issues, the purpose of the article is the systematic study of the features of forming such strategies through methods of logical analysis. Based on the research results, it has been proven that there are key aspects ensuring the success of the concept of forming modified strategies for risk reduction in investment management during a global economic crisis. Specifically, these aspects include: flexibility and adaptability in investment management; integration of various approaches and complementary tactics in investment management; consideration of the global context of risks; emphasis on achieving specific results; the use of advanced technologies and big data analysis for effective decision-making. Attention has been drawn to the fact that the synthesis of key aspects in forming modified strategies for risk reduction in investment management during a global economic crisis should be oriented towards a unified framework, the purpose of which is to preserve capital and minimize potential losses.

Keywords: concepts, capital preservation, flexibility in investment management, economic crisis.

JEL Classification: D29, F20, F23, F41

КОНЦЕПЦІЯ ФОРМУВАННЯ МОДИФІКОВАНИХ СТРАТЕГІЙ ЗМЕНШЕННЯ РИЗИКІВ ІНВЕСТИЦІЙНОГО УПРАВЛІННЯ В УМОВАХ ГЛОБАЛЬНОЇ ЕКОНОМІЧНОЇ КРИЗИ

Негативні явища та тригери розвитку глобальної економічної кризи завжди різноманітні, супроводжуються коливаннями ринків, змінами валютних курсів та загрозами фінансової стабільності. Системна дія цих факторів призводить до втрат інвесторів в доходності та вартості інвестиційних портфелів. Відтак, умови глобальної економічної кризи ставлять перед інвесторами завдання, спрямоване на формування та ефективне застосування модифікованих стратегій зменшення ризиків інвестиційного управління. Враховуючи обмежену розробленість окреслених питань, метою статті є системне вивчення особливостей формування таких стратегій за допомогою методів логічного аналізу. За результатами дослідження було встановлено, що існують ключові аспекти, які гарантують успішність концепції формування модифікованих стратегій зменшення ризиків інвестиційного управління в умовах глобальної економічної кризи. Серед таких ключових аспектів: гнучкість в інвестиційному управлінні, адаптивність до змін в економічному середовищі (в інвестиційному контексті), інтеграція різних підходів та супутніх тактик до інвестиційного управління, врахування глобального контексту ризиків інвестиційного управління, акцент на досягненні конкретних результатів, використання передових технологій та аналізу великих обсягів даних для ефективного прийняття рішень. За результатами дослідження було виявлено, що синтез ключових аспектів формування модифікованих стратегій зменшення ризиків інвестиційного управління в умовах глобальної економічної кризи має орієнтуватися на єдиний формат. Основна мета цього формату – збереження капіталу та мінімізація можливих втрат, враховуючи великий ступінь невизначеності та ризиків, що виникають в умовах економічної кризи. Відзначено, що формат концепції формування модифікованих стратегій зменшення ризиків інвестиційного управління в умовах глобальної економічної кризи може бути представлений у вигляді складної структури, яка включає: підходи до стратегічного інвестиційного управління, супутні тактики інвестиційного управління, а також моніторинг та коригування планів дій з інвестиційного управління.

Ключові слова: концепції, збереження капіталу, гнучкість в інвестиційному управлінні, економічна криза.

Statement of the problem. Negative phenomena and triggers of global economic crises are always diverse but classically accompanied by market fluctuations, changes in currency exchange rates, and threats to financial stability. In particular, the global financial crisis

that erupted in 2008, as a result of problems in the U.S. real estate sector (where mortgage loans were issued to individuals with low creditworthiness, forming subprime mortgages) and related fluctuations in financial markets, led to financial losses for investors. Main impact fell on

financial institutions that (ignoring basic risk management principles) had a significant percentage of assets in their investment portfolios based on subprime mortgages. The Eurozone crisis in years 2010–2012 posed threats to its financial stability, as individual countries (such as Greece, Spain, and Italy) accumulated high levels of debt, leading to deteriorating market conditions and a decline in the value of bonds. In the process, many investors, including financial institutions, insurance companies, and other financial entities, incurred losses, losing a portion of their capital. The COVID-19 pandemic has led to a global economic slowdown, the suspension of certain economic sectors, and a significant impact on financial markets (currency exchange rate fluctuations, a substantial decline in stock markets, and an overall reduction in the economic activity being characteristic features of this crisis). Moreover, the expenses for the majority of investors with poorly diversified investment portfolios and ineffective risk reduction strategies were substantial. By the outlined specifics, it is evident that, on one hand, the conditions of a global economic crisis entail inevitable losses for investors in terms of income and the value of their investment portfolios. However, on the other hand, the magnitude of such losses varies and depends on numerous factors, such as the type of investments, portfolio diversification, and individual investment strategies. Consequently, the conditions of a global economic crisis present investors with the task of formulating and effectively implementing risk-reduction strategies in investment management.

Analysis of research and publications The existing research addressing issues of investment management in the context of a global economic crisis (by R.I. Zhovnovach, S.A. Romanchuk, M.O. Shevchuk, I. Ansoff, E. Bodie, G. Markowitz, M. Miller, S. Ross, M. Porter, J. Sachs, P. Samuelson, A. Chandler, W. Sharpe, and others) has demonstrated that in the conditions of a global economic crisis, investors who applied modified risk reduction strategies in investment management experienced the least amount of losses. At the same time, the content of such a strategy is often examined by most researchers based on a set of approaches and accompanying tactics related to the diversification of investment activities. Indeed, the main problem lies in the limitation of research, as scholars often overlook that the phenomenon of modified risk reduction strategies in investment management goes far beyond the procedures of investment diversification. This assertion becomes evident from the analysis of the content of key aspects in the formulation of modified risk reduction strategies in investment management amid a global economic crisis, as highlighted by scholars such as Lvokin V.M. and Dubrovi V.I. [2].

Objectives of the article. Given the limited development of issues related to modified risk reduction strategies in investment management during a global economic crisis, the purpose of the article is to comprehensively study the features of their formation. The stated objective requires addressing research tasks such as:

- 1) identifying the essence and key aspects ensuring the success of the concept of forming modified strategies;
- 2) determining the format of the concept of forming modified strategies.

Summary of the main results of the study. Within the research, the authors draw attention to the fact that the essence of modified risk reduction strategies in investment

management during a global economic crisis should be considered as a broad set of approaches and accompanying tactics used by investors and financial analysts depending on the circumstances. Specifically, these strategies aim to mitigate the impact of negative factors (integrated into the crisis) on the profitability and value of their portfolios. Such an axiom is formulated based on the available experience in the application of these strategies. For instance, during financial crises, investors may adopt an approach of geographic and sectoral diversification. Based on the prevailing conditions, an investor can reduce exposure to a specific sector or region where the crisis may have a more significant impact and allocate funds to other industries or countries. Also, investors can use financial derivatives (such as options or futures) to hedge against negative market changes. Investors may reallocate their investment portfolio to less risky assets (such as government bonds or other low-risk investments) to ensure greater stability. The set of approaches and associated tactics is quite diverse (considering the uniqueness of investment conditions, the variety of markets and assets, individual goals, and risk tolerance [2]), although it should be oriented towards common key aspects (since there are always unique aspects that determine the success of investment management).

In particular, an analysis of the available scientific literature [1–2] has allowed for the identification of the following key aspects that ensure the success of the concept of forming modified risk reduction strategies in investment management during a global economic crisis: 1) flexibility in investment management (which involves adapting strategies and tactics according to new conditions); 2) adaptation in the investment context to changes in the economic environment (including an active response to changes such as economic crises, interest rate fluctuations, political turbulence, and other factors that may affect investment opportunities and risks); 3) integration of different approaches and associated tactics into investment management (or a focus on combining various methods and tools to achieve maximum efficiency and stability of the investment portfolio); 4) consideration of the global context of investment management risks (or aligning investment strategy by taking into account the risks and opportunities arising at the global level, including global macroeconomic and political factors, global technological and innovation trends, and global interdependence of economic sectors); 5) emphasis on achieving specific results (implies that investors may change their approach depending on the results they aim to achieve under specific conditions); 6) advanced technologies and big data analysis are used for effective decision-making (or the application of technological innovations aimed at improving the accuracy of decision-making, reducing risks, and ensuring more effective investment management in the face of global economic and financial challenges).

The synthesis of the identified key aspects (Figure 1) has a unified format, as its main purpose is directed towards capital preservation and minimizing potential losses, considering the high degree of uncertainty and risks arising in conditions of economic crisis.

It should be noted that the existing investment experience demonstrates that the format of the concept of forming modified risk reduction strategies in investment management during a global economic crisis can be represented as a complex structure, including:

1. Approaches to strategic investment management (generalizing how investors structure their portfolios and actively manage them through dynamic asset allocation).

2. Complementary tactics of investment management (generalizing the current actions that investors employ to optimize their portfolios and achieve short-term goals);

3. Complementary tactics for monitoring and adjusting investment management plans (generalizing the current actions that investors use to monitor the status of their investment plans and make timely adjustments in response to changes in market conditions, goals, or risks).

This structure allows investors to systematically approach the management of their portfolio.

So, forming modified strategies requires the use of a wide range of approaches to strategic investment management through dynamic asset allocation. Among such approaches [3–1]:

1. The approach of broad investment portfolio diversification is characterized by key features such as a wide distribution of assets, balancing potential returns and risks, and minimizing dependence on individual investments (Figure 2) [1; 5].

Due to the outlined features, the approach allows for the distribution of investments across different asset classes,

geographic regions, and sectors, aiming at the desired risk and return allocation, as well as maintaining control over risk concentration (Table 1).

For example, if an investor aims to use the approach of broad diversification of the investment portfolio, they would include stocks from different geographical regions, such as the USA, Europe, and Asia. Under such conditions, they achieve diversity in economic conditions, thus balancing the risk and return.

2. The approach of using protective instruments is characterized by focusing on preventive protection against potential losses, hedging against volatility, and limiting potential losses (Figure 3). Using defined strategies, the approach allows the protection of an investment portfolio from potential losses in income and value. For example, if an investor holds stocks in the technology sector and anticipates significant market volatility shortly, it is possible to safeguard such an investment portfolio by purchasing put options on it. Under such conditions, even if the value of the stocks declines, the put option allows the investor to sell them at a higher price, thereby offsetting the incurred losses.

3. The approach using "money on the side" tools is characterized by key features such as a focus on opportunities arising during market stress, active portfolio

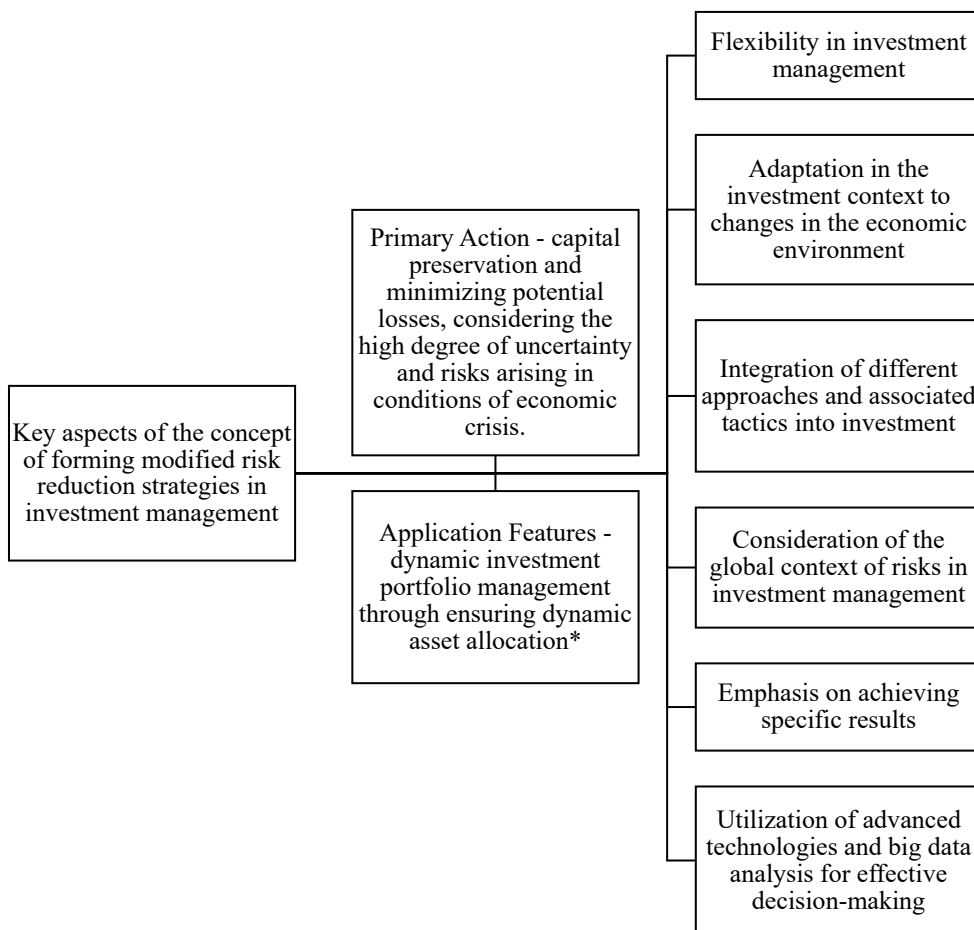


Figure 1. Synthesis of key aspects of the concept of forming modified risk reduction strategies in investment management amid global economic crisis.

Note

* Active portfolio management by adjusting the asset allocation depending on market conditions, economic environment, and other factors

Source: formed based on [1; 3]

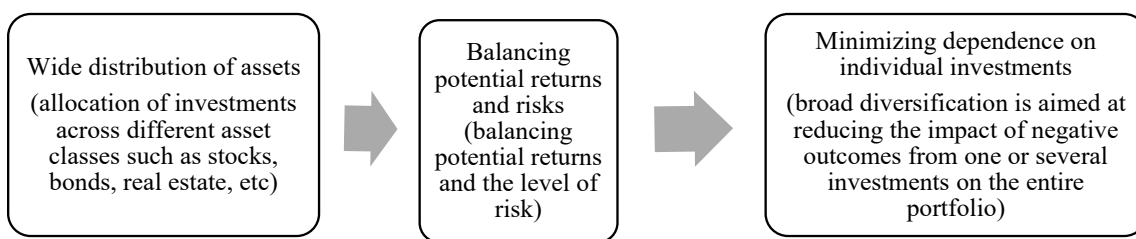


Figure 2. The main features of the broad investment portfolio diversification approach using

Source: formed based on [1; 3; 5]

Table 1

Directions and principles of implementing the investment portfolio diversification approach within modified Strategies for risk reduction in Investment Management during global economic crisis

Directions of investment portfolio diversification			Principles of investment portfolio diversification
Asset classes	Geographical regions	Industries and sectors	
Distribution of investments between assets such as action ¹ , bond ² , real estate ³ , commodity activities ⁴	The distribution of investments between different geographical regions reduces the impact of regional economic or political changes on the entire portfolio. Ideally, an investor may consider incorporating assets from different continents.	Diversification across different industries and economic sectors can reduce the impact of negative events on a specific industry on the entire portfolio. For example, if one sector faces difficulties, others may behave more stably.	Risk and return distribution (reducing overall investment risk and ensuring more stable returns in different market conditions); control over risk concentration

Note

- 1 Investing in stocks allows for potentially high returns but is accompanied by high risk.
- 2 Investing in bonds can provide a stable income and protection against risks associated with stock market fluctuations.
- 3 Including real estate in the portfolio can provide an additional source of income and international diversification.
- 4 Investing in commodities like gold or oil can serve as a hedge against inflation and other economic risks.

Source: formed based on [4-5]

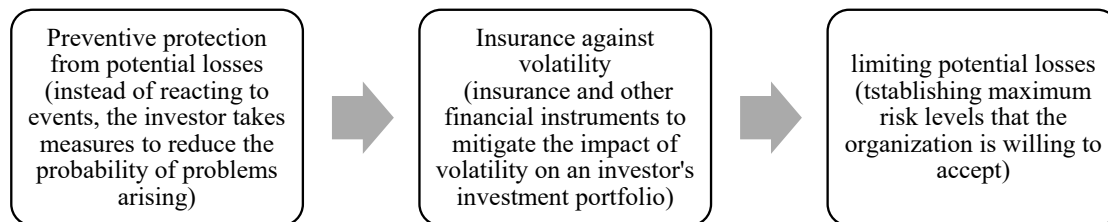


Figure 3. The main features of the protective instruments approach using

Source: formed based on [1; 3; 5]

management, and an understanding of influencing factors (Figure 3). Thanks to these characteristics, the approach enables investors to capitalize on situations where the market has incorrectly valued certain assets, aiming for future profitability.

For example, during a global economic crisis, if the market significantly lowers stock prices in the automotive industry sector (due to a general decrease in demand and limited liquidity), an investor employing the "money on the sidelines" approach would view this situation as an investment opportunity. The investor conducts a thorough analysis of the financial health of the company, its business model, and prospects.

4. The approach to stable investment instruments is characterized by key features such as a focus on incorporating stable assets into the investment portfolio (such as government bonds or other low-risk investments), high resilience, and the avoidance of significant portfolio value losses (Figure 5).

For example, an investor may allocate a portion of their portfolio to high-quality government bonds. For instance, low-risk U.S. bonds with a low risk of default. This would provide them with a stable stream of interest payments and reduce the risk of capital losses.

Effectively, the application of the above-outlined approaches to investment management within modified strategies can be either combinatorial or narrowly specialized, depending on the analysis results of the economic situation and market prospects, as evident by the specifics provided in Figure 6.

Combining different approaches can be a response to various factors such as investment goals, investment timelines, the acceptable level of risk, and the overall financial condition of the investor. Focusing on a specific investment management approach can address the investor's needs for ensuring predicted capital stability and maximizing potential returns. The features of the concept of forming modified risk reduction strategies in



Figure 4. The main features of the 'money on the sidelines' approach using

Source: formed based on [2; 5]

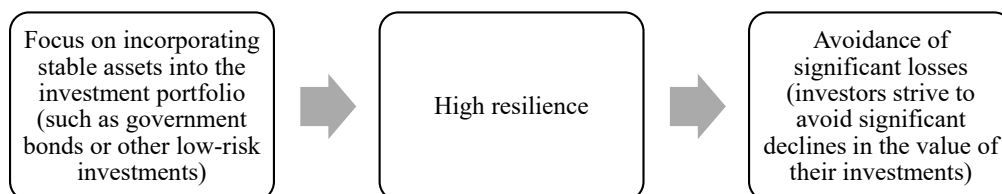


Figure 5. The main features of the stable investment instruments approach using

Source: formed based on [1–2; 5]

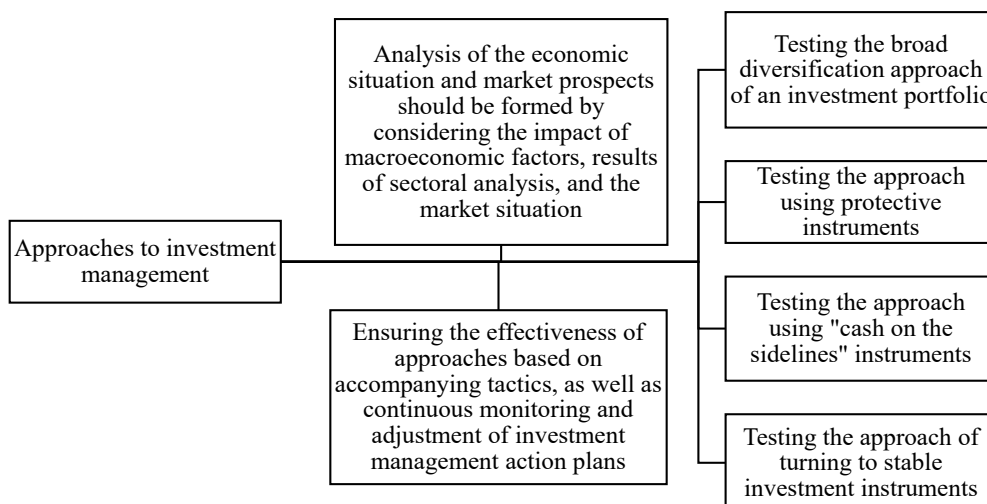


Figure 6. Features of applying investment management approaches in the conditions of a global economic crisis

Source: formed based on [1; 3–4]

investment management during a global economic crisis include:

1. Utilizing accompanying tactics, among which are: liquidity maneuvering (ensuring quick response to opportunities to acquire securities at a discount or to withdraw funds if necessary); maintaining communication with experts and consultants (providing the ability to select optimal actions based on existing risks and opportunities); protection against inflation (providing the ability to promptly respond to opportunities or threats associated with the movement of money into the portfolio).

2. The use of accompanying monitoring tactics and adjustment of investment management action plans, including: regular analysis of the investment portfolio; review of fundamental factors; establishment of key indicators reflecting the portfolio's performance and achievement of investment goals; consideration of current

market trends, news, and events that may impact assets; updating investment objectives and strategies in line with changes in financial condition, risks, or personal circumstances.

Conclusions. Studying the features of forming modified strategies for risk reduction in investment management during a global economic crisis has allowed to establish that:

There are key aspects ensuring the success of the concept of forming modified strategies for risk reduction in investment management during a global economic crisis, including: 1) flexibility in investment management; 2) adaptation in the investment context to changes in the economic environment; 3) integration of different approaches and accompanying tactics into investment management; 4) consideration of the global context of investment management risks; 5) emphasis on achieving

specific results; 6) use of advanced technologies and big data analysis for effective decision-making.

The synthesis of key aspects in forming modified strategies for risk reduction in investment management during a global economic crisis should be oriented towards a unified framework, with its primary objective being the preservation of capital and the minimization of potential losses, taking into account the high degree of uncertainty and risks arising in the conditions of an economic crisis.

The format of the concept for forming modified strategies to reduce risks in investment management

during a global economic crisis can be presented in the form of a complex structure that includes: approaches to strategic investment management; accompanying tactics of investment management, monitoring, and adjustment of investment management action plans. This structure enables investors to systematically approach managing their portfolio.

The prospects for further research involve examining the impact of geopolitical events on investment strategies and determining ways in which investors can respond to global political and economic turbulence.

References:

1. Alkhurajji A., Liu S., Oderanti F. O., Megicks P. (2016) New structured knowledge network for strategic decision-making in IT innovative and implementable projects. *Journal of Business Research*, no. 69(5), pp. 1534–1538.
2. Lyovkin V. M., Dubrovi V. I. (2012) Prynyattya investytsiynykh rishen' v umovakh nevyznachenosti [Making investment decisions under conditions of uncertainty]. *Systemy obrobky informatsiyi*, no. 2(100), pp. 264–270.
3. Maslyhan O., Liba N., Korolovych O., Vovchenko O., Kvasnytska R. (2022) Modelling the Performance of the Financial Market. *Economic Affairs*, vol. 67. no. 04. pp. 631–642.
4. Malakhovskiy Y., Gamaliy V., Zhovnovach R., Kulazhenko V., Cherednichenko M. (2019) Assessment of the risks of entrepreneurship as a prerequisite for the implementation of innovation projects. *Journal of Entrepreneurship Education*, no. 22(1S), pp. 127–133.
5. Tetiana H., Chorna M., Karpenko L., Milyavskiy M. & Drobyazko S. (2018) Innovative model of enterprises personnel incentives evaluation. *Academy of Strategic Management Journal*, no. 17(3), pp. 112–110.

Список використаних джерел:

1. Alkhurajji A., Liu S., Oderanti F.O., Megicks P. New structured knowledge network for strategic decision-making in IT innovative and implementable projects. *Journal of Business Research*. 2016. № 69(5). P. 1534–1538.
2. Льовкін В.М., Дуброві В.І. Прийняття інвестиційних рішень в умовах невизначеності. *Системи обробки інформації*. 2012. № 2(100). С. 264–270.
3. Maslyhan O., Liba N., Korolovych O., Vovchenko O., Kvasnytska R. *Modelling the Performance of the Financial Market*. 2022. *Economic Affairs*. Vol. 67. No. 04. P. 631–642.
4. Malakhovskiy, Y. Gamaliy, V. Zhovnovach, R. Kulazhenko, V Cherednichenko, M. Assessment of the risks of entrepreneurship as a prerequisite for the implementation of innovation projects. *Journal of Entrepreneurship Education*. 2019. Vol. 22. Issue 1S. P. 127–133.
5. Tetiana, H., Chorna M., Karpenko L., Milyavskiy M. & Drobyazko S. Innovative model of enterprises personnel incentives evaluation. *Academy of Strategic Management Journal*. 2018. Vol 17(3). P. 112–110.