

# **IREX Short Term Travel Grant Research Report**

**Kamal Fatehi**

**Professor and Chair, Management and Entrepreneurship Department  
Kennesaw State University**

## **RESEARCH REPORT**

### **1. Topic of research and countries visited**

This research project involved the study of evolving entrepreneurship in Turkmenistan. Similar to other countries that recently received independence from the Soviet Union, Turkmenistan is a country in transition. It is in the process of leaving behind an economic system that was dominated by the government, and beginning to establish a market economy. In such a transformation process, entrepreneurs play a critical role. My research dealt with studying a newly privatized firm and its entrepreneurial management by focusing on the challenges that it faced to function in an economy without the infrastructure that is essential in the success of all business organizations. I traveled to Turkmenistan and visited the capital city of Ashgabad.

### **2. The relevance and contribution to the field**

We know very little about various aspects of entrepreneurship and especially how entrepreneurship develops in transitional economies. This project should provide us with the knowledge on emerging entrepreneurship and privatization which would be instrumental for the advancement of free market and democracy in these countries.

Two factors underscore the impact and the relevance of the project. First, this case study contributes to our understanding of evolving entrepreneurship where it can have a significant effect on the development of an embryonic free-market economy in a transitional society. It provides us with a better understanding of the problems associated with privatization of the state owned industries. A few decades of research on entrepreneurship has exclusively focused on business developments that are confined to the domestic market. We know very little about the process in a developing market and even less about entrepreneurship in a nascent economy at the early stage of privatization of state-owned properties.

Second, it is relevant to business education. The case study is useful for instructional purpose in the classrooms at business schools in the U.S. and abroad. It is also useful for seminars in international management education, training and development. To the students in the U.S. and other countries, it will offer a new and unique international business case study that illustrates the problems of a business organization, in a transitional economy with unique social and cultural institutions. In their attempt to develop solutions for the problems portrayed, the students will benefit and become more aware of the difficulties involved in running a business.

Internationalization of business administration curriculum is mandated by the AACSB-- The International Association for Management Education-- the accreditation organization. It requires business schools to provide for a broad education, preparing the students for imaginative and responsible citizenship and leadership roles in business and society both domestically and worldwide. This mandate, and the growing importance of international business have prompted business schools to emphasize international business education. Therefore, internationalization of curriculum is on the agenda of most business schools. In particular, this issue is a high priority for accredited business programs. A corollary issue is the rising interest of the U.S. faculty members in using international teaching material, such as case studies. While there is a large supply of domestic case studies, international business cases are sparse. This case study provides students and scholars with a unique view of the problems and challenges of a transitional economy, and the evolving entrepreneurship in a nascent economy. In analyzing this case, students are encouraged to learn on their own about cultural and socio-political differences between our system and that of a society with a totalitarian heritage.

### **3. Summary of approach and research methodology**

The project was carried out in a Turkmen business organization. A privatized Turkmen firm in the capital city of Ashgabad agreed to be the site for this research. Unlike the other research methods that use experiments, laboratories, and batteries of questions, a case study is carried out in the field through observation, interviews, and examination of organizational documents. In this project, first hand data was collected through personal observation and direct involvement in on-going, day-to-day activities of the organization. A case study does not change, mask or invent facts and events. The case remains true to the facts and events. A case is a description of a *real* situation. Although the case may disguise some or most of the facts, the basic situation is neither changed nor invented. The disguise is due to the proprietary nature of information collected from the organization.

The research method used was information collection at the location, direct observation of business operations and interviews with the managers of the firm. Prior to the trip, with the assistance from the faculty members at Mugtomguli Turkmen State University (MTSU), preliminary information was collected from the firm. The firm was a manufacturing company that produced bricks, tiles and cement blocks. The owner/director was interviewed at the plant. She allowed the researcher to observe the operations, collect information and interview all managers and supervisory personnel. The researcher particularly focused on those aspects of the operation that seemed to cause the most strategic and operational challenges for the management. Special attention was devoted to uncovering the essence of emerging entrepreneurial initiatives. Based on these interviews, a list of needed archival information was presented to the organization to make them available to the researcher. Also, through

direct observation of the on-going business activities, and the examination the company

documents, operational and strategic information about the company was collected. The faculty members, administrators, and students of the Turkmen State University assisted with translation and interpretation.

#### **4. Summary of research findings**

The case study is a research method and a teaching tool. Most business schools rely heavily on the use of case method throughout the curriculum. Some, such as the Harvard Business School, rely exclusively on the case method. The case study is a very rich medium of teaching, instruction and research. It is based on the first hand data collected through personal observation and direct involvement in on-going, day-to-day activities of the organization. It may be used either as a teaching tool or to develop or test hypotheses. My use of case study was not aimed to test hypothesis. I intended to develop a case study on entrepreneurship for the use in the classroom as a teaching tool. As such there are no research findings.

#### **5. Suggestions for future research agendas in the field**

Although this case study was not designed to test hypothesis, and therefore, has no recommendations for future research, it offers a couple of caveats for those who attempt to develop case studies of business organizations in transitional economies. First, business executives in these countries are very reluctant to share any financial information with researchers. Although this is not much different from the attitudes of American executives, but at least in the U.S., certain public information is available and could be shared with outsiders without any reservation. Second, because of the past history and experience, managers in transitional economies are suspicious of anyone inquiring about their business practices. It is critical to create trust and assure them that sharing information will not adversely effect their businesses.

#### **6. Recommendations for the U.S. Policy Community**

Small businesses and entrepreneurs are very much instrumental in the process of economic development, particularly in transitional economies. They create jobs and wealth, and contribute to overall economic well-being. There are not many venture capitalist (VCs) in these countries and entrepreneurs have limited access to capital. For example, I learned that there was only one VC in Ashgabad, the Central Asian-American Enterprise Fund (CAAEF). The CAAEF is a privately managed, profit-oriented venture capital institution that provides financing to commercially viable small and medium-size enterprises in Central Asian markets. A loan from CAAEF enabled the owner/director of the firm I studied to purchase the company from the government. Probably, without that loan, the factory would not have been privatized, and eventually would have been closed. The existence of additional

institutions to offer capital and provide loan to entrepreneurs would greatly speed up economic development process.