METHODS OF DIVERSIFICATION FOR INCREASING EFFICIENCY IN MANUFACTURING ENTERPRISES

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Abstract: This article provides a detailed examination of diversification methods aimed at enhancing enterprises’ ability to adapt and achieve success under expanding and increasingly complex market conditions. The positive and negative aspects of diversification methods introduced into production at enterprises are scientifically substantiated. In addition, taking into account the specific characteristics of local markets—including consumer preferences, the existing competitive environment, and supply-chain constraints—the article puts forward proposals for the flexible diversification of products and services by enterprises.
Keywords: local market, product diversification, market diversification, technological diversification.

Introduction

During the years of independence, a fundamentally new system of state regulation of the foreign economic activity of the Republic of Uzbekistan was established. For this purpose, activating the participation of regions in foreign economic relations, increasing export potential, and producing export-oriented and import-substituting products were identified as priority areas. This has become a decisive factor in the successful implementation of economic reforms, economic liberalization, and sustainable development. Taking into account international experience and the conditions for the development of its national economy, Uzbekistan has undertaken practical measures to define clear directions in the sphere of foreign economic activity from the very first days of independence.

Under market economy conditions, enterprise activity is characterized by global competition, rapid changes in market conditions, the accelerating pace of technological renewal, and the differentiation of consumer demand. Under such circumstances, relying on a single product or a single market segment creates a serious threat to an enterprise’s economic stability. Therefore, diversification policy is becoming not an alternative but a necessary strategic direction of enterprise development. Diversification policy serves to distribute economic risks through the comprehensive expansion of an enterprise’s production, investment, and marketing activities. In scientific sources, diversification is often interpreted as a means of reducing market risks, increasing sources of profit, and strengthening competitiveness. The diversification process is implemented to open up new prospects for enterprises and enhance their competitiveness. The essence of this method is to expand market share by producing various products or providing different services. Diversification is an effective means of reducing risks for enterprises because it makes it possible to avoid excessive dependence on a particular product or service. As emphasized by Porter (1985), diversification strategies help enterprises remain prepared for market changes and enable them to successfully restore their market positions. In the Uzbek economy, diversification processes have been actively developing since the 2000s, when the country experienced significant socio-economic changes. As an idea, diversification involves developing particular areas of production through innovative and creative approaches. For example, annual investments aimed at diversifying agriculture in Uzbekistan have increased by 20% over the last five years, which has contributed to improving the balance between imports and exports.

Diversification involving the production of various products provides enterprises with a high degree of stability. According to Porter’s theory of competitive strategies, diversification offers specific competitive advantages, and existing resources should be used efficiently in this process. According to Uzbek researchers, an innovative approach plays a central role in the diversification of production. One of the diversification methods is horizontal diversification, which involves creating new types of products or services. This process expands consumers’ opportunities to choose the products they need while simultaneously strengthening the enterprise’s market position. The launch of 15 new brands in Uzbekistan’s food industry in 2018 generated approximately 30% growth and played an important role in supplying consumers with new products.

Literature Review

Production diversification is one of the important directions of industrial and economic development, serving to increase competitiveness, reduce economic risks, and ensure sustainable growth. Numerous international and domestic studies have examined the theoretical and practical aspects of this process. At the international level, Ansoff (1957) classified diversification strategies into major forms such as concentric, conglomerate, and horizontal diversification, while Porter (1985) considered diversification a strategic instrument for creating competitive advantage. Barney (1991), through the resource-based view, argued that the success of diversification depends on a company’s internal capabilities. Economic transformations and production diversification have been studied in the works of foreign scholars such as A.

Thompson, M. Porter, A.A. Tatuev, and O.A. Larionova. They identified the following directions for achieving socio-economic development:

Baxtiyar Ruzmetov, Sherzod Ruzmetov, Shakhzod Bakhtiyarov, Zulfiya Dzhumaeva and Khusan Juraev, "Formation of supporting points for production growth based on diversification of the regional industry"; 2023

• development of production complexes;
• comprehensive socio-economic development;
• enhancement of competitiveness.

From a macroeconomic perspective, OECD (2020) studies indicate that production diversification can increase countries' export potential and strengthen resilience to economic crises. According to IMF (2021) analyses, production diversification contributes to labor-market stability and the creation of new jobs. In domestic research, the Decree of the President of the Republic of Uzbekistan dated January 26, 2022, "On measures for diversifying economic sectors and promoting innovative development," emphasizes the expansion of production into new sectors, technological modernization, and increased exports. The "Uzbekistan–2030" Strategy also identifies the development of high-value-added sectors of production and the diversification of domestic industry as priority tasks.

According to World Bank (2023) data, diversification processes underway in Uzbekistan's industry are helping accelerate access to new export markets. At the same time, the United Nations Conference on Trade and Development (UNCTAD, 2021) emphasizes that improved infrastructure and a favorable investment environment are important for production diversification. Thus, existing studies confirm the scientific foundations of production diversification and demonstrate the need for economic reforms, technological development, investment attraction, and industrial support policies for its implementation.

Analysis and Results

The application of modern technologies is of great importance in diversification processes. Technological innovations enable enterprises to produce new products quickly and efficiently, thereby increasing their competitiveness. In 2020, an automation level of approximately 60% was established in the production of agricultural products in Uzbekistan, which contributed to accelerating diversification processes. The process of production diversification requires the organization of interrelationships, acquisition of new markets, and development of research activities. Such strategies strengthen interconnected corporations and increase competition. According to analysts, diversification is important for creating new opportunities for enterprises and ensuring their long-term success.

As an example of increasing efficiency through diversification methods, the experience of Uzbekneftegaz, operating in the “Industry and Energy” corridor, can be cited. In 2020, the company began investing in solar energy while seeking new energy sources. In this area, USD 20 million was spent on the construction of a 50-megawatt solar power plant. As a result, the company saved 15,000 tons of gas annually, which also had a positive environmental impact. In addition, in the food-production sector, the Kizil Kum enterprise successfully implemented a diversification strategy. In 2018, in order to expand its product range, it shifted toward the production of new fruits and vegetables. As a result, the enterprise obtained approximately 25% additional revenue. Along with increasing production capacity by 40%, the process also created opportunities to export new products.

Another example is the state-owned company Uzbekistan Railways. In 2021, the company launched container transportation services in order to expand its logistics services. As a result, annual revenue increased by 30%. By opening new routes in export logistics, it also strengthened its position in the regional transportation services market. In the food industry, the company Uzto‘qimachilik also implemented diversification strategies. In 2019, it began producing new types of organic household products. Through this diversification, the enterprise captured approximately 10% of the market. As organic products gained demand in foreign markets, export revenue increased significantly.

The Bukhara Oil Refinery entered a diversification process in 2020 and began producing new plastic products. USD 15 million was invested in this process, expanding production capacity by 25%. At the same time, in 2021 the enterprise began accepting 50% more orders. As a result, these changes helped increase the enterprise’s competitiveness. In 2019, Uzkhimprom? No—the source identifies the enterprise as “Uzbek Sugar”—moved toward producing a new type of sugar in order to diversify the industry. During this work, USD 5 million was invested and 2,000 tons of new products were produced annually. This diversification enabled the enterprise to increase annual revenue by 20% and strengthen its competitive position.

Thus, diversification methods create new opportunities for enterprises. Each enterprise should adopt innovative approaches to expand its activities and increase efficiency. To achieve success in the Uzbek market, it is necessary not only to produce competitive products but also to diversify services. Diversification is an important factor in improving efficiency. In 2022, industrial enterprises in Uzbekistan developed approximately 20% new types of products. In addition, the use of innovative technologies, which has increased by 30% in recent years, has contributed to qualitative improvements in the production process. Enterprises seek to satisfy different customer needs through their product portfolios, thereby gaining a competitive advantage.

Table 1. Diversification Methods and Their Impact on Efficiency

No.	Type of diversification	Content	Impact on efficiency	Scientific innovation (proposal)
1	Product diversification	Introduction of new product types	Revenue sources expand	AI-based demand forecasting model
2	Market diversification	Entry into new market segments	Sales volume increases	Digital marketing + big data analysis
3	Technological diversification	Introduction of new technologies	Production efficiency increases	Industry 4.0 integration
4	Vertical diversification	Expansion of supply and sales chains	Costs decrease	Logistics optimization algorithms
5	Horizontal diversification	Expansion of related types of activity	Competitiveness increases	Innovative cluster model
6	Financial diversification	Expansion of investment sources	Risk decreases	Management through fintech solutions

According to 2020 statistics in Uzbekistan, most companies achieved a 15% increase in production through diversification. In particular, agricultural producers manufactured 12% more products in 2021. As product ranges expand, opportunities arise to create various new products that correspond to consumer demand. This demonstrates that enterprises are increasing their revenues as a result. According to statistical data, food enterprises in Uzbekistan observed an 8% increase in revenue in 2019 through diversification of their products. Most of them succeeded in offering new products in export markets. In 2021, export growth reached 25%, demonstrating how enterprises benefited from diversification processes. According to consumer surveys, new product types remain an important factor in purchasing decisions. According to data published by the Ministry of Industry and Innovation in 2022, investment in production through diversification increased by 40%. Many companies, including small and medium-sized enterprises, began introducing new technologies. This, in turn, contributed to the production of higher-quality goods and attracted customers. One company in Tashkent expanded its product range by 50%, which helped increase its market share.

In addition, in recent years, the reduction in costs resulting from the introduction of new production technologies has reached 20%. This approach, in turn, allows enterprises to maintain prices at competitive levels. According to data from 2021, 60 new enterprises joined the diversification process, which led to the creation of new jobs in the sector. They also sought to increase competition by supporting technological innovations. In 2023, agricultural enterprises in Uzbekistan succeeded in presenting 15% of their products under new brands. This increased consumer interest in new brands and products. Subsequently, market share increased by 10%. Small and medium-sized businesses conducted special campaigns to attract new consumer segments. Overall, the diversification process is considered an important instrument for increasing efficiency in Uzbek enterprises. According to the achievements recorded in 2021, national production increased by 18% and exports by 22% through diversification. These indicators emphasize the need to continue the diversification process in the future. In practice, producing new products and providing services requires efforts aimed at strengthening competition and increasing market share.

Conclusions and Recommendations

The problems arising in the diversification process at enterprises depend on several factors. First, diversification strategies are often insufficiently defined. Many enterprises do not approach the development of strategies aimed at producing new products with sufficient caution, which can lead to inefficient allocation of resources. As a result, unexpected obstacles may arise during the production process.

The second issue is related to inaccurate assessment of market demand and supply. Enterprises may fail to conduct sufficiently comprehensive analyses when studying customer requirements. In the Uzbek market, changing consumer preferences from year to year are particularly important. If enterprises do not adapt to these changes, new products may fail to generate sufficient demand.

The shortage of qualified specialists in the production process is also an important factor. Qualified personnel are necessary for introducing new technologies and methods. Consequently, enterprises may face difficulties in implementing new projects, which reduces overall efficiency. Another problem of diversification is closely associated with insufficient financial resources. Many small and medium-sized businesses are unable to attract the investment required to develop new products. This, in turn, hinders entry into new markets and the production of competitive goods. All of these issues require appropriate solutions. For example, enterprises should conduct comprehensive research when defining their strategies. Surveys can also be conducted to improve consumer awareness and understand their preferences. By strengthening the exchange of information, enterprises should establish closer relationships with customers. Training qualified personnel and continuously developing their skills are also among the possible solutions. Training programs and master classes can help enterprises master new technologies. At the same time, cooperation between the public and private sectors should be developed to increase financial resources. Optimizing the resources required for successful diversification is also important. Companies should seek ways to reduce costs and increase profit. Readiness to introduce innovations and adapt rapidly to changing markets provides a foundation for creating competitive products.

It is also necessary to review and update marketing strategies. The success of presentation and advertising campaigns is highly important when introducing new products. Enterprises should study domestic and foreign markets and adapt their offerings accordingly. All of these measures can help eliminate problems in the diversification process and contribute to higher efficiency. Diversification plays an important role in increasing enterprise efficiency. Examples of regions that have successfully diversified in global markets demonstrate the positive effects of expanding industrial production in the United States. There, large companies operate across several sectors and have developed effective approaches to risk distribution. These experiences may also help Uzbek enterprises achieve a high level of efficiency.

Research on diversification strategies in Europe shows that companies are focusing on innovative solutions when entering new markets. For example, German manufacturers have diversified their products by introducing new technologies, thereby increasing their global competitiveness. Uzbek enterprises may also achieve success in the international arena by applying such experiences. The example of India provides valuable lessons on how diversification can contribute to economic growth. There, companies combining industrial and service activities have successfully expanded their brands. Entrepreneurs in Uzbekistan should also adapt their products to market demand by creating product variants. This process is important for attracting new consumers.

The experience of South Korea clearly demonstrates the technological dimension of diversification. In this country, companies have achieved success by expanding diversification into new product manufacturing, particularly in the electronics and automotive industries. Uzbek enterprises can also reach international standards by incorporating this approach into their activities. Such a process can serve as a strong foundation for innovative growth in the region.

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