



International Conference, University of Latvia

**INVESTMENT DECISION-MAKING IN THE DYNAMIC
ENVIRONMENT OF EMERGING MARKETS**

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Agenda, 11.11.11

1. Introduction
2. Emerging Markets
3. Strategic Decision Making Process: State of the Art
4. The Influence of Crisis: Managerial Implications
5. Summary and Conclusions

Research Question

How are investment decisions made, and which changes should be taken into account regarding investment in crisis and post-crisis times in emerging markets?

Distinctive Features of Emerging Markets

Change:

- ✓ rapid growth in market size
- ✓ fast changing competitive environment
- ✓ evolving regulatory environment
- ✓ evolving consumer demands and expectations

Uncertainty:

- ✓ unreliable and unavailable data
- ✓ unfamiliar business practices
- ✓ non-sustainability and instability of governmental policy
- ✓ little in-house experience

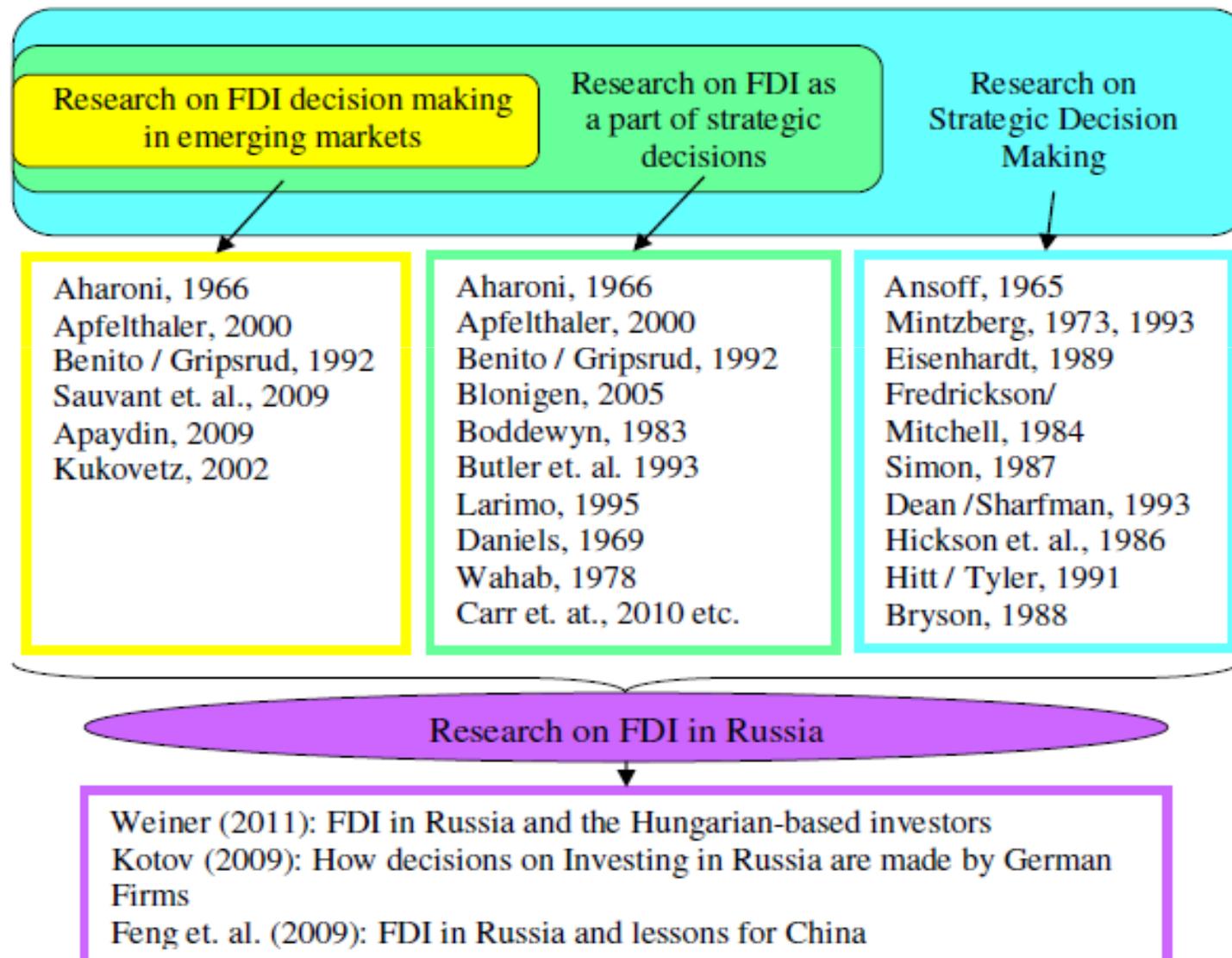
The subject of the underlying research

Research Method: Secondary Data Analysis

of Dec

Lebedeva, M. (2011): The notion of Uncertainty and its influence on investment decisions in Emerging markets
Research Design: Expert Interviews (influence of different types of uncertainty)

"State of the art" in the field of research topic



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The main research method used in the studies on FDI decisions, as a part of strategic management of the firm, was interviewing participants in the decision processes.

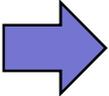
Much less were surveys or documents analysis used.

It was no easy task as many researchers have shown and as “strategic decision processes are immensely complex and dynamic”.

Sequence of the following steps (simplified designing):

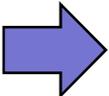
- Goals and Motivation for Decision Making (**Step 1**);
- Data Collecting and Analysis (**Step 2**);
- Analysis of Alternatives and Decision Making (**Step 3**);
- Control and Monitoring (**Step 4**).

▪ **Statement 1.** Economic crisis and worsening the situation in the Russian market lead to increase of uncertainty and risks, and, therefore, to decrease in FDI (Step 3 of DM process).



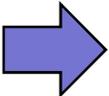
The use of an adaptive approach by DM, deliberate information search, and data analysis support investment decision-making. The opportunity of outsourcing this part of DM is recommended especially in “bad” times, as each mistake could cost too much.

▪ **Statement 2.** Rapidly increasing complexity and information overload lead to a decrease of the time available for making decisions in the Russian market (predominantly Step 2 and 3 of DM process).



In order to manage uncertainty and risks, more attention should be paid to the “analytical” part of the decision-making process. In this case, the usage of comprehensive business analytical methods for predicting and planning market changes, and a proper action in time is very important.

▪ **Statement 3.** “Analytical” component of decision-making process becomes to be more important in “bad” times (predominantly Step 2 and 3 of DM process).



The application of business analytics in investment decision making as a “support” function should not be underestimated, even by the higher importance of “networking” and relationship management in the Russian market.

Conclusions

- The main lesson from the economic crisis, concerning the market of Russia, consists in realizing the fact that stable and sustainable development has higher importance than just profit in short-term.
- As investment decisions have long-term implications and strategic orientation, a deeper understanding of possible future situations and also a certain “balance” between various controllable and uncontrollable parameters is required.
- In order to manage uncertainty and changes, more attention should be paid for the “analytical” part of the decision-making process.
- Therefore, the notion of risk management is increasing.

**Thank you very much
for your attention!**