

# SKILLING UP THE FAMILY BUSINESS IN KAZAKHSTAN



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*Instilling entrepreneurship in succeeding generations of family business owners is essential if they are to realise regional and global success*

Two years ago, Almaty Management University (AlmaU) introduced an intensive entrepreneurship development programme aimed at spreading the concept of an entrepreneurial university throughout Kazakhstan, with faculty and staff developing the programme for the ministry of education and science. Nowadays all undergraduate students must undertake entrepreneurship courses during the first three years of their study, while master's students are required to complete them during their first year. AlmaU sees a great opportunity in family business management development. Up to 80 percent of businesses are family-run, with most being small and medium-sized companies although no statistics are available on the actual number of family businesses and nor is there a legal definition of "family business".

The AlmaU team observed that the top global economies include firms with entrepreneurial drive and comprise many small companies and family businesses. The team studied examples of how family-run businesses from the United States, Europe and Asia were able to grow to

become large corporations within the space of just 40 years, noting how the governments and universities of each of the countries also supported the development of small businesses. Based on these observations, the AlmaU programme uses the best of the global corporate experience as a benchmark, as well as references educational institutions such as MIT, Stanford, Babson College, Columbia University, London Business School and Technion, as well as the StartupChile accelerator programme.

In the U.S. and Europe the family business as an entity has a sound legal footing with well-defined rules and codes of practice pertaining to the operation and management of a family business. For example, the succession plans of some family businesses might require individuals to have ten years of work experience outside the company and in different roles, before he or she can take over the running of a business; or they might require an MBA from a world-class university as a prerequisite.

Based on the study of global best practice within these benchmark entities, the team went on to formulate an Asian model that is relevant to Kazakhstan. Although family-oriented attitudes to business prevail, it is clear that many business leaders have not thought deeply about the challenges of having a family-run enterprise. Preparing leaders to overcome these obstacles therefore became one of the aims of the AlmaU programme. Challenges are varied. Owner-founders, for example, must confront the issue of effective succession planning in order to enable the smooth transition of power to a successor for the sake of the continuation of business operations. Another challenge might be who should be invited to join the business, as well as (from time to time) asked to leave the business. And then there is the perennial challenge of the appropriate and sound investment of business earnings.



**NEW NAME,  
NEW STATUS,  
SAME VALUES!**



## OPPORTUNITIES IN THE EDUCATIONAL SPACE

Most Kazakhstani family firms are second-generation businesses. Families have started to realise the importance of education when it comes to the better running of their businesses as well as to prepare their successors, and are starting to send their children to MBA and other graduate programmes to acquire the necessary knowledge. In addition the government is also offering generous scholarships for people to pursue PhDs and higher degrees as well as internships abroad to enable exposure to global best practice.

However despite the burgeoning educational opportunities, there is a distinct lack of professional services such as consulting for family businesses; and there is no special government support for family firms in Kazakhstan. AlmaU is developing an executive programme for family-business management that will focus on short and medium term executive education, consulting, mediation services and succession planning, as well as provide research services relating to family business management in Kazakhstan.

Professor S Filin of the AlmaU Graduate School of Business noted recently that, “Issues of family business are almost not represented in the law in dealing with the legal issues that arise for business owners, the courts and other stakeholders on the benefits of the Civil Code. However, this creates a number of difficulties related to ownership rights, use and disposal of assets of the business that, in turn, can significantly affect the efficiency of the business. This

gives rise not only to complexity in a particular business, but can also cause serious systemic macroeconomic problems”.

## PROVIDING INSTITUTIONAL SUPPORT

The Family Business Association in Kazakhstan has been active in providing guidelines on running a family business. It also organises meetings and conferences for family business owners to connect with other corporations and learn from one another when it comes to current best practice. Training topics can include, but are not limited to, how a family business can improve close relationships in a family, how to create successful family businesses in, for example, the beauty, production, trade and restaurant businesses.

The Association also provides business tours abroad, publishes the “100 Best Family Companies of Kazakhstan”, and runs programmes covering the preparation of people inheriting a family business and manager. However, the programmes are non-formal and the Association does not provide the comprehensive education programme offered by AlmaU.

Entrepreneurship, especially for growing a cross-generational family business is not seen as a specific area of research in Kazakhstani universities. Almaty Management University will be the first university in Kazakhstan to offer comprehensive coverage of topics relating to entrepreneurship and the family business. AlmaU will also be offering training and consulting services to enable participants to create a start-up, pitch a business idea, raise funds for the enterprise, scale-up a business and other essentials of modern business.

## UNDERSTANDING THE LOCAL CULTURE

In the Kazakhstani culture, it is important not to fail in business. This differs with that of some Western cultures where business failure is considered a learning tool or simply another step towards eventual success. After one failure, most Kazakhstani people will not risk a second opportunity.

The AlmaU team therefore seeks to provide students not only with the right education but also to help them overcome any fear of failure when it comes to starting a business on their own. The programme gives them the opportunity to practice by organising conferences, carrying out projects, working in business incubators and participating in start-up competitions. The process is repeated until the students see doing business as a way of life and not merely a test to pass or fail.

The university allocates funding and provides advice to the businesses. An entrepreneurship club is planned and will become a forum for alumni and guest speakers to share their own entrepreneurial journeys, both successes and failures, with students and other participants. Successful alumni also act as mentors, which addresses the current lack of mentors in this field.

## PAVING THE ROAD AHEAD

Now part of the Silk Road and the Eurasian Union, Kazakhstan’s future is bright; China is investing heavily in Kazakhstan and construction is taking place in the Western Europe-Western China International Transit Corridor, which will facilitate trade and business. These initiatives will provide Kazakhstani companies with the opportunity to springboard into the global marketplace.

The vision of Almaty Management University is to become the Kazakhstani centre for consulting and business training for family business management. While thousands of young

Kazakhstanis have studied abroad over the last few decades, they remain relatively few in number. This is especially so if compared with the new wave of entrepreneurs at home that is populated by an ever-increasing number of family businesses.

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