

MECHANISM OF ORGANIZATIONAL AND ECONOMIC ENSURING THE IMPLEMENTATION OF THE DIVERSIFICATION STRATEGY OF AGRICULTURAL ENTERPRISES

Oleksandr BOHDANOV, PhD in Economics,
Odesa National University of Technology, Ukraine
E-mail: bogdanov@wiktoriya.com
ORCID: <https://orcid.org/0000-0002-8505-3675>

Serhii PIECHKA, PhD in Economics,
Odesa National University of Technology, Ukraine
E-mail: sergeipeshka@gmail.com
ORCID: <https://orcid.org/0000-0003-2688-2729>

Dmytro LITVINOV, PhD in Economics,
Odesa National University of Technology, Ukraine
E-mail: dmitrijbavaria@gmail.com
ORCID: <https://orcid.org/0000-0001-8612-3834>

DOI: <https://doi.org/10.36004/nier.cecg.II.2024.18.17>

Abstract. *The sphere of agricultural production does not belong to the stable spheres of business. Along with this situation, the pressure on agribusiness is increasing when it comes to finding new, more stable sources of income. One of the possible solutions is the use of a diversification strategy for the development of agrarian enterprises, or rather, the use of diversification opportunities. To ensure an effective diversification strategy, an important role is assigned to marketing activity and its tools, covering all stages of the campaign: studying demand in new markets, forecasting demand, developing assortment policy and production plans, including sales organization and development of communication promotion policy.*

Keywords: *diversification, agrarian enterprises, innovative and technological possibilities, assortment policy, products*

JEL: *O13, O32, Q10, Q13*

UDC: *338.439.5*

Introduction. In the conditions of globalization of the economic environment and dynamic changes in the external environment, including climatic and geopolitical changes, as well as technological innovations, agricultural enterprises must adapt to these challenges by developing strategies aimed at ensuring sustainable development. With the help of strategic management, agricultural enterprises are able to determine their place in the market environment, taking into account economic, socio-cultural and environmental factors, thereby ensuring the food security of the state, managing risks associated with the conduct of financial and production activities, as well as the sustainable development of

agricultural technologies. Diversification of activities in the agricultural sector has significant potential in achieving the above-mentioned goals.

The trend of modernity has become the movement in the vector of the implementation of the paradigm of sustainable development. Diversification of the activities of agricultural enterprises, which is based on the concepts of the closed cycle economy and bioeconomy, gives an impetus to the transformation of the relationships of the subjects of economic activity in the system of economic, social and ecological dimensions at all levels of abstraction. Expanding the range of goods and services provided by agricultural formations increases the efficiency of resource use, in particular, promotes the application of optimal land use models, allows preserving biodiversity, reduces the negative impact on water resources, and reduces energy dependence. Diversification is the answer to the issue of comprehensive development of rural areas, because it helps to create additional jobs and improve the quality of life of the population.

The search for strategic directions for the acquisition of long-term factors for the formation and preservation of the stability of agrarian enterprises on the basis of expanding the horizons of activity in new product segments is of particular relevance in view of the specific nature of external risks associated with the large-scale invasion of Russia, which transforms the possible spectrum of strategic decision-making, supplementing the set limitations due to wartime factors.

Literature review. The study of the theoretical aspects of determining the essence of diversification through the prism of a strategic view on the development of economic entities has received considerable attention in the works of such economists as: I. Ansoff, K. Bury, M. Porter, A. Thompson, A. Strickland, V. Bolotova, Kh. M. Sorotiaga, O. Taran, I. Chukina, O. Shutnyk. The issue of strategic management of the activities of agricultural enterprises is gaining more and more popularity in the scientific community, it is included in the circle of interests of a number of researchers, in particular Zheludenko K., Sviridova S., Tolstova S., Tkachenko A., Postola A., Mulyar T., Pysarenko S., Ivanka M., Hrytsaenka M., Berezivskoho P., Horbachova I. The marketing strategy of diversification is studied in the works of Negrei M., Taranenko A., Kostenko I., Petryga O., Grynchutskoho V., Sabetska T., Divnych O., V. Yakubiva, N. Romanyuka, etc. The problems of reengineering business processes in the agricultural sector with the transfer of the center of gravity to the transformation of inter-company relations in the face of global challenges (including taking into account the vector of activity diversification) became the subject of research by foreign and domestic scientists, among them: Christopher M., Vachon S., Klassen R., Sygyda N., Dubovik S., Spesyviy Y., Gavrilenko O., Ilchenko N., Kochubey D., Samoilenko A., Zavadzka O., Misyukevich V., Sysoev V., Moklyak M., Haustova E., Kulyk V., Marchuk V., Garmash O., Zakharchuk A., Hradyskyi Yu., Zavadzka O., Misyukevich V., Sysoev V.

Despite the significant number of publications on certain areas of the system of strategic management of the activities of agrarian enterprises to increase the effectiveness of the implementation of the diversification strategy in the segment of

rural production, the problem of further deepening the existing theoretical and scientific-methodical toolkit, taking into account the current challenges of the global and regional levels, is urgent.

Research methodology. The theoretical and methodological basis of the study was the work of domestic and foreign scientists in the field of strategic management, the development of the agrarian sector, and the paradigm of sustainable development. The article used the following general scientific methods of cognition, such as: monographic (when studying the evidence of strategic management of the activities of European enterprises); scientific abstraction (in the aspect of delineating the subject area of research); analysis and synthesis (in particular, morphological decomposition when determining the essence of the key concepts that made up the subject of the study; systematic analysis for solving the problems of multidimensional interaction of elements of the socio-economic system within the framework of the formation of adequate diversification strategies as a direction of transformation of business processes of agrarian enterprises); induction and deduction; comparative; a combination of historical and logical.

Main results. Agricultural enterprises must consider a variety of strategies for effective functioning and sustainability, among which the diversification strategy occupies a special place. The diversification strategy for enterprises operating in the agricultural market can be considered as expanding their business not only through participation in various segments of the agricultural sector, but also in other sectors of the economy. The main goal of such a strategy is to reduce risks and increase profitability by allocating investments to different areas of activity. It should be noted that in order to implement such a strategy of diversification of an agricultural enterprise, it is necessary to conduct a financial analysis in order to assess the value of assets, profitability and risks associated with new areas of activity.

Financial aspects of diversification of agricultural enterprises include a wide range of financial solutions and tools aimed at achieving long-term goals and ensuring the financial stability of enterprises. In the management of production and economic activities, diversification in the broadest sense is considered a key strategy of enterprise management. This strategy can be identified with the help of such process results as: ensuring innovation and competitiveness; cost optimization and ensuring the financial stability of the enterprise; expanding influence on other industries and markets; balancing of income and expenses in management; expanding the range of products and services provided by the enterprise on the markets, etc. The main idea of diversification is the diversity of the enterprise's production and economic activities in order to increase its overall competitiveness, taking into account economic and social aspects (Shaleva & Sereda, 2023).

We agree with the opinion of Mikhulina I. that the diversification of agricultural production can be considered as a phenomenon that has a multi-vector orientation in economic activity. It envisages the activation of agricultural sector entities in various geographic markets. Agro-industrial diversification has its own

characteristics related to the specificity of agricultural production, and includes the combination of the main production of agricultural products with other types of activities, such as processing, trade, service, as well as the creation of new products, services and markets. The conditions of market competition stimulate entrepreneurs to improve production by expanding the range of products that meet the needs of consumers. Increasing the variety of activities in the economy contributes to a higher level of diversification, reducing the overall risk of losses and damages from production and commercial activity in general (Mozhevenko & Kamneva, 2020).

Seasonality of production is an important component of agricultural sector enterprises. The seasonality factor must be taken into account when developing and implementing a financial strategy, where one of the strategic priorities of financial decisions should be the equalization of cash flows over time. Their reproductive function, which is characterized by the solvency, liquidity and financial stability of the enterprise, depends on the amount of cash flows in the formation of structural sources of financial resources. Therefore, the financial strategy of an agrarian enterprise is a functional strategy of its general strategy with a sequence of actions regarding the formation and distribution of financial resources within the framework of a single informational and legal field when achieving defined goals, and by its structure can be presented in the form of a simulation model that describes the modern concept of implementing financial strategy given in (Onisko & Rubai, 2012).

Taking into account the arguments "for" and "against" diversification, each enterprise should determine how appropriate it is to expand its production base. This decision should take into account the state of the external environment, such as the stability of the economy, the situation on the market, the capacity of consumers, etc., as well as the size and financial condition of the enterprise. Obviously, large enterprises have more opportunities to expand their activities. They can develop new areas with a rational concentration of resources and thus avoid problems related to the contradiction between diversification and specialization, which allows to achieve better results in management. Such enterprises have more financial opportunities to launch new projects, which reduces their need for loan capital and, accordingly, reduces financing costs. On the contrary, it may be more difficult for small enterprises with a low level of production concentration to develop several directions at the same time, so they are more often directed to specialized activities. Diversification, as a form of production organization, can provide certain advantages to the enterprise. In the table 1 advantages and disadvantages of diversification of agricultural sector enterprises are given.

Table 1. Advantages and disadvantages of diversification in the agricultural sector of the economy

Advantages	Disadvantages
- diversification enables enterprises to use their own material resources in the most perfect way	- diversification does not always make it possible to use the advantages of specialized production
- the right choice of diversification strategy makes it possible to increase the competitiveness of products and enterprises, to increase the sale of products of the agricultural sector thanks to the satisfaction of consumer needs	- if the diversification strategy is unsuccessfully chosen, it can lead to economic losses of the enterprise
- diversification contributes to effective provision of economic and food security of the state	- possible effect of loss of production motive
- integration of processing of agro-industrial complex enterprises increases their workload	- managing diversified production is much more difficult than non-diversified production
- the full use of natural resources and economic potential depends on the depth of diversification and the level of cooperation	- it is impractical to apply diversification at enterprises with a low level of production concept
- diversification of agricultural enterprises will make it possible to obtain a synergistic effect	- in the case of unsuccessful placement of the product range produced by individual companies and combined diversification of the enterprise may lead to bankruptcy
- when diversifying enterprises of the agricultural sector, the degree of entrepreneurial risk will decrease due to the elimination of dependence on a single type of product	- merging two enterprises that produce different types of products - as a means of expanding the enterprise's development prospects can lead to an increase in economic risks

Source: Developed by the authors

In addition, the implementation of the diversification strategy requires significant financial investments, so agricultural enterprises must consider the optimal distribution of resources, balancing risks and costs for new areas of activity. Under these conditions, investment attraction and rational use of credit resources become key aspects of financial support for diversification. It is extremely difficult for agricultural enterprises to obtain such funds due to the low investment attractiveness of agricultural enterprises and the agrarian sector of the economy as a whole (Pisarenko, Ivanko & Hrytsaenko, 2019). It is also necessary to take into account that the unique aspects of finance in agro-industrial production are related to the peculiarities of the functioning of enterprises in this industry, including:

- dependence on climatic and weather conditions increases risks in agriculture;
- significantly limits production related to biological processes within a certain period;

- unevenness of the processes of formation of working capital, income and fluctuation of prices for agricultural products is caused by pronounced seasonality of production;
- funds are advanced for a long time, sometimes measured in years;
- the uneven distribution in the production process and the constant accumulation of advanced funds until the end of the capital cycle lead to different durations of their consolidation in the circulation;
- as a rule, in the third and fourth quarters of the year, advance funds are released.

Therefore, in our opinion, financial support for the diversification of the activities of agricultural enterprises is a key aspect of the sustainable development of the agricultural sector, as it allows enterprises to reduce the risks associated with changes in market conditions and climatic conditions, to expand their activities, to introduce new crops and production methods, which also contributes increasing competitiveness. As already mentioned, financial support for diversification includes investments in new types of agricultural products, modernization of equipment and introduction of the latest technologies, which requires the development of an effective business plan and the attraction of financial support from the government, banks and other investors. Agricultural enterprises can receive this support through loans, grants or subsidies. It is also important to develop partnerships with agribusiness companies that can provide not only financial assistance, but also expert support for the implementation of innovations.

In fig. 1. the main categories of financial resources and sources for agricultural enterprises are presented when implementing a diversification strategy in order to ensure financial stability and reduce risks.

For the further development of agricultural enterprises, income and depreciation deductions are significant sources of financing, but the possibility of using these monetary resources for extensive reproduction is quite low. Often, such funds are directed to cover the basic costs of an agribusiness, leaving few opportunities for upgrading equipment or purchasing new fixed assets. In addition, taking into account the seasonality of agribusiness, there is a risk of receiving low profits or even receiving losses as a result of activities, to cover which it is also necessary to attract additional financial resources through various channels of the financial market (Razina, 2011).

The introduction of diversity helps to stabilize activities and makes agricultural enterprises less vulnerable to crisis situations. This allows diversified enterprises to be more sustainable and competitive compared to those specializing in a limited range of products. Such enterprises can redistribute capital in directions that bring the greatest profit. The implementation of diversification in agriculture is a key factor in ensuring its competitiveness. This process has a positive impact, as it stimulates integration with local processing enterprises, which increases their capacity and competitiveness in the markets, as well as contributes to the economic and food security of the country. Thus, diversification is an important organizational and economic factor for increasing production efficiency and competitiveness (Kuzyoma, 2023).

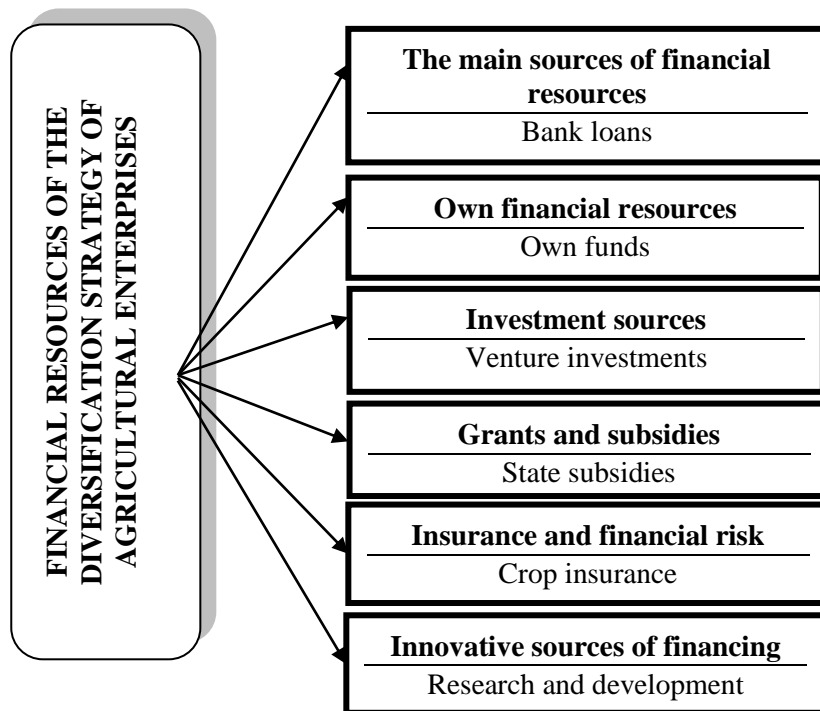


Figure 1. **Financial resources of the strategy of diversification of agricultural enterprises**

Source: Developed by the authors

When implementing the strategy of diversification of agricultural enterprises, it is necessary, in our opinion, to take into account the following main aspects:

First, it is the development of a business plan for new areas of activity that are planned to be included in the diversification strategy. The business plan should include projected financial indicators, such as income, expenses, profit, investment and return of credit resources. Taking into account these indicators, the agricultural enterprise will be able to evaluate the financial prospects of new areas of activity and their impact on the financial state of the enterprise.

Secondly, the choice of effective financing for the implementation of the diversification strategy. For this, various sources of financing can be used, such as bank loans, investments, state support instruments, etc. An important aspect when choosing sources of financing is the assessment of costs and risks associated with each financing option, as well as the assessment of the investment payback period.

Thirdly, it is the control of financial activities during the implementation of the diversification strategy. For this, it is necessary to implement an effective system of financial management and control, which will ensure monitoring of financial processes in real time. All this allows you to quickly identify and adjust any deviations in the results of the company's financial activities and ensure the effective implementation of the diversification strategy.

In addition, an additional aspect in the financial implementation of the diversification strategy is the development of a risk management plan, since

diversification can increase the level of risk in connection with the expansion of activities in new directions by an agricultural enterprise. Therefore, it is necessary to carefully analyze and assess the risks associated with each new direction and develop strategies to reduce the impact of risks on the company's performance.

The economic validity of the diversification of production activity is determined by its impact on the financial position of the enterprise and the risks associated with it. Obtaining synergistic effects and reducing risk are key results of diversification, especially in the financial sphere, as it provides an opportunity to efficiently move funds between different areas of activity that are developing dynamically. The success of diversification largely depends on the direction chosen by the enterprise (vertical integration, diversification based on existing types of activities, creation of conglomerates).

The relationship between diversification and efficiency is complex. Often, after the introduction of diversification, efficiency initially increases due to the rational distribution of resources, but over time it can decrease due to the complication of management processes and the emergence of contradictions in the adoption of management decisions in different departments of the enterprise (Sviridova & Tolstova, 2017).

In this classification, special attention is paid to the functional sphere of influence, which allows dividing economic diversification into the following types:

- financial and investment - the process of distributing investments and other financial resources between different areas of activity;
- sectoral - aimed at the development of various lines of activity and industries, while the focus is on the expansion and development of various sectors of the economy to stimulate growth and sustainability.
- organizational - development of a system of various functional structured areas of activity that create conditions for effective development.

Each of these types of economic diversification can be considered more broadly, dividing them into subtypes (Fig. 2).

The problems of providing agricultural enterprises with financial resources and increasing the efficiency of their use are deep, large-scale and complex. The socio-economic nature of financial resources and their categorical essence lead to high mobility and constant limitations at the micro- and macroeconomic levels. The impact of modern globalization processes is complicated by the instability of the financial support of agricultural enterprises. Difficult conditions for adapting farmers' finances to modern standards of functioning within the framework of national and global financial systems create an outflow of foreign investments, instability of world currency rates and limited international credit resources.

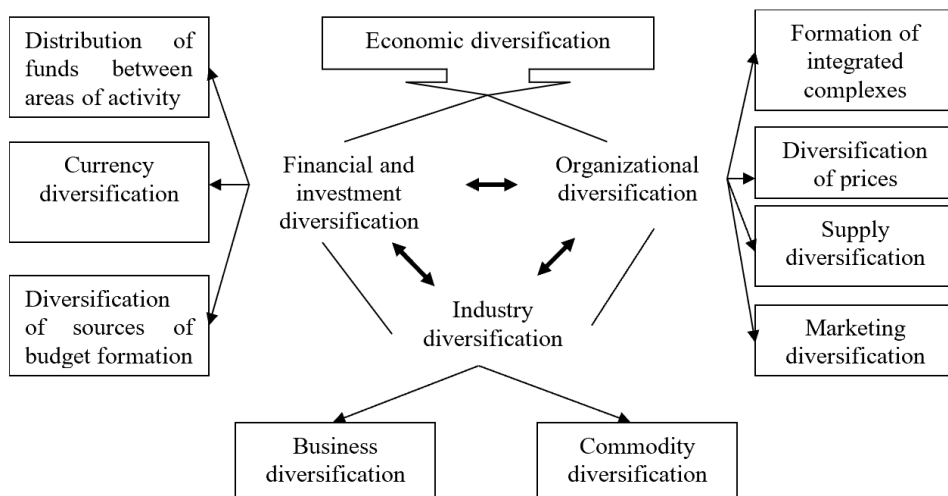


Figure 2. **Types of economic diversification by functional sphere of influence**
Source: Developed by the authors

There is a close relationship with the unique features of agricultural enterprises, which affect the organization of these processes, the structure of sources, directions of use, volumes and stability of the receipt of financial resources with the formation and use of financial resources in agriculture. Among the key factors of influence, it is worth highlighting such objective signs of the circulation of financial resources in agriculture, as seasonal changes in costs and income, a long production cycle, the presence of land-property lease relationships, high operational risk and subjective features of managerial influence on financial support . of these business entities, such as the lack of an effective mechanism for the extended reproduction of fixed assets, a prolonged crisis of non-payments, an increase in receivables and payables, as well as unfavorable tax legislation (Abramova, Vilenchuk & Dema, 2015).

Analyzing the structure of providing subsidies separately for crop production (in particular, improvement of land use and development of seed production) and livestock production (for example, for breeding and commodity livestock) requires the development of financial diversification in production. In agriculture, with the expansion of activities by enterprises, which will allow producers to reduce the impact of seasonality on production and partially avoid the negative consequences associated with it, diversification of production is associated. Studies show that in most cases, diversification of the main activity of agricultural enterprises by expanding new industries along with existing ones allows more efficient use of the resource base of producers, which, in turn, leads to an increase in the volume of agricultural production, a reduction in resource costs and an increase in the economic efficiency of the overall activity (Pivovar, 2012).

Effective use of financial resources ensures financial stability and competitiveness of agricultural enterprises and includes cost optimization, implementation of modern technologies and management solutions. The key

aspects are the planning and control of costs, as well as the investment strategy - enterprises must rationally allocate financial resources, taking into account the peculiarities of the agricultural sector, in particular, the seasonality of work and the risks of weather conditions. Also, to improve production efficiency, it is important to improve technological processes and implement innovative solutions. It is this approach to the formation and use of financial resources that will contribute to increasing the profitability and sustainability of agricultural sector enterprises in the conditions of an unstable market environment.

In order to increase the profitability of agricultural enterprises, it is necessary to emphasize the following areas of further development: ensuring competitiveness, quality and safety of products; maximum satisfaction of consumer demand; achieving stable positions in competition; making a profit and reducing financial losses. As an indicator of supply and demand - price - is defined as a key factor for enterprises in the process of choosing product sales channels. For the successful implementation of financial and economic activities, it is important to have a high level of financial potential, which is formed both at the expense of one's own resources and at the expense of borrowed funds.

Due to low attractiveness for credit institutions and investors, limited possibilities of attracting financial resources arise in case of insufficient financial results of agricultural enterprises. With the exception of large agricultural enterprises, which have a potentially high level of profitability of own capital (due to the possibilities of attracting capital and its quick use, high financial risks do not encourage financial institutions and investors to cooperate with agricultural enterprises) (Vlasova et al., 2012).

The functioning of agricultural enterprises is constantly accompanied by changes in the volume and structure of capital, which is reflected in the liquidity, solvency and general financial condition of the enterprise. Assets should generate income sufficient to meet current obligations and strategic goals of the company's development.

Discussion and conclusions. Diversification is an element of strategic management and a component of the strategy for the provision and sustainable development of agricultural enterprises, and the financial aspect of the implementation of this strategy is the efficiency and competitiveness of the agricultural sector. Diversification of sources of financing for various areas of strategic development of agricultural production also contributes to increasing the sustainability of enterprises. One of the aspects of financial diversification is the expansion of the range of agricultural products - this allows to reduce the risk of financial losses due to the instability of the price policy on the markets of agricultural products. An additional strategy of financial diversification is the introduction of modern technologies and innovations in the agro-industrial sphere in order to increase the efficiency of production.

REFERENCES

- Abramova, I. V., Vilenchuk, O. M., & Dema, D. I. (2015). *Financial policy in the agricultural sector of the economy: state and prospects*: monograph. Zhytomyr: ZhNAEU.
- Kuzyoma, V. V. (2023). *Development of the agricultural sector of the economy in the paradigm of the circular model of management. Functioning of socio-economic systems in the context of sustainable development goals*: collective monograph. Kharkiv: Khnure.
- Mozhevenko, T. Yu., & Kamneva, A. V. (2020). Processes of diversification of products and services of enterprises in conditions of uncertainty of the external environment. *State and regions. Series: Economy and entrepreneurship*, 6(117), 63-66.
- Onisko, S. M., & Rubai, O. V. (2012). Formation of working capital and sources of their financing by agricultural enterprises. *Economy of agro-industrial complex*, 9, 33-36.
- Pisarenko, S. V., Ivanko, M. V., & Hrytsaenko, M. O. (2019). Strategic management of the potential development of an agrarian enterprise in conditions of adaptive changes. *Scientific Bulletin of the Uzhhorod National University*, Part 2, 27, 29-34.
- Pivovar, A. M. (2012). The strategy of diversification of the activity of agricultural enterprises as a tool for increasing the efficiency of the use of labor potential. *Economy and the state*, 12, 67-70. http://www.economy.in.ua/pdf/12_2012/18.pdf
- Razina, O. V. (2011). Methodological foundations of strategic enterprise management. *Scientific Bulletin of Uzhhorod University. Economy series. Special Issue*, Part 2, 33, 232-236.
- Shaleva, O. I., & Sereda, I. S. (2023). Possibilities of diversification of the activities of a retail trade enterprise by creating an online store. *Scientific Bulletin of the Poltava University of Economics and Trade*, 3(109), 59-68.
- Sviridova, S. S., & Tolstova, S. A. (2017). Modern tools of strategic management of agricultural enterprises. *Economy: realities of time. Scientific journal*, 2(30). <https://economics.net.ua/files/archive/2017/No2/109.pdf>
- Vlasova, N. O., Bezginova, L. I., Grosul, V. A., & Dyadyuk, M. A. (2012). *Formation of an effective price policy of enterprises trading in food products*: a monograph. Hark. state University of Food and trade. Kharkiv: KhDUHT.