DEVELOPING BUSINESSES IN KAZAKHSTAN

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Current and future competitiveness of a company can be identified by how it structures its processes and divides its basic functions

Asking entrepreneurs if they are developing their companies is a rhetorical question, even in Kazakhstan. Like their counterparts around the world, the answer would be a resounding "Yes!" After all, who would answer "no" in this day and age? However if you ask them to explain what development is, you would get a different story. Perhaps only a few will respond to that question, let alone provide a satisfying answer.

In recent years the topic of business development has become very important for entrepreneurs and managers, whose companies operate in intense or increasing competition. This forces many entrepreneurs to think about the following: "When a professional invests his money and time into a business and also involves business partners, it is important to have a good understanding and knowledge of business development."

A comprehensive understanding of the word 'organisation' is essential to a company's effectiveness and competitiveness. Once this is understood and applied to the building of a company’s processes, the organisation can then create value-added products and services, and ultimately derive profit.

WHY PURSUE BUSINESS DEVELOPMENT IN KAZAKHSTAN?

Developing or newly industrialised countries such as China, Russia, India, Vietnam and Kazakhstan strive to reach the level of progress seen in countries like the United States, Germany, the United Kingdom and Japan. The Kazakhstan economy is far from perfect: the lion's share of production is concentrated in the hands of the state. Competition is also seemingly impossible in the industries where the state dominates. This inhibits the development of small and medium enterprises and most that survive today produce only what can be sold to state enterprises. Therefore, the knowledge necessary for the creation of new products and technologies, as well as for the development of leadership and management, has yet to attract the attention of businesses and the government.

HOWEVER FUNDAMENTAL CHANGES ARE IN THE OFFING

This year, Kazakhstan signed and ratified the protocol to join the World Trade Organization. This means that business conditions in the country will internationalise. This will also open up opportunities for foreign companies, including large transnational corporations, to enter the market for the first time. For example, if the Bank of America wishes to do business in Kazakhstan, there will be no need to create a new subsidiary bank but a branch. This will not be confined to the banking or insurance industries, but other sectors of the economy. All these will give impetus to competition.

To become effective and competitive, companies will seek new knowledge and technologies as part of developing their intellectual capital. Leading questions will therefore be, “How does a company pursue development? And how is development linked to management?” To answer these questions, we must first start with defining ‘organisation’ and ‘development’.

BACK TO BASICS

What is an organisation? It comprises four groups of people—owners, managers, staff and consumers—who are involved in a company's activities. Each of them will have their personal interests, which will be satisfied as they carry out activities in the company. Interests can be divided into two parts. The first includes professional and career growth, self-actualisation, new knowledge and experience, human communication, teamwork, and cash reward, which can be realised within the company. But other interests, such as education, housing, family, health and travel, are realised outside the company. Notwithstanding this, financial gains from work can help achieve outside interests. An organisation can therefore be said to be an integration of the interests and activities of these people into one process to realise their interests.

The journey of mobile phone manufacturers Nokia and Samsung will provide useful insights on development. A few years ago, Nokia was the leader in mobile telephony offering a mobile phone that was small, inexpensive and reliable. But the time of the mobile phone was about to pass, giving way to the smartphone. While a mobile phone is used for sending text messages, making phone calls and taking pictures, the smartphone is an altogether new and different product. People can use it to read the news, as well as check their emails and stock prices. The smartphone rapidly became popular around the world.

Previously, Samsung mobile phones were not as popular as Nokia phones. But when people began to use smartphones, the situation changed. Today, Samsung’s Galaxy series of smartphones occupy a leading position in the market alongside Apple's iPhone. How did this happen?

It comes down to ‘development’. When clients value a new product over a previous one, ‘development’ has taken place. No growth, no development. If a company is developing, the value of its new products should be higher than that of its older ones. This also means that the demand for new products exceeds that of the older ones, and that the company will produce and sell more than before. Thus development will occur if there is growth in production and sales volumes. But that is not all.

To create and produce products that will be popular in the future, companies must invest today. That is, the products that the company produces and sells today must be profitable in order to reinvest profits into the organisation. So we can say that a company is growing if two conditions are fulfilled. First, if it produces and sells more than before. Second, if it earns more profit than before. Unfortunately, the lack of such an understanding is one of the main reasons for the poor development of Kazakhstan's non-oil sector.

SOLVING THE MANAGEMENT QUESTION

Understanding what is meant by ‘management’ is essential to sound decision making. While a Google search will reveal more than 200 definitions of the word ‘management’, if a functional model of management is used to define the term, a company will need to manage six elements in order to make a product. They are namely values (and ethics), technology, organisational structure, management systems, personnel and resources.

Using these six elements, a company can innovate to make its products better and cheaper. It is important to understand that a company can undertake only those innovations that fit its values, technology, structure, management system, personnel and resources. But it cannot do so indefinitely. Sooner or later it will exhaust the potential of these six elements. Therefore to prevent decline and continue developing, these six elements will need to be updated promptly (for strategic change).

So how does a company ensure growth? The answer is to meet both a company’s current and strategic development. Current development involves the implementation of the existing functional management model with the six elements, including conducting incremental innovation. Strategic development entails a change in any of the six elements in order to create the conditions necessary to make a new product of higher value. Good managers know which and how elements should be changed.

PUTTING IT ALL TOGETHER

The purpose of functional management is to constantly refresh the system of an organisation to gain profit, which is then invested back into the company for strategic change. Refreshing the system could mean changing the technology, retraining personnel or constructing new buildings. Companies that do this can grow and become profitable in the long run.

So what does it mean when a company lacks the investment (profits) to carry out development? It means that the company is not making products that are valued by customers. To create a new product, the company must first and foremost have good ideas—new research and new engineering. A company will also need talented people who have the knowledge, intellect and creativity to come up with these new ideas. But they have interests and will choose to work in companies that are good at developing people. As to who creates this environment, this comes down to the owners and their personal moral values—which is the most important of the six elements. Companies are profitable because they have good people who can make money. To attract the right people into the organisation, the values of the company need to change.

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