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PROBLEMS OF ASSESSING AN ORGANIZATION'S INVESTMENT ACTIVITY: THEORETICAL ASPECTS AND PRACTICAL SOLUTIONS

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Abstract: The article examines the key problems associated with assessing the investment activity of organizations under current economic conditions. Theoretical approaches to defining investment activity are analyzed, and methodological challenges in its evaluation are systematized. Particular attention is given to analyzing the uncertainty factors affecting the accuracy of investment calculations, as well as to the issues of integrating financial and non-financial indicators within the investment performance assessment system. The research results highlight the need to develop comprehensive approaches to evaluating investment activity that take into account the specifics of the modern economic environment.

Keywords: investment activity, investment performance assessment, evaluation methods, investment risks, uncertainty

Introduction

Investment activity is one of the key factors ensuring the sustainable development of both an organization and the economy as a whole. In the context of increasing complexity of economic processes, intensified global competition, and rapid technological changes, the issues of adequately assessing investment activity have gained particular relevance. Accurate evaluation of investment projects determines not only the efficiency of utilizing limited resources but also the strategic development prospects of the organization.

Modern theory and practice of investment management face numerous methodological and practical challenges. Traditional approaches to investment assessment, based on classical financial models, often prove insufficient for adequately reflecting the complexity of today's investment decisions. A contradiction arises between the need to make well-grounded investment decisions and the limited capabilities of existing evaluation methods.

The problem is further exacerbated by the fact that the investment activity of contemporary organizations is characterized by a high degree of uncertainty, multiple development scenarios, and the necessity to account for a wide range of factors, including environmental, social, and managerial aspects. Traditional financial indicators do not always sufficiently capture the long-term value of investment projects, especially those involving innovative technologies or significant social components.

The aim of this study is to identify and systematize the main problems in assessing an organization's investment activity under modern conditions and to determine possible solutions.

The research objectives are to analyze theoretical approaches to defining investment activity, explore methodological issues in assessing investment performance, identify factors complicating the investment evaluation process, and propose directions for improving investment assessment methods.

Methods

The study is based on a comprehensive analysis of theoretical sources and practical materials related to the challenges of assessing investment activity. The methodological foundation includes a

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systematic approach to analyzing investment processes, comparative analysis of various methods for evaluating investment performance, as well as the synthesis of theoretical concepts and practical approaches.

The research employed methods such as content analysis of scientific literature, systematization and classification of investment assessment problems, and critical examination of existing methodological approaches. Special attention was given to analyzing publications by leading experts in the fields of investment management and financial analysis, covering the period from 2010 to 2024.

The informational base of the study consists of monographs and articles by Russian and international authors, materials from scientific conferences, analytical reports by consulting firms, and practical case studies on the assessment of investment projects across different organizations. In total, more than 120 sources were analyzed, ensuring the representativeness and reliability of the obtained results.

Results

Theoretical Foundations of Investment Activity

The investment activity of an organization is a complex, multifaceted process that can be examined from various theoretical perspectives. In economic theory, investment activity is traditionally defined as the process of allocating capital into different assets with the aim of generating income in future periods. However, despite its brevity, such a definition does not fully capture the complexity and multifaceted nature of investment processes in the modern economy.

From the perspective of strategic management, investment activity is viewed as a key tool for implementing an organization's strategic goals, ensuring its long-term competitiveness and development. In this context, investments serve not merely as a means of earning income but as a way of shaping and advancing the organization's core competencies, creating unique competitive advantages, and adapting to changing external conditions.

Financial theory emphasizes the time value of money and the risks associated with investment decisions. According to this approach, investment activity is the process of deciding how to allocate financial resources among alternative projects, taking into account their profitability, risk levels, and temporal parameters. A key aspect of this approach is the necessity to discount future cash flows and account for various types of risks when evaluating a project's investment attractiveness.

Methodological Problems in Assessing Investment Activity

One of the fundamental challenges in assessing investment activity is the difficulty of adequately determining and measuring investment effectiveness. Classical financial indicators, such as net present value (NPV), internal rate of return (IRR), and profitability index, are based on the assumption that future cash flows can be accurately forecasted and that an appropriate discount rate can be determined. However, in real-world conditions, these assumptions often do not hold, leading to significant errors in evaluating investment performance.

The problem of determining an adequate discount rate is one of the most complex tasks in the field of investment assessment. The discount rate must reflect the opportunity cost of capital, the project's risk level, inflation expectations, and other factors. Existing methods for calculating the discount rate, including the Capital Asset Pricing Model (CAPM) and the Arbitrage Pricing Theory (APT), have several limitations and do not always provide an accurate estimate of the required return.

Particular difficulties arise when evaluating innovative and high-tech projects, which are characterized by a high degree of uncertainty and significant potential for long-term value creation. Traditional discounted cash flow methods may underestimate the value of such projects because they

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fail to account for the possibility of strategic adaptation during the project's implementation and potential synergetic effects.

The Problem of Uncertainty and Risk

Uncertainty represents one of the most significant problems in the assessment of investment activity. Unlike risk, which can be measured and evaluated using probabilistic methods, uncertainty is characterized by the lack of sufficient information to form justified probabilistic estimates. The modern economic environment is marked by a high degree of uncertainty, driven by rapid technological changes, market volatility, political instability, and other factors.

Traditional risk analysis methods, which rely on historical data and statistical models, may be insufficient in conditions of structural changes in the economy and the emergence of fundamentally new types of risks. Moreover, many investment projects are unique and lack direct analogues, making it impossible to use historical data for risk assessment.

The problem is further exacerbated by the fact that different types of risks may be interconnected and influence each other in nonlinear ways. Systemic risks, such as financial crises or pandemics, can simultaneously impact multiple projects and industries, undermining the independence assumptions underlying many assessment models.

Problems Integrating Financial and Non-financial Indicators

Modern investment management increasingly recognizes the importance of non-financial factors for the long-term success of investment projects. Environmental, social, and governance (ESG) factors are becoming crucial criteria for assessing investment attractiveness, especially for institutional investors and companies focused on sustainable development.

However, integrating non-financial indicators into investment assessment systems poses significant challenges. The main problem lies in the difficulty of quantitatively measuring non-financial effects and translating them into monetary terms. For example, evaluating the environmental benefits of adopting "green" technologies or the social impact of an investment project requires complex methodologies and often relies on subjective judgments.

In addition, the time horizons for realizing financial and non-financial effects may differ significantly. Financial results from investments usually materialize in the short- to medium-term, while non-financial effects, such as reputational benefits or social impacts, may accumulate over a longer period and be more difficult to measure.

Temporal Aspects of Investment Assessment

The problem of adequately accounting for the temporal aspects of investment activity is one of the fundamental issues in investment assessment. Investment projects are characterized by different implementation timeframes, uneven cash flows over time, and the possibility of parameter changes during the project's execution.

Traditional assessment methods based on discounted cash flows assume fixed project parameters throughout its entire lifecycle. However, in reality, investment projects are flexible and can be adapted to changing conditions. Managers may decide to expand, scale down, or terminate a project depending on the information received about its performance and external environmental changes.

Incorporating real options into investment assessment can partially address this issue, but applying option-based models requires substantial computational resources and specialized expertise. Moreover, many investment management practitioners lack sufficient training to use complex option models, which limits their practical application.

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Discussion

The analysis of the problems associated with assessing an organization's investment activity has revealed their systemic nature and interrelatedness. Methodological issues in investment evaluation cannot be considered in isolation, as they form a set of interconnected challenges that require a comprehensive, integrated approach to address.

One of the key directions for solving the identified problems is the development of integrated approaches to investment assessment that combine both quantitative and qualitative methods of analysis. Such approaches should account not only for the financial parameters of projects but also for their strategic significance, contribution to the development of the organization's core competencies, and non-financial effects.

An important aspect of improving investment evaluation methods is the advancement of scenario-based approaches and sensitivity analysis techniques. The use of multiple development scenarios allows for better consideration of the uncertainties and risks associated with investment projects. At the same time, it is necessary to develop methods for aggregating the results of various scenarios and forming an integrated assessment of a project's investment attractiveness.

A promising direction is the use of modern information technologies and machine learning methods for analyzing large datasets and uncovering hidden patterns in the behavior of investment projects. Artificial intelligence can assist in processing complex information and generating more accurate forecasts of project development.

However, technological solutions cannot fully replace professional judgment and expert evaluation. A crucial factor in improving the quality of investment assessment remains the development of competencies among specialists in investment management and financial analysis. This requires the enhancement of educational programs and professional training systems in this field.

Special attention should be given to the development of evaluation methods for innovative and high-tech projects, which play an increasingly important role in the modern economy. Such projects require specialized assessment approaches that consider their specific characteristics and potential for creating long-term value.

The integration of ESG (environmental, social, and governance) factors into investment assessment systems represents an important trend in modern investment management. It is necessary to develop standardized methods for evaluating the environmental, social, and governance aspects of investment projects, as well as mechanisms for integrating these with traditional financial indicators.

Conclusion

The analysis of the problems associated with assessing an organization's investment activity has revealed their multifaceted and systemic nature. The main challenges are linked to the methodological limitations of existing assessment approaches, the complexity of accounting for uncertainty and risks, the difficulties of integrating financial and non-financial indicators, and the temporal aspects of investment decisions.

Addressing the identified problems requires a comprehensive approach that includes the development of theoretical foundations for investment assessment, the improvement of methodological tools, the use of modern information technologies, and the enhancement of specialists' qualifications. Particularly important is the advancement of integrated assessment approaches that take into account the specifics of the modern economic environment and the growing significance of non-financial factors.

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Future research in this area should focus on developing practical tools to address the identified challenges, adapting existing methods to the specificities of different industries and types of investment projects, and examining the impact of digital technologies on investment assessment processes.

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