

SCIENTIFIC AND METHODOLOGICAL FOUNDATIONS OF DIVERSIFICATION IN TOURISM

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Abstract. *The concept of diversification has primarily been studied by researchers from the perspective of economics and strategic management, initially applied to the small business environment as a strategy. However, sufficient attention has not been given to its application in the tourism sector. This article explores the concept of diversification, the types of diversification strategies, and their characteristics in the context of tourism.*

Keywords: *diversification, regional economy diversification, tourism enterprise diversification, tourism product diversification, horizontal, vertical, and conglomerate diversification.*

Introduction

The development of tourism in regions, mitigating seasonal fluctuations in tourism, increasing business profitability, diversifying tourism types, reducing prices during the "peak" season, and competing with foreign destinations on price are among the current pressing issues in the tourism sector.

The significance of the research topic is underscored in the Presidential Decree of the Republic of Uzbekistan PQ-135, dated April 26, 2023, "On additional measures to rapidly develop the tourism potential of the republic and further increase the number of domestic and foreign tourists" the decree emphasizes the importance of increasing the types of tourism services, expanding domestic and international tourism, including pilgrimage tourism, and developing new tourism destinations to improve Uzbekistan's image in this sphere.

In order to rapidly develop tourism as a strategic sector of the national economy, fully and effectively utilize the vast tourism potential of the regions, and fundamentally improve the management of the tourism sector, it is crucial to create favorable economic, organizational, and legal conditions. This requires the implementation of a diversification strategy in the tourism sector to create a national tourism product, bring it to global markets, and establish a positive image of Uzbekistan.

Literature Review

As a multifaceted concept, diversification finds various interpretations across different economic sectors. Challenges in understanding its essence arise from the lack of a unified approach to defining the term and its often superficial representation, typically associated with only one aspect or domain. Therefore, before exploring the concept within the context of tourism, we considered it necessary to clarify its meaning and the scope of its application across various fields.

The term “diversification” originates from the Latin words *diversus* (varied) and *facere* (to make). In a general sense, the concept can be expressed as “diversity”. Initially, the term “diversification” was applied to the strategic analysis of corporations, denoting a development strategy aimed at reducing risks⁴⁵.

As an independent concept, it emerged and developed in the 20th century. Russian scholars V.N. Makhnushina and A.N. Shinkevich note that the word “diversification” was used in foreign research during the first half of the 20th century as a noun meaning “variety, diversity, multiplicity”⁴⁶. However, over time, due to its frequent use in a certain economic context to express the same phenomenon, it became a concept and was used in many economic sectors.

In the second half of the 20th century, the first scientists to use the concept of diversification in foreign countries with developed diversification economies were Ansoff (1957; 1958) and Gort (1962), who widely popularized it as a business strategy. I. Ansoff, one of the American economists who studied the practical and theoretical aspects of diversification, was one of the first to propose the “product-market” matrix, and in his research he defined the concept of “diversification” as an independent area of management trends and prospects, justifying its consequences from the position of strategic development by entering new markets with new products. Michael Gort in his research defined “Diversification as a company serving several markets at the same time⁴⁷”. In his opinion, if the demand for products supplied to these markets is low and in the short term the resources needed to produce goods for one market cannot be used to produce goods intended for serving other markets, the company will serve several markets.

Berry C.H. (1974) defined diversification as “an increase in the number of industries in which the firm is active”⁴⁸. In his opinion, the firm should be engaged not in just one

⁴⁵ Brel O., Zaytseva A., Kaizer P. Contribution of tourism to diversification and development of a green economy //E3S Web of Conferences. – EDP Sciences, 2020. – Т. 217. – С. 05001.

⁴⁶ Махнушина, В. Н., & Шинкевич, А. Н. (2014). Эволюция понятия «диверсификация» в экономической мысли. Вестник Воронежского государственного университета. Серия: Экономика и управление, (3), 5-9.

⁴⁷ Gort, M. Diversification and Integration in American Industry / M. Gort. – USA : Greenwood Press, 1962. – P. 228.

⁴⁸ Berry C.H. Corporate Growth and Diversification / Journal of Law and Economics.[Текст]Vol. 14, № 2. October, 1971, С 371–383.

type of activity, but in several types of activity. That is, we can understand this as keeping 30 eggs in 2 baskets instead of one.

George Joseph Stigler, a leader of the Chicago School of economics and the author of the theory of capture, described diversification in the preface to his work, as Berry did: “If we consider a single company to be engaged in two or more types of activities, then diversification is a widespread phenomenon”⁴⁹. He also emphasizes that the extent of diversification depends on how well the activities are separated.

Andrews K.R. also defined diversification in his article “The Concept of Corporate Strategy” as “the expansion of the range of products produced by individual enterprises and associations”⁵⁰. In this, the scientist emphasized that it is necessary to increase only the range of products produced.

As can be seen from the definitions given by Western scholars above, the term diversification was an important strategic goal used in the 20th century as business expansion, and was understood as a company entering different markets with different types of products or conducting several types of business simultaneously.

Russian scientists have also conducted extensive research on the diversification process and have provided their own definitions. These include: Bagudina Y.G.⁵¹, Sirotkin S.A.⁵², Goldshteyn G.Y.⁵³, Noviskiy Y.G.⁵⁴, Rumyansev A.M.⁵⁵, Abarenkov V.P.⁵⁶, Starodubrovskaya I.V.⁵⁷, Sinelnikov S. M., Solomonnik T.G., Yanborisova R.V.⁵⁸, Maxnushina, V.N.⁵⁹ Modern economic thought of these scholars gives many interpretations to the concept of “diversification”. However, as a rule, they describe only one or several aspects of this phenomenon. They emphasize the diversification of production, foreign exchange reserves, securities, investments, risks, exports, etc.

While in the 20th century the term diversification was widely used only in corporations and production, today it is becoming one of the innovative strategies for the sustainable development of tourism in the regions. Many modern scholars have

⁴⁹ Махнушина, В. Н., & Шинкевич, А. Н. (2014). Эволюция понятия «диверсификация» в экономической мысли. Вестник Воронежского государственного университета. Серия: Экономика и управление, (3), 5-9.

⁵⁰ Andrews K. R., David D. K. The concept of corporate strategy. – Homewood, IL : Irwin, 1987. – Т. 3.

⁵¹ Багудина Е. Г. Экономический словарь [и др.]; отв. ред. АИ Архипов. – 2006

⁵² Сироткин С. А., Кельчевская Н. Р. Экономическая оценка инвестиционных проектов. – 2020.

⁵³ Гольдштейн Г. Я. Стратегический менеджмент // Таганрог: ТРТУ. – 1995

⁵⁴ Новицкий Е. Г. Проблемы стратегического управления диверсифицированными корпорациями // М.: БУКВИЦА. – 2001. – Т. 163.

⁵⁵ Румянцев А. М. Экономическая Энциклопедия. Политическая экономия (в 4 томах). – 1979.

⁵⁶ Абаренков В. П., Абова Т. Е., Аверкин А. Г. Краткий политический словарь. [Текст]. М.: Политиздат, 1989. с.- 623;

⁵⁷ Стародубровская И. В. От монополизма к конкуренции. – 1990.

⁵⁸ С. М. Синельников, Т. Г. Соломонник, Р. В. Янборисова: Энциклопедический словарь предпринимателя. [Текст]. Санкт-Петербург.: “Алга-фонд”, “АЯКС”, 1992;

⁵⁹ Махновская Е. Е. Разработка и реализация стратегии диверсификации в производственных системах : дис. – Москва : Махновская Екатерина Евгеньевна: ФГБОУ ВУ «Российский экономический университет имени ГВ Плеханова, 2020.

conducted research on this topic, including: Weidenfeld A.⁶⁰, Brel O., Zaytseva A., Kaizer P.⁶¹, Yu K., Chen J., Yuan T.⁶², De la Cruz E. R. R., Aramendia G. Z., Ruiz E. C.⁶³ Dyadkov O. N.⁶⁴, Kundius V. A., Kovaleva I. V.⁶⁵, Brel O. A., Kaiser F. Yu.⁶⁶, M.Q.Pardaev, M.A.Kuymuratova⁶⁷ etc.

Research methodology

In the process of studying the stages of formation of theoretical knowledge on the scientific and methodological foundations of diversification in the tourism sector, methods such as logical, comparative, empirical, systematic analysis, analysis, synthesis, monographic observation, expert assessment, and analysis were used.

Analysis and results

Having studied the studies of scientists who studied the diversification strategy in the tourism sector, we came to the conclusion that the diversification phenomenon in the context of tourism can be analyzed at the following levels:

- diversification of the regional economy;
- diversification of the tourist enterprise;
- diversification of the tourist product.

Diversification of the regional economy. The interpretation of the term “diversification” in relation to the regional economy as the comprehensive development of their economy, expansion of the scope of regional production activities, elimination of risks associated with external economic conditions, and also reduction of dependence on raw materials was proposed by scientists in the field of economics.

It is important to understand that the emphasis on tourism as a strategy for diversifying the regional economy is part of the political strategy of each state, and its implementation

⁶⁰ Weidenfeld A. Tourism diversification and its implications for smart specialisation //Sustainability. – 2018. – Т. 10. – №. 2. – С. 319.

⁶¹ Brel O., Zaytseva A., Kaizer P. Contribution of tourism to diversification and development of a green economy //E3S Web of Conferences. – EDP Sciences, 2020. – Т. 217. – С. 05001.

⁶² Yu K., Chen J., Yuan T. Integration As the Rationale, Diversification As the Orientation: Research on the Driving Force of the Integrated Development of Sports Tourism and Industrial Construction //E3S Web of Conferences. – EDP Sciences, 2021. – Т. 251. – С. 02014.

⁶³ De la Cruz E. R. R., Aramendia G. Z., Ruiz E. C. The sustainability of the territory and tourism diversification: a comparative analysis of the profile of the traditional and the oenologic tourist through the future route of wine in Malaga //J. Bus. Econ. – 2020. – Т. 11. – №. 1. – С. 22-41.

⁶⁴ Дядьков О. Н. Критерии диверсификации гостинично-туристских комплексов //Via in tempore. История. Политология. – 2008. – Т. 7. – №. 5 (45). – С. 277-283.

⁶⁵ Кундиус В. А., Ковалева И. В. Развитие экологического туризма как стратегия диверсификации экономики //Экономика Профессия Бизнес. – 2018. – №. 1. – С. 21-27.

⁶⁶ Брель О. А., Кайзер Ф. Ю. Туристская привлекательность как фактор диверсификации экономики ресурсного региона //Вестник Кемеровского государственного университета. Серия: Политические, социологические и экономические науки. – 2017. – №. 3 (5). – С. 25-28.

⁶⁷ Qarshibaevich, P. M., & Abdimanabovna, K. M. Marketing Concept of Diversification of Tourism and Possibilities of Using Them. International Journal on Economics, Finance and Sustainable Development, 3(10), 64-69.

requires the use of large amounts of resources⁶⁸. First of all, problems may arise related to determining the economic purpose of a particular region, existing trends, and assessing the consequences of diversifying the economy in the region.

Since tourism is the third largest source of income in the world (after oil and automobiles), many countries have used the development of the tourism sector as a strategy for diversifying the regional economy in order to sustainably develop the regional economy and avoid being tied to the same industry, namely the extraction and export of oil and other minerals, manufacturing, and the raw materials industry. For example, if we take the UAE, one of the most economically developed countries in the world, it has chosen to develop tourism as a strategy for diversifying the economy in order to avoid the "resource curse", which is widely seen in economic literature as one of the most difficult obstacles to sustainable economic growth and development, and the UAE's international tourism revenue amounted to \$ 32,945 million in 2022.

The following features are important for the successful implementation of tourism development policy in diversifying the regional economy: development of tourism infrastructure, favorable legislation for conducting tourism business in the region, creation of conditions for the emergence of new types of tourism based on the availability of tourist resources in the regions and easing tax conditions, training of tourism sector employees, relevant personnel, etc.

Diversification of a tourist enterprise. Based on the above definitions of the word "diversification" by Western and Russian scientists, diversification of a tourist enterprise is understood as the general activity of a company aimed at expanding the geographical area of products and services in order to avoid risk and mitigate seasonal dependence. This can be understood as the ability of tour operators to conquer both domestic and international markets with different types of products, and to operate in other geographical areas with new types of products even in the off-season.

Diversification involves developing multiple unrelated activities, such as simultaneously producing and selling products or services, expanding their range, and evenly distributing funds between different assets to reduce risk. The competitiveness of tourism enterprises in the market, meeting their needs, and also the financial results of their activities depend on a correctly chosen diversification strategy⁶⁹.

⁶⁸ Yu K., Chen J., Yuan T. Integration As the Rationale, Diversification As the Orientation: Research on the Driving Force of the Integrated Development of Sports Tourism and Industrial Construction //E3S Web of Conferences. – EDP Sciences, 2021. – Т. 251. – С. 02014.

⁶⁹ Гомилевская Г. А., Соломонюк Д. В. Диверсификация туристской деятельности в условиях неопределенности внешней среды, связанной с эпидемией COVID-19 //Территория новых возможностей. Вестник Владивостокского государственного университета экономики и сервиса. – 2021. – Т. 13. – №. 1. – С. 80-92.

Diversification of the tourist product. In their research, G.A. Gomilevskaya and D.V. Solomonyuk considered the strategy of diversifying the tourist product as diversifying and improving the types of tourist routes along existing routes, as well as developing new types of tourism and mitigating the seasonality of tourist flows⁷⁰.

As for the diversification strategy and its types, the types, methods and levels of diversification represent the most complex, but interrelated processes aimed at optimizing the performance of a firm in the strategic management literature. Diversification strategies in tourism lead to more sustainable development of tourism in terms of protecting natural resources and value-added products and services, as well as strengthening ties between tourism and other regional industries⁷¹. However, diversification strategies can fail if they fail to identify the sectors and markets with the greatest potential for diversifying the region's economy and do not encourage innovation rather than replication and imitation.

Identifying the levels and types of diversification strategies in tourism and studying the factors influencing them is crucial in an era of increasing competitiveness in the global economy while maintaining sustainable social, economic and environmental outcomes. Therefore, in this article, we have examined Ansoff's product/market strategy and other scholars' research on diversification strategies in tourism, and combined them in the form of a scheme. Diversification strategies can be divided into 2 types: related and unrelated diversification.

Related diversification - this strategy is an innovation in the activities of the enterprise, which is related to the traditional direction of the enterprise's entrepreneurial activity. For example, in the tourism sector, this means diversification of already developed tourist areas, the use of traditional tourism technologies, intermediaries, etc⁷². In this strategy, the company diversifies in areas it knows and takes advantage of the opportunities it has already gained in the market. This type of diversification is preferable to unrelated diversification because it is less risky.

Diversification strategies can be divided into 2 types: related and unrelated diversification.

Related diversification strategies can be divided into the following types:

- Horizontal diversification: acquiring or developing new products or offering new services that may be of interest to the company's current customer groups. In this case, the company relies on technological connections related to the sale of existing product

⁷¹ Romão, J.; Guerreiro, J.; Rodrigues, P. Territory and Sustainable Tourism Development: A Space-Time Analysis on European Regions. *Regions* 2017, 4, 1–17.

⁷² Halavach E., Rubakhau A. Теоретические аспекты диверсификации туристических предприятий: Theoretical aspects of the travel companies diversification // *Zeszyty Naukowe UwS seria Administracja i Zarządzanie*. – 2014. – T. 27. – №. 100. – С. 25-37.

lines. For example, a tour operator that produces tour packages adds a new type of tour package to its tourist product.

- Vertical diversification occurs when a company returns to previous stages of the production cycle or moves to later stages of the same cycle - the production of raw materials or the distribution of finished products.

For example, if a company that sells tour packages to customers starts selling additional services such as insurance, international mobile cards, etc., this will be beneficial for the company's customers and will ensure that customers are more satisfied with the company's services.

Unrelated diversification is a diversification strategy in which companies expand into markets or products beyond their existing resources and capabilities⁷³. This strategy is sometimes called a conglomerate strategy.

Conglomerate diversification occurs after a company's core business has matured or begun to decline. They add products or services that are not related to their core business.

Unrelated diversification is appropriate in two situations: "First, if a company or organization has the potential to increase its profits by operating in a different type of business that is different from its core business, then diversification into different markets is possible. Second, unrelated diversification allows a company to increase its economic strength in different markets and to develop competencies that can be shared across different markets and products⁷⁴".

Thus, in the diversification of the tourism sector, it is very necessary and effective to simultaneously carry out territorial diversification, tourism enterprise diversification and product diversification, since they are closely related processes.

Conclusions and suggestions

In conclusion, diversification is one of the modern strategies for the development of enterprises, including the tourism services market, which helps to reduce risks by placing different areas of product activity in different regions and based on new technologies. Diversification of the regional economy through the development of the tourism sector and related sectors helps to increase the investment attractiveness of the region.

As a result of the research conducted, the diversification strategy in tourism not only expands the production of the region's tourism product, but also radically changes the image of the country from industrial production to tourism, making it recognizable and unique. However, before applying a diversification strategy in tourism, it is very important to identify areas and markets with great potential, to determine the tourist resources of the region and the financial potential of the enterprise, ways to mitigate

⁷³ Babenko O. Diversification strategy at the tourist enterprises //Економічний часопис-XXI. – 2014. – №. 11-12. – С. 128-130.

⁷⁴ Babenko O. Diversification strategy at the tourist enterprises //Економічний часопис-XXI. – 2014. – №. 11-12. – С. 128-130.

seasonality and prevent risks. That is why when implementing a diversification strategy in the tourism sector, it is necessary to apply it in a systematic manner within the framework of the region, enterprise and product. Especially after the pandemic, one of the tasks that every country has set itself is to raise the tourism sector to the level of 2019 and even higher.

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