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CONCEPTUAL APPROACH TO DIVERSIFICATION OF ACTIVITY OF A TRADE ENTERPRISE

Objective. *The purpose of this article is to develop a conceptual approach to the diversification of the activity of a trade enterprise.*

Methods. *In the course of the research such methods were used: theoretical generalization and comparison, analysis and synthesis, systematization, graphic visualization.*

Results. *The conceptual approach to the diversification of the activity of a trade enterprise was developed.*

Academic novelty. *The conceptual approach to the diversification of the activity of a trade enterprise has been improved. Its meaning lies in the allocation of three main stages: the definition of the expediency of the diversification of the activity of a trade enterprise, the choice of the optimal strategy of the diversification of the activity of a trade enterprise, the assessment of the effectiveness of the diversification of the activity of a trade enterprise. The difference of this approach lies in the combination of system and functional approaches to the diversification of the activity of an enterprise and the establishment of cause-and-effect relationships between its components.*

Practical importance. *The introduction of the proposed conceptual approach to the diversification of the activity of a trade enterprise contributes to the increase of the efficiency of economic decisions, which are aimed at the optimization of the strategic development of a trade enterprise.*

Key words: *a conceptual approach, diversification of activity, a trade enterprise, optimization, a development strategy.*

Statement of the problem. Dynamic development of modern world economy, and especially of trading industry, causes the necessity of diversification of activity of trade enterprises. Taking into account complexity and multidimensional nature of its implementation, there is a need to systematize business processes and develop a conceptual approach, aimed at activation of strategic development of a trade enterprise in the competitive environment.

Analysis of recent researches and publications. Problems concerning diversification of activity of enterprises are considered by A.A. Tsogla, D.A. Vlasenko, Baranova N.I., Okhten A.A., Trubchanin V.V., Popova, L.N. in their scientific studies. These studies reveal the essence and peculiarities of diversification, its place in the management system and development of an enterprise. Scientific approaches, which are highlighted in the works of scientists-economists [1,3,7,8,10] are mostly of informative nature. The authors don't pay enough attention to the cause-and-effect relations of the constituent elements of diversification of activity of an enterprise in the context of integrated approach to their development and implementation, and also to specifications of economic activity of an enterprise. Therefore, the problem of development of a conceptual approach to diversification of activity of a trade enterprise requires a more in-depth study.

The purpose of the article is to elaborate a conceptual approach to diversification of activity of a trade enterprise.

Summary of main research. Diversification of activity is a certain natural reaction of a trade enterprise to uncertainty and instability of market environment. Adaptive reaction causes a certain procedure of its implementation, that is, all changes in activity of internal departments of any enterprise should be performed in a certain sequence and interrelation.

In addition, diversification of activity of a trade enterprise requires costs of both strategic and current nature, in connection with that, it is necessary to determine nature and terms of expenditures, their volume, sources of financing and payback period, evaluate effectiveness of scheduled activities at the final stage of decision-making as to its carrying out.

According to this, there has been developed a conceptual approach to diversification of activity of trade enterprises (figure 1). It consists of three main stages: determination of expediency of diversification of activity of a trade enterprise, a choice of the optimum strategy of diversification of activity of a trade enterprise; evaluation of effectiveness of diversification of activity of a trade enterprise.

The first stage is definition of expediency of diversification of activity of trade enterprises, which provides analysis of external and internal conditions of functioning of a certain enterprise, influence of its competitiveness level and identification of incentive motives of diversification of activity. If the enterprise has strategic reserves of growth, the incentives for diversification of activity of a trade enterprise are offensive, and if the enterprise has strategic problems of development, they are defensive.

Depending on economic situation of a trade enterprise, it will determine expediency of diversification of its activity.

The second stage involves definition of optimal strategy of diversification of activity of a trade enterprise by modeling a number of alternative strategies that simultaneously requires identification of their type, scale and volume of necessary resources.

Practical experience indicates that a high level of profitability and possibility of long-term gains on invested capital play a decisive role in a positive decision on business diversification. Naturally, penetration into new areas of business requires

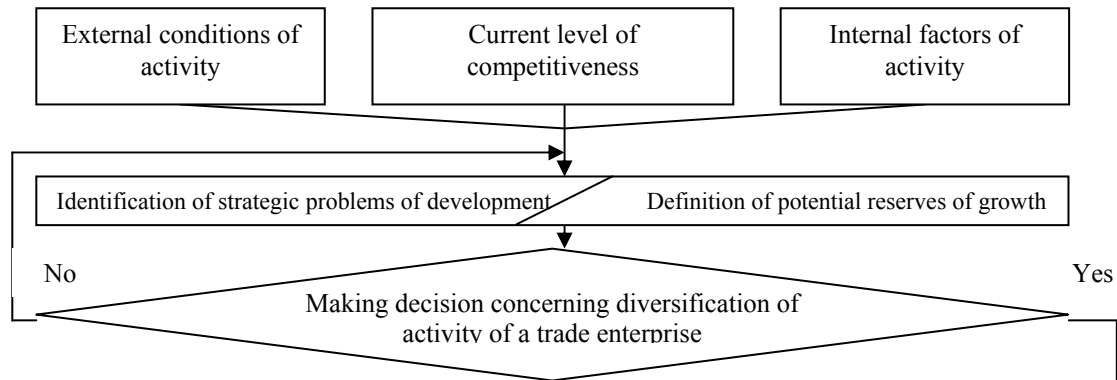
significant capital investment. However, volume of investment funds should not undermine financial position of the acting business, otherwise the potential of development of the enterprise narrows, and, therefore, profitability of investment reduces. Thus, it should be noted that entry into a new sphere of activity should be acceptable for the enterprise first of all from the financial point of view, that is, received financial benefits from diversification of activity should exceed the cost of resources invested therein.

Not less important aspect of choosing a strategy of diversification of activity of a trade enterprise is to identify potential risks of its implementation. As one approach to solving this problem there may be proposed systematization of reasons for occurrence and expected consequences of occurrence of a certain risk according to stages of realization of a strategy of diversification of activity [4].

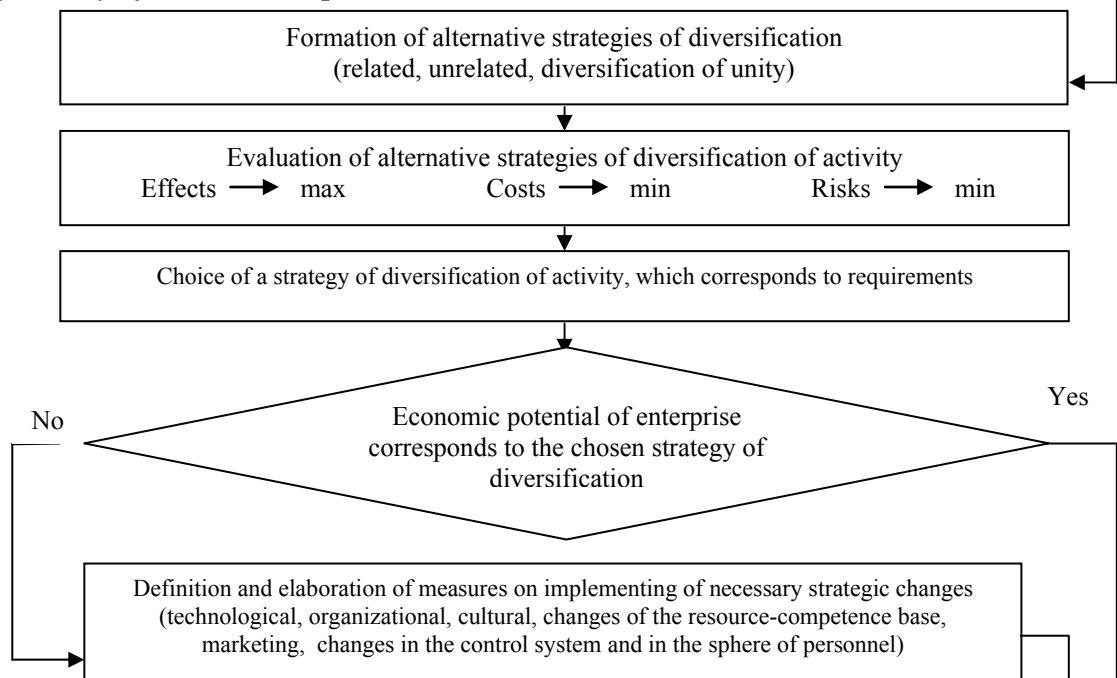
The next fact which is necessary to underline is conformity of the chosen strategy of diversification to economic potential of a trade enterprise. In national economic literature [2,9] this term in a broad sense is interpreted as opportunities, resources, stocks, cash, which can be used to achieve a certain goal.

Modern trade enterprise is a complex, multilevel, hierarchical system. There is an internal potential, which forms within each of its functional areas.

The first stage is *definition of expediency of diversification of activity of a trade enterprise*



The second stage is *choice of optimum strategy of diversification of activity of a trade enterprise*



The third stage is *evaluation of effectiveness of diversification of activity of a trade enterprise*

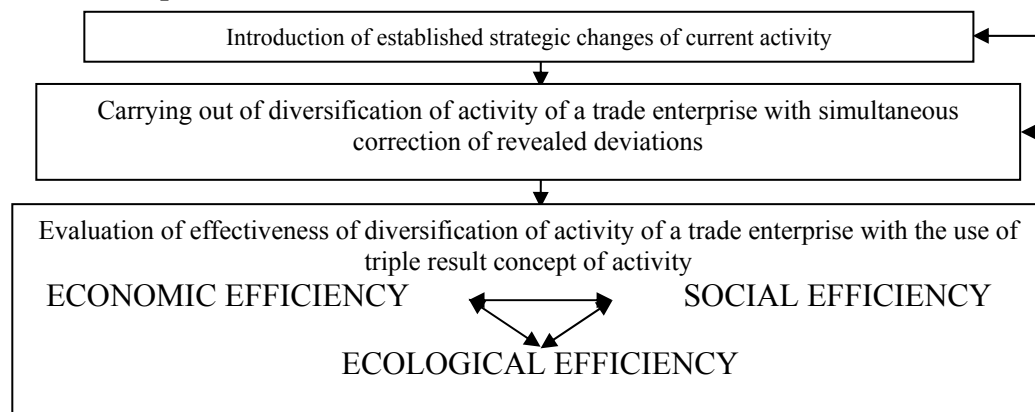


Figure 1 –Conceptual approach to diversification of activity of a trade enterprise

The structure of economic potential, which should be carefully scrutinized with the purpose to make decision as to business diversification, is shown in figure 2.

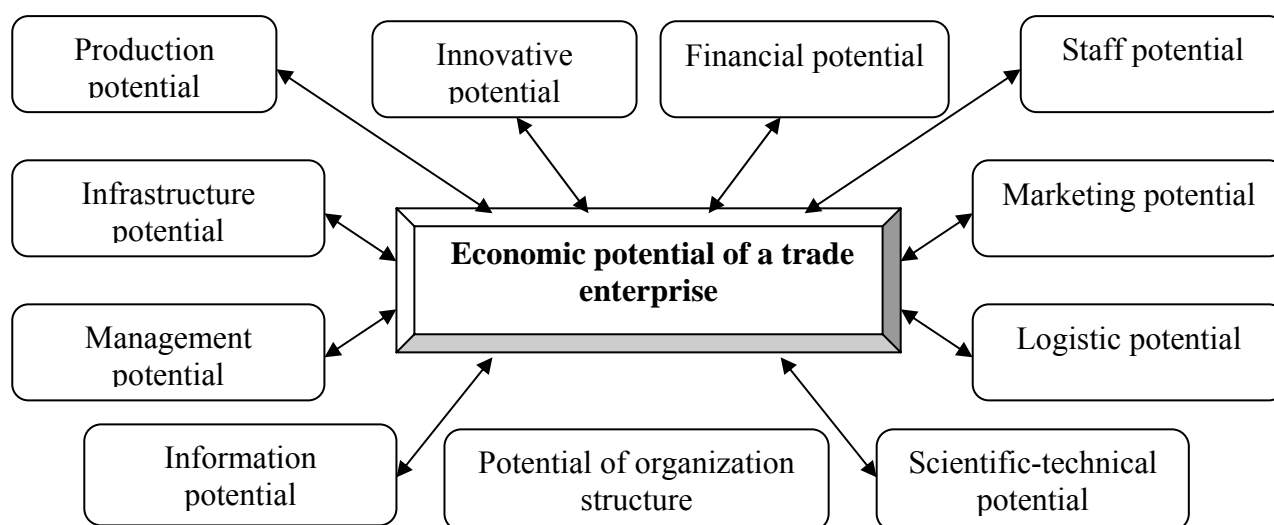


Figure 2 – Structure of economic potential of a trade enterprise

Analysis of production potential is of particular attention. It means the ability to establish an entirely new field of activity for a trade enterprise -production. This involves detection of existing and latent possibilities with regard to involvement and use of necessary inputs for production of certain products.

If the analysis shows failure or discrepancy of the resource base of the economic potential to parameters of the chosen diversification strategy, an important step is to identify and implement necessary strategic changes. Thus, researchers of the consulting firm "Arthur D. Little" distinguish five stable to some extent strategic changes [6], which are associated with implementation of a strategy of business diversification.

Thus, it becomes obvious, that there is a directly proportional relationship between the scale of the chosen strategy of the diversification of activity of the enterprise and a level of needed strategic changes: the bigger is the diversification strategy, the greater will be necessary strategic changes. In case, if economic potential of the enterprise is such, that satisfies requirements of the chosen strategy of diversification of activity, the need to develop and implement strategic changes disappears. When the necessary strategic changes are fully implemented and the ground for diversification of activity of a trade enterprise is created, one can start full implementation of the strategy with simultaneous elimination of arising deviations.

The third stage is evaluation of effectiveness of diversification of activity of a trade enterprise. With the expansion of the concept of sustainable development in the economic activity, enterprises have increased attention not only to their economic efficiency, but also to responsibility to the state, society, customers, environment and employees [5].

According to the triple result concept (economic efficiency, ecological compatibility and social responsibility), non-economic indicators of efficiency are becoming of great importance. Moreover, the most important among resources is staff - the basis of potential development. And the role of the staff in creation and implementing of a strategy of business diversification is difficult to overestimate. That is why application of this concept to evaluation of effectiveness of diversification of activity of a trade enterprise is not so much a requirement as a vital necessity.

According to the concept, target effects from implementation of a strategy of diversification of activity of a trade enterprise are presented in the table 1.

Table 1 - Target effects from implementation of the strategy of diversification of activity of a trade enterprise according to the triple result concept

Results	Target effects
Economic efficiency	<ul style="list-style-type: none"> Increased markets of goods of the enterprise Enhancing investment attractiveness of the enterprise Ensuring of financial stability and profitability of the activity Economies of scale of the activity Solving the problem of excessive and incomplete use of resources Integration of marketing researches Conduction of innovation policy Improvement of the system of supply and sales Transfer of technologies between partners Expansion of the product range Spreading of dataware Access to modern technologies
Social efficiency	<ul style="list-style-type: none"> No contradictions in execution of the collective agreement Development of the personnel motivation system Implementation of measures for personnel health protection Implementation of rules on labour protection Execution of the gender policy Absence (decrease) of cases of misunderstanding with trade union Increase of interaction level with mass media, development of communication policy Anti-corruption actions in implementation of the procurement and clearing activities
Ecological efficiency	<ul style="list-style-type: none"> Development and implementation of the environmental action plan Implementation of the Environmental Management System Introduction of resource-saving technologies Implementation of energy efficient technologies Decrease of pollutants Reduction (utilizing) of waste products

Conclusions. Thus, we can make the following conclusions.

Diversification of activity of a trade enterprise is a versatile and multistage process, aimed at improving the strategic development of the enterprise in conditions of market forms of activity.

The proposed conceptual approach is a scientific and practical basis for implementation of diversification of activity of a trade enterprises, which implies existence of three main stages: determination of expediency of diversification of activities of a trade enterprise, a choice of optimum strategy of diversification of activity of a trade enterprise; evaluation of effectiveness of diversification of activity of a trade enterprise.

For ensuring the success of implementation of the proposed conceptual approach to the diversification of activity of a trade enterprise it is necessary to form economic potential of the enterprise through development and implementation of a complex of strategic changes of the current activity.

Prospects for further research in this direction are the study of peculiarities of the strategic changes management, caused by diversification of activity of a trade enterprise.

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