

The Effect of Macroeconomic Uncertainty on Performance and Strategic Decisions of Companies in the Market

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ABSTRACT

Purpose: This study aims to explore the effects of macroeconomic uncertainty on corporate performance and strategic decision-making. By synthesizing existing research, it seeks to understand how firms navigate financial instability, adjust investment strategies, and adopt adaptive frameworks to mitigate the risks associated with economic volatility.

Research Method: This study employs a Systematic Literature Review (SLR) approach to analyze empirical findings from multiple industries and economic contexts. The study examines how firms manage risks and capitalize on emerging opportunities in uncertain market conditions by integrating diverse theoretical perspectives, including fundamental options theory, strategic flexibility, and digital transformation. Data from peer-reviewed journal articles and industry reports were analyzed to identify key trends and strategic responses to macroeconomic instability.

Results and Discussion: The findings reveal that financial instability, delayed investment decisions, and liquidity constraints are significant challenges that companies face during periods of economic uncertainty. However, firms with diversified portfolios, digital integration, and agile decision-making structures exhibit greater resilience. The study also highlights the role of AI-driven analytics and predictive modeling in enhancing corporate risk management. Corporate governance and risk mitigation strategies are also important in ensuring long-term business sustainability.

Implications: This study contributes to academic literature and managerial practice by reinforcing the need for data-driven strategic planning, flexible financial policies, and digital transformation to navigate macroeconomic uncertainty. Future research should investigate sector-specific responses and regional differences to refine corporate adaptation strategies.

Keywords: macroeconomic uncertainty, corporate performance, strategic decision-making, financial risk management, digital transformation.

Introduction

In the contemporary global economy, macroeconomic uncertainty has emerged as one of the most pressing challenges influencing corporate performance and strategic decision-making. The rapid and unpredictable fluctuations in exchange rates, volatility in monetary policies, instability in commodity prices, and escalating geopolitical tensions have collectively created an environment of heightened economic uncertainty. These factors contribute to market instability, making it increasingly difficult for businesses to forecast future financial conditions, manage resources effectively, and sustain long-term



strategic initiatives. While economic uncertainty has historically been an intrinsic characteristic of financial and business cycles, the frequency and magnitude of macroeconomic disruptions have intensified over the past decades. Events such as global financial crises, trade wars, pandemic-induced recessions, and shifts in regulatory frameworks have further amplified the complexity of corporate decision-making processes. As firms strive to navigate these unpredictable conditions, they must adopt more sophisticated strategies that balance risk mitigation with growth objectives. However, the challenge is that macroeconomic uncertainty does not affect all firms uniformly. The impact varies based on industry dynamics, market position, financial structure, and the agility of corporate governance mechanisms. Despite substantial research on the effects of financial crises, inflationary periods, and monetary policy shifts, the specific ways companies formulate and execute strategic decisions amid prolonged macroeconomic uncertainty remain a subject of ongoing academic and managerial debate. This knowledge gap underscores the need for further exploration of how firms develop resilient strategies to withstand macroeconomic turbulence and sustain their competitive positioning in volatile market conditions.

Against this backdrop, companies operating amid high macroeconomic uncertainty face formidable challenges in sustaining profitability, securing long-term financial stability, and achieving strategic growth. Unpredictable economic fluctuations necessitate continuous reassessment of corporate financial strategies, capital allocation decisions, and broader market positioning. The volatility of interest rates, inflationary trends, and sudden regulatory shifts requires firms to develop proactive, adaptive strategies that effectively mitigate financial risks while capitalizing on emerging opportunities. For instance, some firms leverage counter-cyclical investment strategies to exploit market fluctuations and gain a competitive advantage. In contrast, others adopt a more conservative financial stance to shield themselves from potential economic downturns. However, the absence of a universally effective response to macroeconomic uncertainty presents a significant challenge for businesses, as no one-size-fits-all strategy guarantees resilience across all industries and economic conditions. Firms must tailor their strategic decisions to align with their specific operational models, industry structures, and external economic environments. Nevertheless, many companies struggle to identify optimal approaches to managing uncertainty due to the complex interplay of financial market dynamics, corporate governance structures, and global economic trends. This raises a fundamental question about how firms design and implement strategic frameworks that enable them to operate successfully amidst persistent macroeconomic volatility. A deeper understanding of these mechanisms is essential to bridging the gap between theoretical discourse and practical corporate strategy, thereby providing a more comprehensive perspective on the evolving role of macroeconomic uncertainty in shaping business decision-making.

Recent research has provided valuable insights into the complex relationship between macroeconomic uncertainty, corporate performance, and strategic decision-making. Scholars have examined how firms respond to economic volatility and the varying degrees to which uncertainty influences business operations. Novelli & Spina (2024) found that structured, scientific decision-making approaches benefit firms with well-defined business models, whereas companies still formulating their strategic direction may experience heightened uncertainty. This suggests that while data-driven and analytical frameworks can enhance corporate decision-making, their effectiveness may depend on a company's maturity and strategic clarity. Similarly, Cho & Yi (2024) explored the impact of macroeconomic uncertainty on corporate social responsibility (CSR), concluding that firms reduce CSR-



related activities during periods of economic instability. However, they found that third-party assurance mechanisms for CSR reports can mitigate this decline, reinforcing the importance of external verification in maintaining corporate sustainability efforts. Meanwhile, Koroma & Bein (2024) demonstrated that economic policy uncertainty significantly moderates the relationship between working capital management and profitability in UK-based firms. Their study underscores the need for adaptive financial strategies that allow firms to navigate unpredictable policy changes while maintaining profitability.

Other studies have focused on strategic adaptability and how firms can mitigate uncertainty. Suvorova et al. (2024) emphasized the importance of integrated strategic decision-making approaches in uncertain environments. They recommended that firms combine multiple analytical frameworks, such as Porter's Five Forces and SWOT analysis, to enhance their adaptability. Liu et al. (2024) similarly highlighted the significance of strategic agility, particularly in the digital economy, where adopting online-to-offline platforms can help firms counteract the adverse effects of market uncertainty. Kumar et al. (2023) provided further evidence of the macroeconomic implications of uncertainty, demonstrating that rising economic instability leads to reduced pricing power, lower employment levels, lower investment rates, and slower technology adoption. In emerging markets, Ososuakpor (2021) identified mixed effects of macroeconomic uncertainty on corporate investment in Nigeria, where inflation-related uncertainty was positively correlated with investment. In contrast, exchange rate volatility had a negative impact. Finally, Mirza & Ahsan (2020) investigated the role of economic policy uncertainty in shaping firms' strategic positioning and risk exposure. Their findings indicate that while uncertainty increases overall market risk, its influence on business risk depends on a firm's specific risk management strategies. These studies highlight the multifaceted, industry-specific nature of macroeconomic uncertainty, suggesting that companies must adopt flexible, comprehensive strategies to maintain resilience in volatile market conditions.

Despite extensive research on macroeconomic uncertainty, critical gaps remain in understanding its impact on corporate performance and strategic decision-making. While studies such as Novelli & Spina (2024) and Suvorova et al. (2024) highlight structured decision-making and strategic adaptability, empirical evidence on how firms implement these approaches remains limited. Most research provides broad theoretical recommendations without detailing the mechanisms through which firms successfully navigate macroeconomic volatility. Additionally, while studies such as Koroma & Bein (2024) focus on developed markets and Ososuakpor (2021) examine emerging economies, comparative analysis across economic contexts is lacking, leaving an incomplete understanding of firms' adaptive responses in diverse regulatory and financial environments. Another gap lies in the interaction between macroeconomic uncertainty and firm-level strategic adaptability. While Liu et al. (2023) and Kumar et al. (2022) explore digital transformation and financial flexibility as mitigation strategies, research on the links among corporate governance, innovation, and strategic agility remains fragmented. Furthermore, existing studies often isolate the effects of uncertainty on specific corporate functions, such as CSR (Cho & Yi, 2024) or investment strategies (Mirza & Ahsan, 2020), rather than offering an integrated perspective on financial stability, strategic growth, and risk management. Addressing these gaps is essential to developing a holistic understanding of how firms balance resilience and opportunity in an increasingly uncertain global economy.

To bridge the gaps identified in previous research, this study offers a Systematic Literature Review (SLR) that synthesizes findings on the effects of macroeconomic uncertainty on corporate performance and strategic decision-making. Unlike prior studies focusing on sector-specific or regional



impacts, this research aims to provide a more comprehensive and comparative perspective by integrating insights across industries and economic contexts. Existing literature has yet to fully explain how firms with different characteristics—such as size, market position, and governance structures—adjust their strategies in response to economic volatility. Furthermore, while some studies explore isolated aspects like financial risk management or corporate social responsibility, a holistic understanding of how firms balance financial stability, strategic agility, and long-term resilience remains underdeveloped. This study, therefore, seeks to clarify the complex interaction between macroeconomic uncertainty and corporate decision-making by systematically reviewing empirical evidence from diverse market settings. To achieve this, the research addresses the following key questions: (1) How does macroeconomic uncertainty influence corporate performance across different industries? (2) What strategic decision-making frameworks most effectively mitigate economic uncertainty? (3) How do firm characteristics, such as governance structure and financial flexibility, shape the relationship between macroeconomic uncertainty and business strategy? This study will contribute to academic discourse and practical business strategies by answering these questions, offering valuable insights for corporate leaders, policymakers, and researchers navigating an increasingly volatile global economy. Through a structured and systematic approach, this study aims to deepen the understanding of how businesses respond to uncertainty and develop strategic frameworks that enhance long-term sustainability.

Literature Review and Hypothesis Development

The Real Options Theory

In an increasingly dynamic and uncertain business environment, investment decision-making presents a strategic challenge for companies. The Real Options Theory (ROT) provides a framework that enables firms to manage investments flexibly in response to changing market conditions (Myers, 1977). Unlike traditional investment models, which assume that decisions are fixed and irreversible, ROT enables businesses to evaluate multiple possibilities before committing significant resources (Cardin et al., 2020). By treating investments as strategic options, companies can defer, expand, contract, switch, or abandon projects in response to newly available information and evolving market trends. This approach aligns with the principles of financial options theory, which was initially developed to value financial derivatives but is now widely applied to business strategy and investment planning (Alexander & Chen, 2021). Real options are particularly valuable in industries characterized by high uncertainty, such as energy, pharmaceuticals, and technology, where companies often need to adjust their strategic approaches dynamically. The option to defer, for instance, allows firms to delay investments until regulatory policies or market conditions become clearer, reducing exposure to unforeseen risks (Savchuk, 2023). Similarly, the option to expand allows companies to scale operations in response to favorable market conditions, while the option to abandon provides a safeguard against prolonged financial losses. By integrating real options into investment strategy, businesses can enhance their resilience, manage risk more effectively, and ensure data-driven decision-making in volatile economic landscapes (Trigeorgis & Reuer, 2017). This flexibility strengthens long-term corporate sustainability by allowing firms to navigate uncertainty with incredible strategic foresight.

In strategic decision-making, companies often employ various real options to enhance flexibility and adaptability. One such option is deferring, allowing firms to postpone investments until additional information about market conditions or regulatory changes becomes available (Ofori et al., 2021). This



approach is particularly valuable in high-risk industries such as energy and pharmaceuticals, where uncertainty can significantly affect investment outcomes. Another option is expansion, which enables companies to scale up operations following positive initial project results (Piaskowska et al., 2021). This strategy is pertinent in sectors with high growth potential, such as technology and manufacturing, where expansion can substantially increase profits. Conversely, the option to contract provides firms with the flexibility to downsize operations or terminate parts of a project to avoid further losses when market conditions deteriorate (Merrow, 2022). This allows companies to adjust their operations to meet demand and manage risks more effectively. The option to switch permits firms to reallocate assets or resources to more profitable projects or products. This strategy is especially relevant in industries with rapidly changing demand, like retail and e-commerce, where operational flexibility is crucial for success. Finally, the option to abandon allows companies to cease unprofitable projects, thereby mitigating financial risks. By integrating these real options into their investment strategies, businesses can enhance resilience, manage risks more effectively, and ensure that investment decisions remain flexible and data-driven amid global economic uncertainties.

Macroeconomic Uncertainty

In an increasingly complex global business environment, Macroeconomic Uncertainty has emerged as a significant challenge for firms as they navigate investment decisions and strategic planning. Economic unpredictability stems from multiple external factors, including fluctuations in monetary and fiscal policies, exchange rate volatility, financial crises, and geopolitical risks, which significantly disrupt corporate stability (Hodula et al., 2024). The Economic Policy Uncertainty (EPU) Index, widely utilized in empirical studies, has become a key tool for assessing the effects of uncertainty on business decision-making (Ma & Sun, 2024). Alternative approaches, including probability-based econometric models and machine learning techniques, are also gaining traction in academic research as they provide more nuanced predictions of economic instability (Das et al., 2024). Monetary and fiscal policy shifts often generate substantial uncertainty, influencing corporate investment behavior and risk exposure. Firms struggling to anticipate changes in interest rates and inflationary trends frequently delay expansion plans and reallocate resources to mitigate potential losses (Korsah et al., 2024). Similarly, exchange rate instability introduces additional risk, particularly for multinational corporations engaged in international trade, as it affects profit margins and operational costs. The 2008 financial crisis and the COVID-19 pandemic further exacerbated macroeconomic instability, amplifying systemic risks and disrupting global supply chains (NguyenHuu & Örsal, 2024). In response to these challenges, companies must develop resilient financial strategies, enhance risk management frameworks, and integrate predictive analytics to safeguard long-term business sustainability in an increasingly volatile economic landscape.

In the face of macroeconomic uncertainty, companies must develop adaptive strategies to manage risks while effectively maintaining competitiveness in the market. Portfolio diversification and financial flexibility are among the most widely used strategies as firms seek to reduce dependence on a single revenue source or market segment (Fahlenbrach et al., 2021). Businesses adopting multi-sector investment approaches demonstrate greater resilience in navigating economic volatility. By maintaining a balanced revenue mix, firms can protect cash flow stability and sustain operations across various economic conditions. Companies frequently employ hedging strategies as part of their financial risk management framework, utilizing derivatives to safeguard asset values against fluctuations in currency



exchange rates and commodity prices (Tiwary, 2019). Firms implementing structured hedging mechanisms are more likely to maintain financial stability under high uncertainty than those without protective measures (King & Maier, 2009). Alongside financial tools, organizational agility and structural flexibility are crucial for enabling firms to adapt swiftly to economic changes. Businesses with decentralized decision-making models and dynamic resource allocation mechanisms tend to respond more efficiently to regulatory shifts and market fluctuations (Jiang et al., 2019). Moreover, integrating big data analytics and artificial intelligence (AI) into business decision-making has improved predictive accuracy, allowing firms to adjust strategies in anticipation of macroeconomic shifts proactively. Organizations must adopt a proactive stance as economic uncertainty evolves—balancing risk management, operational efficiency, and innovation—to ensure sustainable growth.

Corporate Performance Under Macroeconomic Uncertainty

In the face of macroeconomic uncertainty, corporate performance is increasingly influenced by external financial disruptions, requiring firms to develop adaptive strategies to sustain stability and long-term growth. Economic volatility, caused by policy shifts, financial crises, and geopolitical tensions, presents significant challenges to financial planning and operational efficiency (Topić-Pavković, 2024). Research suggests that firms adopting enterprise risk management (ERM) frameworks tend to navigate economic uncertainty more effectively by integrating sustainability metrics into their financial decision-making (Iswajuni et al., 2018). This approach enhances financial resilience and market confidence, particularly for firms operating in high-risk sectors. The interaction among green banking, digital transformation, and asset quality has been found to play a crucial role in corporate stability during periods of economic uncertainty. Digitalization efforts enable firms to leverage real-time financial analytics, improving their ability to anticipate and mitigate market risks (Siswanti et al., 2024). The impact of financial distress on corporate decision-making is particularly evident in dividend policies. Empirical findings indicate that firms facing economic instability adjust their dividend payments strategically, preserving liquidity and maintaining investor confidence (Agarwal et al., 2024). This highlights the broader implications of macroeconomic uncertainty on financial decision-making, emphasizing the need for adaptive strategies in investment and risk management. Firms that integrate sustainability, technological innovation, and proactive financial strategies into their core operations are better positioned to maintain competitive performance in volatile economic environments.

In an era of increasing macroeconomic uncertainty, volatile financial conditions, and policy unpredictability, these factors strongly influence corporate investment and expansion strategies. Firms operating in capital-intensive industries, such as manufacturing and infrastructure, are particularly vulnerable to fluctuations in fiscal policies and exchange rates, often delaying long-term projects until economic stability is more predictable (Petropoulos et al., 2023). The ability to anticipate and mitigate such risks has become a critical determinant of financial sustainability, prompting firms to adopt machine learning and big data analytics to assess macroeconomic risks and optimize investment decisions (Wang et al., 2024). Enterprise risk management (ERM) has gained prominence as companies seek structured approaches to navigating financial instability. Firms incorporating environmental, social, and governance (ESG) metrics into their risk management frameworks tend to exhibit greater resilience, as such disclosures foster investor confidence and enhance corporate value (Abramova, 2024). The role of digital transformation in financial decision-making has grown significantly, with emerging markets demonstrating how green banking and technological integration help stabilize asset quality and



mitigate exposure to volatile economic conditions. As global economic instability continues to pose challenges, companies that leverage predictive analytics, diversified investment portfolios, and risk-adjusted expansion strategies are better positioned to sustain financial performance in uncertain markets (Martinez, 2023). This underscores the need for data-driven investment approaches that can enhance corporate adaptability and ensure long-term financial growth despite macroeconomic fluctuations.

Strategic Decision-Making in Uncertain Economic Environments

In today's dynamic business environment, strategic decision-making is essential for maintaining a company's competitive advantage amid increasing macroeconomic uncertainty. Unlike traditional business planning, which often assumes stable market conditions, strategic decisions in volatile environments require flexibility and a data-driven approach. Economic uncertainties, driven by fluctuations in monetary and fiscal policies, exchange rate volatility, and geopolitical risks, significantly challenge firms in formulating long-term strategies (Al-Thaqeb & Algharabali, 2019). Therefore, firms must rely on strategic frameworks such as SWOT analysis and Porter's Five Forces to assess internal and external factors affecting their operations. Furthermore, scenario-based planning enables companies to simulate different economic conditions and prepare adaptive responses (Ayadi & Hunjra, 2025). Fundamental Options Theory has gained prominence as a model that enables companies to adjust investment decisions in response to evolving market conditions, offering a more flexible approach than traditional financial models (Novelli & Spina, 2024). In today's digital age, companies are increasingly adopting big data analytics and artificial intelligence (AI), which provide real-time market insights and enable more informed decision-making. This digital transformation enhances operational efficiency, allowing businesses to optimize pricing strategies and allocate resources more effectively (Arend, 2020). With these advanced technologies, firms can respond more quickly to market shifts, ensuring they remain competitive even in uncertain economic environments (Arend, 2024).

Strategic decision-making is crucial in maintaining a competitive edge amid increasing macroeconomic uncertainty. Firms must adapt their decision-making processes to navigate the unpredictable market dynamics arising from shifts in monetary and fiscal policy, exchange rate fluctuations, and geopolitical risks (Shao et al., 2024). Integrating real-time data analytics and artificial intelligence (AI) into business strategies allows companies to enhance their predictive capabilities and improve decision-making accuracy, making them more adaptable to unforeseen market changes (Dickler et al., 2022). Companies increasingly turn to portfolio diversification to mitigate risk in response to these challenges. By spreading investments across different geographic markets, products, and industries, firms reduce their dependence on any single sector, thereby lowering their exposure to economic downturns. This approach has been found to provide a buffer against economic fluctuations and offer opportunities for growth in less volatile markets (Arend, 2020). Additionally, companies are investing in scenario-based planning, which enables them to prepare for a range of possible scenarios and enhances their readiness to adapt quickly to changing conditions (Cheng et al., 2016). As companies face more complex and dynamic macroeconomic environments, leveraging flexible, data-driven decision-making frameworks becomes essential for long-term success and survival in the market.



Research Method

This research follows a qualitative design using a systematic literature review (SLR). SLR is a rigorous and transparent process aimed at synthesizing existing academic literature on the effects of macroeconomic uncertainty on corporate performance and strategic decision-making. The study aims to provide a comprehensive understanding of companies' strategies for navigating macroeconomic volatility and how these strategies affect their business outcomes. The sample population for this study consists of peer-reviewed journal articles, books, and conference papers that focus on strategic decision-making and corporate performance in the context of macroeconomic uncertainty. These sources are selected based on relevance, methodological rigor, and publication after 2015. The selected studies come from various industries and geographic regions to ensure a broad understanding of the phenomenon. The inclusion criteria are studies that explicitly address the impact of macroeconomic uncertainty on business strategies, performance, or decision-making. In contrast, studies with a narrower focus on single-industry cases or non-peer-reviewed sources are excluded.

The data collection process involves systematically searching and screening databases such as JSTOR, ScienceDirect, Wiley Online, and SpringerLink. Keywords such as "macroeconomic uncertainty," "corporate performance," "strategic decision-making," and "portfolio diversification" are used to identify relevant articles. The inclusion and exclusion criteria are clearly defined to ensure that only studies directly related to the research topic are included. The review also prioritizes studies published after 2018 to ensure the relevance and timeliness of the findings. Data analysis follows a thematic synthesis approach. This involves identifying key themes and patterns across the selected studies and categorizing them into core topics such as portfolio diversification, organizational flexibility, and technology integration in strategic decision-making. The analysis is iterative, with continuous comparison of themes across studies, which helps to identify convergences and discrepancies in the existing literature. This process also allows for the identification of gaps in current research, providing direction for future studies. The findings are presented with clear thematic groupings to offer a structured understanding.

Result and Discussion

Analysis Result

Macroeconomic uncertainty significantly disrupts corporate profitability and financial stability by increasing volatility in economic indicators such as interest rates, inflation, and fiscal policy decisions. These fluctuations create an unpredictable business environment, affecting companies' ability to generate stable revenue, maintain positive cash flows, and avoid financial distress. The banking and manufacturing sectors are particularly vulnerable, as they rely on stable economic conditions to manage their capital investments and operational expenses effectively. During periods of high uncertainty, borrowing costs rise, financial markets become less liquid, and access to credit tightens, placing additional strain on firms that depend on external financing for expansion and innovation. Agarwal, Gautam, and Rastogi (2024) found that while financial distress may not always deter firms from maintaining dividend payments, allocating resources toward shareholder payouts during economic downturns can pressure liquidity. Businesses without strong risk mitigation strategies are more likely to experience sharp declines in profitability, forcing them to cut costs, delay projects, or downsize



operations. Understanding these challenges is crucial for firms seeking to develop robust financial models to navigate economic instability effectively. By implementing proactive liquidity management and diversifying financial risk, companies can better shield themselves from macroeconomic shocks and maintain operational resilience even in uncertain conditions.

Uncertain economic environments force firms to adopt a cautious approach to investment and expansion decisions, delaying capital expenditures and postponing growth initiatives until market conditions stabilize. Economic volatility, driven by fluctuating interest rates, inconsistent fiscal policies, and unpredictable inflation rates, discourages businesses from committing to large-scale investments. Al-Thaqeb and Algharabali (2019) highlight that economic policy uncertainty reduces corporate investment as firms struggle to predict regulatory changes and market stability. This hesitation is particularly evident in capital-intensive industries such as real estate, energy, and infrastructure, where firms require long-term financial planning and stable policy frameworks to justify significant investments. While a conservative approach helps firms safeguard short-term financial stability, prolonged investment delays can undermine long-term competitiveness, weaken market positioning, and limit innovation. Multinational corporations (MNCs) face additional complexities due to policy variations across countries, which require them to reassess their expansion plans regularly. To balance risk aversion with strategic growth, firms should integrate scenario-based decision-making frameworks, allowing them to evaluate multiple economic outcomes and adjust investment strategies accordingly. Strategic foresight tools, such as stress testing and financial simulations, can give businesses greater confidence when making investment decisions, even during periods of economic uncertainty. Without adaptive investment strategies, firms risk stagnation, limiting their ability to seize emerging opportunities that could drive future growth and profitability.

Diversification is a critical strategic approach that helps companies mitigate the risks associated with economic uncertainty. By expanding their operations across multiple markets, industries, and product lines, firms can reduce dependence on a single revenue stream, thereby insulating themselves from sector-specific downturns. Diversification can take various forms, including geographic expansion, which reduces exposure to localized economic disruptions, and product diversification, which allows businesses to maintain revenue even when demand for a particular product declines. Mirza and Ahsan (2020) found that firms with diversified portfolios exhibit greater financial resilience during economic turbulence, as they can offset losses in one segment with gains in another. Additionally, a well-executed diversification strategy enables firms to capitalize on emerging trends and evolving consumer preferences, positioning themselves ahead of competitors that rely on a narrow market focus. However, successful diversification requires strong market intelligence and strategic resource allocation, as poorly managed diversification efforts can lead to inefficiencies, increased operational complexity, and excessive financial strain. Firms must conduct rigorous market research to identify viable diversification opportunities and ensure that new investments align with core business competencies. In volatile economic conditions, diversification acts as both a defensive mechanism and a strategic growth driver, enabling companies to sustain long-term profitability while reducing their vulnerability to macroeconomic shocks.

The integration of digital technologies is revolutionizing corporate decision-making, equipping firms with advanced tools to navigate macroeconomic uncertainty. The increasing adoption of big data analytics, artificial intelligence (AI), and machine learning enables businesses to extract valuable insights from vast datasets, enhancing their ability to anticipate market trends, assess economic risks, and make



informed strategic choices. Digital transformation enables firms to monitor key economic indicators in real time, improving their responsiveness to financial and operational disruptions. Liu et al. (2024) highlight that digitalization enhances strategic agility and operational resilience, particularly for firms adopting online-to-offline (O2O) business models seamlessly integrating digital and physical retail channels. Predictive analytics and AI-driven forecasting models help companies simulate potential economic scenarios, optimize resource allocation, and automate risk assessments, thereby reducing reliance on traditional decision-making processes that are prone to human error. Technology facilitates supply chain optimization, ensuring that businesses maintain continuity during logistical disruptions or sudden shifts in demand. Companies that leverage digital tools for strategic decision-making outperform competitors that rely solely on conventional planning methods, as they can pivot operations swiftly and exploit emerging market opportunities. As global markets become increasingly volatile, firms that embrace digital transformation will be better positioned to maintain competitive advantage, drive efficiency, and enhance financial sustainability in uncertain economic environments.

Organizational flexibility is a fundamental determinant of corporate resilience in economic uncertainty. Companies with decentralized management structures, agile leadership, and adaptive business models are better equipped to respond to rapid market changes than those with rigid organizational hierarchies. Firms that encourage cross-functional collaboration and dynamic decision-making can reallocate resources, modify operational strategies, and implement innovative solutions more efficiently as economic conditions shift. Arend (2020) emphasizes the need for optimization-based approaches to strategic decision-making, underscoring the importance of businesses developing flexible frameworks that accommodate evolving economic landscapes. Scenario-based planning is a key component of organizational adaptability, enabling firms to prepare for multiple possible outcomes and establish preemptive response strategies. In addition to structural flexibility, fostering a culture of agility within the workforce enhances companies' ability to withstand external disruptions. Companies that invest in employee reskilling, leadership development, and digital training programs empower their teams to proactively contribute to strategic adjustments, ensuring operational efficiency is maintained even in turbulent times. By embedding adaptability into their core business strategies, firms can safeguard long-term growth, optimize risk management, and maintain stability amid unpredictable economic conditions.

Effective corporate governance and risk management frameworks are crucial safeguards for companies navigating macroeconomic uncertainty. Strong governance structures provide transparency, accountability, and strategic oversight, ensuring that firms make well-informed decisions that align with long-term financial sustainability. Additionally, comprehensive risk management practices, such as financial hedging, portfolio rebalancing, and scenario planning, help companies anticipate and mitigate economic shocks. Abramova (2024) examines how firms in the banking sector integrate Environmental, Social, and Governance (ESG) principles into their financial strategies, demonstrating that businesses with strong governance systems are more resilient in volatile economic environments. Hedging strategies, such as currency risk management and commodity price stabilization, allow firms to protect profit margins from external fluctuations, thereby enhancing financial predictability. Risk assessment models incorporating AI-driven analytics enable companies to conduct real-time evaluations of economic risks, improving decision-making accuracy. Without robust governance and proactive risk mitigation, firms remain highly susceptible to financial instability, investor uncertainty, and regulatory challenges. As global markets become increasingly interconnected and complex, companies prioritizing



governance excellence and dynamic risk management will be better positioned to navigate macroeconomic fluctuations, strengthen stakeholder confidence, and secure long-term success.

Discussion

The findings of this study indicate that macroeconomic uncertainty significantly impacts corporate financial performance and strategic decision-making. Companies facing economic uncertainty tend to experience cash flow volatility, increased capital costs, and difficulties accessing financing, ultimately affecting profitability. Firms that operate in industries susceptible to macroeconomic fluctuations, such as manufacturing, banking, and energy, are particularly vulnerable to shifts in interest rates, inflation, and fiscal policy changes. In this context, firms with greater financial flexibility tend to exhibit stronger resilience than those with high debt levels or heavy reliance on a single revenue stream. Al-Thaqeb and Algharabali (2019) highlight that economic policy uncertainty disrupts long-term financial planning, making it imperative for firms to maintain liquidity buffers and diversify funding sources. The unpredictability of monetary and fiscal policies forces companies to adopt dynamic strategies to mitigate financial risks and maintain business continuity. Moreover, this study reveals that investment and business expansion decisions are frequently delayed under conditions of economic instability. Firms often adopt conservative financial strategies, reducing capital expenditures and focusing on cost-efficiency measures to preserve financial stability. While this cautious approach helps firms avoid excessive risk exposure in volatile markets, it may also hinder long-term growth and competitive positioning. Ayadi and Hunjra (2025) emphasize that firms integrating digital tools, such as predictive analytics and machine learning, into investment decision-making are better equipped to identify lower-risk opportunities despite economic volatility. Therefore, companies that leverage data-driven insights can enhance investment precision, optimize capital allocation, and ensure more sustainable financial performance in uncertain economic conditions.

In response to macroeconomic uncertainty, diversification strategies have proven effective for business adaptation. Firms that engage in geographic diversification mitigate risks associated with dependence on a single market. In contrast, product and service diversification allows them to maintain revenue streams even amid fluctuations in industry demand. This study finds that companies that successfully implement diversification strategies exhibit stronger financial resilience and a greater ability to navigate economic fluctuations than firms that are overly reliant on a single line of business or operational region. The strategic importance of diversification is further reinforced by the findings of Das, Hasan, and Sutradhar (2024), who illustrate that economic policy uncertainty and inflation risks increase corporate cash holdings, encouraging firms to adopt diversified investment portfolios as a precautionary measure. This study highlights the growing role of digitalization and technological innovation in corporate decision-making during uncertain economic times. Firms that have adopted big data analytics, artificial intelligence (AI), and real-time market intelligence demonstrate superior adaptability compared to those that rely on traditional analytical methods. Integrating digital technologies enables firms to process and analyze vast economic datasets more efficiently, leading to more accurate real-time risk assessments and improved operational efficiency. These technologies also enhance supply chain optimization, reducing exposure to production delays and cost escalations caused by market volatility. Research by Liu et al. (2024) underscores the importance of digital agility, showing that firms investing in online-to-offline (O2O) platforms and advanced analytics are better positioned



to adjust pricing strategies, reallocate resources, and optimize logistics operations in response to macroeconomic shocks.

Organizational flexibility is another key factor in determining a company's ability to withstand economic uncertainty. Firms with agile organizational structures are better equipped to adapt quickly to economic policy changes and market disruptions than those with rigid, hierarchical structures. Agile firms emphasize decentralized decision-making, which enables business units to respond independently and efficiently to localized economic challenges. Arend (2024) argues that firms that adopt strategic ambiguity frameworks in decision-making are better prepared to navigate uncertainty by leveraging real-time data to adjust their operational and investment strategies dynamically. Moreover, adaptive leadership is crucial to ensuring that companies remain competitive amid economic volatility. Leaders who foster agility, innovation, and proactive risk management create organizational cultures that support continuous strategic realignment in response to macroeconomic fluctuations. This study also highlights the significance of corporate governance and risk management in maintaining business sustainability under uncertain economic conditions. Companies with strong governance frameworks demonstrate excellent financial stability and retain stakeholder trust more effectively than firms with weak governance structures. Effective risk management strategies, including hedging against currency fluctuations and commodity price volatility, are essential for mitigating financial exposure to macroeconomic shocks. According to Agarwal, Gautam, and Rastogi (2024), financially distressed firms with robust governance structures are more likely to sustain dividend payments and maintain investor confidence, even in turbulent economic environments. Therefore, firms that implement transparent governance policies and comprehensive risk mitigation strategies can significantly reduce the negative impacts of macroeconomic uncertainty while preserving long-term business viability.

The findings of this study align with Real Options Theory, which underscores the importance of flexibility in investment decision-making under conditions of uncertainty. This theoretical framework, introduced by Myers (1977), posits that firms operating in volatile economic environments should adopt adaptive investment strategies to adjust their commitments in response to shifting market conditions. Unlike traditional capital budgeting approaches that assume investment decisions are static and irreversible, Real Options Theory views investments as a sequence of decisions, allowing firms to expand, delay, modify, or even abandon projects in response to evolving economic factors. From this perspective, firms that incorporate real options thinking into their strategic planning gain a significant competitive advantage, as they can respond more effectively to macroeconomic fluctuations such as interest rate changes, inflation volatility, and shifting fiscal policies. In the context of this study, businesses that leverage real-time data analytics and predictive modeling to evaluate macroeconomic risks are more likely to sustain financial stability while maximizing investment opportunities. Firms that employ dynamic risk management frameworks can also mitigate potential losses and optimize capital allocation, ensuring long-term resilience in uncertain economic conditions. Thus, integrating Real Options Theory into corporate strategy reinforces the need for companies to move away from rigid investment structures and embrace flexible decision-making to enhance their ability to thrive in unpredictable market environments.

Comparing the findings of this study with previous research shows that the results are broadly consistent with prior empirical studies exploring the relationship between macroeconomic uncertainty and corporate decision-making. Specifically, the findings align with the research conducted by Koroma and Bein (2024), which highlights that economic policy uncertainty significantly moderates the



relationship between working capital management and corporate profitability. Their study suggests that firms operating in volatile economic environments must continuously adjust their financial strategies to mitigate risks associated with fluctuating fiscal policies and uncertain regulatory conditions. This observation reinforces the argument that macroeconomic instability necessitates greater financial agility and more adaptive liquidity management strategies. The results of this study are also supported by the work of Liu et al. (2024), which emphasizes the crucial role of digital transformation in enhancing corporate resilience amid market uncertainties. Their findings demonstrate that firms leveraging big data analytics, artificial intelligence (AI), and real-time market intelligence are better equipped to withstand economic volatility by optimizing decision-making processes and supply chain operations. This study contributes to the existing literature established by Mirza and Ahsan (2020), which asserts that macroeconomic uncertainty elevates market risk and significantly influences corporate strategic choices. However, while this study confirms the broader implications of economic uncertainty, it also highlights sectoral differences in risk mitigation approaches, indicating that companies across industries adopt different strategies to navigate financial instability. These distinctions underscore the need for future research to explore sector-specific responses to macroeconomic uncertainty, particularly in industries with inherently high capital expenditures and long-term investment horizons.

The practical implications of these findings suggest that businesses must take a proactive approach to managing macroeconomic uncertainty by adopting more flexible and data-driven strategies. In an era of heightened economic volatility, companies must move beyond traditional risk management models and integrate advanced digital technologies, including big data analytics, machine learning, and AI-driven decision-making. These technologies enable firms to rapidly assess economic conditions, forecast potential disruptions, and develop strategic responses based on real-time insights. As Liu et al. (2024) demonstrated, firms that leverage digital transformation strategies exhibit higher resilience to economic shocks, allowing them to optimize financial planning and resource allocation in uncertain market environments. Firms should actively pursue broader diversification strategies, including geographic expansion and product offerings, to reduce reliance on a single market or industry sector. Economic uncertainty often affects industries unevenly, making diversification a crucial tool for mitigating financial risk. By expanding into multiple markets and developing a more balanced product portfolio, firms can protect themselves against sector-specific downturns and maintain stable revenue streams. Achieving organizational agility is critical for enhancing strategic decision-making in fluctuating economic conditions. Businesses that adopt agile organizational structures and decentralized decision-making frameworks are better positioned to respond swiftly to economic shifts and capitalize on emerging opportunities. Ultimately, companies should reframe macroeconomic uncertainty not as a constraint but as an opportunity to enhance their competitive advantage and long-term resilience.

Conclusion

This study has explored the effects of macroeconomic uncertainty on corporate performance and strategic decision-making, providing a comprehensive synthesis of existing research. The findings indicate that economic uncertainty significantly influences firms' financial stability, investment behavior, and overall resilience. Companies facing uncertain economic conditions experience heightened financial risk, delays in investment decisions, and greater difficulty accessing capital. However, firms that adopt flexible financial strategies, leverage digital transformation, and diversify their business portfolios demonstrate greater adaptability and resilience in volatile market environments. Additionally, strategic



decision-making frameworks such as fundamental options theory, scenario-based planning, and agile organizational structures enhance a firm's ability to respond dynamically to macroeconomic fluctuations. These insights address key research questions regarding the impact of economic instability on business performance and highlight the role of strategic adaptability in mitigating risks.

The significance of this research lies in its contribution to academic discourse and practical business strategies. From a theoretical perspective, the study reinforces the importance of real options theory and strategic flexibility in navigating uncertain economic conditions. Businesses can develop data-driven strategies that improve financial stability and operational efficiency by integrating digital tools such as big data analytics, AI-driven decision-making, and real-time risk assessment models. Practically, this study underscores the need for proactive risk management, including diversifying revenue streams, investing in resilient financial structures, and fostering an agile corporate culture. From a managerial perspective, executives must recognize uncertainty not as a threat but as an opportunity for innovation and strategic expansion. Firms that proactively prepare for macroeconomic volatility by leveraging technological advancements and adaptive decision-making processes will strengthen their competitive advantage in an increasingly unpredictable global economy.

This study has several limitations that should be addressed in future research. First, the analysis primarily focuses on existing literature, which may limit insights into industry-specific responses to macroeconomic uncertainty. Further empirical studies using sectoral comparisons or firm-level case studies could provide more nuanced insights into how different industries implement adaptive strategies. Additionally, while this study highlights the importance of digitalization and diversification, future research should explore the long-term effectiveness of these strategies across different macroeconomic cycles. Another limitation is the lack of regional differentiation, as macroeconomic policies and economic conditions vary significantly across countries and regions. Future studies should investigate cross-country differences in corporate responses to economic uncertainty, providing a more localized understanding of how businesses can optimize their strategic planning. Lastly, researchers should examine the role of emerging financial technologies and AI-driven forecasting models in enhancing firms' ability to predict and respond to macroeconomic volatility. By expanding these areas of inquiry, future research can build upon the findings of this study and contribute to a more robust understanding of corporate resilience in an era of economic uncertainty.

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