

Chapter 11

Increasing Territorial Economic Growth Through Cost Optimization in the Digital Economy

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ABSTRACT

Currently, rapid urbanization is taking place in Russia under the influence of globalization processes. Russian economic growth is mostly based on the natural resources and the need to speed up its industrialization process. Today there is a change of economic model associated with the transition from the stage of industrialization to the post-industrial economy. Emphasis shifts from production to the provision of services. In the digital economy, where the major resources required for the production of quality products are time and information, the concept of cost management should be reconsidered. The new paradigm of cost management should take into account the changes in approaches to the management of material, labor, and financial costs, and include approaches, tools, and methods of cost control of resources, updated by digital post-industrial economy. A sectorial and territorial specific of the process of change of economic model requires strategic approach to cost management.

INTRODUCTION

Prospects of development of Russian entrepreneurs' innovation activity depend on the degree of innovation development. The scope of innovations is determined by the size of innovation potential and size of the cost of innovation.

Within the lack of original theoretical concepts concerning operation and transformation of the cost management system for implementing business projects in digital entrepreneurship, Russian companies are independently attempting to create organisational structures and methods for managing costs based on the increased use of latest advances in science and technology. These advances are mostly empirical, they are based on spontaneously validated subjective experience of organisations managers and staff. In this connection, there is an objective need to study special practical solutions, interpret and incorporate them in existing theories. The significant challenge that should be addressed in the course of research is the cognitive dissonance in the subject of management arising, among other things, when comparing the capabilities of the digital economy and the level of potential users.

Therefore, the state should provide the targeted assistance. The World Bank report highlighted that "countries need to introduce "analogous additions" in order to use the potential of the digital revolution". They include:

- Improving legislation that provides competition between companies;
- Bringing employees qualifications in line with the requirements of new economy;
- Providing accountability of institutions.

Cost management is not the key activity in the management of business projects in digital entrepreneurship, but it is required for achieving a certain economic result, increasing the efficiency of the enterprise.

In order to develop a unified theory and methods for managing the costs of digital technology users, it is necessary to summarise the results of theoretical studies in various spheres of scientific activity, i.e. organisation, management, economy and cost management in particular, as well as to study practical experience in managing costs in the field of digital entrepreneurship.

The overall goal of the study is to establish theoretical foundations of cost management in the conditions of changing technological mode according to megatrends in economic growth and development of the cost management system that provides the conditions for strategic cost management in a constantly changing external environment.

The main goal of the chapter is to define and systemise the features in the cost management system for implementing business projects in digital entrepreneurship.

According to the goal of research, the following objectives were posed and addressed:

- Justifying the idea of the cost management paradigm, suggesting the corresponding concept of cost management;
- Defining the fundamentals in the methods of cost management;
- Conducting a retrospective analysis of shifts in technological modes and generations of technology in relation to advancing theory and methods of cost management; defining the cyclical nature of research in the field of cost management;
- Specifying patterns of strategic cost management that define the objectives, principles and system of cost management;

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