Management strategies in transitional economies

Doing business in Kazakhstan

Authors: Ulpan Rinat
880322
Cornelis Alexander Baardemans
920423

Tutor: Lena Olaison
Examiner: Rana Mostaghel
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Abstract

The purpose of this thesis is to increase an understanding about management strategies in transitional economies from the perspective of creativity/entrepreneurship, control, trust and social/cultural changes.

The study is carried out through a case study of management strategies in a transition economy, Kazakhstan. Transitional economies are not a new interest for management research. However, not many studies have been made in Kazakhstan about management strategies, compared to the countries that are situated closer to Europe, such as East European countries. There are not so many studies done about the Central Asian transition economies like Kazakhstan. Therefore, a country like Kazakhstan can contribute to the literature. Another important distinction in research of transitional economies is whether it concerns local experiences or cross-cultural experiences. The study shows the perspective of Kazakhstani managers on creativity/entrepreneurship, control, trust and social/cultural change and their perceptions of western management strategies.

The study shows that there are two phases in a transition economy. The first phase is in the beginning of a transition economy, that time is characterized as chaotic and unpredictable. The second phase is the time when the economy becomes more stable and people get values back based on socialism and used them in business. In the present time, the values are formed through a mixture of socialism and capitalism. The process of transition influences the four variables: creativity/entrepreneurship, control, trust and social/cultural changes. It also influenced the way of management in transitional economy. At the end of the thesis there will be given some theoretical and managerial implications of the thesis, the limitations of the thesis and the suggestions for future research.

Key words: transition economy, Kazakhstan, management strategy, creativity/entrepreneurship, control, trust, social/cultural changes and culture.
Table of contents

Abstract .................................................................................................................................................. 1
List of figures and tables ....................................................................................................................... 5
1. Introduction ...................................................................................................................................... 6
  1.1 Background .................................................................................................................................. 6
  1.2 Research problem ....................................................................................................................... 8
  1.3 Purpose ...................................................................................................................................... 9
  1.4 Delimitations .............................................................................................................................10
  1.5 Objectives and outline of thesis .................................................................................................10
2. Literature review ............................................................................................................................ 12
  2.1 Management strategies in transitional economies ......................................................................12
  2.2 Culture in transitional economies .............................................................................................16
  2.3 Creativity/ entrepreneurship, trust, control and social/ cultural changes in the context of transitional economy .......................................................................................................................19
    2.3.1 Creativity/ entrepreneurship .................................................................................................19
    2.3.2 Trust .....................................................................................................................................20
    2.3.3 Control .................................................................................................................................23
    2.3.4 Social-cultural changes in transitional economy ................................................................25
  2.4 The influence of the environment on management strategies ...............................................28
3. Research questions and operationalization .................................................................................30
  3.1 Research discussions ................................................................................................................30
  3.2 Operationalization .......................................................................................................................31
4 Methodology .....................................................................................................................................33
  4.1 Research approach .....................................................................................................................33
    4.1.1 Abductive research ..............................................................................................................33
    4.1.2 Qualitative vs. Quantitative Research .................................................................................33
    4.1.3 Epistemologically and ontologically position ....................................................................34
  4.2 Research strategy .......................................................................................................................36
  4.3 Sample selection .........................................................................................................................37
  4.3.1 Why Kazakhstan as a case? .................................................................................................37
  4.3.2 Selection of Kazakhstani managers ......................................................................................40
  4.4 Data collection method ..............................................................................................................42
    4.4.1 Interview method ................................................................................................................42
    4.4.4 Interview process ................................................................................................................42
  4.5 Data analysis ..............................................................................................................................43
4.6 validity and reliability .................................................................44
5. Empirical data ...........................................................................45
  5.1 Creativity/Entrepreneurship .....................................................46
    5.1.1 After the Soviet fall or Early 90's – time of chaos ..........46
    5.1.2 Support of enterprising ....................................................48
    5.1.3 Creativity in management styles ......................................49
    5.1.4 Long-term vision vs. short-term vision ............................51
    5.1.5 Analyses vs. intuition .......................................................51
  5.2 Control ..................................................................................52
    5.2.1 Government vs. organizations ........................................52
    5.2.2 Employer vs. employees ................................................54
  5.3 Trust .....................................................................................56
    5.3.1 Trust towards government ..............................................56
    5.3.2 Corruption .....................................................................58
    5.3.3 Trust towards employees ...............................................60
    5.3.4 Trust towards customers/ business partners/ suppliers ...61
    5.3.5 Trust towards foreign companies entering the country ..63
  5.4 Social-cultural change ............................................................64
    5.4.1 Changes in values ..........................................................64
    5.4.2 Social status ...................................................................66
    5.4.3 Class division .................................................................67
    5.4.4 The development of the importance of religion ..........70
6. Analyze .....................................................................................72
  6.1 A close analyze of the dimensions in the context of transitional economy 72
    6.1.1. Creativity/ entrepreneurshi p ............................................72
    6.1.2 Control ...........................................................................75
    6.1.3 Trust ..............................................................................81
    6.1.4 Summarize. Connecting; creativity/ entrepreneurship, control and trust and social-cultural changes in the context of transitional economy through the time. .................................................................87
  6.2 Inside perspective of Kazakhstani managers ...........................90
    6.2.1 Creativity .......................................................................92
    6.2.2 Trust ..............................................................................93
    6.2.3 Control ...........................................................................95
  6.3 Management strategies in transitional economies ...................96
7. Conclusion ...............................................................................99
  7.1 Discussion .............................................................................99
List of figures and tables

Figures:

Figure 2.1: Management in transition

Figure 2.2: The four perspectives of strategy

Figure 4.1: Real GDP growth of Kazakhstan in comparison with other countries in Europe and Central Asia together

Figure 4.2: FDI in transition economy countries, US$ millions

Figure 4.3: Success of existing investors in Kazakhstan

Figure 6.1: Business culture in transitional economies from two perspectives

Figure 6.2: Management in transition by Kelemen & Kostera, 2002 and the four perspectives of strategy

Tables:

Table 3.1: relation between management perspectives and the four variables

Table 4.1: the five different research strategies

Table 4.2: the interviewed people

Table 5.1: Interviewed people
1. Introduction

1.1 Background

To change a system from planned economy to a free market economy is a huge process which can take many years, even many generations (Kelemen & Kostera, 2002); (Peng, 2000). The change of economic and political situation leads to changes in the society, individuals and their values (Kelemen & Kostera, 2002). The change in values of people influence how people think and act (Kelemen & Kostera, 2002). Action and thinking are foundations for choices of management strategies (Kelemen & Kostera, 2002). The economic success of transitional economies and its further evolution depends on the ability of international and local firms to adapt to the changing environment in order to face all the challenges/difficulties.

It is important to describe the past of the Soviet time in short, to give a picture about the reality that people from former socialistic countries were dealing with for 70 years (Peng, 2000). Central planning and bureaucratic control were two of fundamentals features of planned economy (Peng, 2000). Marx, Lenin and their followers claimed that capitalism’s outcome of supply and demand causes unemployment, overproduction and recession (Peng, 2000). According to them, these crises could be avoided with central planned economy (Peng, 2000), developing more efficient and productive economy than capitalistic countries (Thompson & Vidmer, 1983). The result would be a high standard of living (Peng, 2000). In order to control economic transactions and form coordination among economic actors there was a need of bureaucratic control (Peng, 2000). This function was fulfilled by national planning office (Peng, 2000). Private ownership was considered as a “sin” of capitalism, because it leads to exploitation of workers by owners (Peng, 2000). Managers had no pressure for profit maximizing, because it was not more than about fulfill the plan (Tung, 1981). There was no extra pay for extra work and that it is why efficiency of the work was not prioritized, but fulfilling the plan (Tung, 1981). The properties that belong to the country were the “property of the whole people”. There was no any family, group or person as an owner. As a result, “state property belongs to all and to none” (Kornai, 1992, p.
During the planned economy people were not motivated to do businesses but instate work for the public wealth (Brenner, 1990). Peng (2000) agree and say that because of that reason strategy management was not build on competitiveness, but rather on other values like fulfill the plan.

After the fall of the Soviet Union a process of changes has started from the planned economy towards market economy in many countries (Smallbone & Welter, 2001, p. 249). Countries, which are in the process of change from planned economy to free market economy, are called countries of transitional economies (Smallbone & Welter, 2001). An example of transition economies is the former Soviet Union countries (Smallbone & Welter, 2001). A long process of transition has to pass, before these countries could operate as market economies (Smallbone & Welter, 2001).

However, the transition process does not mean only an economic process because by the change from a central planned economy to a free market economy a lot of other things change (Smallbone & Welter, 2001). There will be a lot of social changes during the transition process because the political system would be most of the time changed from one state government to a democratic system were the parties have to be chosen (Smallbone & Welter, 2001). Collective ownerships are replaced by private ownerships with market competition and managerial entrepreneurship (Kelemen & Kostera, 2002). Equality between employees is not anymore valued, but is replaced by individual responsibility (Kelemen & Kostera, 2002).

Kazakhstan is an unexplored market, which is included in the list of countries with transitional economies. However not many researches have been made in that country about management strategies, compared to the countries that are situated closer to Europe, such as East European countries. Kazakhstan is different to east European countries, since it is situated in Central Asia and has different religion and national culture. Therefore management strategies can be different. Kazakhstan is one of the many Central Asian countries, which have been ruled by planned economy for about 70 years. These countries share the same religion and similar culture values. To get a broader understanding of dealing with transitional economies it is important to investigate different kind of countries in transition.
Nonetheless, it is also important not only to get an external perspective from the expatriates, who were active in Kazakhstan, but also get an inside perspective from the local managers, how they perceive their management culture and how they deal with difficulties in the unpredictable environment of constant change. The understanding from inside will give broader vision of management strategies in transitional economies. Investigating the inside perspective could give underlying reasons for why managers do what they do. With underlying information, managers from other countries could get a better understanding of the management culture and the business environment in a transition economy.

1.2 Research problem

When managers of international firms enter new markets, it is common that they try to apply the concepts of working that they are used to, concepts that works in the countries in well-established market economy (Ardichvili, 2001). They may forget that demands on managers, involved in transitional economies, are higher than in an established market (Warner, et al., 2005). The process of transition put higher request on managers and their skills and capabilities to run business in the unpredictable environment (Warner, et al., 2005).

In order to understand better what management strategies are, it is essential to understand the uniqueness of transitional economies (Peng, 2000). The dominant assumption is that strategies are formed according to rational interests, goal attainment (Peng, 2000). However, rationality is constrained by as individuals’ such as managers’ own preferences and by environmental forces (Williamson, 1985). Peng (2000) adds that sometimes in transitional economies, managers do not act according to what is assumed to be rational. For example, they may seek break-even in state of profit maximization. To know the reasons behind the “rationality” of managers of transitional economies can increase the understanding behind management strategies in these countries (Peng, 2000). Strategy and managerial culture can be mutually interactive (Warner, et al., 2005). Both can affect each other in the process of change (Warner, et al., 2005). Culture, the path, the present time
and the process of transition build together the environment that influence management strategies in transitional economies (Kelemen & Kostera, 2002).

Muratbekova & Besseyre (2000) research on French managers in Kazakhstan and a collection of case studies in the book of Kelemen and Kostera (2000), show that the factors as creativity/entrepreneurship, control and trust and social-culture are the variables that are important to look closely at and understand better in the context of transitional economy.

It is not a secret that planned economy was characterized with a high degree of centralized control (Peng & Heath, 1996). With the change towards market economy the control should have changed its role (Peng & Heath, 1996). Instate of control, trust is becoming an essential factor in relationships and business (Peng & Heath, 1996). Entrepreneurs are an essential factor in transitional economies (Smallbone & Welter, 2001). They can move the evolution of transitional economy further because of their creativity and easy adapting skills to an unpredictable environment (Bill, et al., 2010). The question is does it look the way it is described? Even though changes are happening, the past is still present in the mind of people. To what degree control is not anymore centralized? To what degree trust has an influence on the business culture? Do entrepreneurs of transitional economies feel supported of government? The history of the Soviet era has left its mark on the culture of people (Muratbekova & Besseyre, 2000). This culture may be the reason of slowing down the process of transition. It shouldn’t be overlooked that changes caused by transition affect also social-cultural aspect in a society (Kelemen & Kostera, 2002). The tact of social-cultural change may influence the speed of transition since the values of people change and also the way of thinking (Kelemen & Kostera, 2002).

1.3 Purpose

The purpose of the thesis is to increase an understanding about management strategies in transitional economies from the perspective of control, trust, creativity/entrepreneurship and social-cultural changes.
1.4 Delimitations

The purpose of the work is not to identify or specify management strategies in transitional economies, but to get an understanding of how the change in people’s perceptions about control, trust, creativity/entrepreneurship and social-culture caused by the process of transition influence the rationale behind how managers think act and make decisions. Delimitation is that people think different from each other. The researches of this thesis assume that the same history and shared culture would lead to the similar perception of control, trust, creativity/entrepreneurship and social-culture among people. However, gender, age, marital status, income, profession and even class belonging can cause differences in perception of the reality. Taking this fact in consideration, the research is based on the stories of people of different ages, gender, professions and positions in the organizations. This thesis is taking in account only limited number of factors, such as gender, age, education and if a person is employer or employee.

The industry and company size measured by number of employees were also asked. It had an importance in the context as long as conversations were kept during the interview time.

1.5 Objectives and outline of thesis

The first paragraph presents the introduction of the thesis. Chapter one consist: background, research problem, purpose, delimitation and objectives and outline of the thesis. Chapter two presents the literature review of the thesis. The second chapter consist four paragraphs: management strategies in transition economy, culture in transition economies, creativity/entrepreneurship, trust, control and social/cultural changes in the context of transitional economy and the influence of the environment on management strategies. Chapter three consist two paragraphs; the research discussion/questions and operationalization. The fourth chapter presents the research methodology. The chapter consists: research approach, research strategy, sample selection, data collection method, data analysis and the validity and reliability of the thesis. Chapter five presents the empirical data. This chapter consist the next paragraphs: creativity/entrepreneurship, control, trust and social-cultural changes. Chapter six presents analysis. The chapter consists the next
paragraphs: a close view of the dimensions in the context of transitional economy, inside perspective of Kazakhstani managers and management strategies in transitional economies. The last chapter presents the conclusion. The chapter consist the next paragraphs: discussion, theoretical and managerial implications, limitations and suggestions for future research.
2. Literature review

2.1 Management strategies in transitional economies

All the authors that the literature review is based on, agree that the change of the environment such economic, political, social and cultural in transitional economies requires management strategies that not necessarily are similar to the western management strategies. There are many factors that can influence management strategies in transitional economies. This thesis is focusing on four dimensions that are important to investigate closer in order to understand the management strategies in transitional economies. These dimensions are trust, control, creativity/entrepreneurship and social/cultural changes. Further text will give an explanation of the importance of these dimensions in transitional economies from a management perspective.

There are many factors in an economy, which are important to take in account in order to choose right strategies from a management perspective. According to the 4-perspective model of Whittington (2001) there are 2 main factors that influence management strategies: 1) Outcome could be either profit-maximizing or plural; 2) Process could be either deliberate or emergent (see figure 2.2). Peng (2000) adds, however that there are different factors that focus should be on when it comes to transitional economies. He explains that with the fact, that despite the homogenizing effects of capitalism and market economy that takes form around the world, it is not certain that the transition means that it will lead to the same economic and social models that exist in other countries, which have a long history of market economy (Peng, 2000). It takes many years before country of transitional economies can shake of their socialist past, if in fact it is ever possible to do it completely (Peng, 2000). The environment caused by transformational path is not predetermined (Peng, 2000).

Muratbekova & Besseyre (2000) made a research on French managers who were doing business in Kazakhstan. The aim of the research was to increase an understanding of how French mangers perceived management culture in Kazakhstan (Muratbekova & Besseyre, 2000). The research showed that management strategies in transitional economies are different (Muratbekova &
Besseyre, 2000). That caused some difficulties for French managers with local management strategies (Muratbekova & Besseyre, 2000). The reason for that was that factors, which influenced the management strategies, were different from what French managers were used to dealing with (Muratbekova & Besseyre, 2000). Kelemen & Kostera (2002) agree and say that factors that influence management strategies in transitional economies are unlike to market economy.

When managers being active in a country of transitional economy, try to manage people the way they used to at home some problems can appear (Muratbekova & Besseyre, 2000). How should western managers avoid the problem managing business activities and using strategies the way the used to do at home? One of the important things is to try to understand how local managers make sense of the reality (Czarniawska & Sevón, 1996).

Figure 2.1 bellow shows that organizational actors in transitional economies has always to set against each other different factors when they try to make sense about the reality in transition (Kelemen & Kostera, 2002). Managers of transitional economies have to “travel” through different spaces and different time when they try to make sense of the reality at the moment: spaces, such as local as western; and time, such as past as the present (Kelemen & Kostera, 2002). The history, the time that passed had much influence as the present time on the strategies of managers in transitional economy (Kelemen & Kostera, 2002). The western knowledge is taking in account as much as the local knowledge and local recourses (Kelemen & Kostera, 2002). Furthermore everything is surrounded and influenced by culture (Kelemen & Kostera, 2002).
In the context of Kazakhstan, Muratbecova & Besseyre (2000) describes the combination of old and new ways of thinking. Management culture is still influenced by the mark that Soviet regime has left on people (Muratbekova & Besseyre, 2000). However, the present time is changing (Muratbekova & Besseyre, 2000). That can be seen in business schools, which provides western concepts of free market economy (Muratbekova & Besseyre, 2000). The mix of old and new way of thinking creates a special environment, which influence factors such as creativity/entrepreneurship, control and trust (Muratbekova & Besseyre, 2000). Managers of transitional economy have to practice “the fine art of learning and forgetting” (Grancelli, 1995).

Now when the authors discussed what environmental factors are important to take in account in the context of transitional economies, it is time to link them to the different perspective of management strategies.

In “figure 1” the four perspectives of strategy be summarize, there be two outcomes and two processes. The outcomes are “profit-maximizing” and “plural”. The processes are “deliberate” and “emergent”.

**Figure 2.1 Management in transition** (Kelemen & Kostera, 2002, p. 5)
Figure 2.2: *The four perspectives of strategy* (Whittington, 2001, p. 10)

By outcomes means profit that the focus of the company is profit and there target is ‘profit maximizing’ (Whittington, 2001). By outcomes means plural that there are more outcomes then only profit and the focus of the company is something else then profit (Whittington, 2001). An example of a plural outcome could be “make the world better” (Whittington, 2001). By processes means deliberate that there is a long term plan that be followed to reach the target that the want (profit or plural targets) (Whittington, 2001). By processes means emergent that the plan (how to reach the target) could change every moment (Whittington, 2001). It is important to specify that because of the purpose of this study the focus in this thesis will be only on the two axes of the model: plural, profit-maximizing and deliberate, emergent; and not on the four perspectives classical, systematic, processual and evolutionary. The figure 2.2 is used only to illustrate different outcomes plural vs. profit maximizing and different processes deliberate vs. emergent. During the planned economy the target is plural; fulfill the plan (Tung, 1981). The plans are based on long-term vision, so the planning is deliberate (Tung, 1981). From this perspective; in a planned economy the target is plural and the planning deliberate. In a free market economy the target is most of the time profit maximizing, whereas the target could also be plural (Whittington, 2001). The plans are most of the time emergent but could also be deliberate (Whittington, 2001). In a free market economy is every combination possible (Whittington, 2001). The targets of every company are different, so also the way to fulfill them (Whittington, 2001). In a free market the
combination profit-maximizing, deliberate is the oldest one. For example General Motors used this strategy during the 60’s (Whittington, 2001). Nowadays the environment is very unpredictable through factors like the financial crisis (Brinkman, 2012). So a likely planning for companies with profit-maximizing as target is an emergent planning.

2.2 Culture in transitional economies

Indeed French managers doing business in Kazakhstan has experienced a lot of differences in management strategies because of cultural differences (Muratbekova & Besseyre, 2000).

As a figure 2.1 above shows, it is not only time and space that are essential factors. It is important to remember that the environment of transitional economy is embedded in a culture (Kelemen & Kostera, 2002). Before starting the discussion about the importance of the culture on management strategies it is necessary to explain what culture is.

There are a lot of definitions used for culture, one definition is: “Culture is a set of human-made objective and subjective elements that in the past have increased the probability of survival and resulted in satisfaction for the participants in an ecological niche, and thus became shared among those who could communicate with each other because they had a common language and they lived in the same time and place (Samovar & Porter, 2007, p. 20).”

Uhlenbruck (2004) adds that it is important to take cultural differences serious. The extra cost through cultural differences has to be taken serious before entering a transition economy (Uhlenbruck, 2004). Even though managers have experience and knowledge of managing in home country, the experience they have is less useful in another country (Uhlenbruck, 2004). By gain knowledge about culture it is easier to understand the local market, environment (Uhlenbruck, 2004). With that knowledge a company creates a competitive advantage against other companies (Uhlenbruck, 2004).

The bigger the cultural difference the harder it is to do business in a country (Uhlenbruck, 2004). Managers have to know that people in another culture could
have a different way of learning (Uhlenbruck, 2004). So the transfer of new knowledge could be hindered through cultural differences (Uhlenbruck, 2004). Cultural difference influence the way people make decisions (Uhlenbruck, 2004). Western managers have to deal with the fact that people from another culture make decisions in different ways (Uhlenbruck, 2004).

It is important to say that there is a limit of possibilities to transfer the skills of western companies to transition economies because of cultural differences (Uhlenbruck, 2004). It is important to recognize the culture as an important factor to do business in a transition economy (Uhlenbruck, 2004).

To break culture down in different dimension the authors used the broadly used model that was developed by Hofstede (Thomas, 2008). There is also a critique on the Hofstede model (Thomas, 2008). The framework of the Hofstede model is made with the help of two investigations in the same organization (Thomas, 2008). The outcomes are hard to generalize in other companies (Thomas, 2008). There is critique on the quantitative method used by the Hofstede model (Thomas, 2008). The argument is that there are too less data points for the amount of questions (Thomas, 2008). With a view data points it is hard to get a deep outcome, and also to generalize the research. One of the main critiques of the Hofstede model is that the model is out of date because the model is too old (Thomas, 2008). The business environment changed very fast, so it is critical to use an investigation method from more than 25 years ago (Piepenburg, 2011). However the Hofstede is recognized as a validated model and that is why broad used model (Thomas, 2008). The model is used already for many times and in many situations and is approved as a good model (Thomas, 2008).

According to Hofstede (2010) there are the next four dimensions of national culture:

- **Power distance.** It shows the degree of dependency of workers on their bosses (Hofstede, et al., 2010). In the cultures with high degree of power distance power is usually belongs to few bosses and there is high level of hierarchy (Hofstede, et al., 2010). In the culture with low degree of power distance, the hierarchy system is flat (Hofstede, et al., 2010).
• *Uncertainty avoidance.* This dimension shows to which degree people accept uncertainties (Hofstede, et al., 2010). In the societies with high degree of uncertainty avoidance, people try to establish many formal rules to make the future predictable (Hofstede, et al., 2010). In the societies with low uncertainty avoidance, rules are established if it is really necessary (Hofstede, et al., 2010). A lot of people try to defend themselves against these cultural changes (Hofstede, 2001). It depends in what society people live how they react on changes in a culture (Hofstede, 2001). People who live in traditional society react more uncertain on changes then people who live in a modern society (Hofstede, 2001).

• *Individualism and collectivism.* In the individualistic society, individual interests are coming before the interests of the group (Hofstede, et al., 2010). In collectivistic-orientated societies, people are expected to look after their family or a group they belong to (Hofstede, et al., 2010). The interests of the group are coming before individualistic (Hofstede, et al., 2010).

• *Masculinity and femininity.* This dimension shows what kinds of values exist in the culture (Hofstede, et al., 2010). Aggressive behavior and focus on material success characterized masculine society (Hofstede, et al., 2010). In feminine society there are no significant differences between genders and focus is on the quality of life with limited aggressive behavior (Hofstede, et al., 2010). There is also another explanation about masculinity and femininity; it means also the different between ego-goals and social goals (Hofstede, 1998). Masculinity is connected with the ego-goals and femininity is connected with social goals (Hofstede, 1998). It is important to say that ego and social goals are different than the other dimension of Hofstede: individualism and collectivism (Hofstede, 1998). The factors that influence masculinity and femininity are different then factors that influence individualism and collectivism (Hofstede, 1998). Masculinity and femininity are not always influenced by culture; they could also be influenced by factors like national wealth of a country (Hofstede, 1998). When a few persons have the wealth in a country then the focus of them will be more on ego goals then on social goals (Hofstede, 1998).
2.3 Creativity/entrepreneurship, trust, control and social/cultural changes in the context of transitional economy

2.3.1 Creativity/entrepreneurship

According to the theory, the business environment in transition economies is unpredictable and changes all the time (Hellman, et al., 2000). Manager has to come with creative solutions to keep the activities in transition economies under control (Bill, et al., 2010). Bill, et al, (2010) agrees and says that because of an unpredictable environment of transitional economy, managers need entrepreneurial spirit being able to choose a creative innovating strategy to lead their business in a transition economy.

For example, entrepreneurs could use weak networks to be creative and innovative because others see no opportunities in it (Maria Bonnafous-Boucher, 2009). The social approach of entrepreneurship gives that internationalization is: future scenarios of entrepreneurs are constructed by cross-border arrangement (Maria Bonnafous-Boucher, 2009). Cross-border organizing starts to the entrepreneur’s personal network (Maria Bonnafous-Boucher, 2009). But it can also take place thought local business assistance organizations (Maria Bonnafous-Boucher, 2009). Entrepreneurs usually have special ability’s like: a broad vision about the future of the company, capacity to learn independently to new ideas and concepts, entrepreneurs need diplomatic skills on a high degree for complex networks or management decisions and the ability to deal with different cultures (Maria Bonnafous-Boucher, 2009).

According to French managers, people have passive behavior, no creativity and need strict regulations (Muratbekova & Besseyre, 2000). The research of Muratbekova & Besseyre (2000) shows that for French managers it was hard to deal with no willingness for initiatives and responsibility among the people in Kazakhstan. Some of the French managers saw as the mission to educate his/her employees to take decisions together, to propose things (Muratbekova & Besseyre, 2000). ‘‘It is a part of my work here, the pedagogy’’, is the expression of one of the French managers (Muratbekova & Besseyre, 2000, p. 14). This phenomenon Muratbekova & Besseyre (2000) explains with a fact that high centralization had
such a powerful influence on people. During the Soviet time initiative and creativity was not encouraged (Muratbekova & Besseyre, 2000); (Kelemen & Kostera, 2002). People did what they were told to do and followed strict regulations. (Muratbekova & Besseyre, 2000). There is still fear to make mistakes, to take initiative, especially among the older generation (Muratbekova & Besseyre, 2000). Existences of strict regulations are linked to high degree of ‘‘uncertainty avoidance’’ (Hofstede, et al., 2010). People try to defend them self against uncertain elements like changes in technology and law (Hofstede, 2001).

2.3.2 Trust

After the fall of the Soviet Union in the early 90’s, the former Soviet countries became free market economies (Kaufmann & Siegelbaum, 1996). The first years after the fall of the Soviet Union a lot of state owned companies became privatized (Kaufmann & Siegelbaum, 1996). In the first half of the 90’s more than 50000 medium and large size companies became privatized (Kaufmann & Siegelbaum, 1996). During this period the scale of corruption was indigenous (Kaufmann & Siegelbaum, 1996). The unofficial economy was growing is this period, it is important to say that there is a direct relation between unofficial economy and corruption (Kaufmann & Siegelbaum, 1996). There is also a close link between privatization and corruption (Kaufmann & Siegelbaum, 1996). Privatization is important in transition economies because it help to make the economy stable and to climb out of bankruptcy (Kaufmann & Siegelbaum, 1996). However corruption brings negativity for doing business like extra cost and investments barriers (Kaufmann & Siegelbaum, 1996). After the collapse of the Soviet Union the former Soviet countries were into political and economic chaos. That is the reason why the corruption is indigenous in transition economies (Kaufmann & Siegelbaum, 1996).

It was easy to develop corruption and an unofficial economy during the chaos (Kaufmann & Siegelbaum, 1996).

According to Bonker, et al, (2002), in a transition economy is most of the time a problem with trust because a lot of companies are former government organizations and they have already their networks form the planned economy. For new companies it is hard to be trusted through companies in transition economies because they have already their network and trust the network they have (Bonker, et
For doing successful business trust is one of the most important factors, when there is a lack of trust it could be hard to do business (Bonker, et al., 2002). The problem with a lack of trust is that both parties want to have so much insurance before doing business that the cost will increase rapidly (Bonker, et al., 2002). So a lack of trust brings a lot of extra cost (Bonker, et al., 2002). One of the reasons of a lack of trust in transition economies is that during the central planned economy all the goods were collective (Bonker, et al., 2002). Whereas there were a lot of people who try to make their own profits with collective goods, so people can’t trust each other anymore (Bonker, et al., 2002). When people have collective goods, trust is one of the most important things to keep the system working (Bonker, et al., 2002). In transition economies there are three types of trust; the first type is the trust between people from the same family, the second type is between people who know each other for a long time already and the last type is the relation between people in the county with people who want to enter the transition economy (Bonker, et al., 2002). These three different relations are based on trust (Bonker, et al., 2002).

According to Kelemen & Kostera (2002), trust is something that exists in the values of managements. The question is, do values and traditions remain despite the reformation of countries or do the values change in tact with the other changes (Kelemen & Kostera, 2002). Further economic development towards free economy depends on change of values, since management is not only economic and money based facts, but also is based on the social and human sciences (Kelemen & Kostera, 2002). Cultural, social and technical knowledge are important in the process of management identity building. (Kelemen & Kostera, 2002). According to Kelemen & Kostera (2002) trust between organizations and individuals has following dimensions:

1. “Competence-based trust appreciates the skillfulness and abilities of the partner;
2. Openness and sincerity in communication is based on trust;
3. Shared interests mean a sort of trust that the partner is not aiming to take advantage of the other but take account of the interest of the partner or the broader society;
4. Curability means a logical relation between what one says and how one act, belief in the other’s words or promises.”
Depending on the attitudes that managers have towards these dimensions, managers can see each other either as a danger or a partner (Kelemen & Kostera, 2002).

A factor that French managers had managerial issues with in Kazakhstan was the concept of people being guilty a priori (Muratbekova & Besseyre, 2000). According to them, there was a constant mistrust and suspicion among Kazakhstani business people (Muratbekova & Besseyre, 2000). It created a need for a constant control of everybody and everything and to be controlled by different institutions (Muratbekova & Besseyre, 2000).

Mistrust and the concept of people being guilty a priori caused the reaction of suspicion. People think “….to themselves: attention, he wants to have us... They always doubt. You have to always create the trust atmosphere (Muratbekova & Besseyre, 2000).” As a result mistrust and suspicion caused lack of notion of service among the Kazakhstani people, as French managers explain it: “People have problems with the smile, they do not understand that with a smile they can achieve much more than with the manner they act (Muratbekova & Besseyre, 2000).”

Mistrust lead to a very high importance of network capital. Good relationships with people were important to get a success in the work (Muratbekova & Besseyre, 2000). “Big positions in the administration are always given on the basis of acquaintance: the husband of top manager’s daughter, relatives, friends, etc. (Muratbekova & Besseyre, 2000, p. 13).” Family members take care of each other. It is a question of dignity (Muratbekova & Besseyre, 2000). French managers experienced this factor as a problem while working in Kazakhstan, since hiring a family member is considered as nepotism and is not desirable. French people separate private/personal network and professional network (Muratbekova & Besseyre, 2000). French managers experienced that people in Kazakhstan treated business partners and customers on the basis of relations (Muratbekova & Besseyre, 2000). According to them, people did not separate private from professional life (Muratbekova & Besseyre, 2000).

The importance of social network and the fact that big positions are given to relatives highlight the collectivistic orientated society structure (Hofstede, et al., 2010). The behavior of one person is influenced by family he/she belong to
Families influenced the person in his behavior every day (Hofstede, 2001). Other factors that influence the relation between one person and his family are education, religion and politics (Hofstede, 2001).

There is also individualism and collectivism in organizations (Hofstede, 2001). The level of individualism or collectivism in an organization affects the level of cohesion in an organization (Hofstede, 2001). In organizations with a high level of collectivism is more connection between the members (Hofstede, 2001).

2.3.3 Control

Viktor Suvoov, ex-spy and Russian writer wrote a novel about Stalin’s system of control entitled “Kontrola” (Kelemen & Kostera, 2002). The system was based on never-ending suspicion and concentrated supervision of everyone by everyone (Kelemen & Kostera, 2002). “Nobody from Stalin himself was free from mistrust (Kelemen & Kostera, 2002, p. 115).” Kelemen & Kostera (2002) says that this novel is valuable in order to understand how people in former soviet may perceive the term “control”. However, Kelemen & Kostera (2002) pointed out the differences between the term control and kontrola. Kontrola means “checking” and “supervision” according to English-Polish dictionary (Leksykonia, 1996). The term control has a broader meaning. According to the Oxford Concise Dictionary it means: ‘the ability to manage a machine, vehicle, or other moving object; the restriction of an activity, tendency, or phenomenon; the ability to restrain one’s own emotions or actions; limiting or regulating something; a switch or other device by which a device or vehicle is regulated; the place from which a system or activity is directed or where a particular item is verified’” (Oxford University Press, 2012). Despite the differences between the two terms “control” and “kontrola” are used as equivalent in management textbooks in Poland, which is a post-soviet country, and is in a process of transitional economy (Kelemen & Kostera, 2002).

One research was done among Polish students, who attended the fourth year in management program (Kelemen & Kostera, 2002). The research was based on the stories about how management students, feature managers perceive the term control (Kelemen & Kostera, 2002). She wrought in her book that all the students associate the term control as something negative (Kelemen & Kostera, 2002, p. 120). It
showed that tax office, which has a purpose to control, could be rude and aggressive until they were given a bribe (Kelemen & Kostera, 2002). People from central unit, who also have a purpose of controlling, actually seemed as someone, whose aim is to find mistakes and who never give advice in order to avoid the mistakes (Kelemen & Kostera, 2002). Being control all the time takes away the feeling of having a chance to work independently, said one of the students (Kelemen & Kostera, 2002). Another student perceives the control (self-control) as something that limits spontaneity and self-expression (Kelemen & Kostera, 2002). Another person perceived control as something that is opposite to trust, limitation of freedom (Kelemen & Kostera, 2002). Stories from students showed that control was also associated with power and hierarchy (Kelemen & Kostera, 2002). There was a fear of punishment as a pure manifestation of someone’s power (Kelemen & Kostera, 2002). According to one of the students, there is always a feeling of fear (Kelemen & Kostera, 2002, p. 120). “I haven’t done anything wrong; I get scared that the controller will end up finding something wrong anyway, to hurt me” (Kelemen & Kostera, 2002, p. 120).

A summary of the stories says that the system of dictatorship has trained people to be careful with their words and thoughts (Kelemen & Kostera, 2002). It also taught people to not reflect or think, but only accept (Kelemen & Kostera, 2002). Significant finding was that in the Western world, control has a meaning of an important part of daily life in the social system (Kelemen & Kostera, 2002). For example, someone checks that cars are parked the right way, that citizens are not mistreated (Kelemen & Kostera, 2002). Control is something that people want and accept in the West, while in the East (post socialist countries, in this case Poland) people want to resist and avoid control or “kontrola” as it is used in the book (Kelemen & Kostera, 2002). For these people control is used to show the power (Kelemen & Kostera, 2002).

Suspicion and mistrust has a close relationship to control (Muratbekova & Besseyre, 2000). Since the trust was not the priority, people needed to be controlled (Muratbekova & Besseyre, 2000). French managers has experienced that workers has always to be controlled and supervised (Muratbekova & Besseyre, 2000). Not only have that as French managers explained, you always feel controlled
There are numerous rules and complicated administrative documentations that exist in the country (Muratbekova & Besseyre, 2000). Everything had to be checked many times (Muratbekova & Besseyre, 2000). For French managers, who are used to another system, it disturbed the effectively of their business activities (Muratbekova & Besseyre, 2000). The degree of dependency of workers on their bosses illustrates the degree of high power distance (Hofstede, et al., 2010).

2.3.4 Social-cultural changes in transitional economy

The theory about culture and its importance on management strategies has brought the light on the importance of the social-cultural changes in transitional economies (Thomas, 2008). According to the theory, members in one group or a few people from other classes influence culture (Thomas, 2008). The “other classes” could commit to nations, regions, professions, institutions and sexes (Thomas, 2008, p. 29). Members in one group or people from other classes influence the culture (Thomas, 2008). Therefore the culture of an individual is influenced by the society (Thomas, 2008). People learn culture from their living environment (Thomas, 2008). People copy habits and thinking of the environment such as language, opinions and other things (Thomas, 2008).

Since transition is not only about economic change, but also about social changes in society (Smallbone & Welter, 2001). It could also affect “the unwritten patterns of social game” (Smallbone & Welter, 2001).

Social status

The transformation of the system from communism to capitalism leads to the change of people way of thinking and act (Peng, 2000). How can it be noticed? During the communism the capitalistic way of living, “by and sell through private ownership” was considered as a “sin” (Peng, 2000). Capitalistic society however encourages consumption (Bocock & Thompson, 1992, p. 123). Being able to by luxury items has always characterized aristocracy (Campbell, 1987, pp. 88-90). Nowadays the consumption of luxury items symbolizing a new identity, identity of pleaser-seeking people (Campbell, 1987, pp. 88-90). Others must understand
symbols, which people use to differentiate themselves from others (Bocock & Thompson, 1992). Only in that way people can differentiate themselves from others (Bocock & Thompson, 1992). It means that people has to share the same culture codes, same values (Bocock & Thompson, 1992). Bocock & Thompson (1992) uses definition “conspicuous consumption” to describe luxury consumption. They also argues that using “conspicuous consumption” people can show that their families have a “good taste”, a good background and they can afford to buy thing that others cannot (Bocock & Thompson, 1992).

According to Weber (1970), “social class” means an unequal division of economic power and opportunities. “Social status” is linked with specific style of life, which is closed connected to consumption (Weber, 1970). People buy cloth, drinks, furnishing their houses in order to be appropriate to a specific status group (Weber, 1970). Bocock & Thompson (1992) agree with it, for many people, consumption means establishing for who they want to be.

Social status is not only distinguished by leisure and consumption. Bocock & Thompson (1992) claims that education been used for organizing social status groups. To mark the high status group, practical education and materially productive skills were excluded from the education program (Bocock & Thompson, 1992). They were replaced by aesthetic education (Bocock & Thompson, 1992). Whatever items are used to differentiate social status are increases the power distance between people in a society (Hofstede, 2001).

**Class**

Class is also increasing the power distance between people (Hofstede, 2001). Lockwood agrees and says that in the modern society; offices are large and do not situated necessarily in the same geographical area as a factory (Lockwood, 1959). It created greater separation and bureaucratic forms of administration (Lockwood, 1959). The bureaucracy blocks the mobility and creates standardized relationships, based on discipline and authority (Lockwood, 1959). The physical and social split creates social distance between manual worker and clerks and prevents the formalization of mutual identification creating two social classes (Lockwood, 1959). Social status is related to class differences because of distinctions that people
created (Lockwood, 1959). The differences in income, security, authority, possibilities, education gives differences in social worth (Lockwood, 1959). In this case the mutual identification is excluded (Lockwood, 1959). It creates two classes with different social status: middle class - clerks, and working class - manual workers (Lockwood, 1959).

According to the theory, wealthy families are linked with tight social network (Bocock & Thompson, 1992). Members usually attended the elite universities (Bocock & Thompson, 1992). Entrance of foreign companies in to the country is often a threat for the upper class, since it becomes harder to control the internal investments in the country and it can cause loss of power (Bocock & Thompson, 1992).

Religion, Values, Ideology

According to some social scientists, religion provides people with support and comfort. Religion is what people turn to in order to get the courage in the situations of powerlessness (Bocock & Thompson, 1992). Modern society loses its religious ties. The question is, do people need to replace these ties with others and why (Bocock & Thompson, 1992)? Traditions and beliefs played the essential role in old society (Bocock & Thompson, 1992). With modernization careers, relationships and lifestyle have replaced some of the values (Bocock & Thompson, 1992). Individual choice and freedom are becoming free from moral limitations (Bocock & Thompson, 1992). The risk is that it leads to lack of one national ideology leaving people open to free manipulation (Bocock & Thompson, 1992). The commercial world today is directed to individual satisfaction and can easily affect individuals (Bocock & Thompson, 1992). Community no longer can fight with it on a moral basis (Bocock & Thompson, 1992).

One of the reasons why religious is no longer the mechanism to build a common identity for people are the multiculturalism (Bocock & Thompson, 1992). Bocock & Thompson (1992); mentions in his book that in Britain are many different religions beside Christianity – Jews, Muslims, Hindus and Buddhists. That is why there is no single ideology that unites all social classes (Bocock & Thompson, 1992). He also claims that during the international economic competition and
economic crisis there is a need of one national identity, solidary feeling of national community (Bocock & Thompson, 1992).

The culture is closed connected to the religion, values and ideology. Strong influence of religion can be one the factors that characterizes collectivistic societies (Hofstede, 2001, pp. 210-211). Societies, which are strong connected to religion, have higher degree of uncertainty avoidance (Hofstede, 2001, p. 148).

2.4 The influence of the environment on management strategies

During the planned economy the goal was to achieve a specific plan, which often were long termed planes (Tung, 1981), where creativity and entrepreneurship were not needed and were not rewarded by extra pay (Tung, 1981). The power was highly centralized and all the economic activities were under bureaucratic control by national planning office (Peng, 2000). Therefore the process was deliberate according to the model above. In the present time, countries in transition focusing on fulfilling short-term plans, because the juridical policy is so loose in transitional economies (Muratbekova & Besseyre, 2000). In this kind of environment entrepreneurs are more valued (Bill, et al., 2010) because they can come up with creative solutions and keep on the transition (Hellman, et al., 2000). Control is moved from the government to private enterprisers because of two privatization (Kelemen & Kostera, 2002). So the process from being deliberate is changing towards emergent (Whittington, 2001).

In the past during the planned economy the important outcome was plural. Properties of the state were property of the whole people (Kornai, 1992). The trust had another importance then in comparison to the present time (Muratbekova & Besseyre, 2000). Nowadays, when the important outcome is profit-maximizing people are afraid to be tricked (Muratbekova & Besseyre, 2000). Trust exists only between people with close relationship (Muratbekova & Besseyre, 2000). Social network is very important in transitional economies (Bocock & Thompson, 1992). Same outcomes changed the social-cultural values (Bocock & Thompson, 1992). Capitalistic system of profit maximizing has changed the way people consume according to the theories (Bocock & Thompson, 1992). Luxury and expensive items are valued more separating people between different social statuses (Campbell,
1987) and classes (Lockwood, 1959). The role of women changed since profit maximizing became a goal in a society of transitional economy (Kelemen & Kostera, 2002). From segregated workplaces for women only, the new era of businesswomen have started in transitional economies, were women can have same work as men (Kelemen & Kostera, 2002).

As summary of the text above; the change in transition economies has affected dimensions such as creativity, control, trust and social-cultural changes. The changes are from plural to profit maximizing and from deliberate to emergent (Whittington, 2001).
3. Research questions and operationalization

3.1 Research discussions

From the literature review it has been established that variables such as control, trust, creativity/entrepreneurship and social/cultural changes influence management strategies in transition economies.

According to the literature review, in the context of transitional economies, control is not anymore highly centralized and plans and visions are changed from being long-termed to short-termed. This caused a change in the process from being deliberated to emergent. The research question 1 is:

*How did perception of control change for Kazakhstani managers and how does it influence their management strategies?*

According to the literature review, in transitional economies, the desirable outcome is not more of public wealth anymore as own profit maximizing. It has influenced the role and importance of trust in a society between people. There is mistrust and suspicion between people and therefore personal network is more important now. The research question 2 is:

*How did perception of trust change for Kazakhstani managers and how did it influence their management strategies?*

According to the literature review, because of the reason that the process is changed from deliberated to emergent, it is more allowed to be creative and have spirit of an enterpriser in transitional economies in comparison to the time when plans were long-termed and power was highly centralized. Entrepreneurship and creativity are more valued now, since entrepreneurs can come up with creative ideas and solutions in an unstable environment and drive the economy of a country forward. The research question 3 is:

*How did perception of creativity/entrepreneurship change for Kazakhstani managers and how did it influence their management strategies?*
According to the literature review, the process of transitional economy does not influence only economic situation of a country. The change of outcomes from plural to profit maximizing could influence and replace some values in a society. Consumption of items, which don’t cover only basic needs but also consumption of luxury items, characterizes capitalistic system. Consumption of luxury items divides people in different groups, segregating them and creating different classes and social statuses. The role of men and women could have also changed. Men and women had segregated workplaces during the Soviet time, which is not the case now. The principle of profit maximizing could have offered him same workplaces for both men and women. The importance of religion could have changed in different ways. In one hand uncertainties of the situation caused by transition could have developed of importance of religion, since religion, according to authors provides people with support and courage in situations of powerlessness. In the other hand modernization replace moral limitations with what modernization has to offer, career, lifestyle, etc. The research question 4 is:

*How did social-cultural changes influence management strategies in Kazakhstan?*

The process of transition is not the only factor that influences the variables, which research questions are based on. Culture plays also an essential role in managers’ life and their everyday choices. Analyze of the research would not give a full understanding about Kazakhstani management strategies without taking in account their culture. Therefore, when analyzing how control, trust and creativity/entrepreneurship influence management strategies in Kazakhstan, culture is going to be taking in consideration.

### 3.2 Operationalization

The changes in four factors caused by transition have an essential role in choices of management perspectives. These factors are creativity/entrepreneurship, control, trust and social-cultural changes. The research is going to focus on the inside perspective of these dimensions. With other words, the authors are going to try to investigate how Kazakhstani mangers themselves perceive all these dimensions and its importance on the management strategies in transitional economies. Table 3.1
shows the relation between the management perspectives and the four variables. Every variable be explained and connected with the Hofstede model in Table 3.1.

Table 3.1: relation between management perspectives and the four variables

<table>
<thead>
<tr>
<th>Perspective on management strategies in transitional economies</th>
<th>The four variables</th>
<th>The meaning behind every variable</th>
<th>Culture</th>
</tr>
</thead>
<tbody>
<tr>
<td>Process is changing from deliberated to emergent.</td>
<td>Control</td>
<td>Government vs. organizations</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>Perception of control</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>Adaptation to new rules that government establish for organizations</td>
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<tr>
<td></td>
<td></td>
<td>Employer vs. employees</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Perception of control</td>
<td></td>
</tr>
<tr>
<td>Outcome is changing from plural to profit maximizing.</td>
<td>Trust</td>
<td>Trust towards government</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Corruption</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Trust towards employees</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Trust towards customers/ business partners/ suppliers</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Trust towards foreign companies entering the country.</td>
<td></td>
</tr>
<tr>
<td>Process is changing from deliberated to emergent.</td>
<td>Creativity / entrepren eurship</td>
<td>Support of enterprising</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Creativity in management strategies</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Long-term vision/ short-term vision</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Analyses vs. intuition</td>
<td></td>
</tr>
<tr>
<td>Outcome is changing from plural to profit maximizing.</td>
<td>Social-cultural changes</td>
<td>Change in values</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>Social status</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>Class division</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>The development of the importance of religion</td>
<td></td>
</tr>
</tbody>
</table>

Uncertainty avoidance; Power distance; Individualism and collectivism; Masculinity and femininity.
4 Methodology

4.1 Research approach

4.1.1 Abductive research

The research of the thesis will be abductive. It means that we first read theories and went through a lot of literature review about one phenomenon (Wirth, 1998). This helped to create a guess that the reformation has changed the way people think and react in transitional economies. Since people’s behavior is based on their culture, the research is aimed to investigate how the reform changed the cultural and social patterns in countries with transitional economies. With this premise the reality were observed and later analyzed with the help of theory (Wirth, 1998). It increased our understanding on how changes in economy from being central controlled to free economy effect the environment of the country and each individual. Abductive reasoning is a strategy for solving problems and discovering new premises by observing the facts (Wirth, 1998). Through the abductive reasoning the researchers hope to contribute with understand of something new (Wirth, 1998). Abductive research is a combination of deductive and inductive research (Gummesson, 2000). By deduction the researcher proves or disproves premises with the help of logical arguments (Wirth, 1998). By induction the researcher proves or disproves premises with experience, to derive a plausible generalization later (Wirth, 1998). Induction means that the researcher tries to explain causal relations among the fact (Wirth, 1998).

4.1.2 Qualitative vs. Quantitative Research

The research strategy could be split up in two types of social research methods: qualitative and quantitative methods, each with different attributes and outcomes (Bryman & Bell, 2007). According to Bell & Bryman (2007), qualitative research is a flexible method and gives researchers much space to adapt planning and analysis of the collected data. The qualitative research method tends to be less structured than the quantitative science (Bryman & Bell, 2007). The reason is that the quantitative research relies on the measurement of the collected data and finds the standard pattern, thereby obtaining a high reliability and validity (Bryman & Bell,
2007). In the qualitative research, however, the focus is on the respondents and their perceptions (Bryman & Bell, 2007).

In the qualitative interview, the researcher can easily deviate from the planned interview structure and include a further question (Bryman & Bell, 2007). In the quantitative interview, it is not advantageous to differ interviews structure as it could affect the reliability and validity (Bryman & Bell, 2007). The difference in these two research methods is a matter of qualitative research scientist looking for detailed answers from a few individuals while the quantitative research aimed at finding answers that can be processed and can be standardized (Bryman & Bell, 2007).

Since the purpose of this thesis is to increase the understanding of social-cultural changes in transitional economy it can be done best through a qualitative research, where the interviews are based on open questions. In that way qualitative research can give much “richer” information about the studied phenomena.

4.1.3 Epistemologically and ontologically position

A knowledge perception differs from positivism is interpretative perspective (Bryman & Bell, 2007). This perspective is critical attitude towards the use of scientific principles to study the social reality (Bryman & Bell, 2007). Social objects considered to be different from natural science objects and are considered by reason of the need for a more customized research process than the scientific methods of study at the social reality (Bryman & Bell, 2007). This theoretical knowledge perspective focuses on understanding people's actions rather than to explain human behavior (Bryman & Bell, 2007). It is the researcher's task is to gather knowledge about the social reality and then interpret it from the researcher's perspective (Bryman & Bell, 2007).

Ontological issues involve questions of social things, and its nature (Bryman & Bell, 2007). Basically there are two strong positions, objectivism and constructionism (Bryman & Bell, 2007). Objectivism argues that social phenomena and their significance are independent of social actors (Bryman & Bell, 2007). This view perceives a culture or an organization as a concrete object that creates rules for
social actors to work and where the actors cannot influence or control (Bryman & Bell, 2007). The culture or the organization is said to be a compelling force and by perceiving culture and business in this way one can understand that an organization is an external reality from individuals (Bryman & Bell, 2007).

The second ontological position is constructionism (Bryman & Bell, 2007). Constructionism questions that culture and business is an external reality of social actors (Bryman & Bell, 2007). This perspective argues that social phenomena and their meaning is something that social actors are constantly creating, and that these phenomena are constantly changing (Bryman & Bell, 2007). According to Bell & Bryman (2007), the concept is described as the social reality is a form of designs created by the interaction and behavior between individuals. The researchers' results are not considered final, but considered as a specific version of social reality (Bryman & Bell, 2007).

This report have is based on a constructionist position (Bryman & Bell, 2007). The authors will focus on how people in Kazakhstan who are active in business perceive their social reality and how this affects their decisions in daily life. The authors do not consider that the culture is a given object that creates rules but believe it is the individuals themselves contributing to the reality. The authors would like to capture the subjective aspects that exist in the individuals and then to design own interpretation of the phenomenon (Bryman & Bell, 2007).

Regarding the authors' epistemological position, the authors of the theses have chosen to follow the interpretation perspective (Bryman & Bell, 2007). The authors believe that the scientific principles cannot be used to understand how these individuals make decisions without the need for a more customized approach to identify the individual's social reality (Bryman & Bell, 2007). The authors believe that the scientific principles cannot be used because there is a difference between natural and social phenomena (Bryman & Bell, 2007). The authors believe that there may be an acceptable knowledge even if it is not possible to capture it by the senses (Bryman & Bell, 2007).
4.2 Research strategy

There are different kinds of strategies to answer the research questions in social research. Yin (2003) gives that there are five different main strategies for social research. The main strategies are: experiment, survey, archival analysis, history and case study (Yin, 2003). Each strategy has advantages and disadvantages (Yin, 2003). These are depending on three factors: form of the research question, requires control of behavioral events and focuses on contemporary events (Yin, 2003). For the best strategy, the researcher needs to focus on the differences of these strategies (Yin, 2003). The first factor of difference is the research question; every strategy has its own kind of research questions (Yin, 2003). The second factor is the control of the behavior during the events/experiment (Yin, 2003). This factor is only relevant by the experiment strategy (Yin, 2003). The last factor is the focus on events of the common time (Yin, 2003). For all the strategy, except the history analysis is this factor relevant (Yin, 2003). By archival analyses depends it on what kind of material is used for the analysis (Yin, 2003). Table 4.1 shows the link between the five strategies and the three factors were these strategies are depending on (Yin, 2003).

Table 4.1: the five different research strategies (Yin, 2003, p. 5)

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Form of Research Question</th>
<th>Requires Control of Behavioral Events</th>
<th>Focuses on Contemporary events?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Experiment</td>
<td>How, why?</td>
<td>yes</td>
<td>yes</td>
</tr>
<tr>
<td>Survey</td>
<td>who, what, where, how many, How much?</td>
<td>no</td>
<td>yes</td>
</tr>
<tr>
<td>Archival analysis</td>
<td>who, what, where, how many, How much?</td>
<td>no</td>
<td>yes/no</td>
</tr>
<tr>
<td>History</td>
<td>How, why?</td>
<td>no</td>
<td>no</td>
</tr>
<tr>
<td>Case study</td>
<td>How, why?</td>
<td>no</td>
<td>yes</td>
</tr>
</tbody>
</table>
Chosen strategy of this thesis is a case study. The reason for that is that the authors are going to enter the territory, transitional economy they don’t know much about. According to table 4.1, the chosen research strategy is based on three different factors: form of research question, requires control of behavioral events and focusses on contemporary events (Yin, 2003). For a case study ‘’how’’ and ‘’why’’ questions are the form of research questions (Yin, 2003). Forming research questions are one of the important things for the thesis because they will influence what kind of data there will be (Yin, 2003). By a case study there is no control on behavioral events (Yin, 2003). The last factor is the focus on contemporary events, during a case study there is this focus (Yin, 2003). It is important to know that by using ‘’how and why questions’’ the investigator had no or just a bit control over the outcome (Yin, 2003). In this thesis we have no control over the outcome because it is not clear what the outcome will be. It depends on the interviewed people. According to Yin (2003) case study could be used to increase knowledge about an ‘’individual’’, ‘’group’’, ‘’organization’’, ‘’social’’ and ‘’political’’ (Yin, 2003, p. 1). Case studies are also used to investigate economies (Yin, 2003). This research strategy gives the opportunity to investigate attributes of the real life like “organization” and “management” processes (Yin, 2003). The purpose of the thesis is to increase an understanding about management strategies in transitional economies. Case study is a suitable research strategy because it investigates attributes of real life.

4.3 Sample selection

4.3.1 Why Kazakhstan as a case?

The Central Asia has been a blank spot for people around the world for a long time. It is not is not surprising taking in account that Kazakhstan is a very young country. It has got its independency in 1991 when Soviet Union had collapsed. Nonetheless during these 20 years the economy of the country grew fast. From the year 1998 the GDP of Kazakhstan was a little bit above the normal. And the prognoses for the future show that it is going to maintain so (see figure 1).
Kazakhstan has strategically good geographical position. The country borders with two of BRIC countries Russia and China. The rapid growth of China and Russia also affects the economy growth of Kazakhstan. Other neighbor countries are Kyrgyzstan, Uzbekistan and Turkmenistan. These countries share similar culture, traditions, part of the history and language. It facilitates access to those countries ones companies have been established in Kazakhstan. On the west side of Kazakhstan there is Caspian Sea. This region is reach in energy recourses. There is plan to build a 700-kilometer “Eurasia canal” between Caspian Sea and Black Sea to have asses to Eastern Europe, Turkey, Russia and other regions (Kozlova, 2007). That may benefit Kazakhstan and other Central Asian countries since the trade of volume may increase (Kozlova, 2007). This project may take $6 billion and take up to 10 years to build (Kozlova, 2007).

Kazakhstan is one of the most successful transition economies for investments. Figure 1 shows the foreign investment in Kazakhstan from 2005 until 2009 compared with other transition economies in FDI (foreign direct investments). Figure 2 shows how successful these investments have been in percent with different rates. These two figures show that Kazakhstan is an attractive country for investments and 76 percent of the investments are successful. Compare with the
other transition economies, Kazakhstan is on place 3 of total investments during the period 2005-2009. The investment climate in Kazakhstan is good, that is important for new companies who want to enter the market. Most of the companies who start on a new market need investments, so when the investment climate is good, it is easier to enter the new market.

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Armenia</td>
<td>239.4</td>
<td>453.2</td>
<td>660.7</td>
<td>1,132.4</td>
<td>71%</td>
<td>837.6</td>
<td>-26%</td>
<td>3,323.2</td>
</tr>
<tr>
<td>Azerbaijan</td>
<td>1,679.9</td>
<td>-584.0</td>
<td>-4,748.9</td>
<td>14.1</td>
<td>100%</td>
<td>473.3</td>
<td>3,257%</td>
<td>-3,165.6</td>
</tr>
<tr>
<td>Belarus</td>
<td>304.6</td>
<td>353.7</td>
<td>1,785.2</td>
<td>2,158.0</td>
<td>21%</td>
<td>1,862.5</td>
<td>-14%</td>
<td>6,464.0</td>
</tr>
<tr>
<td>Georgia</td>
<td>452.8</td>
<td>1,170.1</td>
<td>1,750.2</td>
<td>1,564.0</td>
<td>-11%</td>
<td>763.7</td>
<td>-51%</td>
<td>5,700.8</td>
</tr>
<tr>
<td>Kazakhstan</td>
<td>1,902.0</td>
<td>6,360.0</td>
<td>11,096.0</td>
<td>15,775.0</td>
<td>42%</td>
<td>12,649.0</td>
<td>-20%</td>
<td>47,862.0</td>
</tr>
<tr>
<td>Kyrgyzstan</td>
<td>42.6</td>
<td>182.0</td>
<td>208.1</td>
<td>265.2</td>
<td>27%</td>
<td>59.7</td>
<td>-77%</td>
<td>757.6</td>
</tr>
<tr>
<td>Moldova</td>
<td>190.7</td>
<td>233.2</td>
<td>539.3</td>
<td>707.6</td>
<td>31%</td>
<td>86.4</td>
<td>-88%</td>
<td>1,757.2</td>
</tr>
<tr>
<td>Russia</td>
<td>12,885.8</td>
<td>29,701.4</td>
<td>55,073.2</td>
<td>75,461.4</td>
<td>37%</td>
<td>38,722.4</td>
<td>-49%</td>
<td>211,844.3</td>
</tr>
<tr>
<td>Tajikistan</td>
<td>54.5</td>
<td>338.6</td>
<td>360.0</td>
<td>375.8</td>
<td>4%</td>
<td>7.6</td>
<td>-98%</td>
<td>1,136.5</td>
</tr>
<tr>
<td>Turkmenistan</td>
<td>418.2</td>
<td>730.9</td>
<td>804.0</td>
<td>820.0</td>
<td>2%</td>
<td>1,355.0</td>
<td>65%</td>
<td>4,128.1</td>
</tr>
<tr>
<td>Ukraine</td>
<td>7,808.0</td>
<td>5,604.0</td>
<td>9,891.0</td>
<td>10,913.0</td>
<td>10%</td>
<td>4,816.0</td>
<td>-56%</td>
<td>39,032.0</td>
</tr>
<tr>
<td>Uzbekistan</td>
<td>191.6</td>
<td>173.8</td>
<td>705.2</td>
<td>711.3</td>
<td>1%</td>
<td>750.0</td>
<td>5%</td>
<td>2,531.9</td>
</tr>
</tbody>
</table>

**Figure 4.2:** FDI in transition economy countries, US$ millions (Ernst & Young, 2011)

**Figure 4.3:** success of existing investors in Kazakhstan (Ernst & Young, 2011)
4.3.2 Selection of Kazakhstani managers

In total there were three Kazakhstani managers and three Kazakhstani entrepreneurs interviewed. The definition Kazakhstani is used in state of Kazakh, since there are big variations of different nationalities in Kazakhstan (Minbaeva & Holden, 1998). The Kazakhstani managers and entrepreneurs will be interviewed with the help of Skype.

To be able to see the differences how variables as control, trust and creativity/entrepreneurship are perceived by different group of people the researchers chose to interview people of different ages, gender and position in the organization. The separation of the group is shown in the table 3.2.

**Table 4.2 the interviewed people**

<table>
<thead>
<tr>
<th>Variable</th>
<th>Explanation of the variable</th>
</tr>
</thead>
</table>
| Entrepreneur vs. Manager | • Entrepreneur is an owner of company, which a person has started by him/ herself. Entrepreneur is also an employer and has subordinates.  
                        | • Manager is not an owner of a company. Manager is an employee, who must follow the instruction of higher authorities and at the same time has subordinates.          |
| Sex/gender        | Sex/ gender shows if a person is a woman or a man.                                                                                                         |
| Age               | • Between 50 and 60. A person has been active in the labor market in 1991 and gone through the capitalistic restructuring in the beginning of the Soviet fall.  
                        | • Between 20 and 30. A person has not experienced the change in labor market, caused by capitalistic restructuring in the beginning of the Soviet fall since he/ she didn't exist or was too young. |
| Education/ specialty | Education/ specialty indicate if a person works in the field matching to his specialty.                                                                 |
| Industry          | Industry which company is engaged in.                                                                                                                      |
| Number of employees | Number of employees is an indication of a size of a company.                                                                                             |
Age

There are three persons who are between 20 and 30 years old. And three persons who are between 50 and 60 years old. The younger generation was not active in the labor market during the capitalist restructuring, when Soviet fall. The difference in age and experience will give the clearer picture about the changes in perceptions of factors as control, trust, creativity/entrepreneurship and social/cultural changes.

Gender

Three men and three women were interviewed. Factor gender helps to understand how the process of transition has influenced women’s and men’s perceptions about management strategies in transitional economies.

Profession

There was no concept of private ownership during the time of planned economy. People did not study finance, accounting, and entrepreneurship in the same way they do today. It is interesting to capture a link between professions and perceptions about management strategies. That is why people with different education and professions were interviewed to get different perspective about management strategies.

Industry

People, who were interviewed, were engaged in different industries, to get a bigger variety of the empirical data and higher value in the research. Variation of industries captured private and stat-owned companies and also companies in the industries of high and low competition.

Size of a company

In order to be able to see the differences in perceptions between big and small sized companies, it was important to choose companies of different sizes. The size of a company was measured by number of employees.
Employer vs. employee

Three employers and three employees were interviewed. The perception of variables such as control, trust, creativity/entrepreneurship can differ depending on what position a person has in an organization. Subordinate stuff can perceive differently these variables than those who have much more power.

4.4 Data collection method

4.4.1 Interview method

The kind of interviewing will be semi-structured. With a semi-structured interview there will be an interview guide but there is a lot of space to change from the interview guide (Bryman & Bell, 2007). The advantage of semi-structured interviewing is the possibility to include questions during the interview (Bryman & Bell, 2007). In this way the interview could be deeper (Bryman & Bell, 2007). The reason for choosing the semi-structured interviewing method is to get deep information from the interviewed people (Bryman & Bell, 2007). Another reason is that there is a lot of space to change from the interview guide, so the researcher has the opportunity to be flexible (Bryman & Bell, 2007). With this interview method the researcher have the opportunity to ask further and deeper to get better information (Bryman & Bell, 2007).

4.4.4 Interview process

Every interview was one to two hours long. The anonymity was guaranteed. The questions were separated on introduction, main and extra questions, and final questions. The aim of introduction questions was to get general information about the person, age, type and size of a company and how usually day looks like at work. The main questions were based on the variables control, trust, and creativity/entrepreneurship. Since it is a case study the main questions were ‘how’ and ‘why’ questions (Yin, 2003). Extra questions were asked if a person was bringing up something interesting and unpredictable during the interview. The aim of the final questions was to submit and end the interview by letting the person to add extra information that he/she considered valuable.
4.5 Data analysis

According to Yin (2003), qualitative data analysis of a case study includes: examining, categorizing, tabulating and recombining the collected data. So it is important before analyzing the data to structure the data. Analyzing the collected data could be difficult because the strategies to do it are not well described (Yin, 2003). However every case study must have a analyze strategy (Yin, 2003). According to Yin (2003) there are five kind of techniques to analyze a case study. The most appropriate technique is pattern matching, with pattern matching the researcher compares ‘the empirical data with the predicted data’ (Yin, 2003, p. 6). If the data fix with each other the internal validity will be stronger (Yin, 2003, p. 6). A case study could be “explanatory” or “descriptive” (Yin, 2003, p. 6). “If it is explanatory the patterns will be related to dependent and/or independent variables (Yin, 2003, p. 6).” “If the study is descriptive the patterns matching techniques as long as the predicted patterns/specific variable is defined as prior data (Yin, 2003, p. 6).”

So for data analyzing pattern matching will be used. Another method that will be used is data reduction. Reduction is the process of selecting, focusing, simplifying, abstracting, and transforming the data (Bryman & Bell, 2007). The reason why the data have to be reduced is that not all the variation during an interview is in connection with true variation (Bryman & Bell, 2007). So there could be some “errors” during the interview because there is a misunderstanding during the interview (Bryman & Bell, 2007). That is the reason why the data should be reduced.

During pattern matching the authors use the next steps: deciding what things mean, noting patterns, compare with literature review, identify flows, propositions, and back up claims with empirical evidence. After pattern matching the authors are reducing the data.
4.6 validity and reliability

According to Yin (2003) there are three different tests to study the validity of qualitative research: construct validity, internal validity and external validity. Construct validity means: “establishing correct operational measures for the concepts being studied” (Yin, 2003, p. 34). To guarantee the construct validity the researcher has to use multiple sources of evidence (Yin, 2003). The researcher also has to establish chain of evidence (Yin, 2003). The last criterion is to allow key informants review drafts of the case study report (Yin, 2003). Internal validity means: “establish a causal relationship, whereby certain conditions are believed to lead to other conditions, as distinguished from spurious relationships” (Yin, 2003, p. 34). To guarantee the internal validity the research will use the technic of pattern matching by analyzing data (Yin, 2003). In paragraph 4.5 (data analysis), the technic of pattern matching is well explained. Other tactics to guarantee the internal validity are: “explanation building, address rival explanations and the use of logic models (Yin, 2003, p. 34).” According to Yin (2003) the most appropriate technique is “pattern matching”. The last test to study the validity is testing the external validity. External validity means: “establish the domain to which a study’s findings can be generalized” (Yin, 2003, p. 34). The tactic of testing the external validity is different by single and multiple case studies (Yin, 2003). By single case study the external validity is tested by using theories (Yin, 2003). By multiple case studies the external validity is tested by using replication logic and pointing out where there might be potential for generalizations.

The last subject of this paragraph is how to guarantee the reliability of the thesis. Validity means: “demonstrating that the operations of a study, such as the data collection procedures can be repeated, with the same results” (Yin, 2003, p. 34). The reliability of a case study could be guaranteed by using a case study protocol and developing a case study database (Yin, 2003). These tactics are important to deal with the documentation problem (Yin, 2003).
5. Empirical data

This chapter consists of the empirical part of the thesis. Table 5.1 shows the people that are interviewed. The table consists: entrepreneur/manager, sex, age, education, industry and numbers of employees.

**Table 5.1: Interviewed people**

<table>
<thead>
<tr>
<th>N</th>
<th>Entrepreneur vs. Manager</th>
<th>Sex/ Gender</th>
<th>Age/ years</th>
<th>Education/ specialty</th>
<th>Industry</th>
<th>Number of employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Entrepreneur 1</td>
<td>Woman</td>
<td>50 - 60</td>
<td>Former teacher</td>
<td>Fashion industry</td>
<td>5 employees</td>
</tr>
<tr>
<td>2</td>
<td>Entrepreneur 2</td>
<td>Woman</td>
<td>50 - 60</td>
<td>Former engineer</td>
<td>Tourist industry</td>
<td>12 employees</td>
</tr>
<tr>
<td>3</td>
<td>Entrepreneur 3</td>
<td>Man</td>
<td>50 - 60</td>
<td>Former engineer</td>
<td>Import/ export</td>
<td>15 employees</td>
</tr>
<tr>
<td>4</td>
<td>Manager 1</td>
<td>Woman</td>
<td>20 - 30</td>
<td>Accounting</td>
<td>Construction industry</td>
<td>50 employees</td>
</tr>
<tr>
<td>5</td>
<td>Manager 2</td>
<td>Man</td>
<td>20 - 30</td>
<td>Management</td>
<td>Oil industry</td>
<td>15 employees</td>
</tr>
<tr>
<td>6</td>
<td>Manager 3</td>
<td>Man</td>
<td>20 - 30</td>
<td>Finance</td>
<td>State-owned company in production sector</td>
<td>400 employees</td>
</tr>
</tbody>
</table>


5.1 Creativity/Entrepreneurship

5.1.1 After the Soviet fall or Early 90’s – time of chaos

This section describes the stories of the interviewed people and their experience from the time after the collapse of the Soviet Union in the early 90’s. When the Soviet collapse, all the saving of people were gone.

“My mother collected money all her life for the children. She had a big amount of money in the bank in the end of her life. This money was supposed to be divided between seven children and guarantee them a good start in life. Then the time came when Kazakhstan has got its sovereignty. The old system has crashed and all her saving were equal to nothing. Many people lost their saving. People didn’t trust the government anymore. My mother never put money in the bank again.” (Entrepreneur 1)

“Parents of my husband had so much money they could buy three good apartments in the city center. They didn’t. They were saving. After the fall of the Soviet Union money had no value anymore”. (Entrepreneur 2)

“I remember I collected money in my piggy bank and didn’t tell that to my parents. Many years after my mother found my piggy bank and asked me why I didn’t spend money at that time. I could have bought many things. The money was not worth anything”. (Manager 1)

During the 90’s factories and schools closed. A teacher had a salary equally to one hundred dollar and a doctor two hundred dollar. It was not enough for living. Higher educated people like teachers, doctors, and engineers had small salaries and were forced to start business. At that time the business sector started to develop very spontaneously. People did business with what came in spontaneous places, anywhere: outside markets, streets, where customers could be found. There were no any documents. Chased by police from one side and racketeer from another, former teachers, doctors, and engineers tried to make money and survive by selling things outside. There was a risk to get in prison, to get all the goods confiscated.
People took risks because there was no other official way to do it. There was no support from government.

Many people, beside the younger generation today, started the same way. There were no other alternatives. There were several reasons to go into business. One of the reasons was the lack of money.

“I was left with two children and I had nothing to feed my children with. I started with selling potatoes. I bought potatoes in bulk and sold it in better places for higher price. Then I started to sell shoes the same way. After that I started to work with other people, sell their products for some payment. Later, I realized I could work for myself. I borrowed money at high interest rates from some people and started to import goods from other countries and sell them in Kazakhstan without any shop, but on the market. Many people started with business that way”, entrepreneur 1 tells her story of startup.

It took 10 years before business sector started to develop in a more mature way. Closer to the year 2000, people started to look at business from a different perspective. The government started to develop business sector. The economic situation started to improve. Spontaneous entrepreneurs who worked on streets became official business people, with registered companies and started to pay taxis in an official way. Spontaneous spots, like streets and outside markets were replaced by large shopping centers.

“In 2004, when one of the shopping centers was build I opened a boutique in an official way. Another wave of business began in a good warm place with air conditioner, not on a street, but in a beautiful boutique with all equipment. Everything was official”, proudly says entrepreneur 1.

The start capital, which almost all current business people have, was collected thanks to the “spontaneous wave of business” in the 90’s.

In 2008 and 2009 the economic situation became weak through the financial crisis. People started to sell their properties to feed their families. From 2010 the economic situation became more stable.
5.1.2 Support of enterprising

To start a company was not experienced as a hard process. Opposite, all the interviewed people agreed that it was an easy process for the moment compared to old times.

“It is not hard if you have big ambitions and a good business plan.” (Manager 3)

“To open a company is a 2 days process.” (Entrepreneur 3)

“It is not hard to start business. It is hard to keep a business.” (Entrepreneur 2)

“IT branch is very young and easy to develop.” (Manager 2)

However it is hard to start a company in a branch with high competition, such as oil industry and banks.

“Kazakhstan is a young country. It has to grow, but I think it is impossible because there is a lot of monopoly. The consequence is that it is hard to develop new ideas.” (Manager 2)

“It is a little bit of chaos here. There is place for improvement. Taxes are high, interest on the loan are high in Kazakhstan banks compared to European and American banks. Immaturity, lack of knowledge affects the opening of new businesses.” (Manager 2)

There are some organizations that give consultations for some payment. None of interviewed people used their services. There is not any material support from the state that entrepreneurs can get. The most important factors for starting an enterprise are seemed to be a start capital and good connections.

“If you have got connection, you can get a good spot for your shops.” (Entrepreneur 1)

“Tomorrow they may tell you to pack your things and leave and they will give your spot to somebody else.” (Entrepreneur 1)

All the entrepreneurs who were interviewed had lack of money as a motive for starting up their business.
"I needed money." (Entrepreneur 3)

"I had nothing to feed my children with." (Entrepreneur 1)

However, it is different for younger generation:

"Money is very important factor. Although I think that young people try to work with things they like and that is why they have more motivation and drive for business." (Manager 2)

When the question was asked about people who supported the entrepreneurs during the process of startup or in general, in everyday life, there was a moment of silence in all interviews.

"Who would support me?" (Entrepreneur 3)

"Mm... maybe my friends..." (Entrepreneur 1)

"My father. He always showed me the right direction." (Manager 2)

"I do not need the support and help; I'm an independent person." (Manager 3)

In general people don't feel support from the government when it comes to enterprising.

"People, who are in government, are greedy. With greed comes a lot of money. Lots of money goes into your own pocket. ...And you government cannot sustain itself. Therefore, it can't place budgets on organizations, which would help small and middle businesses. Situation is changing though. It is improving." (Manager 2)

5.1.3 Creativity in management styles

Entrepreneurs see new ideas as a key to success, since the market is growing and demand for something new and better rising all the time.

New ideas are very welcome according to entrepreneurs:

"I want people to come and share their ideas. This is the attitude I support in my organization." (Entrepreneur 3)
“I think it is always necessary to go forward, to strive for something new and interesting.” (Manager 3)

“If you want to import products that would work for customers in Kazakhstan, you have to listen to your sales stuff.” (Entrepreneur 1)

However, not all ideas are welcome, there are delimitations:

“Ideas have to be fresh and clever, but at the same time simple.” (Manager 3)

“Ideas have to be rational.” (Entrepreneur 2)

It is not always obvious that managers or directors use the ideas of their employees. Responsibilities for new decisions lay most of the times on the founder of the company or director of a company, since he/she is the responsible one.

Interviews also showed the attitude of young managers to new ideas.

“Our organization is like Google. They are very open to new ideas. However, if I have an idea I need to do a mini presentation. If you don’t think through your idea, then it is not serious. They won’t take you serious.” (Manager 2)

On a question who do you think promote new ideas older generation or youth, a young manager answered following:

“Older generation has more experience and youth listen to them. However, elders try also to show respect for young people, since they have bigger perspective in the current situation. I think there is a balance between youth and elders and we are successfully moving forward.” (Manager 2)

This is how the elders see it:

“If you listen to them, they will come with suggestions.” (Entrepreneur 1)

Information from people, Internet and news are the sources for new ideas.

“Everything that exists in the West will be gradually transferred to us. Why West? Because the market is very develop in the West.” (Manager 2)
There are ways of punishment when employees don’t take responsibilities. What type of punishment is used depends on the director and the culture in organization.

“I am to kind. I want to use some methods, but I never did.” (Entrepreneur 3)

“I rather prevent the situation by increasing the control than using punishment system”. (Entrepreneur 1)

“We hold salary.” (Manager 1)

“Cut the monthly premium.” (Manager 3)

“It depends on the fault. In our organization we use warnings. Rigorous approach and discipline is needed. Without discipline, the company will «hang on snot»” (Manager 2)

5.1.4 Long-term vision vs. short-term vision

Now organizations can afford long-term visions in comparison to twenty years ago, when nothing was certain. In early 90’s it was about survival. Now the focus is on developing a good business, which can guarantee long-termed stability.

“You always need to look ahead, set goals and set targets as to reach these goals the fastest way, but in the long term.” (Manager 3)

However,

“…short-term visions make it easier to orientate.” (Manager 1)

“People work for themselves not for the best of a company. It is not important that a company increase the profit with 20 % as long as they don’t get anything out of it. Western mangers work with 5 years plan, with long-term visions.” (Manager 2)

5.1.5 Analyses vs. intuition

Information collected through interviews showed that feeling is important part of an entrepreneur in decision making process in Kazakhstan. However, it is risky. There is a need of good information and analyze:
“Without good information, no money can help.” (Entrepreneur 1)

“Lack is important.” (Entrepreneur 2)

“It is 50/50.” (Entrepreneur 3)

“Decisions should be based on logic.” (Manager 1)

“Before you start a business you have to study the market.” (Manager 2)

“I think it is not right to always follow the feelings; you have to analyze, explore, and then make decisions.” (Manager 3)

5.2 Control

5.2.1 Government vs. organizations

Government controls companies in different ways. It depends on size, industry and private or state-owned companies.

“Control increases with a size of an organization. The bigger the company the more attractive the company is for the government.” (Manager 2)

Since it is a state-owned company the government comes every year to us for testing. Those are RPS\(^1\), FSA\(^2\), Audit Committee, Financial control, etc. (Manager 3)

There are different organizations, which have a purpose to control entrepreneurs.

Tax inspection

It is necessary to record all sales. Companies get cash registers tax records. Tax inspection sends their people to different entrepreneurs with shops to buy goods. In that way they could check if sales were recorded through the cash register. In Russian language there is even a special slang word that refers to recording a cash register: “chekuesh”. If the tax inspection discovers that the sales operations are not registered, the organization get fines.

\(^1\) RPS: National Security Committee.
\(^2\) FSA: Financial Inspection.
Financial police

The purpose of financial police is to fight against economic crime. They control the illegal flow of money in the country. The Financial police control entrepreneurs with registered organizations such as private people. They control bank accounts all the time. They also control the source where money comes from to prevent illegal sales like weapons and drugs.

“When a product is sold from our boutique, there will be registered where money come from and who is the customer. If it is a big amount of money, then this person will be probably checked. They can call him and ask him where the money comes from, especially if this person doesn’t have a registered organization. This is control. This is oversight of business.” (Entrepreneur 1)

Structure of customs

Before starting up a business it is necessary to register and get card of membership of foreign economic activity. The process of registering takes 2-3 days. This is obligatory for those who are engaged in a business with the foreign goods. Without this card it is illegal to import products into the country. When importing the goods, it has to be registered, for what amount it was purchased and country of origin. It is necessary to prevent the existence of stealing goods in the shops.

“A person can steal a product and hand it to a shop to for sale.” (Entrepreneur 1)

Financial and tax rules can be changed almost every year.

Rules are supplemented. (Manager 2)

“Changes and additions to tax and financial legislation are made each year.” (Manager 2)

People are informed about changes by calling and explaining. All the mangers, who worked for a company, said that rules were clear.

“Clear enough. After all the rules set out in 2 languages, Russian and Kazakh.” (Manager 3)
However, entrepreneurs, who owned a company, experienced clearness of the information about new rules differently. They claimed that clearness of the new rules depends on the inspector that is in touch with an entrepreneur.

“Inspector can tell or not tell you things. Sometimes it happens that inspector doesn’t explain correctly something and the entrepreneur make mistakes. The most surprising is; in Kazakhstan the entrepreneur is responsible for the mistakes and not inspector. Entrepreneur has to correct the mistake and pay fine for that, even when “uneducated” inspectors did not correctly inform him/her. (Entrepreneur 1)

Usually these incidents happen often in the beginning with entrepreneurs. Later when they got trained to control everything many times it happens seldom. It cost a lot of troubles to correct mistakes in form of money and time.

“It happens, twice in a years. Something always happens. You should not let it happen. You always have to check everything by yourself. If you pay taxes you should check that they transmitted all the numbers correctly in the bank. During ten days you have to check it by yourself. You have to control the process by yourself. If one mistake appears, even a cent, the government automatically freezes your entire bank account and you have to pay a big fine. When you paid your fine plus the amount that was missing, you have to go to the banks with a letter that approves that you don’t owe anything to get access to your bank account. The process can take up to two months.” (Entrepreneur 1)

System of free market economy is in the process of development. Most of the times, reasons for mistakes, which appear in the system is based on low degree of knowledge about the data system of the regulators. However, entrepreneurs are always responsible ones for incidents.

5.2.2 Employer vs. employees

Responsibilities are distributed according to a position in the organization. However a director has responsibility for all the work in an organization.

“I can delegate the work to others, but only temporary.” (Entrepreneur 1)
Some of the managers said shortly “no” on a question if it is possible to delegate the work on others in the organization.

Younger manager expressed himself in the following way:

“I don’t like to delegate my responsibilities to others. I try to do everything by myself. I don’t like to command over the people. Maybe it is because of my age.” (Manager 2)

There is an understanding of need to delegate responsibilities. However it happens only when it is needed.

“Delegation of authority is one of effective ways to complete the work when the pressure is high on top managers.” (Manager 2)

It is necessary to supervise employees periodically. This is how entrepreneur 1 explains why control over employees is important:

“This (the company) is like my “child”. There is my money. There is almost all that I have. Why should I not control everything? You take care of your home or a garden and have everything under control. This is the same. If you miss anything, it will affect the whole business.” (Entrepreneur 1)

Having full control is very important in organizations.

“Managers have full control over situations in our organization... Employees cannot take any decisions without permission from managers.” (Manager 2)

“The stuff is very independent. However they have to be controlled periodically.” (Entrepreneur 2)

“Control is associated with a strict adherence to established norms and rules, goals and objectives. The day is always planned and it is going according to a plan.

I check my diary of the progress of work, if work from yesterday was not done, and then I move it on today and write a new work plan for the day. Then I get to work following the plan.” (Manager 3)
There was lack of knowledge of running a business in the whole territory of Kazakhstan. With time people developed this knowledge through learning by doing and by reading relevant materials. The important thing that entrepreneurs have learnt was the need of high control:

“I had some problems with employees because I did not control them as much as it was needed. Now I know, before you fall, you should prevent unpleasant accident in advance. It means: control everything by yourself”. ” (Entrepreneur 1)

The expression below describes the need of high control over employees and all business activities.

“If you relax too much it can cause unpredictable consequences caused by others. And I am always the responsible one.” (Entrepreneur 1)

The interviewed entrepreneurs showed self-confidence they have at the moment:

“I know I can do anything if the situation put me through.” (Entrepreneur 1)

“If tomorrow my business will crash, I know I can start a new one. I have the knowledge, experiences. I know people. I can work with anything.” (Entrepreneur 2)

“I have started many companies in my life. Some of them were a disaster. Some of them worked well.” (Entrepreneur 3)

5.3 Trust

5.3.1 Trust towards government

Trust and control are two variables that have a close link to each other in the business culture in Kazakhstan. To separate these variables and find a balance between control and trust is seemed as something important.

There is a large difference between trust and control. After all, control is not trust. And trust is confidence, provided by someone or something. (Manager 3)

In one hand trust is also an essential factor:
“If there is no trust between us, then there won’t be development.” (Entrepreneur 1)

In other hand control is necessary:

*It doesn’t matter if people work for government or private companies. There are dishonest people, who are used to get things for free in our country. This mentality is left since the Soviet time because control is needed. Economy of the country is not going to increase if government trust organisations too much and decrease the control.* (Entrepreneur 1)

Relationship between government and entrepreneurs has changed through the time. Before, in the beginning of 90’s, there were no cooperation’s between government and small organisations. Government did not trust small entrepreneurs and vice versa. There were a lot of barriers that government created just to keep entrepreneurs away from grow and development. There were also threats from racketeers.

“Racketeers could shoot, take money from us. State did not do anything. Opposite, the state hurts entrepreneurs too.” (Entrepreneur 1)

Entrepreneurs started to stop their business activities or leave a country.

“People give up and leave a country. In 2002 the population of Kazakhstan was more than 17 million. At that time I went to US to study. When I came back in 2007, the population decreased to 15 and a half millions.” (Manager 2)

Then the government realised that entrepreneurs are a very essential factor for economic development of the country. From 2005 the government started to take more care of entrepreneurs and trust between government and private companies.

“The president said: we have to help them (entrepreneurs). There are no educated economists among entrepreneurs in Kazakhstan. They are former teachers, doctors, and engineers. Their head works, but no one of them knows what trade is. That is why they need help.” (Entrepreneur 1)

Now, there is an organisation for small and middle businesses, which offers entrepreneurs protection in case someone hinders them. However not all
entrepreneurs trust the government. There is something that calls in Russian language “reýderstvo”, which is very developed in Kazakhstan. The following statement gives a good description what it is about:

"If you start and develop a good and stable business and make it good; people from the government may start to disturb and hurt your business activities in purpose. They would ask for different documents, that you may actually do not need, but in this case you have to have them. They would ask you to buy many different documents and permissions to continue the business. They would find different ways for you to give up and sell the company to them for cheap money. Then they would say: we won’t let you to do your business anyway, it is better that you sell it to us. They just take everything you worked for." (Entrepreneur 3)

5.3.2 Corruption

Corruption is used widely in the country.

“People from fire inspection, health inspection, other inspections, they all come to you for control and always find something you have to fix, that would cost a lot of time and money. At the same time they let you know that they won’t disturb you in exchange of money.” (Entrepreneur 2)

Corruption exists in the country. Corruption is seen as a way to simplify things and to save a lot of time and money.

“If you have a big fine, you can always arrange an agreement. You promise inspector or other important individuals to thank them in illegal way to avoid big fines. In this case you get the smallest fine. Usually the bribe should be half or one third of the size of a fine or some present. Sometimes they show you in purpose that you broke a rule to make you fear. In fear of getting a hard punishment (big fine) you choose to bribe. You can also choose to do everything official and try to prove your innocence. Then you have to stop all your work and be ready that it can take one to six months. To bribe takes only one hour.” (Entrepreneur 1)

In the beginning of capitalist restructuring, there was high level of corruption. Around year 2006 the president started a fight against corruption. Young business
people started to protest complaining about existence of corruption in a high level in the country. It helped, and now the corruption slowly decreases.

“The president said not to touch entrepreneurs.” (Entrepreneur 1)

“Now, it is not possible to fix everything by bribe.” (Manager 1)

“People who robbed the country live abroad now. It means something right is happening for the good of the country.” (Manager 2)

There are even special telephone lines that can be used in case of corruption crime or suspicion of corruption crime. Since the introduction of these lines there is no extra control of entrepreneurs.

Regulators could come just like that to do some controlling. Now they come more seldom and only after early warning. (Entrepreneur 1)

However, corruption still exists in the medium scale. Some of the interviewed people claims that it is corruption has increased in quantity:

“The scale of corruption is almost the same, but not in such quantities as now.” (Manager 3)

“People from government are from the old school. They are used to the easy 90’s, when it was easy to take bribes without hiding facts. During the 90’s, they would do what they want and show it off. It continues ” (Manager 2)

There is a specific system that exists in the country, which is important to understand:

They come from an institution that supposes to control your business activities and ask for some document. You don’t have it. You have to fix it. You go to this institution and ask for help. They send you to a private organization. Often the same people or their relatives own these private organizations. This private organization will fix all documents that you need. They do that in purpose. It is a business. (Entrepreneur 3)
“There are always some documents that they want to see. You go to different organization and collect all your documents. After, it appears that there is some document that is missing in the file and you have to collect all the documents all over again. Or, you send them a file with all the papers and you hear nothing from them until they contact you again after a while and tell you that you file is missing and you have to do all the work again. This takes time and money. They do that in purpose.” (Entrepreneur 2)

Connections are also important. To know right people can help avoiding fines. Connections are very important, especially when it comes to hiring people.

“One office can be led by relatives. There are no prospects, no development, and no progression.” (Manager 2)

“In the West, a CV is important when judging a person, here - the call. Some distance relative or a friend can call and say: please give a job to my sun or a nephew. It is still very usual here.” (Entrepreneur 1)

It is hard to refuse helping people, since there can be an equal dependency between people. The consequence is that it is hard for young students to get a job in a good place, good company if they don’t know anyone there. Another consequence is that sometimes it can be hard to refuse in help even if it is about bad or a dangerous deal.

“You are expected to help or prioritize a person, who is your relative and a person, who originally comes from the same city as you do. They are equal to brothers.” (Entrepreneur 1)

5.3.3 Trust towards employees

Decision making process is based on the trustable information that comes from different sources. 50 percent of the information comes from entrepreneurs themselves. The rest is based on the knowledge of business partners, friends and from employees. Before taking any decision, employees have to ask top managers.

“The more opinions, the better.” (Manager 1)
Two of the interviewed people said that decisions are made collectively.

“Within the Department employees take the total collective decision, taking into account the wishes and will of each. I think it is right in the first place and second place, it is fair to each other.” (Manager 3)

However, the question about control made it clear that there should be a balance between trust and control.

“Trust, but verify” (Manager 1)

The citation above would explain the way managers and directors think when they relate to their employees.

Employer feels always responsible for employees. There is a mix between professional and a personal attachment between employees and employer, where trust is important as a factor.

“I feel responsibility for them (employees) as for people. First, they should not be hungry, they should be properly dressed. I help them to improve skills in conversational speech. My responsibility is to teach them. Second, if a person has a problem, if a person is sad, as a leader you have to note that and help him/her. As example, one of my employees was responsible for the whole family and was the only family member who had income. They had hard time. I trust it her and I gave her part of the salary in advance. Now I don’t remember if I count it off from her salary or not.” (Entrepreneur 1)

“We are like a small family in our organization.” (Entrepreneur 2)

“Elders have responsibility for youth, because they have more experience. First year, I didn’t know what to do. I was always directed.” (Manager 2)

5.3.4 Trust towards customers/ business partners/ suppliers

Trust is an important factor in business culture in Kazakhstan.
My customers are my friends and relatives, my old classmates and their friends and relatives. (Entrepreneur 1)

Trust is important factor for a good reputation of an entrepreneur.

“People spread information mouth to mouth about what company would never fool you. In this way you will get ten more customers.” (Entrepreneur 1)

History of a person is important.

“If a person has a bad history or a bad credit history, you can get an understanding what this person already did. To minimize risk, you have to know the past of the business partner. Just because a person has money doesn’t mean he is a good business partner.” (Manager 2)

Some of the personal characteristics are desirable.

“Western managers are cheap. Kazakhstani people would pay any price, just to not lose their honor.” (Entrepreneur 3)

“Honor is important. You want to know that a person won’t fool you.” (Entrepreneur 1)

“I do not have a business, but if I had, I would take honest and decent people as a partner, culturally and spiritually educated.” (Manager 3)

Events, like dinners, weddings etc. can be used as a chance to establish trust between business partners, suppliers and customers and strengthen the relationships.

They (business partners) should expect that they could be invited to a dinner. (Entrepreneur 3)

“We can invite each other home to get to know each other’s families.” (Entrepreneur 1)

Long-term relationships with customers and business partners are desirable:

“We grew together during many years.” (Entrepreneur 1)
However that doesn’t mean it is not possible to get other business partners.

“The more people you know, the better.” (Entrepreneur 1)

Relationships with business partners and suppliers are usually based on professional interest and signing a contract is necessary. Price is not always an important factor. However the emotional attachment is also important in many cases:

“I don’t do business with a person if he is not open. I wouldn’t trust him.”
(Entrepreneur 3)

5.3.5 Trust towards foreign companies entering the country

Trust towards foreign companies is big.

“I, as an entrepreneur think that direct suppliers are more profitable for the citizens.” (Entrepreneur 1)

“It brings many advantages for citizens. If they (foreign companies) can offer workplaces for people is that very positive.” (Entrepreneur 2)

“There may be other extra rules for foreign companies.” (Entrepreneur 1)

“. . .I don’t think government would dare to use “reyderstvo” towards foreign companies.” (Entrepreneur 3)

“Foreign companies mean new investments in the country – that is very good.”
(Entrepreneur 3)

“Foreign companies provide growth of young professionals who can express themselves without any external support (father, mother, uncle or some Agashka\(^3\)), plus, foreign companies are able to offer competitive salaries.” (Manager 3)

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\(^3\) Agashka (Kazakh) – Uncle or an older man, who is responsible for a person.
5.4 Social-cultural change

5.4.1 Changes in values

Values of people have changed during the past 20 years. When Soviet fall and people suddenly got bad material conditions, money came on the first place. However, now when economy started to grow and people somehow got back on their feet, values change again.

“Ten years ago I had different values. When you have a bad housing condition and lack of money, you want to improve your material situation. Now, business people who worked the last 20 years have different values. In first place is the honor. I have noticed that indecent entrepreneurs have had a good ride, but it didn’t last long. Today business of those people collapse with high speed. Their failure is based on wrong values. Many men had values, such as earn money, get some prostitutes, go to casino and get drunk. With other words, they spent money on themselves. Now, there is a tendency of other kind of entrepreneurs. After they earn enough money for their families and close ones, they start to work on the spiritual development. It can be about a healthy way of living, parenting or helping people. We have it the blood of Kazakh people - helping close ones and even distance relatives.” (Entrepreneur 1)

Values of people from the Soviet time, time of socialism, are perceived as something positive and it is still present in people of older generation. It won’t be wrong to say that people are proud that they could keep the values of the Soviet time. At the same time as the values of capitalism is seemed as something negative that spoils people.

“Some people, chasing money, forgot about the humanity. I think, when you make money, you should not forget about people around you. Humanity should always exist. Many times I was strangled and drowned by people, who wanted to destroy my business and me. However, the sense of humanity is developed in the society in such level, that people respect you not because of your money, but because they know you are a decent person. The success of your business depends on your values.” (Entrepreneur 1)
Values of people changed. I thought I would graduate university, work as an engineer for three years. Then I would become a director. I would buy a car and a summerhouse. Car and a house were my dreams. Now it is a need. Values change. (Entrepreneur 3)

“I was raised to be kind and respect people from the first meeting. If you don’t know a person, you don’t have a right to judge a person. I value sincerity in people. I would rather choose less intelligent but sincere person, than a smart but dishonest person” (Manager 2)

“Honor is important.” (Entrepreneur 3)

“My mother was librarian. In the 90’s my mother had to sell milk, potatoes and newspapers on the street. She tried to hide this fact from her children. She always wanted us to be study, become professors. She didn’t want to see her druthers as tradeswomen.” (Entrepreneur 1)

“There are a lot of young men who were raised in the environment where corruption is usual and everything is linked to money. They had always someone to call to fix things for them” (Manager 2)

The values of people from the Soviet time are still present:

“My mother passed her background to me, but she was already raised by my azheshka⁴, so I think I have values from the Soviet to some extent in me.” (Manager 3)

“I am proud of my background. We were happy even though we didn’t know much about the world. We had everything.” (Entrepreneur 2)

Something that is left from the Soviet time in management culture in Kazakhstan is a principle of collectivity in organizations, which is left from the Soviet time. People take care of each other and share the happy and sad moments together in a workplace.

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⁴ Azheshka (mixture of Russian and Kazakh language) – grandmother.
“We take each other passes if somebody is sick or have some other problems.”
(Entrepreneur 2)

“If there is an event, we celebrate it together.” (Entrepreneur 3)

The growth economic situation doesn’t always match with a speed of development of people.

“Atyrau is a “capital” of oil industry. There are many businessmen from the West. Economy is growing, city is growing, but people still have an old mentality. I studied in US and I try to implement the knowledge I have got. However, there is not much of investment in cultural development of people in this city. People think the way they did maybe 20 years ago. Take another example - Astana, which is a capital of a country. It is a synthetic city in my opinion… There was just one main street ten years ago. During just last ten years they build such a metropolitan. They have such a nice architecture, nice city. They invested a lot of money in it. It happened very quickly. It should have developed gradually. People are not ready for that yet. You can see it even in restaurants, the way they serve a client. Take a waiter or guard as example! They are not used to foreigners. They are not developed. Their English is bad. Kazakhstan is still very young. (Manager 2)

5.4.2 Social status

All the people who have been interviewed have agreed that social status is very important in Kazakhstan.

“If you want to survive in Kazakhstan, you have to understand that social status is very important.” (Manager 2)

Comfortable life is high valued:

“I think people should live in good conditions. It is better to buy a good expensive washing machine, which will work 10 years in state of a cheap one and it will broke every month. It is better to buy an expensive car so you skip spending extra money for repairing the old and cheap car.” (Entrepreneur 1)

Social status opens door to many opportunities:
“Social status is important for development of your business. They judge the quality of your product by judging your cloth, your car. Your status should match to the products you sell; otherwise nobody will believe that your products have a high value.” (Entrepreneur 1)

“If a guy comes to the meeting in an expensive nice costume, nice shoes, nice watch in a nice car and looks handsome, he is automatically included in category of useful and wealthy people, even if he is stupid. People will throw themselves at you. If Quasimodo appears, even if he is a genius, nobody will pay attention to him. It is like a show business. I think it is not only characterized to Kazakhstan but to all CIS countries” (Manager 2)

“It is better to have a blond secretary with big breast, than a mean woman”

(Manager 2)

Social status is spread to many aspects of people’s life. Not only work place and cloth are important, but also where people get their education.

“University plays a big role for Kazakhstan. The name of university means a lot for people here. A guy, who graduated Harvard with average grades, without any special skills is more valued than a guy, who graduated local university and is very intelligent. It doesn’t matter that the second guy knows the local market better. 80 – 90 % of companies would choose the first guy. (Manager 2)

The consequences of the social status bring dissatisfaction:

“I think the social status in Kazakhstan is very important. But that should not go beyond the limits; you should always be the man to be generous and merciful. Do not forget that the social status and class inequality does not give you / us the right to insult or belittle anyone!” (Manager 3)

5.4.3 Class division

During the Soviet time, classes were divided in working class and intelligentsia. Intelligentsia was a social group of people, which were engaged in intellectual, mental and creative labor.

5 SIC countries (Commonwealth of Independent States) – former members of USSR.
“Working class didn’t have higher education. Higher education was a sign that a person was able to behave in a society.”

” (Entrepreneur 1)

Higher education was high valued during the Soviet time. Lack of high education was a sign of laziness and lack of will power, not lack of money:

“If you were lazy and didn’t want to study, then... no higher education. Five years in university cost a lot. It didn’t cost money, since education was for free. It cost energy and a lot of work, because demand on students was high in universities.”

(Entrepreneur 1)

Purpose of education was not only to get a specific profession. Purpose with education was to prepare people for life.

Students were taught how to speak in a procreate way. There was military department for boys. Girls were prepared for the work at home. Girls were supposed to know how to do first aid, how to cook, sew. This was a preparation for the future. If you were mathematic... no, you were not only mathematic. You were forced to go to theaters, museums. Trips were organized so a person could travel and grew. Everything was organized and everything was for free during the Soviet time. I don’t know how it is now. I don’t think it exist anymore.” (Entrepreneur 1)

The situation for youth looks quite different now.

“Students almost do not study. They have to work for living. When it is a time for final exams, they just pay teachers to get grades.” (Entrepreneur 1)

Older generation, who got education during the Soviet time, look serious at education issues in the country. They try to educate their children in different ways, since it is still important and valued for them. A lot of parents sent their children abroad to study paying a lot of money for that. China, England and USA are the most popular countries for sending children for education. Manager 2 has graduated in US.
With the development of capitalism, division of classes became more complex. Classes are no longer divided only by differences in education but also by economical wealth. The time just after the Soviet fall, in the early 90’s was time of opportunities but also very a confusing time, when not many people could adapt quickly to the changing environment.

“It was a chaos.” (Entrepreneur 3)

People who didn’t take an opportunity and started some kind of business at that time fall in an inequality compared to other group of people who took risks abounding their old lifestyle, principles and starting working with trade, which was considered as a “sin”. Now, after 20 years there is a difference in living conditions and economic wealth between these two groups of people, who was faithful to the old system and the ones who abandoned old codes and principles.

“You can see and feel it. Children suffer the most. They can’t afford equal education compared to other whose parents are “higher” now. (Entrepreneur 1)

However, opportunities still exist.

“If a person is not lazy, he can achieve a lot here.” (Entrepreneur 1)

Even though capitalism divides classes by economic wealth, education is still seen as a first identification for a class division. Lack of higher degree is still judged and something undesirable.

“I did business with women without higher education. They had even clients who were from lower class. My education helped me to develop my business to a higher level” (Entrepreneur 1)

Gap between rich and poor people is getting bigger and bigger in Kazakhstan.

“Middle class is dying out. I think and hope that it will change. There is no investment in people. Number of poor people is increasing. People are tired of it. ” (Manager 2)
5.4.4 The development of the importance of religion

Religion does not play an essential role in Kazakhstan.

“Religion does not play a big role in this country, I think.” (Manager 2)

“I am a Muslim, but at the same time, I do not observe all the rules of Islam, I believe in Allah, but do not go to the mosque every Friday and do not read the prayer.” (Manager 3)

Knowing and reading about many religions is desirable:

“Every intelligent person has to read about religions.” (Entrepreneur 1)

It is important that people follow the general rules of humanity that religions predict about:

“Don’t forget about the humanity and don’t act unfair towards other people, help people in need. All religions say about the same things.” (Entrepreneur 1)

However, the religion itself does not play an essential role among most of the people in Kazakhstan.

It is good that a person is close to God. However, for me it doesn’t matter what kind of God it is.” (Entrepreneur 1)

Religion, however, changed its position in the society after Soviet fall, getting more attention:

“There is a movement of Wahhabism⁶ in the West of the country. They don’t take in account other regions.” (Manager 2)

“I have noticed that religious people wanted to take advantage of economic instability in the country and saw opportunity to stabilize their role in the society. Unfortunately for them, we have many educated people, who got education during the Soviet time. That is why it is hard work to increase the influence of the religion.” (Entrepreneur 1)

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⁶ Wahhabism- one of the directions of Islam
Religion didn’t play an important role in people’s life during many years, which is still characterized for Kazakhstani people.

*Many of us are atheists or 50/50. They accept the religion but in the same time they don’t want to be fanatic. Many of fanatic people are lost people.* (Entrepreneur 1)

Even if Muslim religion has got another meaning among some people after the Soviet fall, it is most characteristic for small villages.

“In villages, where sources are limited, religion plays bigger role. There are not so much entertainments or access to books. In this environment it is easier to collect people and influence them. Though, I have some friends, who live in villages, they pray to God in the evening. In the morning, they go to work as usual people. It is 50/50 there too.” (Entrepreneur 1)

As interviewed people said, religion plays role among poor people.

“Poor people are desperate people.” (Manager 2)

“During the Soviet time there was a strong ideology of a communistic party from you are born, in school, at university, at work. All activities were linked to the purpose of serving the party. Now, it is different. There is nothing that unite people” (Entrepreneur 3)

“Since the mind of some people is not focused on money, they focus on religion. Rich people don’t have time for that. Since they have money, they can do anything and God is not playing an essential role for them.” (Manager 2)

“There are some people who take religion seriously. They do not drink, do not trick people. It has a positive influence on business. However, there is no such a definition as a clean business. It is almost impossible to avoid dirty deeds.” (Manager 2)
6. Analyze

Analyze is divided in three parts. First part includes analyze and discussion of creativity/entrepreneurship, control and trust. Social-cultural changes in the society and cultural dimensions are used to highlight the perception of creativity/entrepreneurship, control and trust. As a summary of this part, the link between creativity/entrepreneurship, control and trust and social-cultural changes in the society will be highlighted. In the second part the result from the study will be compared to, and hopefully increase an understanding of the challenges that French managers has experienced in Kazakhstan by giving an inside perspective of Kazakhstani managers on their management strategies (Muratbekova & Besseyre, 2000). The third part includes a general discussion about management strategies in transitional economies.

6.1. A close analyze of the dimensions in the context of transitional economy

6.1.1. Creativity/entrepreneurship

Creativity/entrepreneurship as a necessity

During the Soviet time, entrepreneurship and creativity was not encouraged (Muratbekova & Besseyre, 2000): (Kelemen & Kostera, 2002). Therefore people did not feel support for new ideas or creativity in any form. In the 90’s, during the chaotic time, the spontaneous wave of business was developing; people took any possibilities to make money. From the perspective of Wittington (2001) the management strategies changed from deliberate (planned economy) to emergent (an unstable and uncertain economy), more or less in one night.

From the perspective of entrepreneurship, people have to come up with creative solutions in order to keep the economy under control because business environment in transition economies is so unpredictable and changes all the time (Hellman, et al., 2000); (Bill, et al., 2010).

According the interviews; at the beginning of the transition economy restructuring any idea was valuable to try. Creative people had no chance but embrace
opportunities of undeveloped marked and started to earn money, leaving their old workplaces and taking risks. Now, however, 20 years later, the economic situation has become more stable and people try to avoid risks, because now they have more assets to lose. An ideal business and marketing plan seemed to be more necessary now than before, grounding on the interviews. People have seen and felt how it is to lose everything. That is why they try to be more careful. From the cultural perspective this would be described as high degree of uncertainty avoidance is developed in people (Hofstede, et al., 2010).

Creativity/entrepreneurship as a network

Entrepreneurship and creativity was not encouraged and supported during the planned economy (Muratbekova & Besseyre, 2000) (Kelemen & Kostera, 2002). However, empirical data shows that even during the capitalistic restructuring entrepreneurships did not get any support from the government and entrepreneurs had to get support in other ways. The literature highlights that when others see no opportunities; entrepreneurs can use even their weak networks to be creative and innovative. (Maria Bonnafous-Boucher, 2009). Indeed, the importance of network is very high in Kazakhstan. It helped people to get reliable information and help in different ways during the time of restructuring.

Nowadays, when the economy is more or less stabilized, the importance of network still remains in existence affecting social-cultural changes in the society. According to the theory, wealthy families are linked with tight social network (Bocock & Thompson, 1992). According to the study, having good connections means better opportunities to get a better job, a higher position in organization, etc. The fact that big positions are given to relatives highlights the collectivistic orientated society structure (Hofstede, et al., 2010). It leads to unequal division of economic power and opportunities between people creating division in classes and social status in the society (Weber, 1970).

Even though entrepreneurs and other people in Kazakhstan use principle of network widely, network and connections are not always perceived as something positive. The properties that belonged to the country were the “property of the whole people” during the Soviet time. There was no any family, group or person as an owner
People worked for the public wealth (Brenner, 1990). That is why the outcomes of management can be seen as plural during the Soviet time from the perspective of Wittington (2001): people worked for each other and developed economy for the wealth of the whole nation without private interests. This can explain why they all emphasize the importance of taking care of each other, close family and relatives. At the same time it seems to be very important for them to stress that they have achieved goals without any support or a network. People still have kept the idea of equality between people and perceive principle of network and connections, as something negative because it leads to the development of inequality between people. People in Kazakhstan see foreign companies as equal opportunities for young people without networks to develop and grow. That is why it is desirable to work in a foreign company.

However, the negative perception of the network does not mean that people do not use networks. The study shows, that people need each other and they create networks, because people do not get any other support from the government. There are no free organizations helping entrepreneurs. There is not any material support offered by the government. Taxes and interests on loans are high.

**Creativity/entrepreneurship and use of corruption**

In the beginning of capitalist restructuring there were many barriers for entrepreneurs, because though the old system of communism had failed the new system of capitalism was still not recognized. People had to be creative and innovating to lead their business (Bill, et al., 2010): (Kelemen & Kostera, 2002). Since there were no legal regulations, entrepreneurs had to use illegal ways (Kaufmann & Siegelbaum, 1996). That can explain the development of corruption in the country. Existing corruption helped to avoid some regulations and pass by some barriers at that time. It helped entrepreneurs to collect start capital, which in the present time was used in order to start companies in a legal way, when legal ways were established by the government.
6.1.2 Control

Control affects the long vs. short terms visions

According to the study, beginning of the capitalist restructuring made the long-term visions impossible. The change of the regulations in political, juridical and economical system of the country made it hard to make long term plans. In the memories of people, the early 90’s were the time of chaos. Both the government and the people were not ready for capitalism. To be able to adapt to a new system, people had to establish businesses in legal and illegal ways just to survive, because the usually salary of teachers and doctors was even not enough for food. The government desperately tried to recover the control over the situation and put barriers for illegal businesses, but at the same time without offering legal ways of doing business. The time is characterized as a spontaneous wave of business. Countries in transition focused on fulfilling short-term plans, because the juridical policy was so loose in transitional economies (Muratbekova & Besseyre, 2000). People embraced all the chances they were offered. At that time the process was emergent from the perspective of Whittington (2001).

From the Wittington (2001) perspective, twenty years later the process slide back from emergent to deliberate, offering some kind of balance and giving back control of the situation to the people. It seemed like the government could control the organizations again. At the present time, the process is not extreme emergent (Whittington, 2001) anymore as it was in 90’s. However, the fact that the system is still new and the government do not want to lose the control over economy again leads to the circumstance that the rules are still changing and improving, almost every year, which still makes it hard to make long-termed goals. Even though entrepreneurs and young managers seem to understand the importance of long-termed visions and goals, because deliberate process with a long-term plan can help to reach the desired target, (profit or plural targets) it is still hard to have a deliberate process (Whittington, 2001). From the perspective of Wittington (2001) it makes the process more look like emergent in management strategies. However not that much as 20 years ago. From the perspective of Keleman & Kostera (2002) a mixture between long-term visions and short-term vision can be identified in the management strategies embracing the knowledge from the past and present time.
Control - an important part in the social system or manifestation of power?

According to the literature review, in the Western world, control has a meaning of an important part of daily life in the social system (Kelemen & Kostera, 2002). Control is something that people want and accepts in the West, while in the East (post socialist countries) people want to resist and avoid control (Kelemen & Kostera, 2002). For these people control is used to show the power (Kelemen & Kostera, 2002).

This research showed that people in Kazakhstan seem to perceive control in two different ways. Control is perceived as something positive and necessary for the development of the country. However, control is perceived as something negative, since some institutions could abuse their power. From the perspective of Kelemen & Kostera (2002) this fact can indicate on the mixture between western and local knowledge in the perception of trust by local managers.

Indeed, the study showed that some institutions in Kazakhstan use their power to get a bribe in different ways. The only difference is that the illegal system of corruption turned to a legal system. Controlling institutions may ask entrepreneurs for some documents or permissions, which maybe are not always necessary to have. To get these documents can take time and slow down the business. That is why institutions, who ask for documents, also offer easy ways to get the needed papers for payments. The needed signature or document could be fixed directly in the place in exchange for money. Otherwise an entrepreneur could be sent to a private company, who is engaged in this kind of operation. Often private companies who fix the necessary documents belong to relatives of inspectors who work in these institutions.

From the cultural perspective, existence of corruption can be linked to the cultural variable of power distance. The power distance was high in the system of planned economy. Authority belonged just too some few people (Hofstede, et al., 2010). Decisions were not supposed to be made without consulting people with authority. This way of thinking and acting may have influenced the national culture. At the present time people with power are usually older people, who have been abdicated by the Soviet system. Now they may want to remain their power using corruption
not only as a business but also the way to demonstrate who has the power and who can fix things.

This is one way how the power over entrepreneurs is abused. Another way can happen spontaneously. The study shows that it happens that entrepreneurs are not careful enough and overlook a mistake. Entrepreneurs themselves, employees, banks or controlling institutions can make mistakes, which influence companies in the end, and entrepreneurs have to take the consequences. In order to avoid serious consequences entrepreneurs have a chance to bribe an inspector. According to the literature review, tax office, which has a purpose to control, could be rude and aggressive until they were given a bribe (Kelemen & Kostera, 2002). The finding of this research supports the finding of Kelemen & Kostera (2002). Sometimes controlling institutions are threatening entrepreneurs with big fines just to get a bribe. Mistakes that lead to these incidents can be explained by lack of knowledge about the system. Banks can be careless and register a wrong number. Inspectors from controlling institutions can explain the facts to entrepreneurs in a wrong way and missing some details. One or another way it slows down business activities, since any mistake means that bank accounts of the whole organization can be frozen until the incident is clarified, which can take up two months.

The control the government has over organizations in present time is based on the mixture of western and local knowledge. In one hand, firms have freedom. It is easy to start companies. In the other hand, the freedom is delimitated, it is hard to develop a company to a big size.

The last ten years the president started a fight against corruption offering entrepreneurs protection from such individuals and intuitions, who demand money in illegal ways. There is an understanding based on the knowledge of free market economy, that the development of economy of the country lies on entrepreneurs especially in transitional economies (Bill, et al., 2010). Entrepreneurs can come up with creative solutions and keep on the transition (Hellman, et al., 2000). However, corruption still exists in middle scale.

The control that the government has over organizations in present time is based on the mixture of western and local knowledge. In one hand, firms have freedom. It is
easy to start companies. In the other hand, the freedom is delimitated, it is hard to develop a company to a big size. There are many legal and illegal barriers from small to big scales.

**Control stimulates the importance of the network**

The situation irritates entrepreneurs. They know that controlling institutions sometimes act wrong. However for entrepreneurs that is the only one and easiest way to exist. This situation caused by the combination of western and local knowledge (control as an important part of social system, but also as manifestation of power), creates the importance of the private network. Social network is very important in transitional economies (Bocock & Thompson, 1992). Good connections give many opportunities in Kazakhstan. Good job, good salary, avoiding big fines, getting a good spot for a business shop, almost everything can be fixed with the help of the right network. People are not pleased with the situation. It is seemed to be unfair to people without connections. Western companies are more desirable in territory of Kazakhstan because “Foreign companies provide growth of young professionals who can express themselves without any external support (father, mother, uncle or some Agashka)” (Manager 3).

However the importance of the network is accepted and widely used by people. From the perspective of culture, the importance of social highlights the collectivistic orientated society structure (Hofstede, et al., 2010). The culture of Kazakhstani people is collectivistic. The importance of collectivism comes from the Soviet time, when people were supposed to take care of each other. Also the Kazakh culture is based on helping long distance relatives and friends. Refusing to help the one who ask is a bad manner and judged by others, especially when it comes to relatives.

The network is perceived negatively from the perspective of control as from perspective of creativity/entrepreneurship. It stimulates unfair treatment and unequal rights between people.

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7 Agashka (Kazakh) – Uncle or an older man, who is responsible for a person.
Control as subordination

Interviewed owners/entrepreneurs and managers/employees perceive control between organizations and government differently. Entrepreneurs, owners of companies claimed that there was unclearness in rules made by government that could cause many problems. Managers had little information about it or claimed that everything was fine and new rules were clear. It could mean that all information is not widely spread in one organization. That could indicate on hierarchy, where all power, responsibilities and important information are centralized on the director or the owner of the organization (Hofstede, et al., 2010). From the cultural perspective high level of hierarchy is present in the cultures with high degree of power distance (Hofstede, et al., 2010). Building organizations according to the system of high hierarchy is characteristic to the planned economy, where all the power is highly centralized and all the economic activities were under bureaucratic control by national planning office (Peng, 2000). It shows that the system of the past time still exists.

Subordination and control of the employees and acceptance of high degree control over employees is seemed to be natural. According to the literature review, control was closely associated with power and hierarchy (Kelemen & Kostera, 2002). Since the society, from the cultural perspective is based on the high power distance between the elder and the youth, the younger people should not argue with the elders. Respect of elders is high valued in national culture of Kazakhstan. Managers who were interviewed were between 20 and 30 years old considered themselves as young. That can also explain their low desire of delegating their work on others or command over others and their subordination towards the people with higher position.

From the cultural perspective, despite, the centralized power on the owner or a director of an organization, opinions of the collective in the organization was important, and decisions made by collective appeared to be desirable (Hofstede, et al., 2010). It is already been mentioned that the national culture of Kazakhstani people is seen as collectivistic from cultural viewpoint. The principle of taking care of each other in one group is stimulated (Hofstede, et al., 2010). As some interviews
showed, it is seemed to be unwelcomed to command over people and take decisions without taking in account people who are involved in the process.

There is a wish for collectivistic decision making in the management strategies. However, the local knowledge of the system is based on high degree of control and supervision of employees, which is left from the past time. This fact does not leave much space for trust and delegation of responsibilities towards employees. Nowadays, the entrepreneurs do not see the logic in giving responsibilities for decision making to employees without controlling and supervising them, since the entire success and blame for failure of the company lays on the owner in the end of the day. It shows that even if there is a desire to implement western knowledge and minimize hierarchy, the system of high control does not allow it. Therefore from the point of view of Kelemen and Kostera (2002) the local knowledge about the importance of high control should be taking in account at the same time as encouraging a desire of moving towards more western way of supervising employees.

**Control through religion in transitional economy?**

According to some social scientists, religion provides people with support and comfort (Bocock & Thompson, 1992). According to the empirical data, the system of the Soviet time offered people a strong ideology of communistic party, which fulfilled people. Secure and predictable system of planned economy provided people with that support and comfort. That can explain the fact of low value of the religion in the society by that time.

The capitalistic restructuring has created insecurity in the society. According to Bocock & Thompson (1992), religion is what people turn to in order to get the courage in the situations of powerlessness. The research showed that some people turned to religion during the time of uncertainties when the old system failed. Importance of the religion has increased in some parts of Kazakhstan most in small villages, where opportunities for education and business were limited. However, religion does not seem to play an essential role in the daily life of people or in business. There are different reasons why religion did not develop in Kazakhstan.
One of the reasons could be the fact, that with modernization careers, relationships and lifestyle have replaced some of the values (Bocock & Thompson, 1992). The high importance of career, success and social class has replaced the strong ideology of communistic party, leaving little space for religion in social-cultural system.

Second reason could be the circumstance, that there are many different nationalities living in Kazakhstan (Muratbekova & Besseyre, 2000). One of the reasons why religion is no longer the mechanism to build a common identity for people is the multiculturalism (Bocock & Thompson, 1992).

Third reason could be the fact that social classes were divided by level of education and not material wealth during the Soviet time. Education was for free, but at the same time very valued in the society. According to the interviews, the importance of education made people to educate themselves about all religions, which have created a special identity in culture, which was based on general rules of humanity and not a specific religion.

6.1.3 Trust

Trust as a network. Importance of the family and friends

According to the literature review in transitional economies there are different types of trust (Bonker, et al., 2002). Trust can exist between people from the same family and between people who know each other for a long time already (Bonker, et al., 2002). Indeed, the findings of the research support the statement above. There is a link between trust and the network, which can also be explained from the cultural perspective. Culture in Kazakhstan can be characterized as collectivistic, where connection between people or the members of one organization are important (Hofstede, 2001). Empirical data showed that people from the same region or family feel responsibility to help each other, giving them better chances for getting a job or helping in other ways. In collectivistic-orientated societies, people are expected to look after their family or a group they belong to (Hofstede, et al., 2010). The research showed that it is hard to say “no” for a favor to a friend or a family member, which can be explained with the fact that interests of the group are coming before individualistic interests from the cultural perspective (Hofstede, et al., 2010).
Despite the importance of plural outcomes in the society (Whittington, 2001), the government does not invest much in people and social goals. Developing the economy seems to be the priority right now in order to attract foreign investors. This is another reason why networks and principle of favor in relationships between people are important from the perspective of trust. Since government do not take care of people according to the empirical data, people feel responsibility to take care of each other. Refusing to help the one that asked for help can be risky since people depend on each other. This is ones again indicates on collectivistic society in Kazakhstan from the cultural perspective.

However, the importance of relations between people does not always match with desirable profit-maximizing outcomes of firms from the perspective of Wittington (2001). The research highlights the fact that people show more trust to western management strategies since according to them hiring a family member is considered as nepotism and is not desirable (Muratbekova & Besseyre, 2000). However for Kazakhstani managers and entrepreneurs this is not an option, since people do not feel any extra support from the government and feel responsibility to help each other.

**Lack of trust causes corruption**

Trust is one of the most important factors in successful business (Bonker, et al., 2002). The fact that there are many regulations in the country does not leave much space for trust. When there is a lack of trust it could be hard to do business (Bonker, et al., 2002). The research showed that in order to avoid some complications caused by the regulations, people used bribes. The finding of the research is supported by Bonker et al, (2002). They say that the lack of trust brings a lot of extra cost (Bonker, et al., 2002).

Corruption started its growth in the country at the time of capitalistic restructuring, which is supported by Kaufmann & Siegelbaum (1996). Everything was possible with a bribe in the 90’s. The system of corruption replaced the old socialistic system that was gone and the new capitalistic system, which yet was not established. Corruption was spread in the government and among entrepreneurs.
In the present time, even though there is a fight against corruption, the system of corruptions still exists. Corruption is seen as a short way of dealing with problems. However, corruption is perceived as a problem when entrepreneurs are bothered by no reason. Sometimes corruption is used for criminal activities from the controlling institutions and not as a system of saving money and time. In these cases, corruption brings negativity for doing business like extra cost and investments barriers (Kaufmann & Siegelbaum, 1996). It can lead to decrease in trust towards the government and controlling institution.

**Trust in connection with social status**

The transformation of the system from communism to capitalism leads to the change of people way of thinking and act (Peng, 2000). Through interviews it was identified that social status plays an essential role in the society today. Luxury and expensive items can indicate the social status of a person, which could open many doors to success and also create trust between people.

The most attention-grabbing part was the differences in expression of importance of social status between the young and the older generation. Managers, who were younger, told about effects of the social status: better job, many opportunities and importance in the society. Interviewed entrepreneurs who were a bit older tried rather to explain the reasons why social status was important for them, justifying themselves. They said it was needed because social status was one of the marketing channels. They said that buying expensive items could save time since expensive items were linked to better quality.

The difference in expression about the importance of social status could indicate on the change of the way people think caused by transformation of the system from communism to capitalism. For the younger generation, social status based on inequality was something natural. The older generation may still feel that it is a “sin”, because during the communism the capitalistic way of living, “by and sell through private ownership” was considered as a “sin” (Peng, 2000). That can be a reason why the older generation may feel that they need to justify themselves.

According to empirical data they show more trust to people with expensive clothes...
and cars, they accept importance of social status even though it is still may not right according to their mentality and the history of the past.

**Trust as an outcome of changes in values**

According to Kelemen & Kostera (2002), trust is something that exists in the values of managers. The question is, do values and traditions remain despite the reformation of countries or do the values change in tact with the other changes (Kelemen & Kostera, 2002). This research showed that even though the countries transform, the old values could remain. This is an indication of a possible mixture between local and western knowledge caused by the past and present time (Whittington, 2001).

**Towards the new values**

After the collapse of Soviet, jobs, savings and good living conditions were the memory the Soviet time has left. People felt abandoned and trust was the last feeling people had towards the government. The outcome rapidly changed from being plural, serving a country and people to profit maximizing (Whittington, 2001). Now it was about earning money by any means.

During the chaotic time in the 90’s, there were many entrepreneurs who did business in illegal ways, because the capitalist system was not established yet and there were no legal ways. By “illegal” means not only actions that are against the formal rules, established by the government, but also against unwritten rules of social values. According to the empirical data, unwritten rules of social values in transitional economies would mean for example being honest and decent and not being driven by greed. According to Bocock & Thomson (1992), modernisation replaces some of the old values. Kelemen & Kostera (2002) support this statement and mean that further economic development towards free economy depends on change of values, since management is not only economic and money based facts, but also is based on the social and human sciences.

According to empirical data, profit-maximizing outcomes (Whittington, 2001) led to unequal division of possessions and a big gap between social classes and increasing distance power between people (Hofstede, 2001). The differences in
income, security, authority, possibilities, education caused differences in social worth, which created different classes with different social status (Lockwood, 1959).

Entrepreneur 1, who had a lot of experience in doing business with western managers and Manager 2, who had got his business education in US and has a close cooperation with western organizations in the territory of Kazakhstan, mentioned that the credit history of a person and shared business interests are also important factors. Shared interests mean a sort of trust that the partner is not aiming to take advantage of the other but take account of the interest of the partner or the broader society (Kelemen & Kostera, 2002). From the point of view of Kelemen & Kostera (2002) this shows that the Western knowledge is slowly transferred to Kazakhstani management style.

The research showed that people understand that the western knowledge from the perspective of Keleman & Kostera (2002) it is necessary in order to continue the economic development in the country. People seem to have an understanding for their own lack of knowledge about the capitalistic system. They are willing to learn. Some of entrepreneurs mentioned that they were reading a book about the management and try to educate their children abroad so they could bring western knowledge back home.

*Back to old values*

The interesting finding is that trust to foreign companies appeared to be bigger than towards local companies. One of the reasons was the usefulness of connection among foreign companies, which created similar opportunities for people to get a job and treated equal. Entrepreneurs, showed the wish for their children to work in companies ruled by western managers. They believe that people are judged by skills and not by social status and connections they have in foreign companies. In this way they show more trust and assume that corruption and unfair treatment will not influence the success of their children.

None of the interviewed people saw the entrance of foreign companies into the territory of Kazakhstan as a threat of national culture or competition. Opposite,
entrance of foreign companies is seen as one of the ways to transfer the valuable knowledge into Kazakhstan.

The interesting finding is that even though the outcome in management strategies of transitional economies moved from plural to profit maximizing from the perspective of Whittington (2001) and affected social-culture in the society, people still try to keep the old values. Since the society can be characterized as collectivistic from the cultural perspective, it is hard for individuals to have values based on total profit maximizing outcome and ego goals. Social goals are more characteristic to collectivistic society (Hofstede, 1998) Collectivism means that other people of the group should be taking in consideration (Hofstede, et al., 2010). That can explain why the rationality of an entrepreneur is not based only on profit maximizing. According to the empirical data, people still value humanity and criticize money-chasing attitude in others.

The local knowledge, which is left from the past time, is based on the plural outcomes from the perspective of Wittington (2001) and collectivism from the cultural perspective (Hofstede, 1998). People in Kazakhstan connect this local knowledge with social values as honor, decency, openness, cultural and spiritual development. These values in people are an indication on that a person “wasn’t spoiled by capitalism”. According to Kelemen and Kostera (2002) mean that openness and sincerity in communication is based on trust. Indeed, research showed that open and decent people have bigger chances to get success in business. Trust is now connected to personal values of people.

Another finding is that even though nowadays, entrepreneurs and managers in Kazakhstan try to use personal history and credit history of a person as necessity for trust, there is an understanding and respect for the past time. In 90’s, during the capitalist restructuring people had not many choices and did business in legal and illegal ways. That was the only way to survive at that time. Interviewed entrepreneurs mentioned that if a person were smart enough and hardworking, he/she could find the way to do business. Older people who went through this process have an understanding that the history of a person can include some illegal activities, which cannot always be cleaned. This is why the older generation sees personal characteristics as more important factors than history of a person.
From the viewpoint of Whittington (2001), a smooth slide and balance between two outcomes, profit maximizing and plural can be identified in the society from the perspective of trust. Western knowledge about business making and profit maximizing did not change all the values of people (Whittington, 2001). It seems that trust is still connected to the values, which were established by socialism. The balance between profit maximizing and plural outcome indicate on the balance between masculinity and femininity from the cultural perspective (Hofstede, 1998, p. 3). There are ego goals, where success in business and life is important, which is characterized to masculinity. However, social goals and harmony are also high valued.

6.1.4 Summarize. Connecting; creativity/ entrepreneurship, control and trust and social-cultural changes in the context of transitional economy through the time.

There were two phases of transitional economy (in this case Kazakhstan), which influenced management strategies in different ways. The first was the beginning of transition. Time was characterized as chaotic and unpredictable, when values of people changed influencing the way they think and act towards each other. Second phase was the time when economy was more or less stabilized and people got back to the values they had and the management strategies were based on the mixture of the values of present and past time, and mixture of knowledge, ethic and morals from socialism and capitalism from the perspective of Keleman and Kostera (2002).

Phase 1:

Because of instability in the economic situation in the country process changed from deliberate to emergent from the perspective of Whittington (2001). People had to become creative to improve their current economic situation. Creativity, in a bad economic situation of the country and living conditions of people led to development of entrepreneurship; people dared more to take risks to get back the control over their economic situation. The degree of uncertainty avoidance decreases.

The research showed that control over people which government had, decreased significantly because of the capitalist system was new for the government and there still was no existence of right regulations to control economy in the country. As a
consequence, people start to do business in illegal ways because they were still no legal ways to do it.

When significant number of people started to act illegally, the government lost its trust towards people and tried to increase the control by trying to stop illegal activities with different regulations. These regulations slowed down entrepreneurs. To avoid regulations the system of corruption were developed in the country. Corruption leads to importance of the private network and brings the variable as trust on a personal level between people. Collectivism is even more reinforced in the culture since people depend on each other more in instable environment.

Bad economic situation of the country, bad living conditions, profit maximizing outcomes, lack of control and trust cause social-cultural changes. Values of people are not based on plural outcomes anymore, but personal economic stability. This brings to greed, which increase the corruption even more. The fact that people are forced to do business in illegal way, change people and develop characters of dishonesty and indecency in them.

Profit maximizing outcomes in the society and management culture develop division in classes, which are separated by degree of economical wealth, inequality in opportunities and division in sources. This increases power distance between people creating different social classes. Belonging to a special social class increases opportunities and opens many doors. It is sort of marketing for a person. People show the belonging to a special social class by their material success since the ability of buying luxury items indicates on what social status a person have. Aggressive behavior and focus on material success characterized masculine society.

The situation of economic instability and profit maximizing outcomes forced women to the similar labor market as men. Since women were driven by goals as parenting and household, the profit that women made was spent on children and home. Since men were driven by goals as work and being relevant at work, the profit was spent on increasing that relevance. Social life together with colleges was and still is an important part for men. Despite the similar opportunities in the labor market for men and women income were spent with different purpose. That can explain the differences between men and women when they search for business
partners today. A woman value professional interest, when business partner has the same goals as her in business, because social lives with business partners are not important for her. A man value more social interests and therefore personal character of a business partner is more important for men than women in Kazakhstan.

Instable economy and loss of strong ideology of communistic party were replaced by religion in some part of Kazakhstan. The role of religion is increasing in transitional economies. However, if education is high valued in the society of transitional economy as it was in Kazakhstan during the Soviet time, the importance of one religion does not spread among people. People are educated and value all religions similar; creating a general picture of humanity.

Phase 2:

Transitional economy is not a static situation of economy. It is a process where management strategies are open for changes because of the constant slide between profit maximizing and plural outcomes and deliberate and emergent process.

When economy of the country is more or less stabilized values of people slide back to the way it was before. Even though social status and class division is still important in the society, people get back the understanding and values of humanity, decency and honesty and strive for more plural outcomes. They get an understanding of importance of investment in people and education, which they value high. The society cannot be characterized as only masculine, but also feminine, where people are not driven by ego-goals any more but also by social goals. That is why the person who is seen as decent and honest can get more success in business and among people than the person who is driven by only ego-goals.

Since economy is stabilized the process slides back from emergent to deliberate. Creativity is still important as in phase one. However, the creativity has to based not only on the intuition as in phase 1, but also on logic and analyze.

Trust is back on track since the government understands the importance of entrepreneurs for the economy and offers protection from harassment of controlling
institutions and corruption. Trust between people is increasing based on characters and values, which symbolize the past, as honesty, decency and humanity.

Since people and government got back the control over the situation, which they lost in phase 1, there is a fear to lose it again. It increases uncertainty avoidance and result a high degree of control in every sphere (Hofstede, et al., 2010). Government has different ways to control organizations, using sometimes very extreme methods as frizzing their bank accounts because of small mistakes. The consequence is that employer tries to lose the control over employees, controlling every detail of their work. This influence negatively creativeness, self-expression and self-dependence.

People bring back the importance of class division that was characterized to the old times, when differences in people were not measured by economic health, but by availability of education. People with high education were linked to hard people, spiritually and culturally developed people, who were able to behave themselves in the society. People with high education have more opportunities in the society of transitional economy, because they automatically belong to a certain social class.

As the end it is important to add that process of transition is changing. People go back and desperately try to remain the old values, basing their management strategies on them. However, the old values disappear slowly in the business culture because the capitalistic system take more and more space in the society affecting management strategies and making them more and more profit maximizing. That influence how people think and act. The process is not emergent anymore, but sliding slowly back to deliberate, where long-term visions are important.

6.2 Inside perspective of Kazakhstani managers

In order to get a full understanding about management strategies in transitional economies, it is important to highlight differences in perceptions between western managers and local managers about management strategies in transitional economies. Figure 6.1 made by authors of this thesis, illustrates the possible key for understanding the management strategies in transitional economies. Local managers have got experience from the planned economy. Their values based on socialism,
which are important for their management strategies (Kelemen & Kostera, 2002). Western managers from the free market economy have different values and may not have a full understanding for the rationality behind local managers (Peng, 2000). They try to apply the concepts of working that they are used to, concepts that works in the countries in well-established market economy (Ardichvili, 2001). The western managers may forget the uniqueness of transitional economies (Kelemen & Kostera, 2002) and the fact that the process of transition put higher request on managers and their skills and capabilities to run business in the unpredictable environment (Warner, et al., 2005). This fact can lead to misunderstandings and unsuccessful business. When choosing right management strategies it is essential to understand the uniqueness of transitional economies (Peng, 2000). That is why the following text is going to hopefully increase an understanding between the managerial issues that French managers faced in Kazakhstan (Muratbekova & Besseyre, 2000).

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*Figure 6.1 Business culture in transitional economies from two perspectives*
6.2.1 Creativity

According to French managers, people in Kazakhstan have passive behavior and no creativity and need strict regulations (Muratbekova & Besseyre, 2000). The result of this research showed something different. It is not that people have passive behavior and need strict regulations, but rather because of the strict regulations people develop a passive behavior. People know how it was to lose everything and now they try to keep control over the economic situation in the country to avoid an economical crash, which they went through in the 90’s. Therefore there is a high degree of control: government control organizations, employers control their employees. High degree of control is considered as needed to avoid taking unnecessary risks. Creativeness and entrepreneurship is encouraged in organizations. However, people perceive creativeness differently in transitional economies. It should be rational and take in consideration the unpredictable environment and the constant change in the regulations.

There can be also an explanation from the cultural perspective. It is not that people are not creative and have passive behavior. The society in Kazakhstan can be characterized as a society with high power distance, with a special relationship between the elders and the youth. The older generation feels responsible for the youth and tries to take care of them protecting them from taking risks.

Muratbekova & Besseyre (2000) explains the passive behavior of people with a fact that high centralization had such a powerful influence on people. There is still fear to make mistakes, to take initiative especially among older generation (Muratbekova & Besseyre, 2000). The research showed that people possibly are influenced by high centralization and there is still fear to make mistakes among people especially among the older generation. However, it is not characteristic to all people. Many of people took big risks, leaving their jobs and doing illegal businesses, creating opportunities for themselves to improve their personal material conditions during the 90’s. Now, when people are back on the track, they do not want to lose everything again and that is why not want take risks if it is not necessary. Then, taking risks in the country, where regulations change constantly is not easy.
The research of Muratbekova & Besseyre (2000) shown that French managers had really hard to coop with no willingness to take initiatively and responsibility. The research showed that people take responsibilities. They just have different perception about taking responsibilities than it is maybe perceived of western managers. Responsibilities are not linked to initiative taking. Taking responsibilities means doing what people are told to do. Doing something beyond what people are responsible for would mean acting without permission. Permission is important because from the cultural perspective the society is characterized with high degree of power distance. The younger generation has to show respect for the elders. The employees have to show respect to employers. There was a manager who did only what he was responsible for, not because he was not willing to take initiative but because he thought he was too young and inexperienced.

6.2.2 Trust

Another factor that French managers had managerial issues with in Kazakhstan was the concept of people being guilty a priori (Muratbekova & Besseyre, 2000). According to them, there was a constant mistrust and suspicion among Kazakhstani business people (Muratbekova & Besseyre, 2000). It created a need for a constant control of everybody and everything and to be controlled by different institutions (Muratbekova & Besseyre, 2000).

Explanation for this phenomenon could be the fact that people lost all their possession after the fall of Soviet. Money, all the savings they had was nothing worth. This can explain people’s fear of losing everything again. As a consequence people are careful when they do business.

Mistrust and the concept of people being guilty a priori caused the reaction of suspicion. People think “...to themselves: attention, he wants to have us... They always doubt. You have to always create the trust atmosphere (Muratbekova & Besseyre, 2000).” As a result mistrust and suspicion caused lack of notion of service among the Kazakhstani people, as French managers explain it: “People have problems with the smile, they do not understand that with a smile they can achieve much more than with the manner they act (Muratbekova & Besseyre, 2000).”
The finding if the research showed that during the 90’s, when from the perspective of Whittington (2001) the outcomes changed from plural to profit maximizing almost over one night. People needed to abandon their old values and old lifestyle to survive. They had to start with business based on private ownership, which was considered as a “sin” before. Not only that, they had to start with illegal businesses, which were worth. There was an understanding that people were able to anything just to survive, which have led to development of suspicion and mistrust among people.

Lack of notion of service is not only based on the suspicion. During the Soviet time, from the perspective of Whittington (2001) outcomes were plural and not profit maximizing. That is why there was the possibility that there was no understanding of market competition. Now collective ownerships were replaced by private ownerships with market competition (Kelemen & Kostera, 2002). However, the system is still new and people may not get the yet the importance of the notion of service from the competitiveness point of view.

Mistrust lead to a very high importance of network capital. Good relationships with people were important to get a success in the work (Muratbekova & Besseyre, 2000). “Big positions in the administration are always given on the basis of acquaintance: the husband of top manager’s daughter, relatives, friends, etc. (Muratbekova & Besseyre, 2000, p. 13).” Family members take care of each other. It is a question of dignity (Muratbekova & Besseyre, 2000). French managers experienced this factor as a problem while working in Kazakhstan, since hiring a family member is considered as nepotism and is not desirable. French people separate private/ personal network and professional network (Muratbekova & Besseyre, 2000). French managers experienced that people in Kazakhstan treated business partners and customers on the basis of relations (Muratbekova & Besseyre, 2000). According to them, people did not separate private from professional life (Muratbekova & Besseyre, 2000).

The findings of the research showed that personal network is very important from the perspective of trust. From the perspective of Whittington (2001) the society in the planned economy were driven by plural outcomes. That means people worked for the public wealth (Brenner, 1990) during the communism. Since people don’t
get any support from the government now, they depend on each other more. That can be explanation to why people feel responsible for taking care of each other. From the cultural perspective, the society can be with a high level of collectivism (Hofstede, et al., 2010). Nevertheless, it is considered to be more valuable to reach goals without help of the network, since the network only increased inequality between people. That is why it is more desirable to work in foreign companies.

6.2.3 Control

Suspicion and mistrust has a close relationship to control (Muratbekova & Besseyre, 2000). Since the trust was not the priority, people needed to be controlled (Muratbekova & Besseyre, 2000). French managers has experienced that workers has always to be controlled and supervised (Muratbekova & Besseyre, 2000). Not only have that as French managers explained, you always feel (Muratbekova & Besseyre, 2000). There are numerous rules and complicated administrative documentations that exist in the country (Muratbekova & Besseyre, 2000). Everything had to be checked many times (Muratbekova & Besseyre, 2000). For French managers, who are used to another system, it disturbed the effectively of their business activities (Muratbekova & Besseyre, 2000). The degree of dependency of workers on their bosses illustrates the degree of high power distance (Hofstede, et al., 2010).

Mistrust and suspicion could be explained by the lack of the knowledge about the capitalistic system in the country. As it was mentioned in empirical part, bank can make small mistakes and register a wrong number; inspector can explain rules in a wrong way; or employees can count and record some numbers wrong. The consequences of the big and small mistakes are fines and the fact that the bank account can be frozen automatically for approximately two month, stopping all the business activities of a company. Because of the system is not intelligent enough and taking in consideration all the details, there is a need of high level of supervision from the managers and owners of companies, which can be perceived as mistrust and suspicion.
6.3 Management strategies in transitional economies

During the planned economy the goal was to achieve a specific plan, which often were long termed planes (Tung, 1981), where creativity and entrepreneurship were not needed and were not rewarded by extra pay (Tung, 1981). The power was highly centralized and all the economic activities were under bureaucratic control by national planning office (Peng, 2000). Therefore the process was deliberate according to the model above from the perspective of Whittington, 2001).

In the present time, countries in transition focusing on fulfilling short-term plans, because the juridical policy is so loose in transitional economies (Muratbekova & Besseyre, 2000). In this kind of environment entrepreneurs are more valued (Bill, et al., 2010) because they can come up with creative solutions and keep on the transition (Hellman, et al., 2000). Control is moved from the government to private enterprisers because of privatization (Kelemen & Kostera, 2002). So the process from being deliberate is changing towards emergent (Whittington, 2001).

In the past during the planned economy the important outcome was plural. Properties of the state were property of the whole people (Kornai, 1992). The trust had another importance then in comparison to the present time (Muratbekova & Besseyre, 2000).

Nowadays, when the important outcome is profit-maximizing people are afraid to be tricked (Muratbekova & Besseyre, 2000). Trust exists only between people with close relationship (Muratbekova & Besseyre, 2000). Social network is very important in transitional economies (Bocock & Thompson, 1992). Same outcomes changed the social-cultural values (Bocock & Thompson, 1992). Capitalistic system of profit maximizing has changed the way people consume according to the theories (Bocock & Thompson, 1992). Luxury and expensive items are valued more separating people between different social statuses (Campbell, 1987) and classes (Lockwood, 1959).

However, the findings of the research showed that the picture is not constant in transitional economies. Since countries are in transition there are always a constant move, a slide between emergent and deliberate process and plural and profit maximizing outcome (Whittington, 2001).
In the case of Kazakhstan, it was noticed that the process of management strategies could be changed from deliberate to emergent over one night (Whittington, 2001). The change of economic and political situation leads to changes in the society, individuals and their values (Kelemen & Kostera, 2002). That leads to the change of the outcomes in management strategies form plural, social goals, profit maximizing and ego goals (Hofstede, 1998): (Whittington, 2001).

However, when people and the government get back control over the economic situation in the country, they seem to go back to the old values, sliding back from profit-maximizing to plural outcomes in their management strategies (Whittington, 2001). They also try to change the process from emergent back to deliberate, avoiding unnecessary risks (Whittington, 2001).

The change in values of people influence how people think and act (Kelemen & Kostera, 2002). The shake and a big change in economy and a society forever affects peoples mind. What happens is that people desperately try to find a balance between old values from the reality people lived in and new values in the reality they were thrown to, abandoned and had to survive in, to any cost. From now one the economic success of transitional economies and its further evolution depends on the ability of local firms to adapt to the changing environment in order to face all the challenges/ difficulties (Peng, 2000). That leads to a complicated model where managers have to use both local and western knowledge and also take in the consideration the past and the present time in their strategies (Kelemen & Kostera, 2002). Nevertheless, everything is embedded in the culture. Managers try to find a balance between the western knowledge with profit maximizing outcomes and the local knowledge about plural outcomes (Whittington, 2001): (Kelemen & Kostera, 2002). They also try to use the knowledge and experience of the past time and importance of deliberate process and at the same time being able to adapt easily to the present time with emergent process (Kelemen & Kostera, 2002): (Whittington, 2001). Figure 6.2 explains that rationality of managers in transitional economies can vary to what is assumed to be rational by western managers (Peng, 2000). The research shows that, plural outcomes, helping people and other social goals collide with profit maximizing outcomes based on ego goals (Whittington, 2001). The result is that while the political system tries to improve economy in the country,
people get the responsibility of helping each other, since they still have it from the old values.

That affects trust, where people trust more each other than the government. The research also shows that people’s desire for deliberate process in management strategies collides with unpredictable environment of the country, where they have to use rather the emergent process from the Whittington (2001) perspective. That influence perception of control. Control becomes an important part of an unpredictable environment. It seems become very important for managers to have the situation under control, since the system is new and the regulations change every year. Control is used to avoid risks in the present time, since the system is not well established yet and owners of companies have to take full responsibility for the business activities. High level of control increases the need of supervision over employees. This affects the perception of creativeness. Creativeness has to be based on rational idea, which is well analyzed through.

Figure 6.2: Management in transitional economies
7. Conclusion

7.1 Discussion

Entrepreneurship

The beginning of the transition process was characterized as a spontaneous wave of business. From the perspective of Whittington (2001) the process changed from deliberate to emergent in management strategies. Creativity/entrepreneurship was perceived as the only way to survive during the capitalist restructuring, because people lost all their belongings and jobs. However, there were no many ways of doing business in a legal ways yet, but only illegal. Corruption replaced the old system of planned economy, when the new system of free market economy was not established yet. The corruption was not perceived as something negative but rather a system to pass by some barriers and collect start capital, which in the present time were used for opening companies in a legal way.

Creativity/entrepreneurship was driven by profit maximizing outcomes in management strategies during the emergent process (Whittington, 2001) where any resources were important and any ideas were worth trying. The research shows that when economy stabilizes in the country, people, in fear to lose everything again, change the perception of creativity. Entrepreneurship is abased rather on analyzed and rational decisions than spontaneous decisions as before. This gives a change in the management strategies from the emergent to deliberate process from the perspective of Whittington (2001).

Creativity/entrepreneurship stimulated the role of the network in the society. Since there was no support from the government, people used each other’s help.

There is also different perception of what is more important: analyze or intuition for the management strategies. The older entrepreneurs see intuition as an important part in business, when the younger managers see analyze as an essential part.
Control

The emergent process in management strategies in the beginning of restructuring decreased the control. Therefore management’s strategy was based on short termed visions and emergent process. Now, 20 years later, economy of the country can be controlled again, which encourage deliberate process in management strategies from the perspective of Whittington (2001). It is still not possible to have long termed visions though, since the system is still new and many regulations need to be improved every year.

Control has two perceptions. In one hand, it is an important part of the society. In another hand it is a way for some controlling institutions use control as a way for corruption. Some of the corruption methods are even legalized. Entrepreneurs are threatened with big fines just to get a bribe. There is an understanding that entrepreneurs are an essential part of the market economy. However corruption exists in the middle scale, which influences entrepreneurs negatively.

Since there are many legal and illegal barriers controlling business activities, based on lack of the knowledge, it is hard to develop a company to a big size. However, the bigger the company, the more controlled it is by the government. To avoid that, entrepreneurs do not always choose to develop the company to a big size.

Control over organizations by the government can be a pure manifestation of power, which can be avoided by the connections and a right network. The importance of the network can be explained through the cultural perspective, where people, being members of collectivistic society are used to take care of family members.

The uncertain environment and high level of control from the government leads to a high level of control and supervision over employees. From the cultural perspective the elders have responsibility for the youth, and the youth have to show respect for the elders. It increases the unequal division in control, which is perceived as natural in relationship between the older and the younger generation.
Trust

The degree of trust towards the government has increased and decreased over the time. Since there were no support from the government during the restructuring, trust were based more on personal relationships, where social network played an essential role for management strategies. Relations between people were and still are based on the principle of favor, where it is hard to say no to a favor.

Lack of trust towards organizations causes more regulations from the government. Corruption in this case is used to avoid regulations that are created because of lack of the trust. Corruption is seen as a short way of dealing with problems.

There is different perception what should be taking in account when looking for business partners from the perspective of trust among managers and entrepreneurs. The history of a person is important for the younger managers who have experiences in working with western managers. However, people know that the history cannot be perfect. The older generation of entrepreneurs who did business in illegal ways sees personal characters, honesty and openness as the factors for trust.

From the perspective of Wittington (2001), values of people have changed towards profit maximizing outcomes and ego goals, because of the capitalist system has replaced socialism. Profit maximizing outcomes and the importance of the social network increased unequal division of possessions and power in the society, creating a gap between different social classes. Social status is perceived differently from the younger generation and the older generation. For the younger generation, a difference in social status is something natural, which gives many opportunities in life. The older generation, who were raised in the society with plural goals from the perspective of Wittington (2001), tries to justify themselves when accepting inequality in social statuses. For the older entrepreneurs, high social status is seen as a marketing channel for their companies or connected to high quality of life, which seems to be important.

Stabilized situation in transitional economy brings people back to their old values based on the socialism with plural outcomes in management strategies from the point view of Wittington (2001). Equality between people, openness, honesty and decency are more valued now than social status and material wealth. That leads to
the fact that trust towards foreign companies is bigger, since they offer equal opportunities for people. Since support, which connected to the network is linked to unequal division between people; it is more valuable to achieve goals without any support. Even though social network is perceived negatively, it is hard to avoid it, since the government does not invest in social goals, focusing to a big scale on the development of economy.

Religion plays no roll or a little roll in transitional economies. Findings of the research showed several reasons for that fact. First, the importance of education was high in the past since social classes were divided in work class and intelligentsia. It could have created an identity based on humanity and not on religion. Second, the existence of multiculturalism in the country could have affected the fact that religion was not the mechanism for building common identity. Third, the strong ideology of communism has been replaced by the importance of career and social status in the modern society, without leaving a space for religion.

7.2 Theoretical and managerial implications

7.2.1 Theoretical implications

Based on the study we would like to argue that managers from free market economy and local managers could perceive management strategies in transitional economies differently. The study gives a deeper understanding that entrepreneurs of transitional economy have a higher demand.

Foreign managers have for the most times strategies based on profit-maximizing outcomes, while managers in transitional are also influenced by the values of the socialism with plural outcomes from the perspective of Wittington (2001). Local managers have to take in account both the past and the present time. The values of people seem to be changing towards the western knowledge; however there is still a desire to keep the old values based on the local knowledge (Kelemen & Kostera, 2002).
7.2.2 Managerial implications

In order to increase creativity and initiative taking spirit, it could help to decrease the control, since control limits self-expression (Kelemen & Kostera, 2002). Listening to employees may also increase the willingness to take initiatives, since one of the entrepreneurs said that “they talk, when you listen to them”.

It is important to understand that it takes time to create trust between people. People are fear to lose their possessions again. Understanding this fact can help to create the right strategies for trust building as inviting for dinners and telling in details about the advantages that they can get of the partnership.

It is important to understand the uniqueness in the relationship between the elders and the youth. The elders are expected to take care of the youth, while the youth has to respect the decisions of the elder. This fact can influence business. Giving the youth more freedom, they would feel more responsibility.

Since there were many people doing business in illegal ways in 90’s, and because there is still allot of corruption in the country people may still remain the habit of doing business in illegal way. That is why it can be inappropriate to ask about the details of someone business activities, since there may or be honest answers anyway. While doing this research, people asked several times to be sure if their names and names of the company would be published.

Based on the study, honesty, openness and decency seem to be the most important factors when doing business with Kazakhstani managers.

When doing business in Kazakhstan, there should be an understanding that the new system is long from the perfection. It improves every year. It will still take a long time. The mistakes, caused by the system are not anybody’s fault. That is why all the responsibilities to control everything lay on the owner or a director of the company.

7.3 Limitations

There were some challenges faced during the research. First, people had fear of the information they gave publicly released. Even though they were assured that they
were guaranteed anonymity, they showed some of the interviewed people required to change the industry in the context. That was the reason why industry was not taking in consideration during analyze. Because of the fear, there is a risk that some of the important information didn’t come out or were missed during the conversations.

Second, the difference was identified in the way of thinking among the younger generation, caused by the place of education. One of the Kazakhstani managers studied and lived in US and had a significant difference in the perception what was and wasn’t rational. The conversation with him was based on the comparison between business culture in USA and Kazakhstan. The conversations with other people were based on the local knowledge with some limited experience about rationality of foreign management strategy. This factor was hard to take in account in analyzes, since the researches of the thesis were careful with generalizing the facts that came only from one person. However, the information was considered as important, since it increased the variety in perspectives.

7.4 Suggestions for future research

“Legal” companies

Surprising information came out from the research. Even though both people and the government understand the importance of the entrepreneurs for the growth of the economy of the country, some controlling institutions slow down the business activities of entrepreneurs. The surprising part is that they act separate formal organizations. There are registered private companies who can fix almost any signature or any document that controlling institutions require from entrepreneurs. Usually these companies are registered on the name of some relative of the person who works in controlling institution. Using services of these companies saves a lot of time and money, since fixing all the files by your own takes month affecting all business activities negatively. Yes, it is smooth way to save time and money. However, the controlling institutions require documents or permissions that maybe not necessary to have, just to make business out of it. Since the purpose of the work was not to focus on this phenomenon, not many information about it were collected. However, this “legal” companies influence the process of transition. It would be
interesting to do a research, identifying the problem and see if it is characterized to all the countries of transitional economy or only few and why so.

**The ways to improve capitalist system in transitional economies**

The facts that quality of education has decreased notably forces more and more people send their children to study abroad. Students, future managers bring back home not only the knowledge but also new visions and new way of thinking that has been transferred to the abroad. That influences the social-cultural values in the society, which also influence management strategies of future Kazakhstani managers. Transitional economy is a process. The factor that has been described above can lead the process of transition to an interesting direction. It would be interesting to increase an understanding about the process of knowledge transferring, what challenges can be faced in the process and the outcomes of the process. If the outcomes are positive, it would be interesting to know how different interests groups, such as government, people or other organizations could increase the speed of the process of the knowledge transition. If outcomes are negatives, then increase the knowledge of how to slow down this process.
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Appendix

The interview questions

Introduction questions

1. Can you describe the company your work in?
2. Please describe your position in the company?
3. If owner, what were the reasons behind the start-up of the business?
4. What is the so attractive, special in the organisation you work in?
5. How long have you been working in the organisation?
6. How does your usual workday look like?
7. How fast is company growing?
8. How many employees does company have?
9. If owner, have you tried to start up other companies before?
10. Would you describe the business environment us unpredictable or stable?
11. If unpredictable, Can you please give some examples from your experience?
12. If stable, what do you mean by stable?
   Can you give some examples, please?

1. Control

1.1 What does control mean for you? Would you please describe it related to your organisation? Why?
1.2 In what ways do you feel that government control your organisation? Why?
1.3 How frequently does the financial/ tax rules change?
1.4 Do you get informed about new rules that relating to the organisation?
   How do you get to know about new rules?
1.5 How clear the rules that comes from government?
   Have you experienced troubles because of unclear rules or unclear communication to you about new rules?
   What were the consequences?
1.6 What punishment can an organisation get by not following the rules made by government? Why?
1.7 Is there ways to avoid punishment? Why?
1.8 Are relationships with right people help to avoid punishment? How?
1.9 What do you think about the corruption in the country?
   How was it 20-10 years ago in comparison to know?
1.10 Who is in charge of administrative decisions in the organisation?
   To what extend the employees can make decisions?
   How would you explain why it is so?
1.11 Do you feel that you can delegate your responsibilities to other people in the organisation?
   Why do you feel that way?
1.12 Do you feel you need to control your workers?
   How do you do that?
   What tools do you use to punish them if they don’t fulfil their responsibilities?
   Is there a way for them to avoid punishment after they made something wrong?

2. Trust

2.1 Who is person(s) you asking for advice before you make any decision relating to the business?
   Why?
   Has it always been that way?
2.2 Do you feel you have responsibility for your employees? Why?
2.3 How often do you feel you employees need to be supervised?
   Can you give examples why?
   How was it 20 to 10 years ago?
2.4 How do you usually find customer/ business partners/ suppliers?
2.5 What factors are important when you are looking for a business partner? Why?
   How do you create trust between you and your business partners?
2.6 What factors are important when you are looking for a supplier? Why?
   How do you know that you can trust a supplier?
2.7 How would you describe the existents of trust in relationships between organisations and government in Kazakhstan? Why?
2.8 What is your opinion about foreign companies entering Kazakhstan? Why?
2.9 What is the difference between trust and control for you? Why?

3 Creativity

3.1 How easy or hard is it to start a new company in Kazakhstan?
   How was it 20-10 years ago in comparison to now?

3.2 How much support do you think is there for entrepreneurs in Kazakhstan?

3.3 Are there help-organisations or other kind of help for people who want to start up companies?
   Did you ever have experience of these organisations/help?
   How much help did you get?

3.4 How much support did you feel from the environment around you when you started up your business? (if owner)

3.5 From who?

3.6 Who do you feel most support from in your daily life? Why?

3.7 What factors do you need help/support within your business? Why?
   Do you get that support?
   From who?

3.8 Are you focusing on rather long-term or short-term goals when taking decisions?
   Why is it so in your opinion?

3.9 What is more important to you: to come up with new ideas all the time or to work with already established business idea?
   Why is it so in your opinion?

3.10 How important is it to follow the feeling when you make a decision in the business?

3.11 How often employees come to you with new ideas?

3.12 What kinds of ideas are more welcomed? Why?

3.13 What other sources do you use for new ideas? (universities, family, friends, co-workers, business-partners, employees)

4 Social-cultural changes

4.1 What is your goal when working hard today in comparison with 20 to 10 years ago?
4.2 Describe please your values in life?
   Do you feel that you have kept the Soviet way of thinking and Soviet values?
   How was it 20 to 10 years ago?

4.3 How important is social status in Kazakhstan?

4.4 Why?

4.5 Does religion play an important role in your daily life? Why?
   Can you please give examples (if yes?)
   How was it 20-10 years ago in comparison to now?

4.6 Does your religion somehow play a role in your work? How?
   Can you please give examples (if yes?)

**Final questions**

1. “Did you ever experience doing business with western managers? Have you noticed any differences in the way of doing business? Please give examples from you experience!”

2. What would you advise to Western managers to know about Kazakhstani management strategies way of doing business before they come to Kazakhstan?

3. Do you have anything else to add that is important in your opinion?
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Lnu.se
Linnaeus University
SE-391 82 Kalmar/SE-351 95 Växjö
Telephone +46 772-28 80 00