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DIVERSIFICATION STRATEGY AS A WAY TO INCREASE EFFICIENCY OF AN ENTERPRISE

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The article proposes the stages of forming a diversification strategy in order to increase the efficiency of the enterprise. The essence and main characteristics of diversification are considered. The main factors and principles of implementation of the diversification strategy at the enterprise are distinguished. Features of approaches to application of diversification are considered. The types of diversification and their main characteristics are investigated.

The use of diversification method by economic entities of different spheres of activity and forms of ownership is an effective way, because it allows to expand specialization and types of activity, deepen vertical integration, restore inter-sectoral links in the enterprise, be the impetus for the emergence of new rational initiatives and decisions.

The importance of diversified enterprise development is due to the exhaustiveness of internal sources of increasing production efficiency in major business areas, or vice versa an increase in equity. Therefore, diversification should be seen not only as a means of preventing an enterprise's crisis, but also as a strategy for its further prosperous development.

Enterprises that choose a diversification strategy are trying to produce more product modifications to maximize scale. The strategy is implemented through a growth strategy (expanding the product mix) and a market expansion strategy (exploring new markets) or by combining elements of both. The diversification strategy contributes to the independence of the enterprise from one strategic business unit.

To select the most optimal type of strategy, it should be considered the types of diversification, their main characteristics, advantages and disadvantages

Also, in the process of choosing the optimal type of strategy, the influence of factors on the activity of the enterprise should be taken into account. Impact factors, in turn, should be considered and investigated from two points of view: the external environment, from the macro- and microenvironment in which the enterprise operates; the internal environment of the enterprise itself, consisting of a number of links and areas of activity (resources).

Therefore, analyzing the existing types of diversification, the enterprise chooses the most optimal with the greatest benefit and the least risk, that is, to choose the best option for investing with the highest possible profit and ensuring the financial stability of the enterprise.

Keywords: *diversification, strategic management, horizontal diversification, vertical diversification, conglomerate diversification.*

СТРАТЕГІЯ ДИВЕРСИФІКАЦІЇ ЯК ШЛЯХ ПІДВИЩЕННЯ ЕФЕКТИВНОСТІ ДІЯЛЬНОСТІ ПІДПРИЄМСТВА

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Стаття присвячена формуванню етапів стратегії диверсифікації з метою підвищення ефективності діяльності підприємства. Розглянуто сутність та основні характеристики диверсифікації. Виокремлено основні чинники та принципи впровадження стратегії диверсифікації на підприємстві. Розглянуто особливості підходів до застосування диверсифікації. Досліджено види диверсифікації та їх основні характеристики.

Застосування методу диверсифікації суб'єктами господарювання різних сфер діяльності та форм власності є ефективним шляхом, адже він дозволяє розширити спеціалізацію та види діяльності, поглибити вертикальну інтеграцію, відновити міжгалузеві зв'язки на підприємстві, стати поштовхом до виникнення нових раціональних ініціатив та рішень.

Важливість диверсифікованого розвитку підприємств зумовлена вичерпністю внутрішніх джерел зростання ефективності виробництва в основних сферах бізнесу або навпаки збільшенням власного капіталу. Тому, диверсифікацію слід розглядати не тільки як засіб запобігання кризовому становищу

підприємства, а й як стратегію його подальшого процвітаючого розвитку.

Підприємства, які обирають стратегію диверсифікації, намагаються виробляти більше модифікацій продукції, щоб досягти якомога вищого ефекту масштабу. Стратегія реалізується за допомогою стратегії зростання (розширення товарного асортименту) і стратегії розширення ринку (освоєння нових ринків) або на основі комбінування елементів їх обох. Стратегія диверсифікації сприяє незалеженню підприємства від одного стратегічного господарського підрозділу.

З метою вибору найбільш оптимального виду стратегії розглянуті види диверсифікації та їх основні характеристики.

В процесі вибору оптимального виду стратегії слід враховувати вплив факторів на діяльність підприємства. Фактори впливу, в свою чергу, слід розглядати і досліджувати з двох точок зору: зовнішнього середовища, тобто з боку макро- і мікрооточення, у якому діє підприємство; внутрішнього середовища самого підприємства, що складається з ряду ланок і сфер діяльності (ресурсів).

Отже, аналізуючи існуючі види диверсифікації підприємство обирає найбільш оптимальний з найбільшою для себе вигодою і найменшим ризиком, тобто вибрати оптимальний варіант вкладення капіталу із максимально можливим прибутком і забезпеченням фінансової стійкості підприємства.

Ключові слова: диверсифікація, стратегічне управління, горизонтальна диверсифікація, вертикальна диверсифікація, конгломератна диверсифікація.

Problem setting and its relationship with important scientific and practical tasks.

In the conditions of fierce competition, reduction of demand for products (services) of enterprises both in the domestic and foreign markets, the question of finding alternative directions of activity of enterprises becomes especially relevant. Diversification is one of the approaches that makes it possible to increase the competitiveness of the enterprise.

The acceleration of the pace of scientific and technological progress in recent years, the intensification of competition caused by the globalization of the economy, the financial crisis, sharply exacerbate the problem of improving the competitiveness of producers, the problem of finding and realizing competitive advantages. At the same time, dynamic changes in conditions and environment require continuous improvement and updating of the range of products, technologies of its production and market promotion [1]. Therefore, business entities seeking to survive in the market should have at least several varieties of products (services) at their various stages of life cycle that complement each other, that is, diversify products (providing services).

Recent research and publications analysis. The questions of application of the method of diversification by enterprises were investigated in the works such scientists as I. Ansoff, K. Bury, I.A. Belotkach, A.S. Vitkovsky, M. Gort, O.V. Zorenko, O.O. Komlichenko, N.I. Stepanenko, V.A. Tsymbal, A.A. Chukhno and others.

However, further consideration is needed to investigate the strategic directions for applying diversification in business activities of enterprises.

The purpose of the article. Research of stages of formation of strategic directions of diversification of activity of the enterprise.

The main results and their rationale. The success of any enterprise depends on the ability to anticipate and adapt to strategic changes in a timely manner, in particular to change the structure of production, develop and introduce into production new types of products, correctly plan the volume of production of different goods, as well as the ability to innovate and adapt to technological changes.

The effective way to increase the efficiency of the enterprise is to develop and implement a strategy that can take the enterprise to a new level of management, improve financial results and ensure effective functioning in a competitive environment. Among the existing strategic alternatives, diversification of activities as a multifaceted development strategy can provide such prospects, which in turn will lead to competitiveness of the enterprise.

Diversification is the type of economic process, the main essence of which is the development of several unrelated or service productions, the development of new types of goods, works and services. In the general sense, diversification (Latin *diversus* - different and

Latin *facere* - do) is a process of enterprise development related to increasing the range of species and penetration into new fields of activity, development of new productions, expansion of product range, including not only diversification of commodity groups, but also the expansion of entrepreneurial activity to new and not related to the main activities of the enterprise [2-4].

Diversification (new product - new market) is a strategy that allows the enterprise to take advantage of current advantages in new areas of activity in the context of significant variability of the business environment [5].

Diversification does not mean that the enterprise should take every opportunity, but must identify a direction where it will find application of its experience, or a direction that will help to eliminate the shortcomings [6].

The use of diversification method by economic entities of different spheres of activity and forms of ownership is an effective way, because it allows to expand specialization and types of activity, deepen vertical integration, restore inter-sectoral links in the enterprise, be the impetus for the emergence of new rational initiatives and decisions.

The importance of diversified enterprise development is due to the exhaustiveness of internal sources of increasing production efficiency in major business areas, or vice versa an increase in equity. Therefore, diversification should be seen not only as a means of preventing an enterprise's crisis, but also as a strategy for its further prosperous development.

The following factors are the main causes for business entities to make diversification decisions:

- Incomplete use of resources;
- reduction of profits from the main production;
- reduction of demand for products and services;
- creation of new jobs;
- constant growth of competition;
- scientific and technological progress.

It should be noted that the development and implementation of a diversification strategy should be based on the following basic principles:

- enhancing the potential for further growth development;
- accumulation of resources and other means for development of related or new directions, spheres of activity, types of products;
- effective reduction of production costs (cost reduction);
- assessment of prospects for new activities, industries.

Also, it should be taking into account existing approaches to applying diversification: resource, market and systemic. The peculiarity of the resource approach is that the type of diversification depends on the flexibility of resources. Concentrating on its strengths, an enterprise can act in many markets at once and hedge against cyclical fluctuations in individual markets. If, as a result of the comparison of productions and available resources, excess capacity is found, then a new unit of the enterprise can be created in response to this, as an independent economic unit. At the same time, if there are unused resources, they can be applied not only in the already developed markets, but also become the basis for expanding the activity of the enterprise in other markets.

The market approach is characterized by the fact that special attention is paid to the attractiveness of the environment as an indicator of growth, market quality, as well as commodity market positioning in relation to competitors. The enterprise has the opportunity to identify untapped business opportunities, rethink existing ones and find new markets.

A systematic approach for assessing the impact of production diversification on the production system is based on identifying the information and economic nature of the process as an integral part of the enterprise management mechanism. It helps to identify the reasons for

decision making, provides tools and techniques to improve planning and control.

Investigations into strategic areas of enterprise activity management have found that it is advisable to consider a diversification strategy:

- as a corporate-wide strategy that leverages key potential competitive advantage over specialized non-diversified businesses. At the same time, one of the main advantages is the emphasis on the opportunities afforded by a broadly diversified enterprise to reallocate its resources in the area where there is the greatest potential for profitability. In doing so, managers must act in such a way that diversification does not reduce the cost of accumulated capital.

- as a factor of strategic development of the enterprise through the choice of effective "portfolio" strategy and the combination of centrifugal forces. That is, by diversifying the enterprise, managers consider its activity in the long term, while combining traditional with non-traditional production, extend the boundaries of its core activity, concentrate efforts on the production of new products and improving the needs of consumers, etc.

Enterprises that choose a diversification strategy are trying to produce more product modifications to maximize scale. The strategy is implemented through a growth strategy (expanding the product mix) and a market expansion strategy (exploring new markets) or by combining elements of both. The diversification strategy contributes to the independence of the enterprise from one strategic business unit.

Considering the above, we will elaborate the stages of formation of the enterprise diversification strategy (Fig. 1).

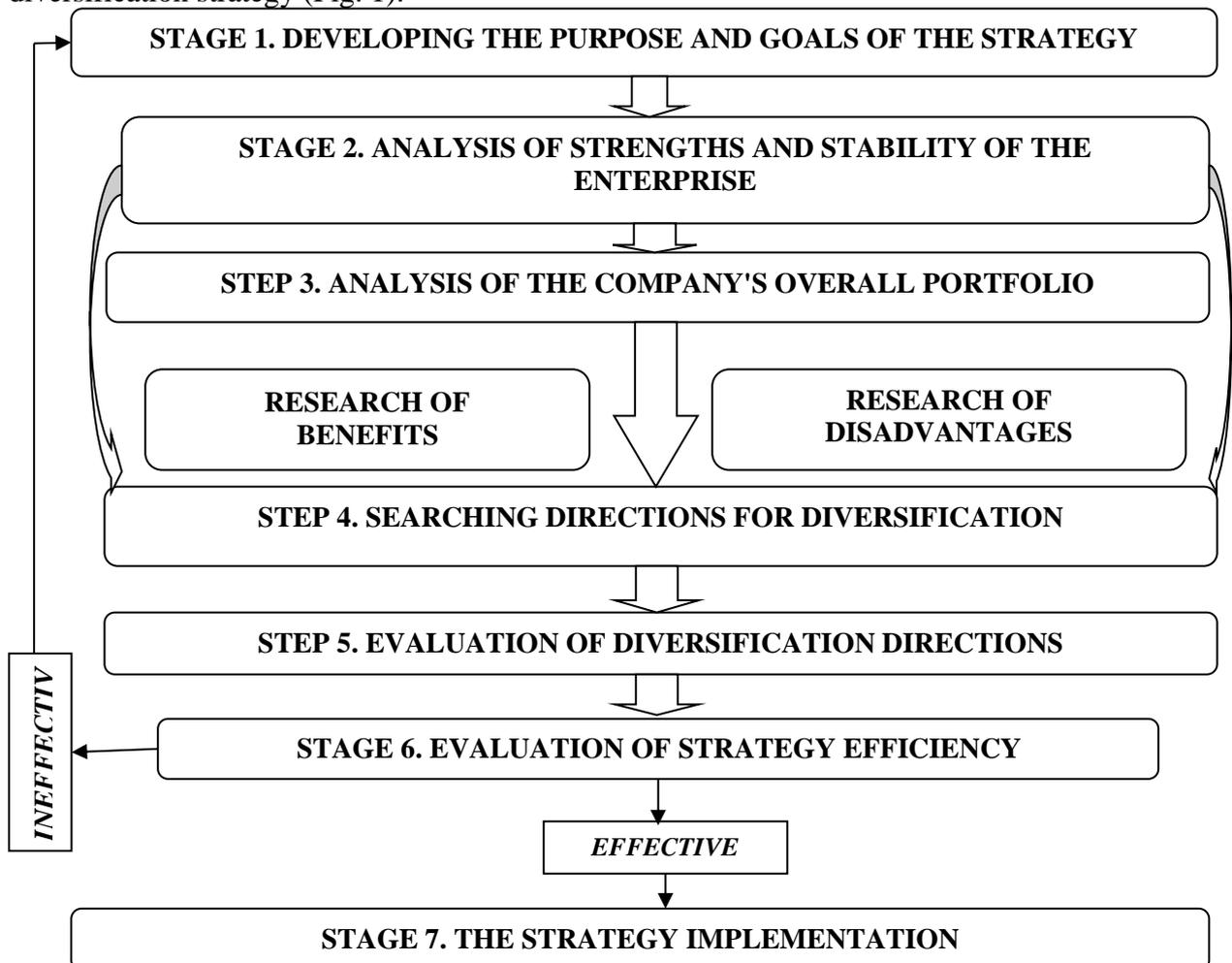


Fig. 1. Stages of formation of enterprise diversification strategy *

* developed by the author

In the first stage of the enterprise diversification strategy formation it is necessary to define its purpose and goals.

It should be noted that diversification objectives can be:

- conquering new markets for products;
- expansion of product range;
- improving the financial and economic condition of the enterprise;
- conformity of production to the constantly changing market needs;
- insurance of the enterprise against the risk of entry of products to the stage of life cycle decline;
- increase of competitiveness of the enterprise;
- updating of the scientific and technical base of the enterprise;
- more complete utilization of production facilities.

The next step is to analyze the strengths of the enterprise and its stability. For this purpose, it can be used the results of SWOT - analysis and other types of analysis that allow to determine the benefits and opportunities of the enterprise.

To select the most optimal type of strategy, it should be considered the types of diversification, their main characteristics, advantages and disadvantages (Table 1).

Table 1

Types of diversification and their main characteristics

Types of diversification	Main characteristics	Advantages	Disadvantages
<i>Vertical</i>	<ul style="list-style-type: none"> - new production in technological and marketing aspect is connected with existing production of the enterprise; - expansion of activities for the purpose of production or control production of all components, parts and materials; - absorption of intermediaries and suppliers; - control over the entire production chain from raw materials to finished products. 	<ul style="list-style-type: none"> - combination of coordination of actions with high control capabilities; - stability of economic relations within the enterprise; - guaranteed supplies of material and technical resources; - close contact with end consumers. 	<ul style="list-style-type: none"> - limited markets
<i>Horizontal</i>	<ul style="list-style-type: none"> - production or sale of new products, not related to the existing assortment, but aimed at the existing clientele; - entering new business areas that are related to meeting the needs of existing customers. 	<ul style="list-style-type: none"> - consumer needs are taken into account 	<ul style="list-style-type: none"> - the risk of restricting markets
<i>Conglomerate</i>	<ul style="list-style-type: none"> - the creation of new products that are in no way related to existing technology, nor with the needs of existing consumers in the enterprise; - requires the largest financial costs and is available only to large enterprises 	<ul style="list-style-type: none"> - rational use of financial resources; - reducing the risk of falling demand for certain goods; - protection against absorption. 	<ul style="list-style-type: none"> - difficulties in regulating different types of businesses and units; - complexity of the analysis of strategic problems; - problematic assessment of strategic plans.

In the process of choosing the optimal type of strategy, the influence of factors on the activity of the enterprise should be taken into account. Impact factors, in turn, should be considered and investigated from two points of view:

- the external environment, from the macro- and microenvironment in which the enterprise operates;
- the internal environment of the enterprise itself, consisting of a number of links and areas of activity (resources).

Therefore, analyzing the existing types of diversification, the enterprise chooses the most optimal with the greatest benefit and the least risk, that is, to choose the best option for investing with the highest possible profit and ensuring the financial stability of the enterprise.

Conclusions. Thus, developing and implementing a diversification strategy can help increase the value of the enterprise, which is relevant to any type of economic activity. Diversification will support the enterprise during the economic downturn and will allow it to achieve competitive advantages in the medium to long term. Also, it is rational to study to evaluate the effectiveness of economic diversification, depending on the state of the industry market in which the enterprise operates.

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