

# INTERSTATE FORMS OF REGIONAL ENTREPRENEURSHIP IN THE CONDITIONS OF DIGITALIZATION OF THE ECONOMY

**Evgeniy P. Kochetkov, Financial University under the Government of the  
Russian Federation**

**Ruslan A. Abramov, Plekhanov Russian University of Economics**

**Maxim S. Sokolov, Plekhanov Russian University of Economics**

## ABSTRACT

***Aim of the study:** After all, the growth of investment, as a determining factor of economic development and maintaining stable production dynamics, should be due to the interest of domestic producers in introducing innovations and actively updating fixed assets, despite increasing competition in the domestic market and taking into account the WTO membership and focus on European integration. This will help strengthen the role of the investment and innovation model of development and increase the competitiveness of industrial enterprises by implementing progressive institutional and structural changes and deepening the European integration of the economy.*

***Methodology:** Building the capacity of industrial enterprises can strengthen the strengths of the economy, providing favorable opportunities for the state to make an economic breakthrough. In particular, the strengths for increasing business activity of enterprises of the domestic industrial complex are characterized by: the capacious potential of the domestic market, the possibility of resuming positive GDP dynamics, a low state budget deficit, the establishment of commodity export diversification, increasing price competitiveness, the possibility of activating investment activities, gradual recovery and increase in industrial production, the growing role of industrial sectors in the formation of the revenue part of the State budget, social security of the population, strengthening the national security of the country.*

***Conclusion:** This is due to the internal factors of the business environment industrial SPD: substantial scientific support (industry centred almost a fifth of professionals who perform about a quarter of the total volume of scientific and scientific-technical works in the country); availability of scientific and production achievements of world level: aerospace technology, aircraft construction, welding; high educational and professional level of workers; the presence of a significant layer of intellectual capital; a strong mineral resource base and an extensive production structure by type of industrial activity.*

**Keywords:** Entrepreneurship, Innovation System, Risk Management, Stock, Component, Formation.

## INTRODUCTION

Opportunities for the development of industrial enterprises are provided by such changes in the business environment: increasing the degree of openness of the European Union markets; using the advantages of globalization, which are favorable for the development of the services market; equalizing the development of regions; increasing demand for domestic goods on world

markets; increasing the openness of the economy, inclusion in integration processes; support for the dynamics of labor productivity growth in the context of increasing employment; the possibility of expanding access to external sources of Finance; changes in the structure of public spending to stimulate regional development; changes in the structure of foreign direct investment; attracting the potential of domestic savings (Kaya, 2017). This is due to the following factors of the internal business environment: measures to carry out structural and technological renewal of economic sectors; increasing the level of innovation and technology and competitive industrial production; broad participation in the international division of labor; development of its own high-tech and high-tech industries; reaching the level of industrialized countries with the gradual acquisition of economic niches of post-industrial development (Dheer, 2017).

Achieving the strategic goals of industrial development of the state due to the activation of business processes will create opportunities to increase production, provide new markets, and promote integration into the *svitogospodarsk* system in leading industries, such as metallurgy, energy, agricultural, military, and other mechanical engineering (Welter, 2015).

## METHODOLOGY

Focusing on the formation of a modern type of economy, it should be recognized that its formation is also inextricably linked with new business models (Fuller, 2018). For example, international experience positively characterizes those models of organization of production and economic activities that involve changing the structure of companies by combining them in order to create new competitive and financial structures (Beynon, 2016). This process involves the concentration of capital, production capacity and mutual integration of enterprises with a multi-industry business profile, and requires new mechanisms for restructuring the corporate sector of the country's economy in the IOPS (Nica, 2015).

Note that such a dynamic sector of the economy as small and medium-sized businesses is a fragmented phenomenon and does not yet characterize the country as a full-fledged subject of market relations (Kuckertz, 2016). The participation of domestic industrial enterprises in the processes of globalization is minimal and there are practically no domestic multinational companies that would work in various industries on global markets; a small part of the subsidiaries of global brand manufacturers, and a low level of international cooperation (Bohlmann, 2017). However, the range of advantages of international economic cooperation allows us to realize the scientific, technical and resource potential of production (Scholman, 2015). Under these conditions, the goal of industrial development is to create a modern industrial complex integrated into world production, capable of solving the main tasks of socio-economic development in the context of integration and globalization and contributing to the establishment of a high-tech state (Harms, 2017).

## RESULTS AND DISCUSSION

Describing the components of the business environment, it should be noted the important role of technological development of the country, taking into account the impact of innovative processes on its formation (Dilli, 2018). Note that the need for technological development of the economy of any country depends primarily on the performance of enterprises in the production sectors of the industrial complex. And the possibility of multifunctional use of entrepreneurial potential in economic sectors determines the need to take into account the diverse directions of

its development in modern processes of market transformation (Lewellyn, 2016). In addition, the ability of small and medium-sized business entities to quickly respond to changes in demand, product quality, competitiveness, labor productivity and the volume of profit received allows small businesses to adapt to new, market-based criteria of economic structure (Burtch, 2018). This is primarily important for enterprises in the leading manufacturing sectors of the country's economy (Parboteeah, 2015).

Entrepreneurship is one of the most effective factors for the stable development of the state (Kiebzak, 2016). Therefore, the state policy should be aimed at identifying additional reserves of each region and using the potential of all administrative-territorial units in the implementation of reforms determined by the state's course for EAC integration (Díez-Martín, 2016). Among the priorities of its implementation, an important role is played by the modernization of production by using the technological potential of industrial enterprises, in particular (Hasan, 2017):

1. Reformation Of The Technological Component Of Industrial Production;
2. Introduction Of The Latest Technologies, Equipment And Equipment;
3. Closing Unprofitable Production Facilities;
4. Decommissioning Of Obsolete And Physically Worn-Out Equipment;
5. Carrying Out A Systematic Restructuring Of The Metallurgical Industry With A Focus On The Internal And External Market Conditions;
6. Technical Re-Equipment And Modernization Of Metallurgical Enterprises, Creation And Expansion Of Production Of Import-Substituting Products;
7. Introduction Of Technologies That Reduce The Material And Energy Intensity Of Industrial Products.

Thanks to auxiliary production, large industrial enterprises in the air force, with the right construction of such relationships, expand opportunities for new activities. So, considering technology potential of subjects of economic activity, many scientists believe that it is characterized by the quantity and quality of their production assets and by the level of progressive technologies, from the use of which depends on the cost and quality of products. Production areas of cooperation with small businesses increase the technical and technological potential of large industrial enterprises, affecting the size and quality of their production resources. However, even a sufficient production resource does not fully characterize the ability of an industrial enterprise to achieve the strategic goal of its own development (Pannone, 2017).

Consumption and recovery of individual resources by a business entity in the air force characterizes its potential for economic recovery. The ability of a business entity to use and restore certain types of resources in one form or another in the course of functioning is assessed as a prerequisite for its sustainable development, if the implementation and construction of these processes is rational. The types of consumer resources and methods of enterprise management have a significant impact on the potential for economic recovery, and the cooperation of large and small business entities creates opportunities for the growth of this potential (Fokkema, 2017).

According to the resource-functional approach, when considering the economic potential of an enterprise in the internal business environment of its functioning, it should be noted that its component characterizes the quantity and quality of labor resources, that is, its labor potential. With the cooperation of business entities, a small enterprise specializing in auxiliary production does not affect the labor potential of a large enterprise; rather, on the contrary, effective management decisions, planning and modeling of the growth of the economic potential of a large enterprise are possible only if the correct organization of labor and building relationships between business entities of SMEs, which is due to the involvement and use of highly qualified

labor resources. In General, the high potential of industrial enterprises is a prerequisite for the growth of the economic potential of territorial industrial complexes (Guerrero, 2016).

Realizing the advantage of business organization at the expense of MS-entrepreneurship – a modern form of management, you can expect to implement alternative options for distributing products by enterprises in the priority industry and meeting consumer demand. At the same time, the release of a new type of high-tech products, works or services should be preceded by the development of conditions for their distribution on the market – a marketing strategy. If such a service package is not developed or developed after the request, the implementation process will be inefficient. This approach is appropriate for any enterprise in the air force, but the promising capabilities of small businesses allow you to use this process as a kind of advantage in organizing your own activities, for example, for companies that produce components and components.

It should be noted that the possibility of budget support for auxiliary industries for enterprises in those sectors of the region that are priority in the development of a specific administrative-territorial unit, become a prerequisite for the modern development of the territory on the basis of balancing the economic, environmental and social components. This is due to the possibility of using budget support mechanisms for manufacturers of the consumer sector, that is, large companies, and the SME business sector – auxiliary and component industries. If the optimal combination of effective management decisions in the field of production and the involvement of small business enterprises in cooperation, production enterprises can increase their economic potential and not lose their own positions in the market. One of the options for such cooperation may be the use of economic entities in the common resource base.

## CONCLUSION

This approach to building relationships in the industry "*Producer-consumer*" is appropriate not only as one of the principles of ensuring sustainable regional development of an industrial enterprise in the IOPS. The principle of ensuring high quality of services should be taken into account when building economic relations in all spheres of public life. Small-scale enterprises will achieve advantages in the market by providing high-quality services that are ahead of consumer expectations due to the specifics of doing business. This will not only ensure the attractiveness of their services, but also generally positively characterize the entire industrial sector of the region. The possibility of high-quality production of goods and services by small (medium) businesses is explained by their ability to quickly respond to new trends in the supply of consumer goods and services, changes in market conditions, as well as the implementation of innovation policy, which is a means of influencing WFP.

Consequently, the quality of work and services of small enterprises, the complexity of their provision and the ability to quickly spread on the market indicate the effectiveness of such enterprises in the conditions of market relations, taking into account the business environment. This advantage of small business should be taken into account in the implementation of measures to ensure sustainable regional development. It is appropriate to encourage the activities of these enterprises in priority sectors of the country's economy or in those sectors that have suffered the greatest decline today. In these conditions, enterprises could count on separate preferences from the local government, and local governments-on additional revenues to local budgets (a single tax on small businesses is counted in the General Fund of a local budget). When implementing the basic principles of regional industrial policy for effective management of territorial development, it is necessary to take into account the socio-economic and environmental

directions of the region's functioning, as well as the possibility of reproduction and effective use of the existing resource base by subjects of production and economic activities that carry it out within a specific territory.

Focusing on the needs of industrial development of territories, we highlight the opportunities to attract financial resources from enterprises in the industrial sector of the economy by combining the prospects of high-tech production with the advantages and potential of the region's industrial Enterprises. This will ensure priorities in the development of industrial enterprises by producing groups of high-tech products. And contribute to such processes as: creation of a network of innovative enterprises; development of new types of equipment; ensuring the competitiveness of industrial enterprises' products in leading and strategically important sectors of the economy, in particular, the competitiveness of the element base; effective use of financial resources through the implementation of local development programs, including the prospects for program-targeted planning of local budget expenditures and the formation of IOPS.

### ACKNOWLEDGEMENT

This study was financed by a grant from the Plekhanov Russian University of Economics.

### REFERENCES

- Beynon, M. J., Jones, P., & Pickernell, D. (2016). Country-based comparison analysis using fsQCA investigating entrepreneurial attitudes and activity. *Journal of Business Research*, 69(4), 1271–1276.
- Bohlmann, C., Rauch, A., & Zacher, H. (2017). A lifespan perspective on entrepreneurship: Perceived opportunities and skills explain the negative association between age and entrepreneurial activity. *Frontiers in Psychology*, 8.
- Burtch, G., Carnahan, S., & Greenwood, B. N. (2018). Can you gig it? an empirical examination of the gig economy and entrepreneurial activity. *Management Science*, 64(12), 5497–5520. <https://doi.org/10.1287/mnsc.2017.2916>
- Dheer, R.J.S. (2017). Cross-national differences in entrepreneurial activity: role of culture and institutional factors. *Small Business Economics*, 48(4), 813–842. <https://doi.org/10.1007/s11187-016-9816-8>
- Díez-Martín, F., Blanco-González, A., & Prado-Román, C. (2016). Explaining nation-wide differences in entrepreneurial activity: a legitimacy perspective. *International Entrepreneurship and Management Journal*, 12(4), 1079–1102.
- Dilli, S., & Westerhuis, G. (2018). How institutions and gender differences in education shape entrepreneurial activity: a cross-national perspective. *Small Business Economics*, 51(2), 371–392.
- Fokkema, J.E., Pennink, B.J.W., & Simatupang, T.M. (2017). Coordinating technology introduction and entrepreneurial activities in rural areas. *International Journal of Entrepreneurship and Small Business*, 31(3), 451–473.
- Fuller, D., & Pickernell, D. (2018). Identifying groups of entrepreneurial activities at universities. *International Journal of Entrepreneurial Behaviour and Research*, 24(1), 171–190.
- Guerrero, M., Urbano, D., & Fayolle, A. (2016). Entrepreneurial activity and regional competitiveness: evidence from European entrepreneurial universities. *Journal of Technology Transfer*, 41(1), 105–131.
- Harms, R., & Groen, A. (2017). Loosen up? Cultural tightness and national entrepreneurial activity. *Technological Forecasting and Social Change*, 121, 196–204.
- Hasan, I., Kobeissi, N., Wang, H., & Zhou, M. (2017). Bank financing, institutions and regional entrepreneurial activities: Evidence from China. *International Review of Economics and Finance*, 52, 257–267.
- Kaya, H.D. (2017). The impact of the global crisis on entrepreneurial activity. *Journal of Applied Economic Sciences*, 12(8), 2179–2189.
- Kiebzak, S., Rafert, G., & Tucker, C. E. (2016). The effect of patent litigation and patent assertion entities on entrepreneurial activity. *Research Policy*, 45(1), 218–231.

- Kuckertz, A., Berger, E.S.C., & Mpeqa, A. (2016). The more the merrier? Economic freedom and entrepreneurial activity. *Journal of Business Research*, 69(4), 1288–1293.
- Lewellyn, K.B., & Muller-Kahle, M.I. (2016). A configurational approach to understanding gender differences in entrepreneurial activity: a fuzzy set analysis of 40 countries. *International Entrepreneurship and Management Journal*, 12(3), 765–790.
- Nica, M., Grayson, M., & Gray, G.T. (2015). Taxonomy of the determinants of entrepreneurial activity. *Journal of Economics and Economic Education Research*, 16(3), 119–144.
- Pannone, S.J. (2017). The influence of homeschooling on entrepreneurial activities: a collective case study. *Education and Training*, 59(7–8), 706–719.
- Parboteeah, K.P., Walter, S.G., & Block, J.H. (2015). When Does Christian Religion Matter for Entrepreneurial Activity? The Contingent Effect of a Country's Investments into Knowledge. *Journal of Business Ethics*, 130(2), 447–465.
- Scholman, G., van Stel, A., & Thurik, R. (2015). The relationship among entrepreneurial activity, business cycles and economic openness. *International Entrepreneurship and Management Journal*, 11(2), 307–319.
- Welter, F., & Xheneti, M. (2015). Value for whom? Exploring the value of informal entrepreneurial activities in post-socialist contexts. *Contemporary Issues in Entrepreneurship Research*, 5, 253–275.