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Identification of the enterprise diversification stages

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Abstract. The purpose of this study was to identify strategic approaches to enterprise diversification in the context of global economic instability, including an assessment of the effectiveness of multiple types of diversification in enhancing the resilience of business models. For this, qualitative data collection methods were employed, including a case study of public reports of large Ukrainian enterprises such as "MHP", "Interpipe", and "SoftServe". The key findings of the study included the identification of the most effective diversification strategies, including vertical, horizontal, and conglomerate, which reduce risks and increase the competitiveness of companies. Furthermore, the study found that innovation and technological development are key factors in the success of these strategies. The study findings confirmed the significance of a combined approach to diversification depending on the industry and market conditions. It was found that enterprises that actively implement innovations have a better chance of successfully adapting to a changing market environment. It was discovered that vertical diversification allows companies to retain greater control over production processes, while horizontal diversification helps to expand sales markets. Conglomerate diversification is an effective strategy for companies seeking to reduce risks by entering new and unrelated markets. Furthermore, the study demonstrated that businesses that combine these strategies are better equipped to adapt to global economic changes and recover faster from crises. The findings of this study emphasised the need to adapt diversification strategies to the specific conditions of the enterprise and the market, which allows mitigating risks and creating sustainable business models

Keywords: strategies; technological development; business models; economic instability; integration

Introduction

In the modern conditions of fierce competition, unstable economic environment, and global transformations, businesses are forced to look for innovative approaches to ensure their sustainability and growth. Increasing market share, reducing risks, and creating more opportunities for development can be achieved through diversification. This process is vital for companies operating in unstable locations or in the face of rapid changes in internal and international markets. However, the successful implementation of diversification strategies requires a profound understanding of the various stages of this process, from the initial analysis to the implementation of new business models. The lack of systematic methods for determining the key stages of diversification creates

a risk of failure in the development and implementation of such strategies, which emphasises the need for a detailed investigation of this issue. This study is also relevant in the context of finding effective management strategies that would address modern challenges: rapid technological development, changes in consumer behaviour, and tightening environmental requirements. Analysing the stages of diversification enables companies not only to adapt to these changes, but also to create added value, providing competitive advantages at all stages of their development.

Diversification is a valuable tool for increasing the resilience and adaptability of enterprises to current economic challenges. Retailers face the need to adapt to

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market changes by diversifying their activities, particularly by creating online stores, which contributes to their long-term sustainability. O.I. Shaleva & I.S. Sereda (2023) investigated the specific features of the transformation of business processes of retail enterprises, the algorithm of diversification through the creation of an online store, the advantages of online sales over offline trade, and the factors of effectiveness of this approach. However, the risks associated with the complexity of managing new areas and resource provision continue to be a pressing issue that requires further research.

Diversification of agricultural enterprises is a key factor in the economic development of the sector. M.V. Vovk & R.I. Stybel (2024) considered the areas of diversification aimed at increasing productivity and expanding revenues through the optimised allocation of resources. To investigate the subject, the researchers employed SWOT analysis. At the same time, the effect of diversification on non-economic aspects, such as environmental sustainability and social impact, is still understudied.

Another challenge in the industry is the need for retailers to adapt to the crisis. O. Hlushko (2024) analysed the effectiveness of online sales, courier delivery, duplication of export routes, and expansion of the range of private label goods, which contributed to business stability. However, the impact of corruption and shortcomings in the judicial and tax systems on these processes is still poorly understood.

Another problem in the field is the lack of attention to the impact of governance systems on diversification processes. K. Östlund & N. Akelmu (2023) examined how management systems affect the stages of initiation, search, and implementation of diversification strategy in companies. The researchers found that "Boundary Controls" substantially affect all three stages, while other control systems showed mixed results. At the same time, the influence of these systems on various types of diversification strategies and in companies of varying sizes continues to be a relevant area of research.

In the field under study, there is a need for a detailed analysis of the impact of diversification on enterprise performance. H. Le (2019) investigated the relationship between diversification strategies, core competences of enterprises, and their performance. The researcher found that the success of diversification largely depends on the core competencies of the enterprise, which regulate the implementation of strategies. The influence of external factors and the mechanisms of interaction between diversification, competences, and efficiency stay open for further analysis.

There is also a need to reconcile international diversification with corporate environmental responsibility (CER). R.B. Sambharya & I. Goll (2024) investigated the effect of international diversification on CERD, considering cultural practices such as social support and productivity orientation. It was found that social support positively affects CER, while productivity orientation has an

ambiguous effect. The impact of certain cultural aspects on non-market strategies is still understudied.

Innovative solutions are an essential tool for creating an effective organisational and economic structure of diversified enterprises. O. Zghurska *et al.* (2021) studied the mechanisms for implementing such solutions on the example of the agro-industrial enterprises "Ukrlandfarming" and "Astarta". The researchers found that diversification helps to increase competitiveness, optimise management processes, and expand markets. At the same time, the effect of globalisation and technological innovations on the long-term efficiency of such structures stays a pressing issue that requires further analysis.

The purpose of this study was to determine the key stages of the diversification process for enterprises to increase its adaptability and efficiency in a changing market environment. The objectives were to study theoretical approaches to determining the stages of the enterprises' diversification process; to analyse practical examples of the diversification process implemented by enterprises in various industries.

Materials and Methods

This study focused on strategic approaches to enterprise diversification in the context of global economic instability and a changing market environment. The study covered the period from 2020 to 2024, which allowed considering the latest trends in economic processes, changes in diversification strategies, and the effect of global crises (including the COVID-19 pandemic) on companies' business models. This timeframe helped to analyse in detail the adaptation of companies to various economic challenges, including changes in consumer patterns, technological innovations, and geopolitical factors. The study of such events helped to identify key trends and changes affecting diversification strategies in the context of global and local crises.

The study employed methods of data collection and analysis that enabled a detailed assessment of the enterprises' diversification strategies. The study used qualitative analysis to assess the diversification strategies of enterprises. The qualitative approach provided an understanding of how companies apply different diversification strategies (horizontal, vertical, conglomerate) to reduce risks and increase resilience to market changes. The qualitative analysis included public reports, company strategies, their adaptation to new market conditions, and the use of innovative business approaches. This approach provided a comprehensive understanding of the practical aspects of diversification, particularly in the context of economic and social instability. For a better grasp of the application of diversification strategies, the case study method was applied. This method helped to explore concrete examples of successful enterprises, such as "MHP", "Interpipe", and "SoftServe", and to compare the effectiveness of their diversification strategies.

The analysis of public reports of large Ukrainian enterprises enabled the assessment of strategic approaches to diversification and their effect on the overall performance of companies. Specifically, it was studied the reports of such companies as "Interpipe" (Herasy-mova, 2018), "MHP" (MHP announces strategic..., 2020), and "SoftServe" (Diversity, equity and..., 2024). These companies were selected for the study due to their successful diversification strategies aimed at reducing risks and increasing resilience in the face of economic instability. Each of these companies was selected because of their distinctive approaches to diversification. "MHP" pursued vertical diversification in the agri-food industry, "Interpipe" applied horizontal diversification in the steel and pipe industry, while "SoftServe" focused on technological diversification in the IT sector. The analysis of these examples helped to evaluate the effectiveness of various types of diversification in the face of economic instability and provide practical recommendations for other companies. The Porter's Five Forces Analysis and Ansoff Matrix models were also analysed to adapt them to modern strategic processes of enterprises, which help to optimise their operations. Furthermore, analytical tools such as PESTEL analysis, which helps to assess the influence of the external environment on enterprise strategies; Scrum and Agile methodologies, which illustrate the flexibility of management decisions; Gantt chart, which reflects the time aspects of strategy implementation; and Business Model Canvas were analysed. The review of these tools helped structure the data and assess their applicability to diversification strategies.

Results

Theoretical foundations of diversification of enterprise activities

Businesses often use diversification as a strategic approach to stay competitive and resilient in a dynamic market environment. It aims to expand the range of products, services, or markets to reduce dependence on a single source of income and mitigate risks. Diversification is typically used as a response to market challenges, such as increased competition, changes in consumer preferences, or economic instability. Many studies have focused on the classification, effects, and implementa-

tion stages of the diversification process during 2020-2024. This created a solid scientific basis for developing effective strategies.

Conglomerative, horizontal, and vertical diversification are the three principal types of diversification. Vertical, or concentric, diversification means expanding the range of existing activities by adding new ones to the existing ones along the technological cycle. This enables a company to use its potential to open new avenues. It is a logical extension of current operations. For example, flour production can be part of the vertical diversification of a wheat-growing company. In addition, according to D.A. Molodychenko (2020), this type of diversification contributes to the stability of supply, cost optimisation, and increased control over the technological process.

Horizontal diversification means the development of new services targeting the same customers, but not related to the existing ones in terms of the technological cycle. This type of diversification allows companies to leverage their reputation and market insight to expand their product range. For example, a clothing manufacturer can produce shoes for the same customers. Horizontal diversification has a great advantage, because it allows expanding the market without involving entirely new sectors. But if a company does not use enough innovation to create a unique product, this type of diversification may be limited (Skorobogatov & Kycherubova, 2011).

The most complex diversification type is conglomerative, which requires extensive resources. It involves the expansion of the existing product range with goods or services that are not related to the company's current activities. For instance, a pasta producer can offer transport services. Large companies with strong financial and organisational potential usually pursue this type of diversification. N.M. Skorobogatov & O.I. Kycherubova (2011) noted that conglomerate diversification opens new prospects for growth while reducing the risks associated with a single market or industry. However, it also comes with elevated costs and management challenges.

Table 1 summarises the key characteristics of the three types of diversification, as well as their advantages and disadvantages, allowing companies to choose the most effective approach to development.

Table 1. Types of diversification: key characteristics, advantages and disadvantages

Diversification type	Key characteristics	Advantages	Disadvantages
Vertical (concentric)	Expansion within the process cycle, integration of suppliers or distributors	Increased control, lower costs	Excessive cost, complexity of management
Horizontal	Launch of new products or services for the existing customer base	Market expansion, leveraging on reputation	Risk of not meeting customer needs
Conglomerate	Entering new industries not related to the core business	Reduced dependence on a single industry	Extensive investment, lack of experience

Source: compiled by the author based on N.M. Skorobogatov & O.I. Kycherubova (2011), D.A. Molodychenko (2020)

Thus, the type of diversification depends on the strategic goals of the company, its resources, and the specific features of the market environment. Vertical

diversification is effective for optimising internal processes, horizontal diversification allows expanding the customer base, while conglomerate diversification

opens new opportunities for growth. Choosing the right strategy ensures a company's sustainable development and competitive advantage.

Diversification is a valuable strategic management tool that allows businesses not only to adapt to changes in the external environment, but also to ensure sustainable growth in an increasingly competitive environment. In the modern economic environment, where market dynamics are becoming increasingly unpredictable, diversification is of particular significance as a way to minimise risks, maintain financial stability, and strengthen competitiveness.

One of the key benefits of diversification is the reduction of risks associated with dependence on a single market or product. Businesses that focus exclusively on a single market segment are much more vulnerable to changes in consumer demand, price fluctuations, and economic or political crises. For example, a company that only produces seasonal products may face major losses during the "dead season". Diversification, in this case, helps the company to spread the risks by entering new markets or developing new products that can compensate for seasonal losses. This ensures financial stability and reduces the effects of adverse environmental factors (Williams, 2024).

Another valuable advantage of diversification is the increased competitiveness of the enterprise. The development of new markets, the introduction of innovative products or services enables businesses to increase their market share and strengthen their position among competitors. For instance, a company that expands its product range by introducing innovative products can offer consumers unique solutions that meet their needs and thus attract new customers. Furthermore, diversification allows businesses to leverage their existing expertise and reputation to succeed in new markets (Oladimeji & Udosen, 2019).

Diversification also contributes to a more efficient use of enterprise resources. Integrating new activities may allow for optimised use of equipment, technology, or human resources. For instance, a manufacturing company can use residual materials to make new products, which not only reduces costs, but also creates added sources of income. This approach increases profitability and ensures more efficient use of available resources.

Another prominent aspect is the long-term development of the company. Diversification creates new sources of income, which ensures stability in times of economic volatility. For example, a company that operates in several different industries at once is less vulnerable to negative changes in a particular industry, as other areas of activity can compensate for possible losses. This approach ensures long-term sustainability and creates conditions for continuous development.

Furthermore, according to D. Zevenko *et al.* (2024), diversification can help to strengthen the innovative potential of an enterprise. The development of new

markets or products requires the development of advanced technologies, the implementation of modern management solutions, and adaptation to changing conditions. This encourages companies to continuously improve and develop, which contributes to their competitiveness. For example, companies that develop innovative technologies within the framework of diversification can leverage these innovations to improve the quality of their products or services, which allows them to attract new customers and strengthen their market positions.

However, it is essential to recognise that diversification also has its challenges. Specifically, businesses expanding into new areas may face the need for extensive investment and increased management complexity. For example, conglomerate diversification, which involves entering new industries, often requires major financial outlays for market research, product development, and the organisation of new business processes. Furthermore, the management of a diversified enterprise can be complicated by the need to control multiple activities that may have differing needs and specifics. Despite these challenges, diversification continues to be an indispensable tool for ensuring the development of enterprises. It not only minimises risks and increases financial stability, but also opens new opportunities for growth and innovation. Thus, diversification is one of the key factors for the success of enterprises in the current economic environment.

The diversification process involves many stages and requires careful planning and continuous execution of each stage to achieve the company's strategic goals. This process can be structured into several main stages, according to various theoretical approaches. All these approaches provide a comprehensive approach to implementing a diversification strategy.

The first step is to analyse the internal and external environment of the company. This stage involves an assessment of resources, financial capabilities, human resources, as well as market conditions, competitive environment, and economic trends. For example, SWOT analysis or PESTEL analysis methods help to identify the strengths and weaknesses of the company, as well as external factors that affect its operations. The next step is to select areas for diversification, which involves identifying potential areas for expansion. At this stage, companies determine which markets, products, or industries may be of interest for reasons of financial gain, synergies, or risk reduction. Particular attention is paid to determining whether the new areas are in line with the company's strategic goals.

The third stage involves developing a diversification strategy. This process entails creating a detailed action plan that considers the required investments, implementation timeframes, marketing strategy, logistics, and human resources. At this stage, financial calculations are particularly relevant to assess the feasibility of diversification and to forecast possible results. The fourth stage

is the implementation of the diversification strategy. This stage is the most resource-intensive, as it involves the practical implementation of all planned activities. This may include developing a new product, entering a new market, purchasing new equipment or investing in other businesses. Implementation is often accompanied by changes in the organisational structure, management processes, and communications (Zghurska, 2019). The final stage is monitoring and evaluating the effectiveness of diversification. At this stage, the company evaluates the achievement of its goals, analyses financial indicators, customer feedback, and market results. Monitoring allows identifying shortcomings in the implementation of the strategy and adjusting actions to achieve the best results (Oparina & Zavdoviev, 2018).

These stages are universal and can be adapted to the needs of a particular enterprise depending on its resources, industry, and strategic priorities. A clear understanding of each stage allows enterprises to successfully implement diversification strategies, minimise risks, and achieve sustainable growth.

Analysis of practical implementation and development of recommendations for identifying stages of the diversification process

One of the crucial strategies for modern Ukrainian businesses is to use the diversification process to ensure sustainability, competitiveness, and the ability to adapt to dynamic market conditions. This process not only minimises the risks associated with dependence on a specific product or market, but also creates new opportunities for growth.

Ukrainian businesses are increasingly adopting diversification strategies to adapt to market challenges. In the food industry, one of the leading examples is the “MHP” agricultural holding, known for its “Nasha Riaba” brand. The company started out as a chicken producer, but later expanded its business by investing in grain growing, meat production, and renewable energy. As a result, “MHP” has reduced its dependence on a single market segment, strengthened its position on the international market, and increased its financial stability (MHP announces strategic..., 2020).

In the steel industry, “Interpipe” is an example of successful diversification. The company, which historically specialised in the production of steel pipes, expanded its activities by launching the production of railway wheels. This enabled the company to diversify its revenues, reduce its dependence on fluctuations in steel demand, and take a leading position in the new market (Herasymova, 2018).

In the IT sector, the Ukrainian company “SoftServe” demonstrates the effectiveness of horizontal diversification. The company started out as a software developer, but later added consulting services, training programmes, and customer support to its portfolio. This helped to expand its customer base and strengthen its position in the international market. The company

is also entering the Latin American market to continue its rapid growth and increase its global presence (Konopleva, 2022).

Each of the five stages of the diversification process is crucial for the success of the strategy. Examples of Ukrainian companies provide a detailed analysis of the specifics of these stages. The first stage is the analysis of the internal and external environment of the enterprise. “MHP” conducted a detailed analysis of market trends, identifying promising areas for expansion, including investments in meat production and renewable energy. The analysis identified opportunities to create synergies between existing and new business areas (MHP, 2018). This stage requires a clear understanding of the prospective areas of development that meet the strategic goals of the enterprise and its resource capabilities. “Interpipe” is a vivid example of a successful choice of diversification path. In response to fluctuations in demand for steel pipes, the company decided to focus on the production of railway wheels. The decision was made after a detailed market analysis, which revealed a stable demand for railway wheels even during periods of economic instability. Furthermore, this area is characterised by low dependence on international trade barriers, which made it particularly attractive to the company. Thanks to this choice, “Interpipe” managed to minimise the risks associated with a decline in orders in the metallurgical sector and ensure the stability of its business in the long term (Herasymova, 2024).

Strategy development is an essential stage that determines the sequence of actions to achieve the goals set. This process includes planning investments, logistics, marketing activities, and securing the necessary human resources. For example, “SoftServe”, a software development company, has implemented innovative training programmes to train its employees as it diversified its business. The company developed a clear plan that included the creation of training courses aimed at developing key competencies such as project management, programming, and customer service. This enabled “SoftServe” to improve the quality of its services and secure competitive advantages. Furthermore, the strategy addressed the risks associated with the oversaturation of the IT services market and focused on entering international markets. Thanks to clearly defined priorities and realistic planning, the company successfully tackled the challenges of this stage (Diversity, equity and..., 2024).

Strategy implementation is the most critical and resource-intensive stage of the diversification process. It requires investment, teamwork, and effective project management. “Interpipe” managed to successfully reduce its dependence on the steel pipe market by investing in the production of railway wheels. The investments included the purchase of modern equipment, staff training, and optimisation of production processes. The introduction of modern technologies enabled the company to achieve high quality products that conformed

to international standards and to increase production volumes considerably. This approach not only strengthened “Interpipe’s” position in the internal market, but also opened new opportunities for export. As a result, the company has become one of the leading players in its industry, demonstrating competitive advantages and long-term sustainability (Herasymova, 2024).

According to A.M. Tarasiuk (2023), monitoring allows enterprises to control the implementation of the strategy and respond promptly to deviations from the planned results. “MHP” uses developed monitoring systems that cover financial results, analysis of market indicators, and the effectiveness of management decisions. Such systems enable the company’s management to quickly identify weaknesses and adapt the

strategy in line with changes in the market environment. For instance, if a certain line of business proves to be less profitable, the company can reallocate resources to other areas with stronger growth potential. This ensures the flexibility of “MHP’s” strategy, increases the effectiveness of the changes implemented and achieves stable financial growth.

Therefore, each of these stages is instrumental to the successful implementation of the diversification strategy. The use of modern analytical tools, clear planning, and performance monitoring allow companies to achieve their strategic goals and ensure long-term development. Table 2 provides an assessment of the key success factors and risks specific to each stage of the diversification process.

Table 2. Assessment of key success factors and risks for the stages of diversification

Diversification stage	Key success factors	Primary risks
Analysis of internal and external environment	1. Access to quality information. 2. Use of analytical tools. 3. Professional analysis of market trends	1. Incomplete or inaccurate data. 2. Incorrect forecasts. 3. Insufficient attention to the competitive environment
Selection of diversification areas	1. Compliance of the selected areas with the strategic goals. 2. Analysis of promising markets. 3. Potential for synergies	1. Selection of unprofitable areas. 2. Mismatch of new areas with existing resources. 3. Disregard for market risks
Strategy development	1. Realistic planning. 2. Clear estimate of costs and revenues. 3. Availability of financial resources. 4. Involvement of experts	1. Insufficient funding. 2. Errors in planning. 3. Failure to consider market or customer needs
Strategy implementation	1. Prompt implementation of measures. 2. Staff motivation. 3. Integration of new processes into the existing structure	1. Delays in implementation. 2. Resistance to change from staff. 3. Budget overruns
Monitoring and performance evaluation	1. Continuous monitoring of results. 2. Use of innovative monitoring tools. 3. Flexibility in decision-making	1. Insufficient monitoring. 2. Delayed corrective actions. 3. Untimely response to deviations from the plan

Source: compiled by the author based on O.S. Borysenko et al. (2022)

Table 2 showed that the diversification process is complex and multifaceted, requiring companies to analyse carefully, plan strategically, and execute accurately. The success of diversification depends on the company’s ability to adapt to changes in the market environment, use resources efficiently, and manage the risks associated with each step of the process. Innovation, financial and human resources, and integration of the latest trends into the company’s overall strategy are key components of success. At the same time, even the most promising projects can be lost due to risks, such as incorrect market assessment, budget overruns, or resistance to change.

Overall, Table 2 highlighted the significance of a comprehensive approach to diversification. Businesses need to address every aspect of the process, from market analysis to monitoring results. This helps not only to minimise risks, but also to increase flexibility and competitiveness in a dynamic economic environment. Considering these factors, diversification continues to be a powerful tool for achieving strategic goals and ensuring sustainable development of enterprises.

Implementing diversification requires careful planning, a systematic approach, and the use of modern management techniques. Businesses can reduce risks, increase profitability, and become more competitive in the long run by doing so. The primary purpose of diversification is to reduce dependence on a single market or product and to adapt to changing external conditions. To achieve this, it is necessary to develop a clear algorithm of actions, incorporate new management tools, and create a system for assessing the effectiveness of the strategy.

A preliminary audit of the company’s internal resources and analysis of the external environment is the first step in implementing diversification. An internal audit includes an assessment of the company’s financial capabilities, technical potential, available human resources, and the efficiency of existing processes. The analysis of internal resources, specifically, helps to identify the company’s strengths, which can form the basis for opening new avenues. On the other hand, external analysis is aimed at studying economic, political, social, and environmental factors, as well as consumption trends and competitors’ actions in the market. PESTEL

analysis is well suited for this purpose, as it provides a complete understanding of the impact of the macro environment on the company's operations.

The second step is to identify areas of strategic diversification. At this stage, companies should clearly define their goals. These goals can range from increasing profits to reducing dependence on a particular market or product. The Ansoff matrix is an effective tool for choosing strategic directions, as it allows to assess risks and development potential according to the degree of innovativeness of the product and market. Value chain analysis is also useful for businesses, as it helps to identify opportunities for creating synergies between existing and new activities. The development of a diversification strategy is the third stage, which includes the development of a detailed implementation plan. At this stage, it is key to define the timeline, required investments, resource allocation, and who is responsible for the implementation of the tasks. Establishing key performance indicators (KPIs) is an essential part of this stage, as it will allow measuring the progress and outcomes of the strategy. For example, revenue growth, market share, return on investment, and customer satisfaction can be part of the KPIs. The value proposition, customer segments, sales channels, revenue sources, and costs are the core elements of the business model, which can be structured using the Business Model Canvas tool, which can be used to visualise the strategy.

Strategy implementation is a critical stage that requires clear coordination between departments, adequate funding, the involvement of qualified specialists, and the use of innovative technologies. At this stage, businesses must execute their plans, such as creating new products, manufacturing them, opening new markets, or acquiring other companies. It is recommended to use Agile or Scrum methodologies to ensure flexibility during the project, as they can adapt to changes in the external environment. For example, a company can try out new products through pilot projects before expanding them to larger markets.

Completing the monitoring and evaluation of the effectiveness of the diversification strategy is the last step. At this stage, one can track the implementation of the plan, analyse the performance, and make necessary adjustments. Modern information systems, such as enterprise resource planning or customer relationship management, can be used to monitor performance as they automate data collection and analysis. Outcomes such as customer satisfaction, company reputation, and potential for innovation are critical, along with financial metrics such as revenue growth and profitability. For example, customer surveys provide feedback on new products, which allows for quick changes to the business plan.

It is essential to use the right management tools at each stage. At the stage of analysing the external environment, competitive analysis, PESTEL analysis, and market forecasting are effective tools. The Ansoff

Matrix and Porter's Five Forces Analysis help in choosing the areas of diversification. Gantt charts and balance sheets should be used for planning and setting KPIs. Implementing the strategy requires the integration of Agile methods and enterprise resource planning systems to ensure flexibility and speed of task execution. To track results, it is advisable to use dashboards that show key performance indicators in real time.

Assessing the effectiveness of diversification depends on a thorough analysis of both financial and non-financial factors. Financial metrics include revenue growth, increased profitability, reduced costs, and increased market share. Meanwhile, the long-term impact of diversification on the development of an enterprise can be assessed using non-financial indicators, such as company reputation, innovation potential, customer satisfaction, and employee loyalty. To obtain an objective assessment, the indicators should be regularly monitored and compared with the established KPIs. Thus, successful implementation depends on the development of clearly defined algorithms, the use of modern management tools, and systematic evaluation of results.

Discussion

Diversification is a key strategy for businesses to reduce risks and increase their resilience to changes in the external environment. It provides an opportunity to adapt to economic, social, and technological changes, ensuring stability and growth. However, depending on the industry, market, and economic conditions, various forms of diversification may have different effects. Therefore, it is vital to consider the specifics of each enterprise and its strategic goals, when choosing which diversification strategy to pursue.

This study focused on the analysis of three types of diversification: vertical, horizontal, and conglomerate, which allow enterprises to reduce risks and increase competitiveness. It was found that vertical diversification optimises costs and increases control over processes, while horizontal diversification allows expanding the range of products, while maintaining a focus on existing customers. Conglomerate diversification, although it has significant costs, reduces the risks arising from dependence on a single market or product.

Comparing with the findings of S. Wang *et al.* (2024), it can be noted that the study of these researchers also highlighted the role of diversification, but with a greater focus on international aspects, particularly the impact of subsidiaries on parent companies' innovations. This study focused on local strategies and examples of how firms adapted to national conditions. The key difference lies in the context: S. Wang *et al.* (2024) examined international diversification strategies for global companies, while the present study addressed the adaptation of domestic enterprises to changes in the internal market. This contextual aspect is significant because it determines the choice of diversification strategy depending

on the specifics of the market and the size of the company. Thus, the findings confirmed that the diversification strategy has a variable impact on the efficiency of enterprises depending on market conditions and the scale of the company's activities. In the case of large international corporations, as shown by S. Wang *et al.* (2024), diversification through subsidiaries can promote innovation, while for local companies, as shown in this study, horizontal and vertical diversification strategies are more effective.

This study and W. Sels (2024) emphasised the significance of diversification for risk reduction but analysed it from different angles. W. Sels (2024) focused on portfolio investments, as location across classes (stocks, bonds, real estate, etc.), and geographic diversification to reduce volatility. In this study analysed diversification as a strategy for enterprises to adapt to market changes. The methodologies also differed, with W. Sels (2024) using statistical data from global markets, while the present study employed SWOT analysis, PESTEL analysis, and case studies. Both approaches agreed on the value of a balanced approach, although the author focused on financial aspects, while this study addressed the operational strategies of enterprises.

Studies by R. Kankaria & S. Pai (2023) and S. Mirković *et al.* (2024) analysed diversification strategies in various contexts. S. Mirković *et al.* (2024) focused on sectoral constraints, specifically in the Serbian defence industry, exploring linked and unlinked diversification. The researchers emphasised that linked diversification provides synergies and economies of scale, while unlinked diversification reduces risks but requires extensive resources. The researchers also noted that excessive diversification can lead to excessive costs and management challenges, which is consistent with the findings of this study on the need to balance the amount of diversification with the company's resources. As for the study by R. Kankaria & S. Pai (2023), their approach focused on the environmental aspects of diversification, specifically on achieving Net Zero goals for fossil fuel companies. The researchers examined, how diversification can contribute to the transition to a low-carbon economy through sustainability investments, government support, and the role of the board of directors. The cited study focused on environmental sustainability and governance aspects, while the present paper analysed business adaptation to a changing economic environment, with a greater focus on operational strategies. The findings of these studies demonstrated distinct aspects of diversification. S. Mirković *et al.* (2024) pointed out the significance of a reasonable balance between distinct diversification strategies, while R. Kankaria & S. Pai (2023) focused on environmental sustainability in the energy sector. This explored adaptive strategies to ensure business sustainability in the face of economic volatility.

M. Andreasson *et al.* (2024) analysed innovative diversification strategies, including the introduction of

digital solutions into conventional industries. The focus was on horizontal diversification through investment in the latest technologies and expansion into digital markets. The researchers emphasised the role of innovation management and adaptation to technological trends to ensure competitive advantage. This study also explored adaptive diversification strategies, but focused on analysing resources and market opportunities to increase business resilience in the face of economic uncertainty. Both studies recognised the value of innovation and adaptation, but placed different emphases. M. Andreasson *et al.* (2024) focused on digital transformation and innovation in technology companies, while this study covered a wider range of industries and conventional business strategies. This approach allowed for a comprehensive analysis of the effects of diversification on the resilience of enterprises to market challenges.

Z. Qian *et al.* (2022) analysed the impact of diversification on inventory management efficiency, focusing on operational aspects and contract models in supply chains. This study investigated adaptive diversification strategies with a focus on strategic business management and its adaptation to market changes. While both studies emphasised the role of diversification for company performance, they differed in their approaches: Z. Qian *et al.* (2022) focused on the operational aspects, while this study covered the broader business context.

The authors K. Halttunen *et al.* (2023) focused on the transformation of energy companies to sustainable business models, emphasising the role of public policy and renewable energy sources. The researchers focused on the environmental aspects of diversification, emphasising the significance of transitioning to sustainable and environmentally friendly energy sources in the face of global challenges. This approach is specific to the energy sector, which is responding to climate change and societal demands. In contrast, the present study analysed the general diversification strategies used by businesses in various industries to ensure their resilience in the face of economic uncertainty. The key difference was in the focus of the studies: K. Halttunen *et al.* (2023) focused on environmental sustainability in the energy sector, while the current study had a universal approach to diversification, which helped to assess its effectiveness in distinct economic conditions and industries.

As for the study by E. Onali & D.V. Mascia (2021), it also highlighted the role of diversification, especially in the context of managing risks arising from external shocks such as the COVID-19 pandemic. Researchers focused on the impact of factors such as stock volatility and used financial indicators such as Tobin's *q* to analyse diversification strategies. Their study was more focused on the financial aspects of diversification and its effects on the resilience of companies to economic shocks, particularly in the face of financial volatility and market uncertainty. This study focused on the strategic aspects of diversification, namely on the types of

diversification, with a focus on the operational adaptation of enterprises to changing market conditions. The key difference between the study by E. Onali & D.V. Mascia (2021) and this study lied in the methods: E. Onali & D.V. Mascia (2021) used financial indicators to assess the effectiveness of diversification, while this study focused on the analysis of strategic approaches, such as SWOT and PESTEL analyses, which allow considering broader factors that affect the success of diversification. Another prominent difference is the focus on geographic diversification in the study by E. Onali & D.V. Mascia (2021). The researchers investigated geographic strategies, specifically diversification through international expansion, to reduce the risks associated with local economic shocks. At the same time, this focused on general diversification strategies without a clear focus on geographic aspects.

The study by L. Nguyen-Thi-Huong *et al.* (2023) and this study had a common focus on the significance of diversification for reducing risks and increasing the resilience of enterprises. Both studies emphasised that diversification helps to minimise risks, including financial and operational risks. They also employed resource theory to explain the mechanisms of diversification. The key difference was in the context: the authors focused on small and medium-sized enterprises in Vietnam and the impact of government support, while this study considered diversification in a more general context of large enterprises without focusing on government initiatives.

M. Chemirbayeva *et al.* (2020) analysed the economic strategy of diversification of light industry enterprises in the context of globalisation, emphasising the necessity of innovative management approaches to ensure competitiveness and reduce risks. This study employed cluster analysis methods to develop a strategy for the development of enterprises at the regional level in Kazakhstan. The researchers also explored the role of government support and the need to integrate industry into global economic processes. This study also considered diversification as a strategy to reduce risks and increase the stability of enterprises, but with a focus on more general aspects of business strategies, such as risk management, innovation strategies, and the role of the external environment for enterprise development. The difference was that the study by M. Chemirbayeva *et al.* (2020) focused on the analysis of specific features of the light industry in Kazakhstan, while this study covered diversification strategies in the context of global economic changes more generally.

Scientists O. Denysiuk *et al.* (2023) analysed the diversification of agricultural enterprises as a tool for sustainable development in rural areas. This study investigated the effects of general diversification strategies on increasing the resilience of enterprises in the face of economic instability. Both studies emphasised the role of diversification for reducing economic risks and adapting to changing conditions. The key difference was that O. Denysiuk *et al.* (2023) focused on the specifics of

agricultural enterprises, applying a systematic approach to the analysis, while this study analysed general strategic approaches to diversification without focusing on a concrete industry or region. This universal approach allowed for a wider range of factors affecting diversification performance to be considered.

A.W. Stevens & J. Teal (2023) focused on the effects of diversification in the agri-food sector during the COVID-19 pandemic. The researchers analysed vertical and horizontal diversification as tools to increase the resilience of enterprises, using statistical methods to assess the effectiveness of these strategies. This study examined general diversification strategies in the context of global economic change, without reference to a concrete industry or crisis. The primary difference between the studies was that A.W. Stevens & J. Teal (2023) focused on a concrete sector and crisis period, while this study had a broader approach to analysing adaptation strategies.

The authors J. Foreman-Peck & P. Zhou (2023) focused on innovation in research and development (R&D), assessing the impact of internal and external R&D on company productivity. The researchers employed economic models to analyse the surplus from R&D investments, which allowed them to identify the link between innovation and economic performance of companies. This study examined diversification as a strategic tool to reduce risks and increase the resilience of enterprises to changes in market conditions. Both studies emphasised the key role of innovation and diversification in ensuring the competitiveness and efficiency of enterprises.

This study highlighted the significance of diversification for reducing risks and increasing the resilience of enterprises. Distinct approaches to diversification, such as vertical, horizontal, and conglomerate, were found to be effective depending on the context and specifics of the industry. While all studies emphasised the value of adapting to change, approaches vary, with some focusing on innovation, while others focus on financial aspects or operational strategies.

Conclusions

Diversification is one of the most effective tools for ensuring long-term sustainability and reducing risks in the face of economic instability and global change. According to the study, diversification enables companies to reduce their dependence on a specific product or market, making them more flexible and capable of adapting to changes in the external environment. The primary challenge for companies considering diversification is to choose the right strategy and implement it in great detail, which requires not only strategic thinking but also a clear analysis of all possible risks.

The study detailed the stages of diversification: from analysing market opportunities and assessing the external environment to choosing the best strategy and implementing it. The key stages included identifying internal and external factors affecting the company, as well

as assessing the company's resources and opportunities for expansion.

The study identified three major types of diversification: vertical, horizontal, and conglomerate. Each of these types has its specific features and applicability in certain situations. Vertical diversification ensures stable supply of resources and reduces costs. Horizontal diversification allows expanding the market and offering new products to existing customers. Conglomerate diversification, which involves entering new, unrelated markets, is riskier, but can bring considerable dividends if implemented successfully. Another aspect analysed was the role of innovation and technological development in the diversification process. Modern enterprises that actively use innovative technologies and strategies can greatly enhance their competitiveness. In this context, the significance of integrating the latest technologies into the strategic diversification process was emphasised. Innovations not only enable companies to expand their range of products and services, but also ensure their adaptation to a rapidly changing market environment.

The study also showed that successful diversification depends on many factors, such as strategic management, availability of financial resources, investment in research and development, and the ability of the enterprise to adapt to changes. The case studies showed

that successful companies in Ukraine, such as "MHP", "Interpipe", and "SoftServe", employ different approaches to diversification to reduce risk and increase stability. Their successes demonstrate, how the right diversification strategy can lead to strong economic benefits.

One key aspect that requires further research is the adaptation of the diversification strategy to the specifics of the market and industry. It should be considered that approaches to diversification may differ substantially in different sectors of the economy, and therefore each company should develop an individual strategy that meets its goals and capabilities.

Businesses should develop diversification strategies based on a detailed analysis of market conditions, their resources, and growth potential, as well as consider the effects of technological innovation and external economic factors. This study was limited to the general aspects of diversification and did not address any specific industry conditions or characteristics of enterprises in different regions.

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Conflict of Interest

None.

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Ідентифікація етапів процесу диверсифікації діяльності підприємства

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Анотація. Метою цього дослідження було визначення стратегічних підходів до диверсифікації підприємств в умовах глобальної економічної нестабільності, зокрема оцінка ефективності різних видів диверсифікації для підвищення стійкості бізнес-моделей. Для цього було використано якісні методи збору даних, включаючи кейс-аналіз публічних звітів великих українських підприємств, таких як «МХП», «Інтерпайп» і «SoftServe». Основними результатами дослідження було визначення найбільш ефективних стратегій диверсифікації, зокрема вертикальної, горизонтальної та конгломеративної, що дозволяють знижувати ризики та підвищувати конкурентоспроможність компаній. Крім того, було виявлено, що інновації та технологічний розвиток є ключовими чинниками успіху цих стратегій. Результати дослідження підтвердили важливість комбінованого підходу до диверсифікації залежно від галузі та ринкових умов. Було з'ясовано, що підприємства, які активно впроваджують інновації, мають більші шанси на успішну адаптацію до змінюваного ринкового середовища. Виявлено, що вертикальна диверсифікація дозволяє компаніям зберігати більший контроль над виробничими процесами, в той час як горизонтальна диверсифікація сприяє розширенню ринків збуту. Конгломеративна диверсифікація є ефективною стратегією для підприємств, які прагнуть знизити ризики, виходячи на нові та непов'язані ринки. Крім того, дослідження показало, що підприємства, що комбінують ці стратегії, мають кращу здатність до адаптації до глобальних економічних змін і швидше відновлюються після криз. Результати дослідження підкреслюють необхідність адаптації стратегій диверсифікації до специфічних умов підприємства та ринку, що дозволяє знижувати ризики та створювати стійкі бізнес-моделі.

Ключові слова: стратегії; технологічний розвиток; бізнес-моделі; економічна нестабільність; інтеграція