



MOTIVATORS AND INHIBITORS OF ENTREPRENEURSHIP AND SMALL BUSINESS DEVELOPMENT IN KAZAKHSTAN

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Abstract: This study investigates motivators and inhibitors of entrepreneurship and small business development in the transitional economy of Kazakhstan in Central Asia. A qualitative research was used to obtain a macro view of developing entrepreneurship and small business in Kazakhstan. A focus group interview with entrepreneurs and small business owners was conducted during 2006. In general, factors that enhance entrepreneurship and small business development include encouraging social entrepreneurship, increasing credits availability, improving institutional environment and supports from international organisations. Selected policy and practical implications are identified, such as improving institutional development, creating supportive business environment, and promoting social entrepreneurship.

Keywords: entrepreneurship; social entrepreneurship; small business development; institutional environment; doing business environment; transition economy; Kazakhstan.

INTRODUCTION

Entrepreneurship and small business development are essential in the economic transformation of Central Asian countries, such as Kazakhstan, Kyrgyzstan, Tajikistan, Uzbekistan and Turkmenistan, from centrally planned economy to the market-oriented economy. The nature of entrepreneurship and small business development under these transitional economies differ somewhat from those

developed market economies in such a way that financial and capital market conditions are generally more stable and favourable for entrepreneurs and small businesses.

Recently, there has been a proliferation of entrepreneurship and small business development in Central Asia, attributable mainly to promotion and assistance given to the small business sector by the governments and foreign agencies. These foreign development agencies are the United States

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Agency for International Development (USAID), the World Bank Group, United Nations Development Program (UNDP), European Bank for Reconstruction and Development (EBRD), Asian Bank for Reconstruction and Development (ABRD), Asian Development Bank (ADB) and other non-governmental organisations. Promotion and assistance generally take in the form of developing venture industrial parks to alleviate location and infrastructure problems rather than in the form of promoting institutional environment such as tax and regulatory authorities and credit supports.

However, it is a clear sign that the prospects of economic growth in this region have benefited from efforts to improve entrepreneurship and business environment. For example, Kyrgyz Republic and Uzbekistan are streamlining their tax regime. Kazakhstan has been promulgating the competition laws that benefit entrepreneurs and small business companies, and reforming the procedures of business registration and licensing requirements. Ali, the Chief Economist of ADB, suggested that

“The region has progressed on structural reforms in areas such as small-scale privatisation, banking and infrastructure reform ... In other areas, such as governance and enterprise restructuring, there is need for significant additional reforms.” (Ali, 2007)

There are questions about the nature of entrepreneurship under transitional economies and to what extent it differs from that of developed market economies, in which institutional environment tends to be more stable and favourable. As noted by some researchers who studied entrepreneurship in transition economies (e.g., Kusnezova, 1999; Smallbone and

Welter, 2001, 2006), programs and policies that have been successful in one country may not be necessarily effective in another country because of cultural and governmental differences.

Therefore, the purpose of this study is to understand certain conditions relating to the recent developments of entrepreneurship and small business sector in Kazakhstan at the time of its economic transition. In addition, this study intends to identify motivational factors that encourage entrepreneurship and small business development in the region.

LITERATURE REVIEW

Entrepreneurship is the key to small business development, and developing small businesses is one of the major driving forces in sustaining a country's economic growth. Therefore, the authors discuss and conduct literature review according to the determinants that influence entrepreneurship.

Social entrepreneurship and conducive culture

Roper and Cheney (2005), after examining the motives of social entrepreneurs, warned against uncritical acceptance of the usually blurring boundaries between sectors of society. According to the recent study by Williams (2007), the culture of entrepreneurship was more socially oriented than profit-driven. As proposed by Smallbone and Welter (2006), the theories and concepts of entrepreneurship developed in the market economy context could be applied to an appropriate interpretative framework in transition economies.

Todorovic and McNaughton (2007) considered visionary entrepreneurship as

a principal economic driver in developing economies, and presented the notion of disequilibrium where the imbalance between the role of culture and resource availability was regarded as an impeding force of entrepreneurship in transition economies. Robinson et al.'s (2001) study of attitudes towards entrepreneurship culture in Russia suggested that differences in attitudes tend to stratify along the lines of generations (see also Kusnezova, 1999). Morrison (2000) found a significant relationship between entrepreneurship and cultural specificity and provided a deeper understanding of the symbiotic relationship between entrepreneurship and culture. Morrison's (2006) latest study found that understanding entrepreneurial process in family business was best served by reference to the culture, organisation and industry.

Personal value and philosophy

Rushworth and Gillin (2006) analysed entrepreneurs' personal value systems and suggested that personal values were more likely to be carried over into business activities. Pittaway (2005) argued the philosophies underlying economic studies in entrepreneurship and how they contribute to an understanding of entrepreneurial behaviour. They suggested that while a distinction can be made between the entrepreneurship concerned with personal commitments to capital accumulation and the proprietorship, referring to the ownership of property and other assets for profit making, such a distinction is less obvious for the long-term process of business growth. Moreover, one of the consistent themes emerging from the literature on the topic of entrepreneurship development is the need to recognise that there are a variety of motives, including lifestyle, freedom and financial gains. It follows that business growth should not be the only goal for all small

business owners; instead, more encompassing needs should reflect a variety of artisan, professions, managerial and entrepreneurial identities.

Institutional environment

The institutional environment, composed of the social, political, and legal aspects of the settings within which an organisation is founded and operating, is powerful in shaping organisational actions by formulating and imposing government policies, behavioural standards and social expectations even though it does not directly affect the technical tasks of organisation's performance. Miskinis and Deksnys (2006) argued the critical role of legal and institutional environment for developing small and medium-sized business in Lithuania. According to Manolova et al. (2007), entrepreneurs in transition economies strived to compensate for the lack of institutional support through their embedded relational exchange network. In addition to difficulties in understanding entrepreneurship and small business start-ups, entrepreneurs and small business firms in transition economies may also have to cope with the institutional environment that is usually unpredictable and frequently changes in a short period of time.

DRIVERS OF THE RECENT DEVELOPMENTS OF ENTREPRENEURSHIP AND SMALL BUSINESS IN KAZAKHSTAN

Increasing credit availability

In each country, government can play a major role in facilitating entrepreneurship and small business development by applying various macro-economic tools to the different sectors of its economy. President Nazarbayev

of Kazakhstan first declared in 1997 “About actions concerning strengthening of state support in small business development” and “About priorities and regional programs of small business development in Kazakhstan”. These presidential decrees have reflected the basic directions of the state policy in this sphere and set-up practical measures for its realisation. From that time on, many states and independent institutions have been starting their own activities in supporting small business in their regions (Zhurabaev, 2007). Nowadays, there are such institutions as Small Entrepreneurship Development Fund, Independent Association of Entrepreneurs and Agency for Supporting Small Enterprises, Fund of Small Business Support, etc. Each of these institutions has significant meaning in the development of the country’s small business sector.

For example, during its ten years of operation, the “Small Entrepreneurship Development Fund” has been transformed into a full-fledged nationwide institution in consulting and providing financial support to small business development. It has provided funds to 1371 projects at a total sum of 136 million US dollars and created more than 15 thousand new jobs (Manakbai, 2006). In addition to the fund, a sustainable development fund ‘Kazyna’ and other commercial banking institutions are also trying to assist small business development. As a result of implementing a macroeconomic stabilisation program, a stringent monetary policy, and banking structural reforms by the state, a total of 35 banks are currently providing commercial and corporate banking services. As of 31 December, 2006, ten largest banks in Kazakhstan have lent out more than 58% of their total assets to facilitate small and medium-sized business start-ups and development (The National Bank of Kazakhstan, 2007). These banks are playing a major role in facilitating entrepreneurship

and small business development in the region.

Supports from international organisations

Supports from the government can be in the forms of financial aid, tax reduction, educational programs or information provision. For example, Kazakhstan government has joined with the USAID to finance the project of Global Entrepreneurship Monitor (GEM) Kazakhstan to generate adequate and reliable information about business, conducting market analysis, assessing results by comparing with other countries and making recommendations to entrepreneurs and state units to increase activity of small business (GEM, 2007).

Many international institutions provide additional supports to the development of small business in Kazakhstan. During October 2006, the USAID launched the Kazakhstan Small Business Development Project (KSBD). It is a 4-year 8.9 million US dollars project, jointly funded by USAID and Kazakhstan government, aiming to provide direct consultation and capacity expansion to design and implement programs of small and medium-sized enterprise development by working with Kazakhstani counterpart institutions to promote sound economic development for the country (USAID, 2007). The KSBD works to transfer development capacity to the government of Kazakhstan and to indigenous institutions in public and private sectors, to manage and evaluate entrepreneurship development programs and to promote the network development of small business service providers and enterprises.

Other international organisations further provide aid in developing entrepreneurship and small business in Kazakhstan. For example, the EBRD is providing a 5-year

loan to the Bank Caspian to support an expansion and further development of small and medium-sized enterprises in Kazakhstan. The EBRD loans consist of two equal portions:

- loans below 200,000 US dollars that are mainly for the micro businesses with an average loan size of 10,000 US dollars for an entity
- finance loans worth the equivalent of 200,000 US dollars to 500,000 US dollars that are aimed at small and medium-sized enterprises (EBRD, 2007).

Improving doing business environment

The first several steps towards the entrepreneurship and small business development in Kazakhstan were made in 1997, when President Nazarbaev adopted the edicts on the measures of strengthening the state support and stirring up the regional programs for the development of entrepreneurship and small business in Kazakhstan. The state Agency for the Support of Small Entrepreneurship under the Ministry of Economy and Trade of the Republic of Kazakhstan has assumed the responsibilities of

- coordination between central and local executive bodies for entrepreneurship and small business support
- cooperation with international financial institutions on issues of the provision of financial and technical assistance to small businesses.

To the same extent, those functions and authorities in the field of supporting small businesses were transferred to the Ministry of Industry and Trade of the Republic of Kazakhstan since the year 2001.

For the purpose of promoting small business activities, Kazakhstan government has proposed and is in the process of implementing a simplified set of procedures for business registration to shorten the registration period. For example, there are legislative provisions dictating that the state and its small business and accounting registration branches must complete an application no later than three working days after the required documents are filed, whilst the state registration of other legal entities is performed within the 10-day period. Additional legislation allows small businesses to carry out their activities on the basis of the standard charter that significantly simplifies the preparation of documents. In 2004, the government has approved the nomenclature of goods, works, and services from which the state procurement should purchase from the small business sector of Kazakhstan.

Fast economic growth and increasing self-employed population

Entrepreneurship and small business development are associated with the overall process of political and social democratisation, which in turn is linked to the process of economic transition. The growth of private businesses in transition economies should contribute to further diffusion of economic power and outputs, as well as to the creation of a strong middle class that should support and enhance the economic growth of the country.

According to a report by The Agency on Statistics of the Republic of Kazakhstan (2007), the total population of Kazakhstan at the end of 2006 was 15396878 and its population growth rate was 0.26% in 2006. The age structure of the population in 2006 was estimated to be: 0–14 years: 24.2% (3680600), 15–64 years: 68% (10344700), 65 years and over: 7.8% (1194000).

Moreover, Table 1 shows that economic growth rate and self-employed population in Kazakhstan have significantly increased since 1997. Entrepreneurship and small business development research that conducted in more advanced transition economies such as in Bulgaria (Bartlett and Rangelova, 1997) and the Czech Republic (Benacek, 1997) indicate that small business sector growth is conducive to high-tech development and to the improved levels of productivity. These elements can transform lives of the citizens and economic growth of the countries.

Transforming lives and creating markets

Many of the current small businesses in Kazakhstan have been established in a market-driven environment rather than with an inherited relationship from the

former Soviet Union. The survey conducted in 2006 by the authors shows that about 85% of small business entrepreneurs have travelled to different parts of the world: Europe (Italy, Germany, the UK, Switzerland, and France), North America (the USA and Canada), Asia (South Korea and Peoples Republic of China) and other countries in the former Soviet Union. Many of these international experiences have contributed to an improvement of their business and lives. Overall, the survey respondents indicate certain relationships among demographic factors, overseas travel experience and small business development in Kazakhstan.

During early 1990s, the economy of Kazakhstan was dominated by state-owned agriculture, mining and oil and gas energy industries with only few exceptions. During

Table 1 Economic growth rate and self-employed population in Kazakhstan

Year	<i>Economic growth rate, as % of previous year</i>	<i>GDP per capita, US dollar*</i>	<i>Fixed capital investment index</i>	<i>Total employment, in thousands</i>	<i>Employees** in thousands</i>	<i>Self-employed*** in thousands</i>
1996	100.50	1342	60.10	6519	4915	1604
1997	101.70	1445	111.60	6472	4271	2201
1998	98.10	1468	141.90	6127	3783	2344
1999	102.70	1130	133.00	6105	3354	2751
2000	109.80	1229	148.50	6201	3504	2697
2001	113.50	1491	144.70	6699	3863	2836
2002	109.80	1658	119.00	6709	4030	2679
2003	109.20	2068	110.60	6985	4230	2755
2004	109.60	2874	123.10	7182	4470	2712
2005	109.77	3771	134.10	7261	4641	2620
2006	110.73	5291	111.10	7403	4776	2627

*Gross domestic product per capita, US dollars, by official exchange rate of year.

**Employees (paid workers) are persons working under a hiring contract for payment in the forms of wages and salaries, premiums, additions, etc., thousand persons.

***Self-employment is an activity, in which the size of remuneration directly depends on income received from production and sales of goods and services. It includes employers, own-account workers, unpaid family workers, and members of producers' cooperative, thousand persons.

Source: The Agency on Statistics of the Republic of Kazakhstan (2007)

the period, small business sector supplied only simple consumer products and services. Today, the economy is much widely diversified with manufacturing, construction, trading, retailing, transport and communications, business services, financial services, and personal services, see Table 2 for details. Kazakhstan economy has experienced one of the most rapid structural transformations ever to occur due to mainly entrepreneurs and small business involvement.

METHODOLOGY AND THE RESULTS OF QUALITATIVE ANALYSIS

Focus group interview and sample characteristics

A survey of 119 entrepreneurs and small business owners was conducted on

September 2006 to assess how small business sector creates markets and what motives drive entrepreneurship and small business development in Almaty city, Kazakhstan. A group of independent moderators who have served as the members of the Almaty Association of Entrepreneurs, and are bilingual in both Russian and English, was formed to conduct 21 focus group interviews. These interviewees have operated their own small business for more than one year. After explaining the research purpose and questions, these entrepreneurs were asked to discuss and write down their experiences and opinions related to entrepreneurship and small business development.

Since the subsequent analyses of the comments made by the respondents of these 21 focus groups indicated no significant differences among groups, these responses

Table 2 Markets created by entrepreneurs and small business sector in Kazakhstan

	Number of registered small business entities, 2006	Number of the workers, person, 2006	Volume produce, million US dollar, 2006	Percentage
Total in the country by activities:	94824	691148	21789	100.00
Agriculture, hunting and forestry	5089	48834	377	1.73
Fishing, fish breeding	103	858	7	0.03
Industry	10065	102101	6280	28.82
Mining	603	8966	4511	20.70
Manufacturing	8926	85592	1640	7.52
Electricity, gas and water	536	7543	129	0.59
Construction	16313	150010	6040	27.72
Trade, household goods	36554	169861	4421	20.29
Services provided by hotels	204	3017	57	0.26
Services provided by restaurants	410	3282	45	0.20
Transport	4106	36389	1028	4.71
Communications	552	4072	82	0.37
Financial activity	1017	3657	876	4.02
Real estate activities, renting	17388	140522	2350	10.78
Personal service activities	2335	24544	188	0.86

Source: The Agency on Statistics of the Republic of Kazakhstan (2007)

were combined into one data set. Analysis of the qualitative data was conducted according to a categorising process by sorting units into provisional categories on the basis of 'look-alike' characteristics. The authors read and examined these transcripts several times independently to identify those recurring thoughts, ideas, and personal values of the respondents. After several iterations and reviews of the data, the authors conclude that the comments could be organised into several major categories to be discussed here.

Of the 119 respondents, 59.7% were male and the mean age of the sample was 38.7 years old with additional age breakdowns as follows: 20–24 years old (13%), 25–34 years old (29%), 35–44 years old (30%), 45–54 years old (28%). The average income per capita for these interviewees was 26000 US dollars per year, which was relatively higher than the average income per capita of 9296 US dollars in 2006 in the region. More than 92% of the respondents are college-educated. Of these respondents, 42% were doing business mainly in retailing industry such as retailing shops for office supplies, clothes, foodstuffs, flowers, magazines, etc., another 40% were in business services and trade industry including travel agency, notary office, transportation, telecommunications, car brokering service, real estate services, computer retailing and repairing services and the remaining 18% were doing business in personal services industry such as restaurants and beauty salons.

A majority of these respondents (72%) speak Russian and conducted their business activities in Russian, which is still the common language in this country. The remaining 28% of the respondents conducted their business activities in other languages, such as English, Turkish and Chinese. There was a high propensity to operate their business in Russian rather

than in their mother tongue (Kazakh), particularly in the areas of trade and business services operations.

In total, 57% (49 males and 19 females) of the respondents had worked for state-owned organisations for some period of time before starting their own business. However, their current business activities differ widely from their previous work areas. So, it is important to realise that many of the previous work and managerial experiences in serving for state-owned organisations in Kazakhstan, especially during the socialist period and the early stage of transition period, might not be the best preparation for starting and running their private businesses under the market-oriented economy. Furthermore, 37% (27 males and 18 females) of the respondents came from former entrepreneurial families that either had been self-employed, or had occupied leading positions in state enterprises. In other words, the role of family tradition might be very important in promoting as well as developing entrepreneurship in Kazakhstan.

Motivational factors of entrepreneurship in Kazakhstan

Operating a small business provides its owners with an excellent opportunity to satisfy their personal goals as well as to achieve the firm's business objectives. However, there are many reasons for starting small business as there are many small business owners. An individual's entrepreneurship could be encouraged by both internal motivators and external driving forces. The critical motivators in encouraging entrepreneurship in these respondents are identified as follows: financial incomes, achievement, social recognition, freedom, and opportunity, see Table 3 for more details.

Table 3 Motivational factors of entrepreneurship in Kazakhstan

Results derived from the question: "What factors are motivating your entrepreneurship?"

Factors	Answers and indicators	Percentage and number of respondents
Financial incomes	"to get financial incomes"	94%, 112 respondents
	"to help family with additional income"	70%, 84 respondents
Achievement	"to get a sense of achievement"	76%, 91 respondents
	"to develop own profession"	47%, 56 respondents
Social recognition	"get a social recognition, reputation"	76%, 91 respondents
Freedom	"work at a friendly working environment"	70%, 84 respondents
	"work for enjoyable things to do"	65%, 77 respondents
Opportunity	"have business trips"	29%, 35 respondents
	"have education, training opportunities"	24%, 28 respondents

Entrepreneurs and small business owners have the potential to fulfil many of their personal goals. In many cases, owning a small business in Kazakhstan tends to satisfy financial incomes, social recognition, achievement, freedom and other opportunities, whilst the main reasons for being managers of larger state-owned firms in Kazakhstan are most likely to seek job security, achievement, power, high incomes and other benefits. The survey results show that the critical motives for being an entrepreneur in Kazakhstan are to be financially independent and to get social recognition. Similarly, many of the mentioned objectives for being an entrepreneur may motivate someone to be an entrepreneur and to run a small business in other countries.

Entrepreneurs and small business owners want autonomy in exercising their judgments and initiatives; these initiatives often result in innovations and lead to greater outcomes, which are the virtues of running small business and being an entrepreneur. They want to realise their individual goals of having financial independence as well as having social recognition. It is necessary to highlight

that the *extrinsic* values such as financial incomes and social recognition are the most critical motives for being an entrepreneur in Kazakhstan, whilst the *intrinsic* values such as a sense of achievement and freedom are likely to be considered as critical motives in many of the developed countries. Since the *extrinsic* values of being an entrepreneur are the dominant motives in Kazakhstan, it can be reasonably well expected that rising entrepreneurship and increasing small business start-ups in the current Kazakhstan should have great impact of spurring the economy to grow faster.

The attitudes of entrepreneurs towards institutional environment

The institutional agents identified in this study represent unique features of the transition economy during the time when the country is changing from the centrally planned economic system to the market-oriented economy. In market economies in many cases, institutional agents while still important and influential are no longer the most critical institutional players affecting local small businesses, because their functions under the market system are relatively well defined and standardised.

The institutional landscape in transition economies features predominantly government agents, such as tax authorities, state administrative bodies, local authorities and state-owned banks. As a result, the institutional environment in transition economies is still very much vertically oriented and government centred. These institutional players are generally perceived as unpredictable, opportunistic and rather unfriendly to entrepreneurs and to small business firms even though the political and governmental propaganda are intended to lure entrepreneurs with friendly doing business environment. The fact is that legislators, tax agents, licensors and bankers become predominant players during the radical system transformation, in which the old orders were broken down, whilst new procedures and structures are not yet fully developed.

From the results of the survey, it can be summarised major institutional environments in Kazakhstan as follows: unfriendly officials to entrepreneurs, poor financial supporting system, complexity of registration process and taxation, and lack of legislatures' supports. This study also identifies some concerns of entrepreneurs and small business firms in Kazakhstan in their dealing with governmental regulations and the institutional environment. The first area of concern is the difficulties of understanding certain regulations as well as the confusing and often restrictive nature of certain laws and regulations that govern entrepreneurial activities. The second area is the enormous amount of paper works involved in preparing and applying for the reports needed to comply with the government regulations and in maintaining the records needed to satisfy these requirements. The third area of concern is the difficulties and excessive costs of complying with these laws and regulations.

In many cases, the costs for complying with laws are greater than the administrative expenses, and bringing actual business operations into compliance with these regulations is also expensive.

Given the excessive costs, the entrepreneurs perceive the government agencies failed in fulfilling their fundamental functions. In addition, as a legacy of centrally controlled system, the government agents have a tendency to interfere with and exercise excessive controls over entrepreneurial activities and small business operations. This research finding suggests that the government-centred institutional environment is still powerful enough to permeate private business activities with excessive regulations. In turn, all of these excessive regulations and inefficient administrative practices by government officials restrain its citizens' entrepreneurship and small business start-ups in the country.

DISCUSSION AND IMPLICATION

The empirical evidence presented in this study indicates that the critical motives of being an entrepreneur in Kazakhstan is to achieve financial independence and to obtain social recognition. Moreover, entrepreneurship in the transition economy can take on a variety of motives, reflecting the challenging economic situation of its country and the culture of its society. While the creativity and commitment of all entrepreneurs involved will result in increasing entrepreneurial activities and facilitating small business development, the conditions that enable this process to occur are affected by the social, economic and institutional contexts. In transition economies, the dominant feature influencing the developments of entrepreneurship and

small business is institutional environment, and in many cases, the environment in transitional economies is more likely to be unfriendly for doing business and entrepreneurship development, reflecting in such problems as the difficulties in dealing with officials, the complexity of registration process and taxation, and the lack of legislatures' support. In emphasising the role of business-friendly institutional environment, it is necessary to highlight that entrepreneurial behaviour in transition economies is strongly influenced by the pace of their market economy reforms.

Kazakhstan's experiences of transforming its centrally planned economy to the market-oriented system have shown that setting up the required legislative and institutional frameworks and market liberalisation are the necessary but not the sufficient condition to ensure its continued economic growth and its sustainable economic development. In this regard, appropriate medium-term economic development strategies based on increasing institutional transparency and encouraging the developments of entrepreneurship and small business should be further implemented. This strategy can be realised only through painstaking reforms of the institutions, applying a holistic approach to expedite the market economy and enhancing entrepreneurship of Kazakhstan citizens.

Policy implication

This study emphasises that there are a variety of ways by which the government can utilise not only to affect the nature of entrepreneurship in the transition economy but also to provide various kinds of direct supports. One of the most important contributions that the government can do to promote entrepreneurship is to influence the value placed on private-owned

enterprises and entrepreneurship within the society. Clearly, such influence should be long-term, and is affected by many other factors including a reform of education system. Promoting entrepreneurship should be supported by the whole society, and such supports are critical for motivating entrepreneurial activities and promoting small business start-ups.

The government should enact appropriate policies and take actions to improve the environmental quality for doing small business in the region, and should initiate additional actions to facilitate entrepreneurial activities and small business development in Kazakhstan. These actions should include creating a business-friendly institutional environment, increasing the transparency of the government activities, and building institutional capacity to support new business entrants. Good governance is critical for the promotion of entrepreneurship in the economy. Moreover, the study results suggest that there is an urgent need to keep the government from interfering excessively with entrepreneurial activities and small business operations.

This study also wants to stress that government officials should behave friendly to entrepreneurs and small business owners. The studies by Smallbone et al. (1999) and Smallbone and Welter (2001) suggested that in transition economies where market reforms have been slow such as Russia and Uzbekistan, the governments more typically consider small private enterprises as a potential source of tax revenue rather than as the base for market transformation. The problem of over taxing is that entrepreneurship development under such circumstance remains restricted. Therefore, it is vital for the government to recognise the crucial roles of entrepreneurs and small business entities in the development of the

market economy and their contribution to the growth of the national economy. It is therefore important for government officials to consider entrepreneurs and small business entities as the backbone of the market-oriented economy. In an ideal way of entrepreneurship development for the region, individuals should be encouraged to start new business and be provided with as many governmental supports as possible such as tax incentives, start-up funds and technical supports. Such incentives and encouragements by the central and local governments should continue in the future as more lawmakers and government officials realise that growing entrepreneurial activities and increasing start-ups of small business firms can create jobs and increase economic outputs in the country.

To promote entrepreneurship development, the government should engage in redirecting and integrating the emerging entrepreneurship into legal and productive sectors of the economy. This requires the governmental commitment to strengthen entrepreneurship by establishing the institutional, legal and cultural supportive conditions. It should include basic reforms such as reviewing registration and reporting procedures, eliminating restrictive practices such as long and difficult process to deal with government officials, improving tax administration and continuing its efforts to decrease underground economy.

Practical implication

There are some successful examples of state actions, especially in the USA and the Republic of Korea. The credit guarantee program sponsored by the governments in cooperation with commercial banks provides entrepreneurs and small business entities with needed incentives. For example, entrepreneurs in

the USA (Small Business Administration: SBA, <http://www.sba.gov>) and in South Korea (Small and Medium-sized Business Administration: SMBA, <http://www.smba.go.kr>) are encouraged by and benefit from venture capital firms, small business start-up funds, small business operating funds and various small business credit guarantee programs.

In the USA and in Korea, these organisations provide institutional assistance for entrepreneurs and small business start-ups. For example, their publications and local workshops are frequently designed specifically for entrepreneurs and small business firms. The Small Business Development Centres (SBDCs) and various small business supporting institutions, such as Venture Incubators and Start-up Incubators, provide a variety of assistance for entrepreneurs and small business firms in the USA (<http://www.sbdc.org>) and in South Korea (<http://www.sbdc.or.kr>). More than 10000 executives of the Service Corps of Retired Executives (SCORE, <http://www.score.org>) are active volunteer members in the USA and more than 1000 counsellors of the SBDC in South Korea are available for assistance. Those who specialise in helping entrepreneurs are actively seeking to assist entrepreneurs and small business start-ups in their countries. However, the organisations such as entrepreneurs associations and small business owners associations have not yet readily identified by entrepreneurs as major institutional players in Kazakhstan. A possible explanation is that the institutional power of these organisations is rather limited at present. The important roles that these organisations have played and valuable assistances that they provided in the cases of the USA and South Korea have been identified. Therefore, this study suggests that it is the right time for

the Kazakhstan government to initiate a benchmarking from those examples.

Entrepreneurial endeavours in Kazakhstan have been considered as honourable and, in many cases, as social-status-upgrading activities. A major factor in the development of this societal approval is mass media. The media has played and continued to play a powerful and constructive role by reporting on the general entrepreneurial spirit in its operation. Television, especially CASPIO-NET and KAZAKHSTAN channels, has highlighted entrepreneurial spirit by featuring specific individuals and issues involved in entrepreneurial activities. This media coverage uplifts the image of entrepreneurs through highlighting their contributions to the national economy and to the whole society.

To conclude, the results of this study should be very helpful in suggesting potential avenues for policy-makers and for governmental officials to improve institutional environment for entrepreneurial initiatives in the economy. Thus, public policy-makers should do their best to clearly define the roles and responsibilities of government agents, especially those related to small business administration. Finally, to promote entrepreneurship and small business development, policy-makers and public administrators should provide institutional support such as reducing administrative barriers, setting up small business development centres, and establishing a dialogue between executive authorities and small business associations.

BIOGRAPHY

Jung-Wan Lee holds a PhD in Business Administration (Marketing) and Advanced

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Simon W. Tai received his PhD from Iowa State University and his MBA from the University of Wisconsin at Madison, Wisconsin. He is a USA citizen and has been serving as a Professor and as the Chair of the Department of Finance, Bang College of Business at KIMEP since August 2004. He has conducted many research projects and published in the areas of financial management, insurance employment and income information. After many years of Public Services and teaching in USA universities, he has served at universities in Taiwan, China, and Kazakhstan, and is interested in the comparative study of cross-culture, international communication and economic development in developing countries.

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