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### **Brief information about diversification of production**

Diversification of production is the simultaneous development of many unrelated types of production, the expansion of the range of manufactured products within a single enterprise, concern and the like. Diversification is used to improve production efficiency, obtain economic benefits and prevent bankruptcy.

The main idea is that if one of the lines of business is unprofitable, the company will stay remain on top for successful results in another industry.

The enterprise is considered diversified if the share of production of non-target products exceeds 30%. The main objectives of production diversification are to minimize production risks, to develop a new type of product, to distribute assets between different industries, to enter new markets, to search for potential investors.

The main advantage of diversification lies in obtaining the maximum economic benefit from all sorts of diversity. In other words, more profitable and competitive in the market will be an enterprise that produces several types of products at once, rather than one, but popular. At the same time, the effect is achieved through: the multi-purpose use of all available resources; building an effective sales network for goods and services; versatile training and staff training.

There are two main types of production diversification: connected and unrelated. Connected diversification implies that the firm does not go far beyond its core business. This type is preferred for small enterprises that do not have sufficient working capital for serious re-equipment for the production of other products. Unrelated diversification implies the release of a completely new product. In this case, there is a way out to a completely unfamiliar market with a brand that is associated with another industry.

Forms of diversification of production can be defensive or offensive. The first form is "expansion", which is focused on the rapid seizure of new markets. This is an aggressively offensive strategy, which often brings instant results. Its essence consists in the absorption of one enterprise by another.

The second form is called "replacement" and it is a defensive strategy. It implies that the company removes products that could not stand competition, and introduces a new product in its place.

The next form of diversification is "deployment", which is offensive. It implies that the company begins to saturate the market on which it conducts successful activity by new products that are targeted at different target groups.

The last form "coagulation" refers to an over-the-counter strategy. This form implies the complete refusal of the firm to produce unprofitable products and transfer of freed up capacities to more successful industries.

Diversification is divided into horizontal and vertical. Vertical diversification implies a firm's transition to output from the previous or subsequent branch of the technological process. The horizontal diversification of production implies the development of new products at the same stage of the technological process.

All concerns and corporations are diversified enterprises. For small companies, it is difficult to independently survive under the influence of various economic factors, so they often seek to enlist the support of the largest players in the market.

The diversification strategy is a marketing action that allows the company to discover new promising directions for business that are different from the current production line. The main idea of the strategy is to redistribute funds and capital between different types of activities, which significantly reduces the risks of enterprise bankruptcy.

Among the existing strategies, there are three main types: conglomerate, centered, horizontal.

The strategy of conglomerative diversification is a process that seeks to start the production of goods and services, which are not related to the main products and their markets. This strategy is one of the most complex of all today. It depends on many surrounding factors, including the skills of managers and ordinary employees, the necessary funds and seasonal economic changes in the market. Opposite this strategy is a concentric diversification strategy, in which a new product is produced, which is technologically and technically identical to the existing one at the moment. Its role is to attract customers from different social resources.

The strategy of centered diversification is to find new technological opportunities on the basis of already existing technological processes and lines, as well as the main products. This strategy is to provide new production lines solely on the basis of the achievements of goods or services. At the same time, this part of the business develops and functions separately from the main portfolio.

The strategy of horizontal diversification implies the growth of the company's finances through the creation of a new product that requires new technologies that are not similar to the previous ones. With this strategy, the company creates technologically unrelated products, for which implementation existing tools can be used (for example, in logistics or wholesale sales). This strategy provides for the creation of products that must be consumed by the main products or become its accompanying part.

The development of a business diversification strategy can be both the best way to solve the company's financial problems and enable it to manage all kinds of risks in the company's business. However, the economic growth of the enterprise is possible only if the company is properly diversified.

Diversification of production is a strategic reorientation of the enterprise's activity towards expanding the number of types of products and expanding sales markets. Its main idea is to provide the company with stability on the market in the event that one of the directions of production becomes unprofitable, at the expense of other production lines. Often, in this process, a unique technology, process or product may arise.

In the new conditions for reforming managerial functions, decision-making mechanisms, the ratio of economic and administrative methods of managing the diversification process, are changing.

With the help of administrative methods, local governments regulate privatization processes, solve issues of using natural resources, and attract foreign capital.

The essence of economic methods is the indirect effect on the effectiveness of diversification through the economic interests of the actors with the help of such levers as taxes, credits, subventions, subsidies, etc. in the statutory framework.

At the heart of economic market methods of regulation are economic interest and responsibility of enterprises-subjects of territorial reproduction (or their owners) for the consequences of decisions made on diversification of production and entrepreneurial activity, the fulfillment of the tasks of the complex socio-economic development of the region.

Diversification in the mining complex should combine the internal interests of the enterprise with the interests of the region in order to ensure energy independence or its increase, creating new jobs, preserving the city-forming mining enterprises, and reducing the burden on the environment in the region.