3. Entrepreneurship and Kazakhstan’s development.

Competitiveness

The increased importance of knowledge as a source of competitiveness for modern economies suggests that the organization of industries most conducive to innovative activity and unrestrained competition will be linked to higher growth rates (Andre van Stel, Carree, Thurik, 2004). In this regard, we will examine, along with the core concepts used in GEM (TEA and EB rates), the role of the so-called Growth Competitiveness Index (GCI). The Growth Competitiveness framework is employed by the World Economic Forum’s Global Competitiveness Report (GCR). A central objective of the GCR is to assess the capacity of the world’s economies to achieve sustained economic growth. This variable captures a range of alternative explanations for achieving sustained economic growth.

As mentioned earlier, there are 42 countries that participated in GEM study in 2007. All countries differ in terms of their economic development, cultural characteristics, geographic position etc. Thus, to correctly estimate Kazakhstan’s position in the GEM community, the three countries that possess higher GCI than Kazakhstan does and that have similarities with Kazakhstan in their economics’ model, culture and history were chosen for comparison among 42 GEM 2007 participants – Latvia, Turkey, and Russia. All these countries, accompanied by China, Croatia, Hungary, India, Romania, Serbia, and Thailand, were separated by GEM research program into Middle & Low Income Countries - Europe & Asia. Kazakhstan was included in this group as well.

According to WEF 2007-2008 GCI Latvia takes 45th place, Turkey – 53, Russia – 58 and, finally, Kazakhstan - 61 in global competitiveness (WEF GCR 2007-2008, 2007). In case entrepreneurial activity would be important for economic progress, we should find countries that have high TEA/EB ratio to also grow relatively fast. TEA rates for these countries are as follows: Kazakhstan - 9.36% of adult population between 18-64 years old, Turkey – 5.58%, Latvia – 4.46, and Russia – 2.67%. This justifies our assumption that NOT THE QUANTITY of country’s entrepreneurs alone is important for economic progress and competitiveness, but their QUALITY. GEM 2007 Executive Report shows, that many low income countries exhibit high rates of early-stage entrepreneurial activity. As institutions develop and national welfare progresses, possibly leading to some form of industrialization and economies of scale, average business size may become larger; this is associated with decreasing rates of early-stage entrepreneurial activity (Bosma, Jones, Autio, Levie, 2007). Figure 3.1 illustrates the U-shaped relationship between per capita GDP-levels and early-stage entrepreneurial activity.
The illustrated U-shaped relationship between entrepreneurial activity rates and per capita GDP proves that in spite of relatively high entrepreneurial activity rate Kazakhstan has low level of per capita GDP. That is why it is important to gain insight in alternative explanations for economic growth and competitiveness next to entrepreneurial activity. We consider high-expectation, innovative and export oriented entrepreneurship as such explanations.

Our assumption is also supported by the findings in GEM 2005 Report on High-Expectation Entrepreneurship which show that high-expectation entrepreneurs, though relatively few and far between, are responsible for up to 80% of all jobs created by entrepreneurs and their significance should not be underestimated. Even though high-expectation entrepreneurial activity only represents a small subset of all entrepreneurial activity, its potential economic impact is significant, as nascent and baby businesses expecting to employ 20 or more employees are responsible of up to 80% of total expected jobs by all entrepreneurial activity (Autio, 2005). This is significant, as only some 1.09% of the adult-age population in different countries and world regions actively participate in high-expectation entrepreneurial activity.

In Kazakhstan, only 0.76% of TEA is considered as high-expectation businesses expecting to employ 20 employees in 5 years. Turkey and Russia have more high-expectation TEA – 2.0% and 1.92% correspondingly. GEM 2007 Executive Report shows that high-income countries tend to have a higher ratio of high-expectation entrepreneurship to overall entrepreneurship, or relative prevalence of high expectation entrepreneurship, than middle & low income countries. Thus, in spite of the fact that worldwide the rate of high-expectation entrepreneurial activity is quite rare, it is very important and it should be possible to design country’s policy interventions that selectively target high-expectation entrepreneurial activity.

As indicated in the second part of this report another way of achieving growth is through export. We showed that export-orientation of Kazakhstan’s entrepreneurs is quite low – 3.37% for early-stage and 0.74% for established business owners. 13.79% in Latvia and 10.41% of early-stage entrepreneurs in Turkey are export-oriented. GEM 2007 Executive Report indicates the facts that
as national economies have become globalized, so has entrepreneurship. In some GEM countries, 40% of early-stage entrepreneurs expected 25% or more of their customers to come from outside the country. This may mean that in Kazakhstan too many barriers to trade and investment remain and often block new entrepreneurial opportunities. The domestic stakes are also high: closed markets imply less flexibility in the local economy. Most entrepreneurs therefore have a strong interest in achieving political influence, through lobbying and coordinated policy positions, on their domestic policy makers to liberalize trade and investment. Entrepreneurs with significant sales to other countries typically benefit directly from international trade agreements and rules, as described above. For entrepreneurs whose focus is largely or even purely domestic, the benefits of a global trading system and international development institutions are less visible (Bosma, Jones, Autio, Levie, 2007). However, entrepreneurial activity takes place within a broader economic system that must provide the necessary “oxygen” of resources, incentives, markets and supporting institutions to the growth of new firms, and domestic economic institutions together with country’s policy-makers play an important role.

In the light of described situation with high-expectation entrepreneurship, and, its influence on country’s competitiveness, it is obvious that this type of entrepreneurial activity MUST be supported by country’s policy-makers. First, policy-makers should recognize the importance of high-expectation and high-potential entrepreneurial activity and adjust their policy priorities accordingly. Second, policy-makers should introduce an element of selectiveness in entrepreneurship policy, to account for the uneven contributions of types of entrepreneurial activity to job creation. Third, policymakers should develop sophisticated support measures to deal with the specific support needs of high-expectation entrepreneurial ventures.

It is important for policy-makers to recognize that not all entrepreneurial ventures contribute equally to the economy. High-expectation entrepreneurial activity provides a particularly potent source of new job creation. Awareness of this aspect should be actively promoted within policy-making and policy-implementing communities so as to enhance the responsiveness of these toward high-expectation new ventures.

Another important driver of economic progress along with high-expectation entrepreneurship is innovative entrepreneurship. Competitive offering of new products and services, use of new technologies by entrepreneurs contribute towards country’s competitiveness. As mentioned earlier, to measure innovativeness, GEM asked entrepreneurs and business owners to evaluate the newness of their product or service and the technology they use.

As compared to Turkey, Latvia and Russia, Kazakhstan possess the lowest rates in both product/service and technology novelty. So, only 5.31% of adult population among TEA uses very latest technology (not older than one year), while such indicator in Latvia comprises 9%. Turkey and Russia are not far away from Latvia – 8.54% and 8.52% correspondingly. The situation with product/service novelty is even worse. So, there are only 2.89% of adult population among TEA reported they offer product/service that is new to ALL customers. The same indicator for Turkey is equal to 40.18% (!), for Russia – 17.96% and for Latvia – 10.4%.

This result puts Kazakhstan at the end of the innovativeness list in comparison with more competitive countries. It justifies the presence of correlation between innovative entrepreneurship and country’s level of competitiveness. The experts interviewed during GEM 2007 National Experts Survey (NES) seemed to support this assumption. They emphasized that technological innovativeness is not developed in Kazakhstan due to several factors such as imperfections in intellectual law protection, insufficient support of engineering and scientific
research from the government. Thus, innovativeness is the second important concept to be improved in Kazakhstan and to be considered more carefully by policy-makers.

Taking together, high-expectation, export-oriented and innovative entrepreneurship comprise, in our opinion, the most valuable type of entrepreneurship – a high-growth entrepreneurship. This type of entrepreneurship is aimed at and is able to secure through its activities economic growth and increase country’s competitiveness. Therefore, in the last part of this report, we represent policy recommendations and policy implementations on high-growth entrepreneurship development addressed to the Government of Kazakhstan.

Diversification

In the previous part of this report we showed that Kazakhstan needs to improve its competitiveness and growth. To achieve this we suggest country’s policy-makers to support high-expectation and innovative entrepreneurs. In this part of the report we will talk about diversification, since this concept and competitiveness are closely related. Achieving good diversification is another important issue for Kazakhstan in increasing country’s competitiveness.

The results of GEM 2007 APS data show that people in Kazakhstan attempt to start businesses in various economic spheres. GEM codes these spheres according to International Standard Industry Classification (ISIC) under four main sectors:

- **Extraction**: agriculture, forestry, fishing and mining, i.e. extraction of products from the natural resources.
- **Transformation**: construction, manufacturing, transportation, and wholesale distribution (physical transformation or relocation of food and people).
- **Business services**: where the primary consumer is another business.
- **Consumer Oriented Services**: where the primary consumer is a physical person, e.g. retail, restaurants and bars, lodging, health, education, social services, recreation.

The next two figures represent distribution of early-stage and established business owners among four business sectors in Kazakhstan, and, for comparison, in Latvia, Turkey, and Russia.

![Figure 3.2: Sectoral distribution in TEA by country](image-url)
Among business sectors Consumer-Oriented Services dominate in Kazakhstan, with 44.09% of TEA and 32.95% of EB operating in this sector. Historically, back to the Silk Way age, trading was and remains a dominating business in Kazakhstan. Moreover after communist era the market became open and demand for consumer goods was high. If we compare Kazakhstan with Russia (44.87% of TEA and 35.55% of EB), Turkey (35.24% of TEA and 42.62% of EB) and Latvia (23.99% of TEA and 20.78% of EB) we can see that consumer service is not so high in Kazakhstan and takes the second place (after Russia) in the number of TEA and the third place (after Russia) in the number of EB operating in Consumer-Oriented Services.

As nowadays Kazakhstan in oriented to increase its economic level and consequently the living conditions for population, the state programs were developed directed to the growth of house-building. It caused the demand growth for production of construction materials, as well as transportation and manufacturing of other supported goods. As a result Transformation Sector is most equally presented in both TEA (32.40%) and EB (30.15%).

Geographical conditions of the country, with vast steppe zones, favor the growth of agriculture and cattle-breeding. However the transition period started the migration of people from rural to urban areas and it caused the fall of agriculture into decay. At present this economic sector is well supported by the government that is resulted in development of Extractive Sector with EB of 28.85% and two times little TEA of 14.55% shows Kazakhstan at the highest rate in TEA and EB among selected countries.

Another interesting insight from the results obtained from the survey is the low percentage of business-to-business markets. It is explained by growth of entrepreneurial activity in recent years which initiated the development of business service. However, this factor is still evaluated as lower than sufficient, because the business to business connection is in its initial stage now. It measures 8.95% in TEA and 8.06% in EB and takes the last place among four compared countries.

The next two tables represent distribution of early-stage and established business owners in four business sectors in Kazakhstan.
The largest share of early-stage entrepreneurs and established business owners in Kazakhstan are active in consumer oriented activities, followed by transformation, extractive activities, and business services. In other words, in general the new firm’s development in the republic is oriented on satisfaction of primary needs and service for industrial sector. Start-ups prefer to be engaged in consumer-oriented service more than established business owners.

Perspective business sectors’ development depends on the governmental and foreign investments. It causes the fact that extractive sector is twice higher in EB than in TEA. It can be explained by the various mineral resources availability and developed oil-industry that dominate in established business in Kazakhstan. In a whole Kazakhstan takes leading position in extractive sector among other GEM countries. But it does not mean that this sector is truly well-developed. If we have a look at this sector from inside it is evidently that it could have much higher rate, because such fields as agriculture, forestry, and fishing are presented by entrepreneurs in only a few regions of the republic despite on the fact that Kazakhstan has all the geographical opportunities to develop these fields in extractive sector.

In established business the large enterprises have significant weight and they are monopolists. As antimonopoly legislation is not really active, it is very difficult for new start-ups to occupy a niche at the market. In other words, the mentioned factors put obstacles in the way of free competitiveness and slow down the new business development. One of the ways to decide the problem is to reconsider the antimonopoly legislation or to support innovativeness at the new firms.

Another problem that was noticed by the national experts interviewed is the lack or absence of proper skills and experience for starting business in agriculture, forestry, and fishing. It is supported by the survey results where, for example, in agricultural sector entrepreneurs prefer to be engaged in cattle-breeding more than in plant cultivation. From one hand the reason is sharp continental climate that raise risk in grain-crops and forage crops growing, from the other hand it is lack of knowledge and skills to get over the risk.
From the other hand the development of small business in separate sectors depends on the income level of population and the structure of their expenses. As population in Almaty and Astana have high income and investments on construction development, entrepreneurs have good opportunities here to develop transformation sector more than other sectors. But transformation sector is more developed in South-Kazakhstan. Therefore it is obvious that the high per cent in this sector is taken by wholesale distribution (physical transformation or relocation of food and people), than by construction and manufacturing.

**Figure 3.6: Business sectors by oblast in Kazakhstan**

East-Kazakhstan and Pavlodar oblasts have more entrepreneurs engaged in extractive sector. Transforming sector appears in South-Kazakhstan and Karagandinskaya oblasts as more active. Business service is mostly developed in the city of Almaty as it is a big business center of the republic. Consumer-oriented sector is mostly presented in Zhambulskaya and Almatinskaya oblasts.

In overall, GEM 2007 APS data to show that Kazakhstan needs to catch up in terms of diversifying business for its national goal of achieving good diversification and to improve competitiveness and growth.

**4. Factors influencing high-expectation entrepreneurship development**

**Conditions that contribute into entrepreneurship activity**

The rate of the entrepreneurship at the societal level depends on the opportunities provided by the environment as well as capabilities and preferences of the population. These aspects in turn are influenced by available technology, level of economic development, culture, institutions and social demographics. In addition, these aspects create the social and cultural environment that impacts the economic factors directly or indirectly. Moreover, the culture impact has unexplained wide variation across the countries. Thus, more recently, researchers have also looked toward cultural factors to explain this variation. The focus of this section will be on a limited set of social attitude to entrepreneurship, influence of government policies on entrepreneurship, role and condition of important entrepreneurship community characteristics, such as R&D transfer and market openness. The section is mostly based on the results of GEM 2007 NES and partially includes some findings from GEM 2007 APS.
The cultural indicators can predict the entrepreneurship development. So, if there are more people with entrepreneurial values in a country, there will be an increased number of people displaying entrepreneurial behaviors. Consistent with this, the variation in entrepreneurship is based upon differences in values and beliefs between the population as a whole and potential entrepreneurs. Thus, in predominantly non-entrepreneurial culture, a clash of values between groups may drive would-be entrepreneurs into self-employment and prevent the high-growth quality business. Some surveys show that the greater rate of entrepreneurship is found in societies where the entrepreneur has higher social status.

Entrepreneurship is not just a key to advancing growth in economy, but is a benefit for the local residents. The entrepreneurship motivates the diversification of the services, availability of the cultural, educational, everyday services. If people welcome and understand what the entrepreneurship and how entrepreneurship extends their environment, it is also more likely to generate public attitudes that are friendly, or at least less hostile, to the wealthier economies.

The entrepreneurship community is directly supported by the attitude the society displays towards the entrepreneurship. The GEM 2007 in Kazakhstan has shown that almost each second individual (50.89%) knows an entrepreneur that has started his business within the last two years. It verifies that in the republic there are favorable conditions for entrepreneurship development. In the society there is positive attitude to the successful entrepreneurs that due to their diligence and knowledge could start a business and produce popular goods. Kazakhstan demonstrates a high level of cultural and social support of entrepreneurship that can be compared with the EU countries. Thus, about 85% of respondents claimed that they consider entrepreneurial activity as a right choice, perspective carrier, and a way to reach a high social status. The most respondents (65.3%) emphasize that public media make a significant contribution into attractive image of entrepreneurial activity.

About 53.8% of people, both entrepreneurs and non-entrepreneurs, in Kazakhstan consider the business conditions as good in the next 6 months. Moreover, 4 of 5 people estimate entrepreneurial career as a successful choice and the way to high status in the society. This high estimation is supported by the stereotypes, which can give a deeper insight into the question “Why do so many people consider the entrepreneurship as a favorable occupation?”.

At the same time fear of failure in business is considered as a preventive measure for every second man (51.5%). In the context of gender gap the fear increases with women (53.8%) rather than with men (49.2%). Though, the entrepreneurs estimate the fear of business failure as a less preventive measure (about 34%). Most likely, it is a more successful experience that shifts the fear out of the business activity. The reason for the fear of failure can be found in the potential problem of finding the financing, the low profit rate, lack of experience in business procedures and formalities, high competition, push from the side of the larger companies. To make a more accurate analysis of this restrictive fact requires further investigation.

Nevertheless, the factors like assessment of the business conditions, positive attitude to the entrepreneurial career and the media coverage of the entrepreneurship theme contribute into the creation of the favorable environment.

National experts evaluated cultural and social norms existing in our country highly positive as well. As seen from Figure 4.1 the experts consider that the social and cultural norms accepted in the country enable entrepreneurship to be regarded as a respectable occupation; proper attention is paid to the issues of developing entrepreneurship; there is no difficulty in obtaining the access to industrial infrastructure (transport, communication, etc.); there are quite efficient programs
supporting small business. The experts’ opinions on these framework conditions were almost unanimous, with variation coefficient being within the accepted norm, i.e. 33%.

![Figure 4.1: Ranking of factors, influencing entrepreneurial activity](image)

At the same time, the experts outlined the main problems that hamper entrepreneurship development in our country. The most experts consider government policies to be the main problem for entrepreneurship development in Kazakhstan. It should be noted that experts’ opinions differ, the variation coefficient amounts to 39.2%. The opinions on R&D transfer, market openness and education followed by government policies are also different with 51.3%, 47.7% and 37.8% variation coefficients accordingly.

**Entrepreneurship and government policy**

The government policies determine the regulations that create conditions for developing entrepreneurship. Entrepreneurship development can be promoted in different ways. According to the survey, government policies may systematically create and maintain favorable conditions for entrepreneurs. The state policy may be implemented by both central and local authorities, it may establish favorable and consistent tax policy related to entrepreneurship, regulate licensing and obtaining permits. The parameters ranked 1-5 by the experts are given in Figure 4.2.
According to the results obtained, the government policies are given unsatisfactory evaluation: the average point is 1.7 on a 1-5 scale. The evaluation of tax policy and the procedure of obtaining licenses and permits for entrepreneurial activity were quite low, in fact, lower than 2 points.

Apparently, the overall government strategy is correct, but it does not focus on individual entrepreneurs. The government policies may have insufficient measures for supporting high-growth entrepreneurship, i.e. business which is growing from year to year and requires systematic support.

The statement “Government bureaucracy, regulations, and licensing requirements are not difficult for new and growing firms” has received the lowest score. During the interview the national experts also referred to this problem as a factor limiting entrepreneurial activity. They pointed out that every year about 200 statutory acts are adopted in Kazakhstan. Constant changes and amendments in normative documents allow officials to abuse their positions and mislead entrepreneurs.

At the interview experts also referred to disregard of law by public officials and a complicated procedure of business registration. Government officials interpret laws to their own benefit, thus creating a negative attitude to authorities. Imperfection of the existing normative documents allows the officials to create administrative barriers which, in its turn, lead to corruption.

Two next statements concerning tax amount and tax policy received low evaluation as well. Taxation and tax accounting are very complicated which prevents many people from starting a business. Entrepreneurs spend weeks in tax bodies in order to submit balance sheets. Thus, it is no secret that at present entrepreneurs often try to conceal their activities to avoid taxes, have double-entry book-keeping and underground production, make sham transactions, etc.

So far government support to small business in Kazakhstan was focused on providing tax preferences and preferential financing at the expense of government finance. This was efficient but not systematic. It is determined by the fact that perspectives and objectives of small business development were considered independently without being integrated in the overall system of objectives and priorities of the country’s long-term economic growth.
R&D transfer in entrepreneurship

Another important prerequisite of developing entrepreneurship is the use of innovative technologies. GEM research has shown that a growing enterprise should not only give profit and carry on business but also apply advanced technology, making the enterprise more competitive and developed. This prerequisite was evaluated by the following criteria: business knowledge succession, accessibility of new technology and research results, possibility of applying new technology, accessibility of subsidies for purchasing new technology, support to enterprises in innovative processes as well as support to scientists and engineers (Figure 4.3).

**Figure 4.3: R&D transfer**

To the questionnaire statement “There is support available for engineers and scientists to have their ideas commercialized through new and growing firms” almost all experts ticked “false”. The matter is that an instrument for such support is a techno park, and the development of techno parks in Kazakhstan is tightened. There are no techno parks in some cities at all, and those several existing are established as public institutions, which lease their premises and are not engaged in their primary activities – insurance of the connection between science and production.

Experts’ attitude to the statement “There are adequate amount of government subsidies for new and growing firms to acquire new technology” was skeptical. The matter is that the most of established funds in Kazakhstan are working and will further work with large-scale enterprises only. These funds sponsor only “breaking through” projects. At the same time the growing enterprises are terminated with micro credits.

Many experts marked “false” to the statement “The science and technology base supports the creation of world-class new technology-based ventures”. This is understandable, because the creation of national venture funds is on its development stage now. And experts doubt that those funds will cooperate with new and growing firms.

Implementation of advanced technology in Kazakhstan’s small business is impossible until the number of problems will be solved, such as lack of knowledge and experience in this sphere, high cost of specialists’ services, lack of production premises, use of out-of-dated equipment, high cost of imported technology, lack of finances, small capacity of regional markets.
Market Openness

Any business is aimed at finding a consumer for its goods or services. Therefore, goods and services market, as well as consumer’s market, is one of the main priorities in entrepreneurship development. It is also important to take into account the accessibility of these markets for entrepreneurs. Figure 4.4 shows the experts’ opinions on how the state of the market can promote entrepreneurship development.

Figure 4.4: Market openness

This figure of average evaluation of market conditions testifies that the goods and services market has recently undergone significant changes, although experts have contradictory opinions on market openness and possibility of free entry to the market. According to the data, this may explained by the fact that many entrepreneurs cannot afford the expenses for entering the market. On the other hand, difficulty in entering the market may be explained by inefficiency of antimonopoly law. The experts unanimously gave a very low evaluation (below unsatisfactory grade) to antimonopoly law.

The experts indicated the key factors limiting the expansion of the goods market such as low competitiveness of the local goods compared with imported ones, lack of high-quality local raw materials, insufficient high-performance equipment due to its high cost, as well as population’s low paying capacity, especially in the rural areas located far from commercial and industrial regions. At the present-day stage of Kazakhstan’s economy development, on the threshold of joining the World Trade Organization, the meeting of international standards is a priority in market relations development.
5. Policy Recommendations

Emphasis on Quality, Not Quantity

In entrepreneurship, quality matters. Even though the importance of high-growth entrepreneurs has been widely substantiated in empirical research, government policies in Kazakhstan still tend to focus on entrepreneurship in general, and policies dedicated to high-growth entrepreneurial activity remain few. Entrepreneurship policies tend to be general, unfocused, and emphasize numbers rather than quality. Enhancing the economic impact of entrepreneurship policies requires broad-based measures which address multiple aspects of policy design, implementation, and monitoring; at the levels of the individual, firm, sector, and society. To improve the efficiency of the entrepreneurship policy the certain large-scale measures should be introduced. One of the focuses the policies should address is the method to define the support the high-expectation and high-growth companies.

The government support should shift from the already established high-growth companies (the ones, which are strong enough to survive in the market) to the companies, which have the high potential of growth. The list of the supporting measures for the high-expectation companies (suggested by the experts T. Rabel and S. Palladino of Governors Association of the USA) includes the following: access to financing, technical support, security circulation regulation, improvement in regional licensing, intellectual support from the state universities, development of industrial clustering, favorable tax policy, connection between the authority bodies and the entrepreneurs, public recognition of the entrepreneurial success.

The small-sized companies with the high potential of growth belong to the high-expectation companies. The support should address this group of entrepreneurial companies. They experience the need to increase financing; to meet the requirements of the entrepreneurial environment and etc. Therefore, the regular supporting measures like rewarding the small business will not make the effective support. The support for the high-expectation companies should take their specificity into the account (Yudanov, 2007).

It is important for policy-makers to recognize that not all entrepreneurial ventures contribute equally to the economy. High-expectation entrepreneurial activity provides a particularly potent source of new job creation. Awareness of this aspect should be actively promoted within policy-making and policy-implementing communities so as to enhance the responsiveness of these toward high-expectation new ventures.

An important aspect of getting entrepreneurship policies better focused on supporting high-growth entrepreneurial activity concerns monitoring of policy effectiveness. A typical metric for measuring the success of Kazakhstan’s government entrepreneurship policy is the number of new firm births (sometimes balanced with firm deaths) over a given time period. Most governments still lack the ability to track unit-level firm growth over time, and virtually no government actively monitors numbers of high-growth policies. In the absence of publicly reported performance metric for high-growth entrepreneurship, there is a danger that policy measures in our country will continue to focus on quantifiable outputs, such as overall numbers of firms created. A complicating aspect of policy monitoring is that growth, even rapid, takes time. It takes even longer to determine whether a given growth case was a temporary burst, or whether the growth actually gave raise to a viable, sustainable business. This difficulty should not be cause for abandoning all policy monitoring efforts, however. Even though producing unit-level growth may take time, and verifying the sustainability of growth certainly does, there are medium-term metrics that can be readily employed to monitor progress toward high-growth
Entrepreneurial intent provides one such metric. Even though intent does not always lead to activity, it does provide one of the more robust predictors of it. In this report we talk about entrepreneurial intent in regard to job creation and export orientation. Intent is a direct measure of entrepreneurial motivation, and it should also be associated with a higher alertness to entrepreneurial opportunity. Because entrepreneurial intent is the function of both social desirability, as well as perceived entrepreneurial skills, it should be directly influenced by policy initiatives designed to strengthen these two aspects of the entrepreneurial climate. Governments should continuously monitor entrepreneurial intent, particularly among population cells where the prevalence of high-growth entrepreneurial activity is particularly high (e.g., male; well educated; high income; 35 to 44 years old).

**Horizontal Policy Programs to Address High-Growth Entrepreneurship**

The suggested policy addresses the high-growth entrepreneurship activity and includes, first, the support for high-growth companies, and, second, support for high-expectation companies and entrepreneurs, who have potential to progress within short period of time. The first step in this policy includes the identification of the high-expectation companies and entrepreneurs, who have started their activity. The developed countries and some regions of Russia hold the annual rate of the most active companies. Brussels company «Entrepreneurs for Growth» annually conducts rating of 500 most active companies across Europe. Kazakhstan statistics has yet to develop the list of such companies. This problem calls for monitoring system for the high-expectation companies identification. This will lead to the new methodology of assessment and evaluation of the entrepreneurial effectiveness (Yudanov, 2007).

As concerns policy design, the multi-faceted nature of the entrepreneurial process means that a single policy department, or a single policy initiative, is unlikely to produce lasting results. To comprehensively address high-growth entrepreneurship, broad-based collaboration between multiple policy departments and ministries is essential. This implies that policies targeting high-growth entrepreneurial processes should be targeted horizontally, rather than vertically. High-growth entrepreneurial policy design should be organized in the form of governmental policy programs for high-growth entrepreneurship, extending across multiple policy departments and involve active participation across SME; innovation; education; labor, and fiscal policy departments. Such a broad-based policy design requires active supervision and monitoring at the highest level of government. Government departments often exhibit resistance to broad-based policy initiatives that cut across policy departments. To effect the requisite collaboration across policy departments for an effective program, the horizontal program should be supervised by a board consisting of high-level government ministers, preferably chaired by the Prime Minister, and involving high-level participation from key government agencies responsible for implementing SME, innovation, education, fiscal, and labor policies. The program should be made a central element of the standing government’s policy program, and the board should have sufficient influence over the government budget in order to push through broad-based policy initiatives. Sufficient political weight is also important because highly targeted policy initiatives are open to criticism by those excluded from their scope. It is clear that an initiative of this nature is not feasible unless sufficient political will is mobilized behind it (Autio, Kronlund, Kovalainen, 2007).

Because only small minority of all new firms possesses significant potential and motivation for rapid organizational growth, policy measures should be selectively targeted. Even though programs should not propose to ‘pick winners’, feasible criteria for selection do exist. First, for admittance, programs should require explicit orientation toward growth. Even though growth orientation cannot guarantee growth, growth in the absence of aspiration for it is extremely rare. Therefore, support programs should require visible and credible commitment to growth as a key
selection criterion. Second, the longer the venture has progressed in its development path, the more tangible proof of its growth potential should be required. In the early phases of new ventures, growth orientation and flexibility should be emphasized. In more advanced stages, tangible proof of market acceptance may provide a feasible selection criterion. This implies that supporting rapidly growing firms is more demanding than supporting entrepreneurship in general. In addition to depicting more demanding needs, high-growth firms also have distinctive support needs which are seldom experienced by slowly growing entrepreneurship. As regards the sophistication of policy measures, research suggests that high-expectation entrepreneurial activity has distinctive, and often demanding, support needs. In general, providing value-adding support for high-growth entrepreneurial tends to be more demanding than in the case of low-growth entrepreneurial ventures. This is because of the high degree of organizational complexity, as well as the general dynamism of high-potential and high-growth ventures. Effecting organizational growth, as well as managing it, is difficult and often also painful (Autio, Kronlund, Kovalainen, 2007).

One of the directions of the support policy should be the creation of the guaranteed protection of the small and middle business against the numerous public audit and control, conducted by the authorities. The business practice shows that the change of the owner after the authority controls dramatically decreases the management quality and lead the company to extinction. The number of the high-growth and high-expectation businesses is small. Therefore, to create the favorable condition free from the excessive authority control is a possible task. The matter is that these very companies, with the high potential of growth, are the target interest for the authority corruption.

**High-expectation Entrepreneurship Monitoring**

Part 1 of this report gives the comparative analysis of the high-expectation entrepreneurship across different countries. Kazakhstan takes one of the low positions in this rating list. The rate of the existing companies and companies in their early stage is 4 times as little as in the more competitive countries. The aim should facilitate not only support for the existing high-expectation companies, but also encourage the measures for the creation of the new companies with high potential.

First, the list of assessment criteria of high growth companies and their high potential should be work out. Currently a number of research works are devoted to the criteria of assessment of the entrepreneurial activity. One of the commonly accepted criteria is innovation, the need to start new initiatives. The list of criteria may include other qualities. The department of small business in the USA highlights 5 most principal traits of the character, which lead the entrepreneur to success:

1) energy, ability to create working environment;
2) ability to plan;
3) team-building ability;
4) communication ability;
5) knowledge and skills in technology.

The list of the criteria in assessing Kazakhstan entrepreneurs may and should take account of the other important traits. GEM methodology is capable of conducting research work with the aim to identify the list of these criteria. This research will be based on questionnaire and interviewing for the target group of the successful entrepreneurs. The following research can be devoted to the monitoring of the knowledge and skills for the entrepreneurs of high-growth and high-expectation companies.
Talking about the recommendation implementation, it is necessary to stress the importance of the integrated complex work of the government bodies, which have relation to the entrepreneurial policy.

All too often, innovation, SME, and educational policies are designed and implemented in separate policy silos, with little or no coordination between these. Administrative barriers create obstacles in knowledge spread and innovative collaborative solutions for policy implementation. A particularly relevant domain of collaboration involves SME, innovation, and educational policies. It is not uncommon for innovation policies to seek to address high-growth and innovative firms without collaborating with relevant SME support initiatives. As regards educational policies, even when these do address entrepreneurship, they tend to neglect high-growth entrepreneurship, and they fail to take a longitudinal view on the lengthy formative process of high-growth ventures. It is probable that a better coordination among policy initiatives would result in a more comprehensive and longitudinal coverage of the early phases of the process of creating innovative new firms, extending from research-based innovation to team building and to start-up activities. Policy measures should be orchestrated such that they address all stages of the entrepreneurial process from opportunity exposure to market launch to eventual growth and consolidation. Here, ‘orchestration’ means making sure that there are no gaps in policy coverage, the timing and objectives of different policy measures are complementary and consistent, undue overlap is removed, and the different levels of policy implementation (individual, firm, regional, national) are harmonized (Autio, Kronlund, Kovalainen, 2007). This level of coordination can be achieved if coordination is taken seriously at a high enough level in the policy-implementing apparatus.

In order to promote economic growth, what really needed are new jobs and new growing firms who actually generate employment. At the aggregate level, growing new firms are required for aggregate job creation. At the firm level, firm-level growth is necessary for the provision of high-quality jobs. Both of these policy objectives will be better serviced if entrepreneurship support policies are focused specifically on promoting entrepreneurial firm growth.
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