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**Development of entrepreneurship education in Kazakhstan: the  
need for government regulation**

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# **DEVELOPMENT OF ENTREPRENEURSHIP EDUCATION IN KAZAKHSTAN: THE NEED FOR GOVERNMENT REGULATION**

## **Abstract**

The paper presents the analysis of the current situation in entrepreneurship education in Kazakhstan that revealed the existence of significant gaps. Based on research findings as well as previous studies, the authors highlight the need to re-consider the public policy in entrepreneurship and to government regulation in this relatively new field.

The study recommends approach based on Network Governance to ensure favorable conditions for building an effective entrepreneurial eco-system in the country. Implementation of principles of Network Governance is intended to bring together all stakeholders, including state and local government, education, business and civil society to develop a comprehensive system of entrepreneurship education.

**Key words:** Entrepreneurship, education, public policy, government, network governance, business.

## **Introduction**

For any modern economy to function effectively and competitively, government needs to ensure that there is strong educational system enable to produce highly skilled and entrepreneurial workforce. While education has always been the key to developing human capital, the entrepreneurship is considered as a driving force for economic growth. It is entrepreneurship education that produces business and industry leaders, develops small and medium enterprises that significantly contribute to economic development.

In OECD countries entrepreneurship education is considered an important field that affects both an economy and well-being of society. Relevance of entrepreneurship education to the needs of business is one of the indicators of the competitiveness of education system and the economy as a whole. In many advanced economies government and business along with education system see joint responsibility in the development of entrepreneurial skills.

Universities, colleges and business schools have close relationship with industry and government. Cooperation of education institutions with business and government creates an entrepreneurial eco-system and leads to innovations and development. In Kazakhstan, such a close relationship is absent, although some initiatives and attempts have been taken to develop partnerships with business sector and education. Entrepreneurship education is a relatively new field in Kazakhstan and the Central Asian region in the whole. Therefore, regulations and administrative systems surrounding business and entrepreneurship education are currently in the development stage. This paper focuses on the entrepreneurship education and the need of government regulation to ensure proper legislation and supportive environment for this emerging field.

Although many publications addressed challenges in entrepreneurship and business education (Etzkowitz, 2000, Mintsberg, 2004; Kuratko 2005, Matlay, 2009; Higgins, 2011; Martin, 2013; Huub, 2015, Yevenko, 2004; Mordovin, 2010; Kozhakhmetov, 2011, Mason, 2014; Fuerlinger, 2015, Ha, 2016), relatively little research has addressed mechanisms of regulations entrepreneurship education, particularly with respect to Kazakhstan.

The paper primarily seeks to address the following set of questions. First, what is the current state of entrepreneurship education in Kazakhstan? What is the role of government in developing and fostering entrepreneurship education? What are the main challenges in governance and regulation of entrepreneurship education? Second, why partnership between education providers, business and government have disappointed results? To what extent the business education outcomes meet the labour market needs in Kazakhstan? How existing obstacles and constraining factors correlate with government regulation?

Within the framework of the questions mentioned above, this study will investigate the possibilities of introduction the principles of Network Governance in creation the platform for policy makers, academia and business to join their efforts in developing entrepreneurial skills and eliminating the existing discrepancy between education outcomes and job market needs.

The primary message of this paper is that government has to play a crucial role in the development of entrepreneurship education by providing a proper legislation support and motivating business and education institutions to consolidate their efforts in training entrepreneurial skills to accelerate economic growth. It is extremely important for both business and education to realize their responsibility in achieving the common socially significant goal.

Methodologically, this paper builds on previously published studies on business education and entrepreneurship development, legislative documents, national and international reports on Kazakhstan. The paper also utilizes the results of survey (questionnaires) of 50 college graduates, 50 university graduates, as well as the results of extensive interviews (involving semi-structured questions) with deans of business schools in 3 Kazakhstani universities as well as 5 directors of local companies and 5 managers of SME (business owners).

The paper comprises five sections: (1) Literature review, (2) Overview of the current situation in entrepreneurship education in Kazakhstan, (3) Research findings, (4) Discussion and (5) Conclusion.

## **1. Literature Review**

A review of literature reveals that in recent years the topics related to entrepreneurship education, public policy on entrepreneurship, and the development of entrepreneurship ecosystem have been highlighted by numerous scholars (Etzkowitz 2000; Audretsch et al. 2002; Gilbert et al. 2004; Kuratko 2005; Baumol et al. 2007; Acs and Szerb 2007; Sobel et al. 2008; Minniti 2008; Carvalho 2010; Varblane 2010; Isenberg 2011; Estrin 2011; Friedman 2011; Mason 2014; Thai 2014; Taylor, 2014, Fuerlinger et al. 2015; Khaleghifar et.al. 2015; Terjesen 2015; Rampersad 2016; Brylina et al. 2017; Belitski 2017, etc.). It should be noted that overwhelming majority of these research publications pertain to western scholars. As mentioned in introduction, of the small amount of work on entrepreneurship education in developing countries, a little research has addressed challenges in Central Asian countries including Kazakhstan.

The thorough analysis of research publications reveals that the role of government in the entrepreneurship ecosystem is crucial especially in providing supportive environment for the development of entrepreneurial culture and new venture creation. However, Rampersad (2016) argues that “the current literature focuses mainly on business stakeholders rather than the wider variety of players from government and university who also play a critical role” (Rampersad, 2016).

Today many scholars see the government as an essential entrepreneurial agent especially when it comes to innovation and resources. As an example, “many ecosystems and regions, such as Silicon Valley, have strongly benefited by this active role of the state. Most of the innovations that laid the basis for the iPhone of Apple were funded by state money” (Fuerlinger 2015).

Gilbert argues that “public policy towards business is undergoing a profound shift. Specifically, a new set of policies designed to promote entrepreneurial activity has come to the forefront that focuses on enabling the start-up and viability of entrepreneurial firms rather than constraining existing enterprises” (Gilbert 2004).

Entrepreneurship policy is defined as measures undertaken to stimulate entrepreneurship in a region or country (Terjesen 2015). It is worth to note that entrepreneurship policy has become the central in government strategies all over the world. Fostering entrepreneurship is not only the case for developing and the less developed countries. In 2013 European Commission adopted the Entrepreneurship 2020 Action Plan to revolutionize the culture of entrepreneurship in the European Union. It aims “to ease the creation of new businesses and to create a much more supportive environment for existing entrepreneurs to thrive and grow” (EC Action Plan 2013). The main objective of the European Commission is “to promote entrepreneurship education and stress its importance at all levels from primary school to university and beyond” (EC 2013).

Among the three areas for immediate intervention identified by the Entrepreneurship 2020 Action Plan there are: 1) entrepreneurial education and training to support growth and

business creation; 2) removing existing administrative barriers and supporting entrepreneurs in crucial phases of the business lifecycle, and 3) reigniting the culture of entrepreneurship in Europe and nurturing the new generation of entrepreneurs (EC Action Plan 2013). Hence, entrepreneurship education continues to be an important strategic objective in Europe.

According to this strategic document, the key issues and challenges for entrepreneurship education in the EU: good strategy at policy level; training of teachers, and assessment of entrepreneurial skills learnt by young people (EC 2013). It is obvious that all three issues directly refer to public policy and entrepreneurship education.

In many scholarly works entrepreneurship is defined from different perspectives. Therefore there is no single and commonly accepted definition for this term. Prochazkova (2015) argues that the first usage of the concept of entrepreneurship and entrepreneur pertains to Richard Cantillon (1755) who defined an entrepreneur as a self-employed person. The Cantillon's definition has been further developed by Joseph Schumpeter, Frank Knight, Peter Drucker, Gartner and other researchers. Schumpeter (1934) described entrepreneurship as "an essential ingredient for a creative destruction" (Schumpeter, 1934). Drucker (1985) called entrepreneurship an "innovative act, which includes endowing existing resources for new wealth-producing capacity" (Drucker, 1985) Gartner (1990) described entrepreneurship phenomenon as the "creation of a new organization" (Gartner, 1990).

Later, many other scholars have defined entrepreneurship in terms of "which the entrepreneur is and what does he (she) do" (Shane, Venkataraman, 2000). Carnier (1996) expanded the role of entrepreneurship stating that entrepreneurship is not only about creation new organization; new business approaches are applicable for established companies as well.

Kiesner (2010) emphasized that entrepreneurship and entrepreneur is "a path out of the world's economic troubles and chaos (Kiesner, 2010).

European Commission defines entrepreneurship as "the most powerful driver of economic growth in economic history" (EC 2013). The Global Entrepreneurship Monitor,

represented by Amorós and Bosma (2016) perceives entrepreneurship as a highly-developed system influenced by business environment conditions and the activities of various entities such as entrepreneurs themselves, policy makers, public and non-public institution representatives, and society. OECD (2014), among other relative studies, defines entrepreneurship as a source of innovation and growth thanks to several indicators of performance (OECD report, 2014).

Entrepreneurship is also often perceived as a “heart” of sustainable, organic growth for the most developed as well as for the transitioning and developing economies” (Carayannis and Maximilian von Zedtwitz, 2005).

Entrepreneurship as a phenomenon appeared much earlier than the concept of entrepreneurship education. Kuratko (2005) argues that despite some scholars link entrepreneurship education with the Harvard courses taught in 1947, “the reality of entrepreneurship education as a force in business schools began in the early 1970s” when University of Southern California launched the first MBA with concentration in Entrepreneurship in 1971 (Kuratko 2005). Aldrich Howard (2012) argues that the entrepreneurship as a specific area was separated from Management field by Carl Vesperam as a result of his study on cataloging University programs for business education (Howard, 2012).

There was a myth that entrepreneurship is a natural gift; people are born with certain traits and an entrepreneurial drive. In response to that, Peter Drucker wrote “The entrepreneurial mystique? It’s not magic, it’s not mysterious, and it has nothing to do with the genes. It’s a discipline. And, like any discipline, it can be learned” (Drucker 1985). In his study about the phenomenon of entrepreneur Gartner (1985) assumed that “entrepreneurial talents can be “matured-up” by postnatal education since an individual’s personality and ability can be uniquely developed according to the context of his or her education and willpower” (Gartner, 1985).

Later in 1997, Gorman (1997) noted “most of the empirical studies surveyed indicated that entrepreneurship can be taught or at least encouraged by entrepreneurship education”

(Gorman et al, 1997). Hence, an “entrepreneurial perspective” can be developed in individuals (Kuratko (2005). At present, it is recognized by majority of scholars that entrepreneurship can and should be taught. There is the evidence that “highly educated entrepreneurs experience higher growth levels and survival rates” (Ellis et al., 2004).

European Commission identifies entrepreneurship education as education that “prepares people to be responsible and enterprising individuals. It helps people develop the skills, knowledge, and attitudes necessary to achieve the goals they set out for themselves. Evidence also shows that people with entrepreneurial education are more employable” (EC 2013).

Kuratko (2005) mentioned that entrepreneurship activities at universities should pay attention to three main areas: entrepreneurship education, entrepreneurship research and cooperation with entrepreneurs. In his study, Liñán (2004) suggested four different types of entrepreneurship education: 1) education for awareness, 2) education for start-up, 3) entrepreneurial dynamism, and (4) continuing education for existing entrepreneurs (Liñán, 2004).

There are a large number of publications that discuss issues related to the curriculum and methodology of entrepreneurship education. Some scholars suggest that entrepreneurship education needs new approaches to teaching (Hwang et al, 2008). Chairam et al (2009) argued for the need “to move away from traditional passive learning styles towards more ‘constructionist perspectives’ that focus on entrepreneur’s ‘centered learning’. In other words, learning through experience and reflection should have greater priority than the methods and teaching styles that have been traditionally employed in the past” (Chairam et al, 2009). Munoz (2008) suggests that “passive learning methods will ultimately not develop critical thinking and communications skills that are a pre-requisite for success, not just in entrepreneurship, but also in the wider business world” (Munoz et al, 2008).

It is widely recognized that entrepreneurship benefits not only to business but also to other actors of network (Acs, Rampersad, 2009). Review of international research publications



suggests that for entrepreneurship education it is critically important to have an effective entrepreneurial ecosystem where government plays a crucial role along with higher education, business and civil society. Entrepreneurial ecosystem is defined as "dynamic, institutionally embedded interaction between entrepreneurial attitudes, abilities and aspirations, by individuals which drives the allocation of resources through the creation and operation of new ventures" (Rampersad, 2009).

Alghamdi (2011), Plewa (2012), Rampersad (2009) argued that entrepreneurial outcomes depend on the effective governance (Rampersad, 2009). Government plays an essential role in promoting entrepreneurship. The positive impact of good governance and public entrepreneurship policy on the development of an economy has been highlighted by numerous scholars (Ha, T.T. et.al. 2016; Rampersad 2016, Fuerlinger et.al.2015; Acs and Szerb 2007; Baumol et al. 2007; Gilbert et al. 2004; Audretsch et al. 2002). "The challenge facing the governance of these ecosystems is due to the diversity of actors involved in the innovation process, with their varied goals from education and research in universities to profit maximization in business (Fradley, 2012; Troshani, 2011). Hence, there is a need to develop the effective mechanisms of governance to manage interactions between the network actors (Corsaro et al., 2012). Aarikka-Stenroos (2014) argues "that a holistic understanding involving the examination of all involved actors' perspectives on networks for commercialization is often missing, so researchers should investigate the perspectives of divergent network actors" (Aarikka-Stenroos et al., 2014). While government is recognized a key actor that plays an essential role in ensuring proper legislation and promoting entrepreneurship, "a broad search of the literature reveals that the fundamental and general question of how, and if, governments are able to influence positively entrepreneurial activity is far from being resolved" (Minniti, 2008). Thai and Turkina (2014) argued that studies on governance and the impact of governance on the entrepreneurship development are limited (Thai, et al, 2014). Therefore more studies are needed in this field.

## **Overview of the current situation in entrepreneurship education in Kazakhstan**

Nowadays, the role of entrepreneurship education has been steadily increasing along with the entrepreneurial activity and the growing influence of human capital. In recent years entrepreneurship climate in Kazakhstan has been positively evaluated. According to the Global Competitiveness Report (2016-2017), Kazakhstan improves its position to rank 53 this year (out of 138). Global Entrepreneurship Monitor 2016-2017 (GEM) on Kazakhstan demonstrates satisfactory results in such settings as the status of entrepreneurs in society (9th of 61), the job expectation (10th of 60), the level of entrepreneurial activity (34<sup>th</sup> of 64) and the choice of entrepreneurship as a good career (10th place out of 61). The level of early-stage entrepreneurial activity in the country is 10,2% which is comparatively a good indicator (GEM report, 2016). According to the World Bank Doing Business Report, Kazakhstan climbed 16 positions since 2015, reaching 35th place in the ranking of the ease of doing business among 190 countries (Doing Business, 2017).

These positive changes would not have been possible without the development of entrepreneurship education which is comparatively a new field for the country. It is worth to note that business education in post-soviet countries like Kazakhstan appeared only in the 90s of the XX century. That was due to the transition from the planned to the market economy after collapse of the Soviet Union. It took time to change peoples' mindset and eradicate the negative image of an entrepreneur (during soviet time the words "business" and "entrepreneur" were associated with speculation and usury). According to GEM experts, now Kazakhstani people perceive an entrepreneur as successful businessman who makes a significant contribution to the economic and social development of the country. Entrepreneurship is increasingly seen by young people as a worthy career choice. Almost half of Kazakhstan's population has intentions to start business (GEM report, 2016).

Today entrepreneurship programs in Kazakhstan are provided by vocational colleges, economic universities, business schools, DAMU Entrepreneurship Development Fund, private

training companies and entrepreneurship development centers that offer short-term business courses. Starting from 2016, the National Chamber of Entrepreneurs offers entrepreneurship training program “Business Bastau” and “Business Kasip” to foster new business creation. Within the framework of the Business Road Map 2020, two projects "Business Advisor" and "Business Growth" have been developed to train people in business fundamentals. Apart from this, the National Chamber of Entrepreneurs (NCE) implements the online training project "Atameken Business Academy". In addition, the methodological center for training business trainers has been established under support of NCE (Atameken report, 2016).

Thus, there is a clear recognition of the importance of entrepreneurship by Kazakhstan government. The Nation Plan “100 steps for the five institutional reforms” suggests comprehensive development of entrepreneurship and expansion of employment along with the comprehensive transformation of public administration (Nation plan 2015).

In the President's address to the people of Kazakhstan "The third modernization of Kazakhstan: global competitiveness," modernization of the labour market has been identified as one of the main priority objectives (Nazarbayev, 2016). In 2017, for the purpose to ensure productive employment and improvement of the labor market, the government launched “The program of productive employment and mass entrepreneurship”. The program suggests creating an effective system of training professional skills demanded by labour market and the development of mass entrepreneurship. Among the 10 steps of entrepreneurship development announced by the National chamber of entrepreneurs, the 2nd step suggests the mass training of people in the basics of business that implies the development of entrepreneurship education (Program, 2017).

Thus, along with recognition of the importance of entrepreneurship there is a clear understanding of the need in entrepreneurship education. As an evidence of the recent developments in this field, Association of Entrepreneurship Education has been created under support of the National Chamber of Entrepreneurs in March 2017. For the moment, 20

Universities from different regions of Kazakhstan joined the Association. The main purpose of the union is to foster entrepreneurship education through the development of effective partnerships with policy makers and business sector (Atameken, 2017).

Despite some improvements of business climate, the analysis of the current situation in entrepreneurship education in Kazakhstan revealed the existence of significant gaps. Educational programs on entrepreneurship are taught fragmentary. There is no integrated approach to the development of cohesive educational program from the primary and secondary schools to postgraduate institutions. Training of business fundamentals within the projects "Business Advisor" and "Business Growth" lasts only 2-5 days depending on topics. This format does not seem effective taking into account the unprepared audience especially in rural places.

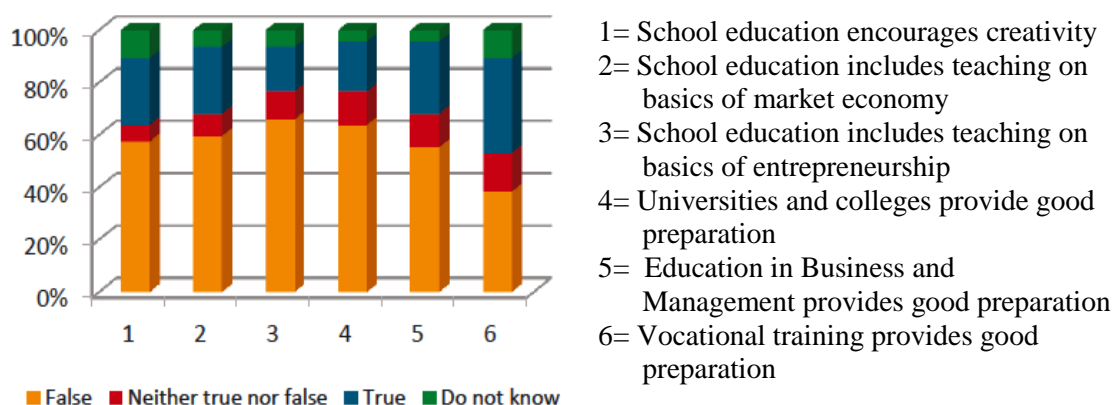
According to the National Report of the Global Entrepreneurship Monitor, entrepreneurial education at the school level (primary and secondary schools) as well as in colleges and universities is not sufficient. Criticism was directed mainly at "teaching economic principles, fostering entrepreneurial traits, focusing on new and growing firms in the curricular and preparing for entrepreneurship as a career" (GEM National report 2016).

**Table 1. Kazakhstan experts' assessment on entrepreneurial education and training** (source: based on GEM National report (2016))

<b>Assessment criteria</b>	<b>Average scores</b>	<b>Standard Deviations</b>
Teaching in primary and secondary education encourages creativity, self-sufficiency, and personal initiative	3.81	2.61
Teaching in primary and secondary education provides adequate instruction in market economic principles	3.64	2.64
Teaching in primary and secondary education provides adequate attention to entrepreneurship and new firm creation	3.09	2.46
Colleges and Universities provide good and adequate preparation for starting up and growing new firms	3.56	2.44
The level of business and management education provide good and adequate preparation for starting up and growing new firms	4.49	2.05
The vocational, professional, and continuing education systems provide good and adequate preparation for starting up and growing new firms	4.88	2.32

In contrast to primary, secondary and high education, the situation in vocational schools (professional and technical colleges) was positively evaluated by experts. This is mostly because of the recent developments in VET system: professional and technical colleges implement dual

education program under support of Kasipkor Holding; colleges work on new professional standards that have been developed together with the employers.



**Figure 1. Evaluation of education.** Source: GEM National report (2016)

Among the all educational levels higher education plays the most important role since it is directly linked to research and innovation that is essential for start-ups and new business creation. The analysis of the state standard study plans in higher education reveals that “Entrepreneurship” has been taught as a compulsory course only in economic faculties on undergraduate level (Standard plan, 2016). None of universities teach the courses on new venture creation except few business schools that offer the course within their MBA program. It is worth to note that there is no major in Entrepreneurship; the state Classifier of majors in higher and postgraduate education does not contain Entrepreneurship in the approved list of specialties. The course “Entrepreneurship” has been embedded into the study plan of Economics specialty. Thus, it is considered only as a part of Economics.

Professional standards in higher education are still in the development process. So far, there is no accreditation agency that specifically focuses on evaluation of business education including entrepreneurship programs. It can be argued that there is no proper policy towards development of entrepreneurship education on higher education level. Meanwhile, higher education institutions in OECD countries “have an important role in the improvement of entrepreneurship, being part of an entrepreneurial ecosystem with business and government” (OECD report, 2016).

As mentioned before, the business education sector in Kazakhstan is still in the formation process. Among the most recognized local business education providers one can note Almaty Management University, Graduate school of business at Nazarbayev University, Narxoz University, KIMEP, University of International Business (UIB). It should be noted that 80% of business schools and private training companies are located in Almaty and Astana. Few business schools have representative offices in Aktobe, Pavlodar, Shymkent, Atyrau (Monobayeva, 2014). Thus, the rest of regions experience shortage in entrepreneurship/business education.

Results of the recent research demonstrate that colleges, business schools and universities have weak and fragmented links with companies and business structures. It is for this reason entrepreneurship education is not aligned with the job market needs. According to the Report of the Atameken National Chamber of Entrepreneurs (2016), the existing system of training and assessment of personnel does not provide local market with the appropriate specialists. The research on formation of the “regional entrepreneurship development maps” conducted by Atameken union among 6250 entrepreneurs showed that 50% of respondents often have difficulties with the recruiting the right specialists. 41% pointed out that none of education institutions in their region train the needed specialists. As a result, 59% out of all respondents indicated the need to re-train the hired staff. Thus, it is obvious that the problem with human resources still remains important (Atameken report, 2016).

### **Research findings (on education)**

With the purpose to study the quality of entrepreneurship programs, as a part of the study, 50 graduates of colleges and 50 graduates of economic specialties of universities, 3 deans of business schools as well as 5 directors and 5 business owners have been surveyed and interviewed. Questions have been related to the extent of satisfaction with the acquired entrepreneurial skills, partnership relations and regulation issues.

Among the survey participants there were graduates of Economic College as well as graduates of Bachelor's degree program from Narxoz University, University of International

Business and Almaty Management University. More than 50% of the completed questionnaires have been received from the graduates of Narxoz University.

In terms of gender, 58% of the respondents were female; 41% - male.

Results of the study revealed the existence of some contradictions and discrepancy. Thus, the data on the one hand positively characterize the training system in colleges and universities: 78% of the graduates surveyed positively assessed their study. According to the data given by deans, 95% of graduates find jobs after graduation. However, only 45% of employed graduates confirmed that the knowledge and skills obtained in college/university came useful at work. 36% indicated that obtained knowledge and skills partially came useful at work.

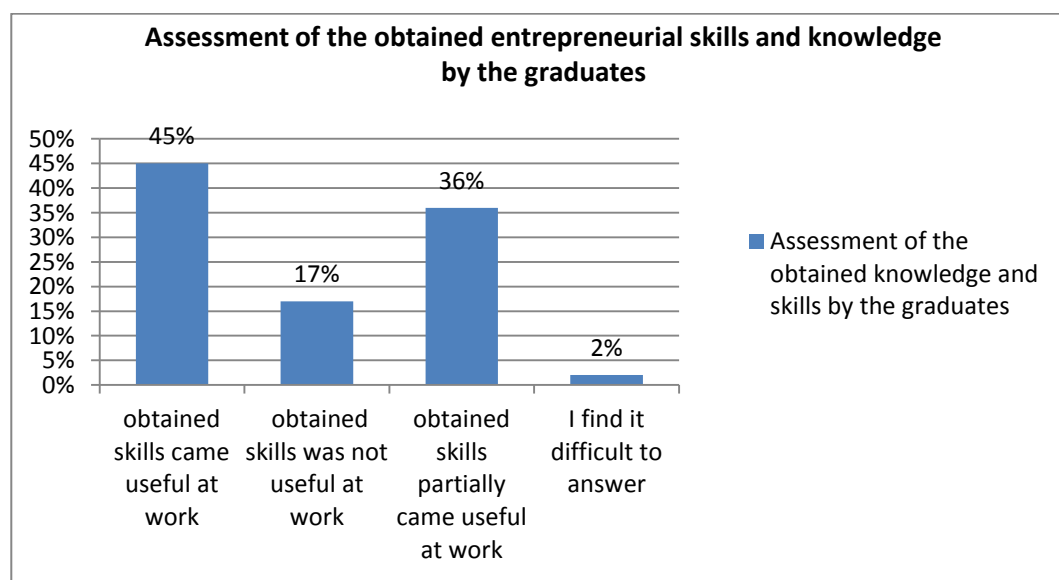


Figure 2. Assessment of the obtained knowledge and skills by the graduates

It should be noted that in comparison with college graduates, not all University students after graduation find a job in the field of study. Concerning student practical work, only 28% of respondents positively assessed internships within their study at universities; many students left questions on internship without any answer.

Table 2. Assessment of internship (practical work) by university graduates

#	The statement	Fully agree	Agree	Disagree	Completely disagree	Other (please indicate)

1	The internship (practical work) has made it possible to successfully apply the acquired theoretical knowledge in practice	-	32%	25%	10%	-
2	I have checked my professional competences during the practical work and found them sufficient	-	28%	25%	10%	-
4	The internship in the company provided an opportunity to collect the relevant data for my diploma project	5%	15%	42%	-	3%
5	The internship confirmed the right choice of profession	-	20%	18%	-	-
6	I got the job opportunity	-	15%	35%	-	-
7	There was a good and friendly atmosphere during the practical work	-	35%	38%	-	5%
8	The supervisor was very helpful during the internship	5%	15%	22%	30%	-
9	There was no discipline, students were left to themselves	-	35%	20%	-	-
10	In general, I positively evaluate the internship in company	5%	20%	38%	-	-

Thus, there is a need to develop new approaches to both organization and evaluation of student internships (practical work) in companies.

The answers to the question “Would you like to become an entrepreneur?” showed that at the time of filling out the questionnaire 12% of respondents were already entrepreneurs. One of the main trends that have been revealed by the survey is a very high level of interest and the willingness to develop entrepreneurship: 69% of respondents indicated that they would like to become an entrepreneur at some stage of their career.

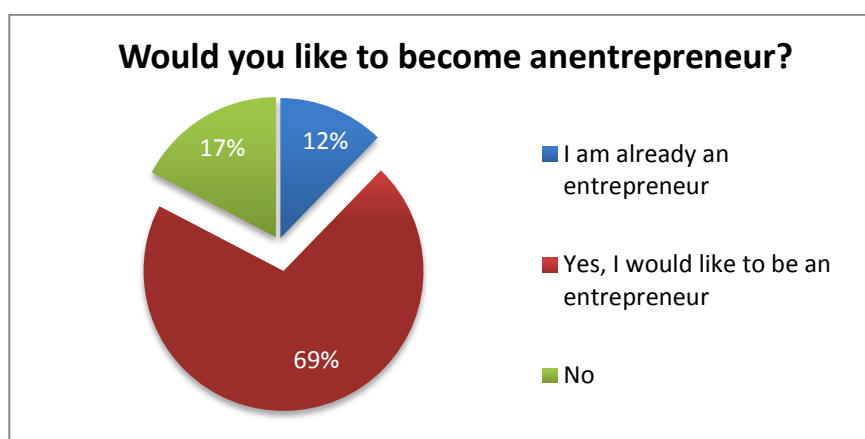


Figure 3. Planning of entrepreneurial career

The results of interviews with company executives showed that employers are often not satisfied with the knowledge and skills of university graduates, so they prefer to hire persons



who have the practical work experience. Otherwise they have to re-train the university graduates. Hence, the student learning outcomes are not aligned with the job market needs. In accordance with OECD report on Higher education in Kazakhstan (2017), “policy makers do not yet know whether graduate supply is well-aligned to labour market demand – these data do not yet exist” (OECD report, 2017).

Cooperation between the companies and universities has been differently evaluated by university deans and top managers of companies. While in some cases universities are satisfied with the development of corporate links, the companies express concern about the efficiency of collaboration that is mostly provided through student internships. Thus, universities and companies have weak and fragmented relations.

University deans pointed out the challenges in delivering business programs within the framework of existing legislation. The current state standards for higher and postgraduate education focus mostly on scientific and pedagogical field. A little attention is paid to business and entrepreneurship programs. University deans argue that this is because of a lack of the holistic concept of entrepreneurship education and the imperfection of legislation in this area. It is also for this reason that partnership relations between academia and business are weak and not effective. This fact suggests the need to re-consider the approaches to developing proper legislation in higher education.

Despite most employers expressed dissatisfaction with university collaboration, the results of interviews revealed that there is a full understanding of the need for strengthening partnership relations both with educational providers and the state. All of the executives surveyed agreed that the professional programs and curricular should be assessed by the experts - practitioners in order to comply with the job market needs. Employers are ready to participate in advisory councils for quality assessment in education institutions as well as in the development of professional standards and competencies if there are the motivation incentives. So far, they do not have enough motivation to do that.

Research findings demonstrate that both business and academia have clear understanding of the need to create strong partnership relations in order to improve entrepreneurship education.

According to the answers given to the question “What are the main factors that constrain the development of entrepreneurship education?” most respondents indicated insufficient funding, inadequate legislation in business education and a lack of government support. It is obvious that in this situation entrepreneurship education needs government support. As Ishina (2001) argued, "in the production of a socially important goods such as education, market mechanisms have a limited capacity, and the crucial role is played by the state (government)" (Ishina, 2001). Underestimating the importance of government regulation of entrepreneurship education entail serious consequences and may pose a threat to the national economy.

### **Research findings (on public policy)**

Kazakhstan government fully recognizes the importance of entrepreneurship. Development of entrepreneurship is one of the main priorities of the current state policy. As mentioned in the previous sections, the Nation Plan “100 steps for the five institutional reforms” suggests comprehensive development of entrepreneurship (National Plan, 2016). One of the last initiatives of the government was the launch of the Program of productive employment and mass entrepreneurship (2017). Hence, it is critical to develop entrepreneurship education to produce relevant skills to the economy and the society.

Despite some improvements of business climate during recent years, analysis of the current situation, conducted by the expert team for the Global Entrepreneurship Monitor report, revealed significant gaps in government entrepreneurship policy. Thus, according to the National Report for Global Entrepreneurship Monitor (2016), “the experts were mostly negative in assessing the difficulty of dealing with government regulations, red tape and licensing requirements for new and growing firms” (GEM National report, 2016). Experts indicated a low support of entrepreneurship at the local level in comparison with the support on national level. They were also critical of the “time it takes new and growing firms to obtain permits and

licenses, and attention to new firms in such concrete matters as public procurement” (GEM National report, 2016).

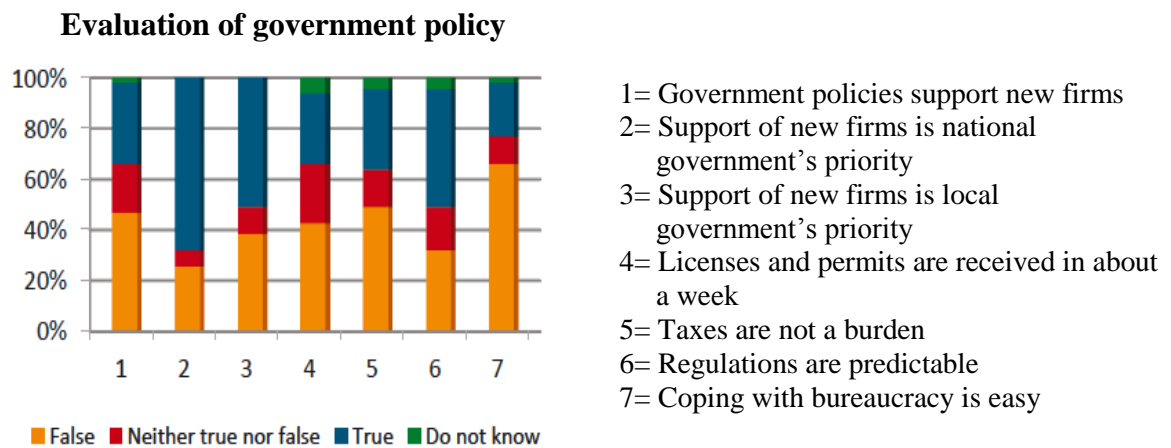


Figure 4. Evaluation of government policy. Source: GEM National report (2016)

It is obvious that the urgent measures have to be undertaken to reduce red tape and to improve government regulations. It is also important to provide support of new firms on the local level and eliminate bureaucracy.

Results of the evaluation of governmental programs for entrepreneurs showed that most experts positively note the number of government programs for entrepreneurs. At the same time, they were critical of such programs' effectiveness (GEM National report, 2016).

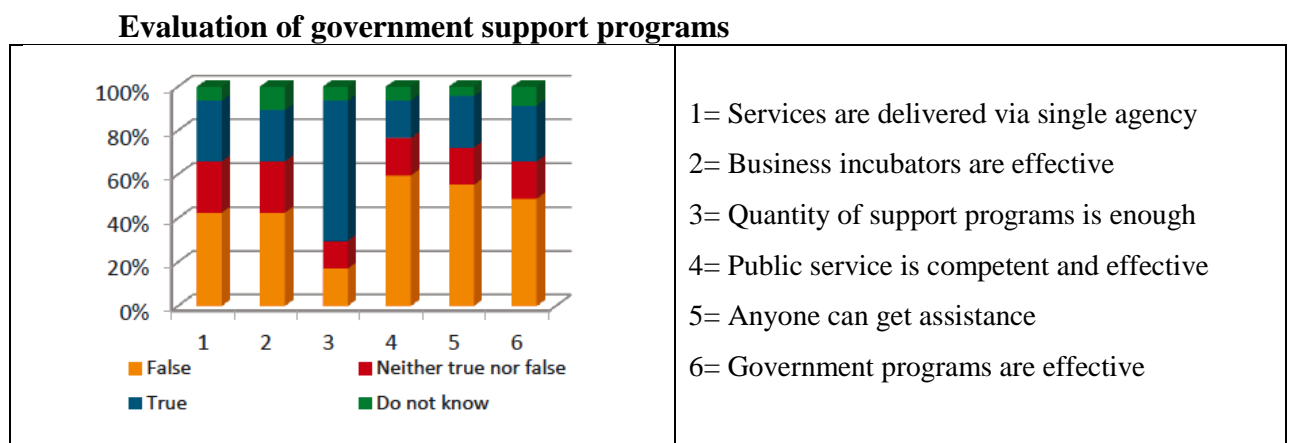


Figure 5. Evaluation of government support programs. Source: GEM National report (2016)

To ensure the effectiveness of governmental programs it is necessary to re-consider approaches to coordination and assessment of the programs targeting new and growing firms, as well as to provide more support for both established and growing firms. It should be noted that

“most experts were skeptical about the competency level and efficiency of government agencies’ staff members and the ability of any nascent entrepreneur to get support from government programs” (GEM National report, 2016). Therefore, it is critical to create ways to assess the competence and effectiveness of government agencies’ staff members.

Insufficient government policy unfavorably affects the entrepreneurship development.

To date, the lack of the relevant entrepreneurial skills affects creating and sustaining new businesses. The existing statistical data shows that the survival rate of newly established SMEs is quite low. For example, the number of registered legal entities in Kazakhstan on 01.01.2016 was 360287 (enterprises of various sizes and forms of ownership), number of operating entities – 191520 companies (53.2 per cent). Thus, half of the registered businesses cease to function (Steblyakova, 2017). This corresponds to some extent to the statement of Roomi, et al. (2009) who argued that in life-cycle approach “growth is a very complex process and is just as likely in mature firms as in new firms” (Roomi, et al. 2009). In fact, many new SMEs in Kazakhstan do not move from the early growth phase to the next stages. It is unsurprisingly that 75.4% of Kazakhstan’s respondents of Global Entrepreneurship Monitor report fear of failure. Thus, three quarters of the working population who wish to start a business, do not do that because of the fear of failure in future endeavors (GEM 2016).

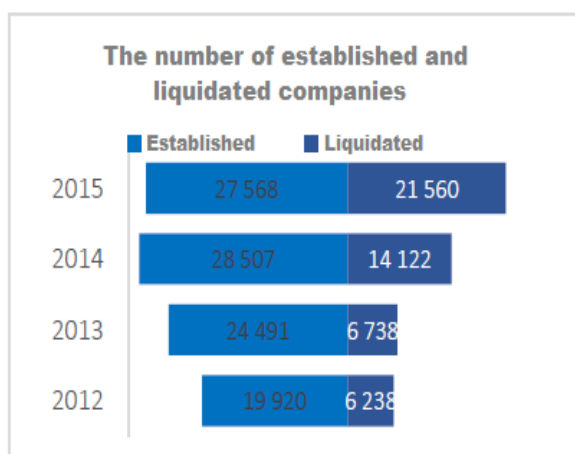


Figure 6. The number of establishes and liquidated companies.  
Source: Atameken report, 2016



Figure 7. The number of registered companies  
Source: Atameken report, 2016

Research findings and experts' report suggests taking the urgent measures to improve situation with the state entrepreneurship policy. Thus, results of the study revealed the existence of significant gaps in government regulation that affects education outcomes and insufficient cooperation between education providers and business. Research findings identified the need for developing the concept of entrepreneurship education in Kazakhstan, as well as for bringing together government, business and educational institutions to ensure that entrepreneurial programs and student learning outcomes meet the requirements of labor market. In other words, there is a need to re-consider the public policy in entrepreneurship education.

### **Discussion**

Kazakhstan government fully recognizes the importance of entrepreneurship. Development of entrepreneurship is one of the main priorities of the current state policy. As mentioned in the previous sections, the Nation Plan "100 steps for the five institutional reforms" suggests comprehensive development of entrepreneurship (National Plan, 2016). One of the last initiatives of the government was the launch of the Program of productive employment and mass entrepreneurship (2017). Entrepreneurship is considered to be a driving force in the achieving the goal to become one of the 30 most developed economies by 2050. To reach this goal, the country needs to achieve OECD standards. One of the key indicators is the achievement of 50% of the share of small and medium enterprises (SMEs) in GDP by 2050 (the current indicator is 26,2%). Labour productivity of employee has to be increased more than 2 times (Atameken report 2016). It is obvious that in order to achieve these goals the country needs entrepreneurial skills. Hence, the development of entrepreneurship education is crucial.

As noted in previous sections, entrepreneurship education in Kazakhstan is currently in the development stage. There is no holistic approach to the development of cohesive educational program on Entrepreneurship. It is resulted in the lack of entrepreneurship schools, departments and chairs. Meanwhile, the Summary Report on Entrepreneurship in emerging economies (2002) suggests:

Schools of entrepreneurship are urgently needed; they should be established and organized as areas of knowledge, the same way as there are schools or institutes of finance, marketing, and so on. The existence of such schools would give academic legitimacy to this new field of study—ENTREPRENEURSHIP—and would be the source of information and education for future graduates. In addition to teaching and research, these schools would be in charge of promoting a business culture within the university and of making good use of the university's abundant scientific-technical knowledge for the creation of new enterprises (Kontis, 2002).

We can argue that it is critical to develop a comprehensive system of entrepreneurship education. New approaches toward entrepreneurship education should be developed by the Ministry of education and science together with the newly established Association of Entrepreneurship education. It is important to involve business community in curriculum development, to bring entrepreneurs to the classroom to talk about their experiences, to develop new courses and to do research in this field. It is also important “to prepare for entrepreneurship early on starting with primary school. Moreover, entrepreneurial education should be coordinated so that students would be able to gain knowledge about entrepreneurship and introduction to entrepreneurial activities in a step-by-step way, with emphasis placed both on entrepreneurship theory and practice” (GEM National report, 2016).

Despite some improvements of business climate during the last years, still much has to be done by the government. As Hada (2014) noted, “from hand holding to monetary support, a lot of measures need to be taken by the regulators to encourage Entrepreneurship” (Hada, 2014). Among the possible measures, first of all, it is important to create an entrepreneurial ecosystem where government plays an essential role along with education and industrial sector (.....).

Some scholars argue that creating entrepreneurial ecosystem brings challenges for policy-makers (Mason, 2016). According to Fiona Murray, there are two logical approaches to create an entrepreneurship ecosystem: the governmental logic that suggests “special inputs such as technology parks and innovation centers to promote the development of the ecosystem, and the logic entirely based on the people and their personal networks” (Regalado 2013). Thus, the

government has to find the right balance to support an environment for both high growth firms and small businesses (Fuerlinger, 2015).

Mason (2016) argues that “entrepreneurial ecosystems are based on pre-existing assets and not just a tool for high-tech industries. Traditional industries like food and drink, energy, logistics, water industry, manufacturing all provide the platform to create dynamic, high-value added entrepreneurial ecosystems. (Mason, 2016). In the context of Kazakhstan, it can be argued that the government contributes to the creation of pre-conditions for the emergence of entrepreneurial ecosystems. The recent initiatives mentioned in the previous section might be considered as prerequisite for the entrepreneurial ecosystems.

It is critical that state entrepreneurial policies have to be reviewed over time. The western experience shows that as the ecosystem evolves, the degree of government intervention changes. “For example, at the emergence stage the emphasis may need to be on supporting the start-up processes, but as the ecosystem matures the need to help firms with organizational development, human capital development, internationalization support and access to growth capital will increase” (Mason, 2014). Otherwise, the lack of government support may cause the negative results. Perhaps for this reason, many established companies in Kazakhstan do not move from the early growth phase to the next stages.

As Fuerlinger (2015) argues, “despite being increasingly central to modern business, entrepreneurship ecosystems are yet not well understood” (Fuerlinger, 2015). This assumption can be applied to the current situation in Kazakhstan.

In our opinion, the challenges that government faces in the entrepreneurship development have been caused mainly by insufficient governance and the lack of proper interactions of all actors such as business, education, civil society and the government.

The analysis of the existing publications on entrepreneurship and entrepreneurial education in OECD countries shows that the public entrepreneurship policy in most advance economies is based on the principles of New Public Management and Good Governance. Barry

(2011) argues that Good Governance fosters entrepreneurship (Barry, 2011). Because the most common form of governance is networks, Good Governance is often called as Network Governance. The concept of Network governance suggests a shift from the vertical (hierarchical) governance schemes to the horizontal ones. It also suggests close partnership and interaction between state and local government, business and non-government organizations, education provider and civil society. Strategic management of the network is based on the principle of co-participation and the teamwork activities.

In the context of introduction of concepts of New Public Management and Governance within the framework of administrative reform in Kazakhstan, it becomes possible to develop a conceptual model of government regulation of entrepreneurship education based on principles of Network governance. Networks and partnerships enable entrepreneurial actors to interact more efficiently. The use of partnership principles enables each party to effectively use the available resources, and to strengthen positions of all stakeholders. As Benson-Rea (2000) argues, “the major objective in forming networks is access to resources and cost minimization hence growth enhancement” (Benson-Rea, 2000). The need in Network Governance is caused by such factors as limited budgetary funds for implementation of social projects and programs, the consequences of devaluation, the need to attract extra-budgetary sources of funding, and to provide motivational incentives for private sector. In the same vain Taylor (2004) has argued “Encouraging entrepreneurship networks dedicated to inclusive entrepreneurship and promoting entrepreneurship as a mean of self-employment and employment, could lead to more rapidly "exit the crisis" and regional economies recovery” (Taylor, 2004).

The characteristics of network and partnership suggest that government (public sector authority) is not a dominant party but an equal partner in achieving common socially significant goals. Usually government and business are considered the main two parties in any partnerships. However, taking into account the key role of universities as the main instrument of government policy in the field of education, and a society as the major consumer of business education



services, it is reasonable to include these categories into the major actors of entrepreneurship network. Networks and partnerships provide effective ways for support, further research and developments, and to involvement of employers into education process.

Ha T.T. et al (2016) argues that at the macro level, it is important for policy makers to ensure supportive environment and create proper conditions for entrepreneurs to set up new businesses. Therefore, “being knowledgeable of institutional hindrances to business start-up can help them not only understand the current situation, but also come up with policy measures in order to keep their countries’ entrepreneurship development on the right track” (Ha, et al, 2016). In this regard, some researchers argue that “governance plays a critical role in making that happen” (Bjørnskov, 2008; Friedman, 2011). Governments can take a variety of actions in favor of entrepreneurial activities by increasing quality of governance. In building sustainable ecosystem the effective network governance is critical to ensure the proper interactions of all entrepreneurial actors.

### **Conclusion**

Findings of the research suggest that entrepreneurship education in Kazakhstan needs government support. To eliminate the existing gaps and overcome the challenges, it is critical to develop a conceptual model of government regulation of entrepreneurship education.

This study recommends approach based on Network Governance. Implementation of principles of Network Governance is intended to bring together all stakeholders, including state and local government, education and business, to create an effective entrepreneurial eco-system. Entrepreneurship education is essential to economic growth. Therefore, it can be argued that the development and improvement of this sector serves the national interests and economic security. Problems in entrepreneurship education require in-depth study and theoretical comprehension. The study calls for further research to identify relevant management strategies that can be applied in government regulation.

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