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## THE IMPACT OF DIVERSIFICATION ON THE USE OF THE POTENTIAL OF AGRICULTURAL ENTERPRISES

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### ВПЛИВ ДИВЕРСИФІКАЦІЇ НА ВИКОРИСТАННЯ ПОТЕНЦІАЛУ АГРАРНИХ ПІДПРИЄМСТВ

The article considers the influence of diversification on the use of the potential of enterprises in an agricultural enterprise. Diversification is considered as a process of increasing the efficiency of the enterprise and reducing economic risks, based on the development of new industries and the expansion of the occupied market share. It is considered that the main purpose of diversification is to increase profits and reduce risks by conducting activities in several directions, which can even be characterized by a special periodicity, depending on the financial condition and capabilities of the enterprise. The definition of rational diversification of an agricultural enterprise depends on the development and application of the criterion of optimality. Each option for the development of production is characterized by a way of using the resource potential of the enterprise, which corresponds to the production of a certain type, the number and level of costs. Established motives (economic, financial, strategic, social) that affect the transition to a balanced diversification policy, namely, aimed at expanding activities; determined by the external conditions of the enterprise and objective reasons for reducing economic risks. It is specified that all motives, goals can exist separately, or be combined with each other, which depends on the specific conditions of each enterprise and the choice of types of diversification must be justified and carefully planned taking into account these components. In agricultural production, the choice of a combination of activities depends on a number of physical and biological factors that limit the capabilities of the enterprise (area and its quality, buildings and technological capabilities, other capital).

The influence of diversification on the use of potential depending on the stage of the life cycle of the enterprise is considered. The interaction of different competitive levels is manifested in the fact that the development strategies of enterprises directly change the structure of the industry, the structure, dynamics and capacity of the market, determine the specifics of the tax, foreign economic, innovative strategy. There are new forms of competition, there are processes of specialization of the value chain.

В статті розглянуто вплив диверсифікації на використання потенціалу підприємств в аграрному підприємстві. Диверсифікація розглядається як процес зростання ефективності функціонування підприємства і зниження економічних ризиків, заснований на розвитку нових виробництв і розширенні частки на аграрному ринку. Розглянуто, що основною метою диверсифікації є збільшення прибутку і зменшення ризиків за рахунок ведення діяльності в декількох напрямках, які залежать від фінансового стану і можливостей підприємства. Визначення раціональної диверсифікації аграрного підприємства залежить від розробки та застосування критерію оптимальності. Кожен варіант розвитку виробництва характеризується способом використання ресурсного потенціалу підприємства, якому відповідають випуск продукції певного виду, кількість і рівень витрат. Встановлені мотиви (економічні; фінансові; стратегічні; соціальні), які впливають на перехід до збалансованої диверсифікаційної політики, а саме, які направлені на розширення діяльності; визначаються зовнішніми умовами діяльності підприємства та об'єктивними причинами зниження господарських ризиків. Зазначено, що всі мотиви, цілі можуть існувати окремо, або поєднуватися один з одним, що залежить від конкретних умов кожного підприємства та вибір видів диверсифікації повинен бути обґрунтований і ретельно спланований з урахуванням цих складових. В аграрному виробництві вибір поєднання напрямків діяльності залежить від ряду фізичних і біологічних факторів, що обмежують можливості підприємства (площа і її якість, будівлі і технологічні можливості, інший капітал).

Розглянуто вплив диверсифікації на використання потенціалу в залежності від стадії життєвого циклу підприємства. Взаємодія різних конкурентних рівнів виявляється в тому, що стратегії розвитку підприємств безпосереднім чином змінюють структуру галузі, структуру, динаміку і ємність ринку, визначають специфіку податкової, зовнішньоекономічної, інноваційної стратегії. З'являються нові форми конкуренції, йдуть процеси спеціалізації ланцюга цінностей.

*Key words: diversification, potential, agricultural enterprise, industry, market.*

*Ключові слова: диверсифікація, потенціал, аграрне підприємство, галузь, ринок.*

## INTRODUCTION

At the moment, the current potential for the growth of agricultural enterprises is not used enough, although the possibilities are obvious. Recently, steps have been developed to improve the economic prerequisites for the development of agricultural production, which made it possible to increase production and increase efficiency in the enterprises of the industry, including by optimizing the use of production potential. In connection with the current situation, it is necessary to increase the potential of enterprises by forming an effective diversification policy. Diversification determines the qualitative side of the effective development of agriculture and, in particular, individual enterprises, since it determines the sectors that are divided as main and additional and on which sectors and cultures the activity focuses. The higher the level of economic feasibility of the prospects for the development of sub-sectors and activities, the more fully taken into account agro-climatic conditions, the more stable the planned volume and structure of production for many years.

The study of the essence of diversification, its assessment, directions in the strategic development of enterprises were carried out by both domestic and foreign scientists. The most significant

contribution in this direction was made by V. Andriychuk, I. Ansoffa, G. Goldstein, M. Gort, N. Dobryanskaya, V. Zinovchuk, M. Malik, V. Ros-sokha, V. Tkachuk, I. Khorunzhiy, V. Yurchishin and others. The works of scientists focus on issues of analysis and assessment of diversification, problems and peculiarities of managing a diversified enterprise. However, some issues in the study of diversification are not sufficiently covered, which determined the purpose of the scientific study of the disclosure of the diversification of production, its impact on the use of the production potential of agricultural enterprises, since the implementation of its development strategy depends on it and this process is complex and time-consuming.

## RESULTS OF THE STUDY

Diversification is the most productive and effective process within which there is an optimization of the use of the production potential of the enterprise and, in general, the improvement of organizational and economic relations in the economy. From an economic point of view, diversification (from lat. *diversus* — different and *facer* — to do) is a synchronous deployment of several or many, not interrelated technological types of production or services, an increase in the

range of products produced, the provision of works or services [2]. In the same direction is disclosed as the term diversification (in the works of foreign researchers), as the process of distribution of resources available in the enterprise, in other areas of functioning, significantly different from the previous ones, which have already been created and are functioning [6]. Moreover, this process concerns the transition to new markets, technologies and industries, to which it previously had nothing to do; in addition, its products themselves should also be completely new. So, we can say that the most used approach to the definition of this term is the process, namely, the increase in the efficiency of the enterprise and the reduction of economic risks, based on the development of new industries and the expansion of the occupied market share.

The study of this phenomenon is especially important in difficult force majeure circumstances, which affected the current activities of almost 40% of agricultural producers, and about 50% of enterprises located in the front-line regions of Ukraine. Such operational solutions include the limited use of agricultural resources (seeds, pesticides or fertilizers); business diversification (for example, continuing or starting a new business (relocation of the enterprise); changes in sales markets (for example, new buyers, new suppliers) [5].

The main purpose of diversification is to increase profits and reduce risks by conducting activities in several areas, which can even be characterized by a special periodicity. They depend on the financial condition and capabilities of the enterprise [7]. If the latter is at the level of survival, then the following goals will be paramount: the production of a new product, profit, etc. If the enterprise develops at an average level — economic stability and sustainability. In the case of enterprises with high profits, the goals are: the conquest of new "niches" in the market, social goals, etc. The diversification policy chosen by managers for each individual agricultural enterprise is distinguished by a certain methodological approach to its selection and implementation.

One of the key issues in determining the rational diversification of an agricultural enterprise is the development and application of the optimality criterion. The economic criterion for optimizing the sectoral structure is based on comparing the productivity of land with the level of production costs in certain ways of organizing the economy. The best can be considered such a combination of industries, in which the maximum efficiency of each industry is achieved due to their combination

in certain proportions. This is possible only under the condition of rational use of land and involves the choice for each type of them of the most optimal use in accordance with the natural potential and socio-economic conditions of the territory in which the enterprise is located [1].

The most common indicators that can be used to plan diversification are: the probability of achieving the goal within the framework of the direction considered in the forecast; capital investments that are necessary in general and for each year of the future period; current production costs at different stages of the product life cycle in each projected year; labor costs in each year of the forecast period with the allocation of costs by category of professions; etc.

In agriculture, the same products can be produced using different resources, the same resources can be used to produce a variety of products. Interchangeability is also associated with the territorial use of resources that have different efficiency depending on this criterion. In each specific period, the resources of the agrarian enterprise are limited and the economic conditions for their increase should be taken into account [9]. Each option for the development of production is characterized by a way of using resources, which correspond to the production of a certain type, quantity and level of costs.

In innovation problems, a special place is given to the study of an individual as a subject of innovation. The innovative susceptibility of the subject can be defined as the ability to perceive innovations and the willingness to use them in labor activity. This means the need for all development and effective use of the capital of labor resources, which provide for the human right to a healthy and fruitful life in harmony with nature [3]. The competitive advantage may lie not only in increasing sales and increasing market share, but also in acquiring a new quality of business aimed at improving its sustainability. It is possible that the emerging competitive advantage represents a strategically higher value for the enterprise than making an instant profit.

The interaction of all components of the potential at different competitive levels is manifested in the fact that the development strategies of enterprises directly change the structure of the industry, the structure, dynamics and capacity of the market, determine the specifics of the tax, foreign economic, innovation strategy [8]. There are new forms of competition, there are processes of specialization of the value chain.

Multifunctionality acquires economic value when it becomes a strategy for diversifying the

activities of agricultural enterprises, by entering sectors of the market where there is a demand for goods and services related to the production and processing of agricultural products. With this approach, multifunctionality involves the transfer of production factors from agricultural production in favor of environmental, social and other functions that can be implemented by this enterprise and allow it to receive additional income without losing efficiency. It is not enough to pay attention only to production processes in order to achieve the maximum possible efficiency, but it is necessary to raise the question of the main options for entrepreneurial activity in relation to the concept of social responsibility of business.

Directions of development related to the criterion of multifunctionality, which are fully applicable to this type of enterprise and allow all of them to be identified at three different levels: weak; medium; strong.

Conducting a general grouping of motives for the transition to a balanced diversification policy, they can be represented in the most generalized form as follows.

First, those that are aimed at expanding activities. With the expansion of the enterprise, managers can strengthen their power and increase their own revenues at the same time, since this process allows them to ensure stable employment by reducing market risks.

Secondly, the motives are determined by the external conditions of the enterprise. Diversification can be timely and beneficial due to a favorable general situation or relevant legal norms.

Thirdly, objective reasons for reducing economic risks.

Detailing each motive, it can be revealed that: economic concerns the redirection of capital from the classical to the new, the receipt of this synergistic effect, economies of scale; resource-saving policy, etc.; technological and technical motives (the desire to maximize capacity, increase opportunities, etc.); financial (between significant production decomposition risks. stability in this area); strategic ones reveal prospects for adapting to future fluctuations in the conjuncture, emphasis on cooperation and associations as a factor for strengthening efficiency, adapting to changes, etc.); social are determined by the state and prospects of human resources within enterprises [4].

All motives, goals can exist separately, or be combined with each other, which depends on the specific conditions of each enterprise and the choice of types and forms of diversification must be justified and carefully planned taking into account these components.

In agricultural production, the choice of a combination of activities (sub-sectors) depends on a number of physical and biological factors that limit the capabilities of the enterprise. The principle of comparative advantage, which establishes that it can focus on the production of products that have the greatest relative advantages or the least probable disadvantages inherent in any enterprise. It is to concentrate their managerial abilities on the production of those products that have maximum advantages that diversification allows. Due to the diversity, it is possible to explore the possibilities of complementing and combining different directions, it is more effective to implement the available resources. At the same time, a large number of industries can lead to complications and a decrease in the effectiveness of management. The process of choosing a direction begins with the establishment of quantitative and qualitative indicators of enterprise resources [1].

In agricultural production, the most important limiting resource is the area and its quality, buildings and technological capabilities, other capital, etc. Evaluation of various options, building and solving models reduces the risk of possible error. Problems of sizes and optimisation of ratios of branches of agrarian production should be solved with search of limits of the most expedient specialisation of each branch.

Exploring diversification in the agricultural sector, we can say that it is an important phenomenon in the economy, it can be considered an actual direction of life support in the objective factors of the innovative development of the industry, which aims to achieve sustainable and stable economic growth, thanks to the compensatory possibilities of diversification activities.

## **CONCLUSIONS**

Diversification is a model of enterprise activity, which is revealed by the periodicity of changes or the staticity of the diversity of directions of entrepreneurial, innovative, investment and other types of enterprise activity and depending on the directions of the influence of the environment. The process of diversification is quite laborious, but necessary for enterprises that implement their activities in the fields of agriculture. At any time, both the situation in the main markets and the general political situation can change: the introduction of bans on the production and sale of certain goods, works, services. As a result, it is possible to complicate sales, increase competitive pressure, and there will be a need to reduce output or even eliminate a particular area of activity.

Therefore, in the initial stage of production, you need to immediately think over new options

for activity and types of products. The main activity is often not conducive to managers to organize new types and areas of work. As a result, enterprises are faced with a sharp decline in sales and sales of products, there is a single acceptable measure of influence, this is the re-profiling of the main number of employees, for the training and retraining of which time and money were spent. The interaction of different competitive levels is manifested in the fact that the development strategies of enterprises directly change the structure of the industry, the structure, dynamics and capacity of the market, determine the specifics of the tax, foreign economic, innovative strategy. There are new forms of competition, there are processes of specialization of the value chain.

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