

INNOVATIVE STARTUPS AS A FACTOR IN THE DEVELOPMENT OF THE IMAGE OF THE COUNTRY OF THE REPUBLIC OF KAZAKHSTAN

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| Asemgul GUSMANOVA | <i>doctoral candidate, Department of International relations of the ENU name for L.N.Gumylev, Nur-Sultan, Kazakhstan, assem_gus89@mail.ru</i> |
| Aigerim TURKHANOVA* | <i>candidate of political science, associate professor of the Department of International relations of the ENU name for L.N.Gumylev, Nur-Sultan, Kazakhstan, sajasata@mail.ru</i> |
| Ainur ISAYEVA | <i>candidate of history science, associate professor of the Department of International relations of the ENU name for L.N.Gumylev, Nur-Sultan, Kazakhstan, ainurissayeva79@mail.ru</i> |

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Abstract. Country image is considered as one of the important factors in the development of the state. The development of effective mechanisms for the development of the country's image is relevant, since Kazakhstan adheres to the principles of investment attractiveness. Innovative business startups improve the country's image and economic development of the state are gaining great popularity in the world. The study of startups and their role as a factor in the development of the country's image will make it possible to identify and develop the necessary recommendations for government agencies to improve the conditions for their viability. The article carried out a retrospective analysis of startups and their role in the development of the country's image of Kazakhstan.

Keywords: startup, country image, innovation, brand, politic, business.

JEL codes: H1, H4

Аңдатпа. Елдің имиджі мемлекет дамуының маңызды факторларының бірі ретінде қарастырылады. Мемлекеттің имиджі оның туристер мен әлеуетті инвесторлар үшін тартымдылығын анықтайды. Қазақстан инвестициялық тартымдылық қағидаттарын ұстанатындықтан, елдің имиджін дамытудың тиімді тетіктерін әзірлеу өзекті мәселе болып табылады. Бүгінгі таңда ел имиджін арттырып, мемлекеттің экономикалық дамуын арттыра алатын инновациялық өнімдер ұсына алатын жаңа бизнес бастаулар әлемде үлкен танымалдылыққа ие болуда. Стартаптарды және олардың ел имиджін дамыту факторы ретіндегі рөлін зерделеу, стартаптардың ел имиджін дамытудағы рөлін айқындайды және мемлекеттік органдарға олардың даму жағдайын жақсарту бойынша қажетті ұсыныстарды талап етеді. Мақалада инновациялық стартаптарға және олардың Қазақстанның ел имиджін дамытудағы рөліне ретроспективті талдау жасалды.

Түйін сөздер: стартап, елдік имидж, инновация, саясат, бизнес.

JEL кодтар: H1, H4

Аннотация. Страновой имидж рассматривается как один из важных факторов в развитии государства. Разработка эффективных механизмов для развития странового имиджа является актуальной, так как Казахстан придерживается принципов инвестиционной привлекательности. На сегодняшний день большую популярность в мире завоевывают инновационные бизнес-стартапы, которые предлагают продукты способные повысить страновой имидж и экономическое развитие государства. Исследование стартапов и их роли как фактора в развитии странового имиджа позволит определить и разработать необходимые рекомендации государственным органам для улучшения условий их жизнеспособности. В статье был проведен ретроспективный анализ стартапов и их роли в развитии странового имиджа Казахстана.

Ключевые слова: стартап, страновой имидж, инновации, политика, бизнес.

JEL коды: H1, H4

Introduction

Today, in the time of technology and innovative development we often hear and meet the products of new phenomenon such as

startups, business ecosystems, innovative business projects. The terms "innovation" and "entrepreneur" are often interchangeable with terms such as invention

* Corresponding author: A.Turkhanova, sajasata@mail.ru

and small business owners, but are more commonly known as "startups". The term startup appeared in the United States in the late 1970s and became popular around the world in the late 1990s (*John, Edmund, 1989*). A startup is a new company with high or early growth potential that develops and uses new technology. In general, this means that in order for a company to have the potential to grow it needs to use new technologies and business approaches. For example is the "Internet" which since the 1990s has contributed to the rapid development of technological capabilities, which today has become an integral part of our lives. These types of startups became known as Internet startups or more broadly technology startups, so the term "startup" is still generally referred to as a "technology startup."

Startups are often associated with the rise of Silicon Valley. The term "silicon valley" was first used in 1971 in the journal *Electronic News*, referring mainly to companies in the field of semiconductors (for which silicon was the main ingredient) (*Delendik, 2009*). The formation and global recognition of Silicon Valley began in 1951 with the creation of Stanford Industrial Park, part of Stanford University. This historic event the concentration of new companies around Stanford University, has had a major impact on the technological development of the world since the 1970s.

Internet and other modern technologies has opened up great opportunities for rapid growth for businesses and companies. The rapid development of the Internet since the introduction of the first web browser in 1994 is the latest manifestation of the so-called "Internet of Things". In 1990, more than 1 million people connected to the Internet. In 1995, this figure increased to 50 million. By 2021, the Internet will reach 7.8 billion users, or 100% of the world's population (*Roth, Romeo, 1992*). However, today the startup phenomenon is not limited to Silicon Valley or the United States, it has become a global phenomenon with growth centers around the world, the largest of which are London, Singapore, Beijing, Tokyo. Many developing countries have startup centers, active incubators and accelerators, which create favorable conditions for the development of new types of business ideas. Along with the countries of

Central Asia, Kazakhstan was one of the first to apply this development trend.

Since gaining independence, Kazakhstan has worked hard to create and develop an investment climate, which in turn has contributed to the comprehensive implementation of innovative business ideas. The latest trends in production and IT technologies require their own rules on a daily basis on international platforms and our country will not by pass these changes, which are reflected in many government programs and documents. One of them is N.A. Nazarbayev's "Nation Plan - 100 concrete steps to implement five institutional reforms" (*Jenes, 2005*). This plan is a response to global internal challenges and joining the ranks of 30 developed countries in the new historical context. That is the strategy of the country - is the comprehensive development of domestic clusters, their steady entry into the international arena. And one of these clusters is the development of the business environment.

The second key program of the state is the map of industrialization. The main tool for the implementation of the card are startups, businessmen, investors, and the main engine - support for innovation. This program allows to solve two tasks: the technological development of traditional industries and the writing of new programs based on the economy, that is a new approach to knowledge in the economy. Within the framework of the project conditions are created to attract a large number of people, including large investors, in order to attract the attention of the international community to our country. The main goal is to create a startup moving the world scale.

As we know, 2019 is declared as the year of youth in Kazakhstan, in terms of comprehensive support for youth policy. The government adopted a "road map", which included a program for the development of youth entrepreneurship, support for young families, employment, education and affordable housing. As part of the program, foreign mentors were invited to hold events for young entrepreneurs, grants were allocated for innovative startups and advanced training courses were organized.

The development of business depends on the ecosystem of innovative business let's consider what conceptual framework

includes this ecosystem. The business and startup ecosystem consists of a group of people, startups and related organizations that work as a system to create and scale new startups. Startup ecosystems are often concentrated and formed on the site of the university and on the territory of technology companies or organizations. This ecosystem brings together key entrepreneurs and stakeholders seeking enterprise development including new entrepreneurs, mentors, incubators, talent sources from universities and corporations, investors and support services. Continuing to study the ecosystem of business and innovation, today in Kazakhstan such organizations as the IT laboratory "Astana hub", JSC "Astana Innovations", JSC "Qaztech Ventures", "Nuris" are promoting this niche. Business incubators and accelerators are being established on the basis of many universities in the country. As part of the implementation of the National Plan "100 steps to implement five institutional reforms" on the initiative of Nursultan Nazarbayev, for the first time in Kazakhstan, the International Financial Center "Astana" (IFC) was established. The AIFC is the largest international center for the promotion and creation of financial services, as well as a platform for supporting startup projects in the field of IT and financial technology Fintech Hub (*Uruzbayeva et. al., 2021*).

In general, the direction of state policy is to consider the business ecosystem as an object for the development of the image and branding of the country. Country image is a general form of consumer perception of goods from a particular country based on the perception of the strengths and weaknesses of the production and marketing of the country (*Grossman, Helpman, 1994*). The image of the country can be characterized as a combination of goods, brands, large companies. It is formed on the basis of experience and opinions about a nation or country, primarily information received through various channels. Such channels can be the economy, politics, cultural component of the country (*Lewis, 2004*). The international community is especially interested in the domestic political and economic achievements of the country. This means that a strong domestic policy will strengthen the country's external image.

Every startup company improves its

brand and image from the very beginning. Their rapid development is closely linked with the development of the creative environment and business image. And the success of the personal image increases the prestige of economic policy (*Blockab, et. al., 2019*). Branding is a targeted marketing activity aimed at identifying long-term consumer preferences for a product. It is implemented in the process of developing and implementing marketing communications. The main purpose of branding is to convey to the audience the essence of the proposal under the brand name and to form a positive attitude to the brand (*Larson, 2015*).

Methods and materials

The article uses analytical methods such as document, statistical, comparative, content analysis. The authors used a representative method of analysis.

The authors made an analysis of the documents of the program "Plan of the Nation - 100 Concrete Steps for the Implementation of Five Institutional Reforms" adopted by N.A. Nazarbayev, map of industrialization and a road map. The method of document analysis revealed that the country should not be left out of the processes in accordance with the new requirements in the global information system and will make a significant contribution and support to the development of startups and innovative business projects at the state level.

Using statistical analysis the article presents technology startups focused on cybersecurity, training programs, legislation and IT technologies. They have increased the country's recognition in the international market as a producer of innovative products. In addition to statistical analysis was used the method of comparison. Applying these approaches, the authors identified key innovative projects that are successful in the business ecosystem and whose products meet international standards.

In the study, the authors analyzed the content of the international organization Findexable, considering the annual ranking of the development of fintech ecosystems "Global Fintech Rankings". This type of analysis clearly showed that the country is recognized in the international market as a producer of innovative products, has raised the country's image and had a direct positive

impact on public policy.

Today, economists agree that the main drivers of long-term economic growth are innovation and entrepreneurship (*Higginbotham, 2016*). According to researchers, the structure of the image of the state is divided into several elements: the image of the economy, the image of democracy, the image of political information and the image of the armed forces. In particular, there is no doubt that the image of the economy is an important indicator of the image of the state. The Austrian philosopher Karl Popper said that an important part of the theory of the state is that all politics, all legal and political institutions as well as all political struggles, can not be of primary importance in the life of society. Politics cannot radically change the economic situation (*Blockab, et. al., 2019*). Today we see that The First President of the Republic of Kazakhstan N.A.Nazarbayev's concept of "first the economy, then politics" is the right strategic direction. This is because the economic stability of the country has improved the social situation and strengthened its image in the international arena.

Therefore, the presence of technological startups and innovative projects in Kazakhstan will still strengthen the economic situation, which will undoubtedly become an engine of development. High viability of companies in the business environment requires comprehensive support from the state. Startups are mostly young people under the age of 30, and they need mentoring to help successful entrepreneurs. In the future the development of special training programs, the emergence of platforms for the formation of ecosystems will greatly contribute to the growth of young, strong and educated future entrepreneurs.

According to the authors, the role of special platforms for new technological and scientific-innovative startup projects, business incubators is high:

First of all, such a platform brings together young scientists, students, entrepreneurs, innovators, representatives of education and science with current technologies and new engine ideas in line with world trends.

Second, the promotion of business incubators and startup projects has a direct impact on investment and attracting large

foreign investors to the country.

Thirdly, domestic developments create new products that have no analogues on the international market and in this segment, which is especially important in the development of country branding.

Fourth, the revival of economic competition will create new jobs and attract qualified professionals. Filling the country's domestic market with domestically produced goods will lead to lower prices for goods. Here the quote "supply creates demand" is relevant.

Fifthly, tax payments to the state treasury will increase. Programs to support small and medium businesses in the country will work at a high level.

Sixth, innovations in production and business processes will increase the productivity of labor and capital, which in turn will accelerate economic growth (*Anholt, 2007*).

The authors of the article, taking into account the importance of developing the business ecosystem, came to the conclusion and proved that it is one of the aspects that have a direct positive impact on the development of the country's image and state policy.

In general, if the development of business improves the situation in the country, the entry into foreign markets will have a positive impact on the country's image. The interest of foreign investors in domestic business projects is growing day by day. In the context of the company's rapid growth new types of investment agents have appeared on the financial market such as crowdfunding platforms, venture funds, private equity funds, as well as business angels and strategic investors.

Business angels are individual investors who invest their own money in a small amount in the early stages of the development of a business project, they have the greatest value. Since their investments do not require urgent debt loads on the contrary, they work for the long term. Crowdfunding or crowdfunding is financing where donors are a collective meeting of investments on a voluntary basis as a rule, investment amounts are insignificant for the investors themselves. Young companies have a great opportunity to enter the international market, that is to market their products abroad by working with foreign

companies. The easiest way to enter foreign markets is to export. Export is the export of goods produced by a company in its own country, often with minor modifications. The company can export its surplus products or take an active commitment to expand exports to certain markets. In both cases, the company produces goods in its own country. The second way to enter foreign markets is to create a joint venture, the production or sale of products or services in cooperation with foreign companies. Joint venture creation is access to foreign markets through the production or sale of products or services in cooperation with foreign companies. The difference between the creation of a joint venture and the export is that the company together with a partner in the host country, sells abroad or enters a foreign market. The difference from direct investment is that the association is formed by a foreigner. Active entry into foreign markets is achieved through direct investment the development of assembly or industrial enterprises established abroad. Direct investment is access to foreign markets through the

development of assembly or industrial enterprises established abroad. For example, in addition to joint ventures in China, Intel has invested heavily in its industrial and research facilities. Intel has spent \$ 1.6 billion to upgrade its 10-year-old processor plant in Chengdu, China, and \$ 2.5 billion to build a new manufacturing plant in the northeastern Chinese port city of Dalian.

Results

The result of the created hubs is the launch of products on international markets. The number of startups that have successfully passed the acceleration and incubation program and increased the country's recognition in the international market not only as an individual brand, but also as a producer of innovative products of Kazakhstan is growing. These startups were able to create jobs through the development of their own businesses, make tax payments to the state treasury, attract investment and show themselves in the international market as well as improve the investment climate in the country.

Table 1 –Kazakhstan startups that produce innovative products and are recognizable abroad

| Title | Description | Markets |
|--------------|--|---|
| Nommi | Nommi personal wi-fi router that provides inexpensive and fast Internet connection anywhere in the world | USA, Southeast Asia |
| Tiketon | Online ticketing service | Kyrgyzstan, Uzbekistan, Tajikistan, Central Asia |
| Typi | Cloud-based mobile messenger designed for global communication with a focus on quality, speed and security | the application is available in 148 countries in 11 languages |
| Kid Securtiy | Mobile application for parents, designed to protect children's lives. The service detects the child's location, "Smartly" notifies the child when he leaves school or home, shows the history of traffic, makes a loud call, even in "Silent" mode | Russia, Kazakhstan, Europe (Germany, France, Italy and Poland), USA, Kazakhstan, Uzbekistan |
| Antidolg | A legal service that helps people reduce their debt on online loans. Antidolg.kz - Bureau for the Protection of Debtors' Rights | Russia, Kazakhstan |
| Kompra | Checking counterparties on the Internet. Residents of | Kazakhstan, Russia, Ukraine, Belarus, CIS countries |

| | | |
|-------------|--|-----|
| | Kazakhstan and Russia - to assess the reliability of legal entities, individual entrepreneurs and individuals | |
| INUI Gaming | Competitive international eSports compliance platform, exchange-based automated market, as well as a specialized online store and e-sports school for children over 12 years old | USA |

Note: The table was created by the authors

Today, domestic innovative and technological business projects, despite the difficulties and negative feedback, maintain a high level of viability and demand. This is evidenced by the fact that in the Global Fintech Rankings for the development of fintech ecosystems, for the first time Kazakhstan took 13th place among the countries of the Asia-Pacific region and 66th place in the national ranking. In its annual ranking, the international organization Findexable assesses the local infrastructure, the number and quality of fintech companies in the market and the regulatory environment. The rating provides the most complete information about fintech ecosystems around the world: country / city rating, key facts about the country / city ecosystem, success of country / city startups. It's worth noting that Kazakhstan entered this ranking for the first time in 2021 and took a significantly higher place. The ranking includes 264 cities, 83 countries and 11,000 fintech companies.

In contrast to the European market, the development of startups in Kazakhstan has begun to gain momentum in recent years. More young people are interested in the phenomenon of a quick start and growth, they want to get into the niche of business. There are programs to support entrepreneurship open and operate platforms where short-term, long-term training courses are held and foreign mentors are invited to share their experience in the field of business from the rise to the formation of the company. Despite the support and effective tools for the growth of innovative business projects, the market of Kazakhstan will be transformed for a long time and this process is difficult. The efficiency of a business project entering the market is high, but given the low life cycle of

a startup it is a difficult task for them to hold positions in the market. Basically, at the early stages of the development of a business project, domestic startups attract business angels and crowdfunding investments in the face of investors. Compared to European investors, investors in Kazakhstan conclude contracts for the long term and their percentages are higher, which entails debt obligations on the part of the startup. But, given the fact of the possibility of non-return of money to investors, they put the development of the startup as a whole at a dead end. There are no tools to reduce the risk of repayment of debts to investors, therefore, startups are trying to attract more foreign investors. New companies created by startups need qualified assistance from professionals in the field of taxation, accounting and lawyers to reduce the risk and loss in further work. Young professionals face the problems of submitting documentation to various organizations, during which they have to face. But, despite the risks and losses, the opportunity to develop your business and stay in your niche is much higher.

Based on the above, the authors offer their recommendations:

1. Creating a single platform and platform where all startup support organizations are concentrated. Each organization offers its own effective tools for the development of a business project from the beginning to the scaling process.

2. Development of a mutually beneficial investment climate, both for domestic investors and startups, the purpose of which is to form new sources of financing.

3. Attracting qualified specialists on a preferential basis for doing business, submitting reports and documentation.

4. Creating a platform to explore new

market trends and competitive business ideas that will attract more foreign investors.

5. The possibility of consulting or training on a permanent basis with mentors to improve work efficiency and gain additional skills.

Discussions and Conclusion

Yes, of course, business should be considered in conjunction with other country factors in the development of the country's image, because a comprehensive analysis and approach is needed to address this complex issue. But relevant research in the field of business ecosystems is very important, it opens the way to solve many economic problems. Such comprehensive approaches have been proved by such scientists as Simon Anholt, Philip Kotler, Donald Haider, Irving Rhine, who made a significant contribution to the study of branding. Accordingly, for the development of the national brand it is necessary to carefully consider the factors that affect the image of the country. Since the purpose of the national brand is to influence the image of the nation, it is necessary to take into account these factors. Simon Anholt, a national brand consultant who was the first to introduce elements of branding in the country, identified six channels of communication as a key factor in building the image of the nation: tourism, exports, management, investment and integration, culture and heritage people. It is important to make sure that the chosen national brand affects all six of these communication channels equally, as they are all responsible for shaping the image of the nation. The dominance of one channel can lead to the collapse of other parts, which in turn has a strong impact on the country's economy. For example if the state focuses only on the tourism channel and the ecological catastrophe destroys tourist destinations, the image and economy of the country will not be able to sustain the rest of the hexagon.

Today the world is one market. The rapid development of the globalization of every country, every city and every region shows the need to compete with each other for the attention and respect of the world's consumers, tourists, investors, students,

entrepreneurs, international sports and cultural events, international media, people from other governments and other countries. (Anholt, 2007)

In fact, this topic is wide-ranging: there is a lot of historical data describing it all. However, it is clear that the support of startups as a business will have a significant impact on the development of the country's image at the state level. Regardless of terminology the more entrepreneurship and innovation the greater the number of startups. And the more startups there are the more large companies, large-scale projects will take place and there will be positive changes in the economy and society as a whole. In turn, domestic products presented abroad bring a positive image and prestige to the country. Creating a strong national brand will attract foreign investors increase the role of national companies, promote economic growth, stimulate exports, develop public diplomacy and slow down emigration.

Development of business and entrepreneurship startup projects in Kazakhstan has allowed to sell and produce innovative products and services in international markets. This not only promoted the national brand in the international arena, but also had a direct impact on the formation of a positive image of the country. Thus, through the development of business we will strengthen the positive image of our country and form a national brand. In addition, it is clear that the formation of entrepreneurial skills and adaptation to the new environment, being a connecting process of development of our country will improve other targets.

Today the world is facing a pandemic. All sectors of the state suffered. Traditional business in Kazakhstan has completely moved to the online format and the role of new digital technologies has grown dramatically. All industries were looking for ways to do the job effectively. Simon Anholt's hexagon for example, shows that if we strengthen all the channels of the state we can with stand any difficulties. And in the international arena the correct policy of our state during the pandemic has raised the international status of our country.

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ИННОВАЦИЯЛЫҚ СТАРТАПТАР ҚАЗАҚСТАН РЕСПУБЛИКАСЫНЫҢ ЕЛДІК ИМИДЖІН ДАМУЫ ФАКТОРЫ РЕТІНДЕ

Әсемгуль ГУСМАНОВА, Л.Н.Гумилев атындағы ЕҰУ Халықаралық қатынастар кафедрасының докторанты, Нұр-Сұлтан, Қазақстан, assem_gus89@mail.ru

Әйгерім ТУРХАНОВА, саясат.ғ.к., Л.Н.Гумилев атындағы ЕҰУ Халықаралық қатынастар кафедрасының доценті, Нұр-Сұлтан, Қазақстан, sajasata@mail.ru

Айнұр ИСАЕВА, т.ғ.к., Л.Н.Гумилев атындағы ЕҰУ Халықаралық қатынастар кафедрасының доценті, Нұр-Сұлтан, Қазақстан, ainurissayeva79@mail.ru

ИННОВАЦИОННЫЕ СТАРТАПЫ КАК ФАКТОР РАЗВИТИЯ СТРАНОВОГО ИМИДЖА СТРАНЫ РЕСПУБЛИКИ КАЗАХСТАН

Асемгуль ГУСМАНОВА, докторант кафедры Международных отношений ЕНУ им. Л.Н.Гумилева, Нур-Султан, Казахстан, assem_gus89@mail.ru

Айгерим ТУРХАНОВА, к.полит.н., доцент кафедры Международных отношений ЕНУ им. Л.Н.Гумилева, Нур-Султан, Казахстан, sajasata@mail.ru

Айнур ИСАЕВА, к.и.н., доцент кафедры Международных отношений ЕНУ им. Л.Н.Гумилева, Нур-Султан, Казахстан, ainurissayeva79@mail.ru