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**Strategic Development of Companies
in Terms of Economic Integration**

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ABBREVIATION

ABS	Asset backed security
ASEAN	the Association of Southeast Asian Nations
CCT	the Common Customs Tariff
CET	Central European Time
CIS	Commonwealth of Independent States
CM	Common Market
CU	Customs Union
CU CC	Customs Code of the Customs Union
CUSFTA	Canada-USA Free Trade Agreement
ECO	The Economic Cooperation Organization
EDB	Export Development Board
EU	European Union
EurAsEC	the Eurasian Economic Community
FDI	Foreign Direct Investment
FTA	the Free Trade Area
FMF	Financial Market Friction model
GATT	General Agreement on Tariffs and Trade
GDP	Gross domestic product
GGD	General Government Debt
G 7	Group consisting of the finance ministers and central bank governors of the seven major advanced economies: Canada, France, Germany, Japan, Italy, the United Kingdom and the United States
GNP	Gross National Product
HDI	Human Development Index
LP	Labor Productivity
M&A	Mergers and Acquisitions
MERCOSUR	the Common Market of the South America
MRI	Mediamark research Inc.
NAFTA	the North American Free Trade Agreement
NC	National Company
PTA	Preferential Trade Agreement
R&D	Research and Development
SCO	Shanghai Cooperation Organization
SCP	the Structure-Conduct-Performance
SME	Small and medium enterprises
SWI	Social Welfare Index
SWOT	the Strengths-Weaknesses-Opportunities-Threats
UNPD	United Nations Development Program
WTO	World Trade Organization

INTRODUCTION

The Relevance of the Research. In the current business landscape affected by a variety of ongoing international integration projects, one of the main problems is the increased uncertainty, and the accelerated pace of economy change. Increasing unpredictability of markets calls for a strategic response from the companies to improve efficiency, competitiveness, and sustainability.

Commonly accepted ways to counter the negative effects of uncertainty are the formation of an effective system of strategic planning and the use of complex tools of strategic management. Problems of strategic development are particularly relevant for companies in Kazakhstan due to the fact that Kazakhstan is an active participant in economic integration processes. Ongoing reforms in trade policies lead to changes in the economic, political, and social life of the country. All of these changes are a challenge for Kazakhstan companies. Particularly companies should face complex strategic problems, such as ensuring the survival, selection and implementation of competitive strategies and the integration of the new economy, the reform of models of organization management.

Trading unions and free trading agreements are a very prominent part of our current economical landscape, and they have many important implications for all aspects of our life. This approach set the direction, goals, and the internal logic of the study, in which considerable attention is paid to the methodology of the study and evaluation of strategic development in terms of economic integration.

The modern business manager operates in a more dynamic environment. The change in the environment has been rapid and unpredictable.

The most single significant influence on organizational policy and strategy is the environment outside and inside the organization.

Our thesis satisfies for the one of the core principle of national strategy "**Kazakhstan's way – 2050: common aim, common interests, common future**" in terms of mutually beneficial openness. Kazakhstan is going to attract a wide range of foreign investments, technologies, and innovations to our economy. Country will create favorable conditions for the investors. Domestic enterprises will receive opportunity to expand business, increase capacity, find new customers. Kazakhstani companies should be ready for new challenges of economic integration and government should provide favorable policy for business environment [1].

According to the speech of the President of the Republic of Kazakhstan N.A. Nazarbayev, the current trend is the transformation of a unipolar world system in a multi-polar. Regional markets arise where most goods and services are produced and consumed. For Kazakhstan, priority is protection the national economy within the common geographical space.

The changes encourage Kazakhstan and other countries of CIS verify the correctness of the chosen strategy development, to define its place in the complex interweaving of global and regional interests in Eurasia [2].

The level of the topic scientific development.

Approaches to the management of the business is reflected in the classical theories of organization (Weber, F. Taylor, A. Fayolle, C. Henning), psycho-socially oriented theories of organization (D. McGregor, A. Maslow, E. Mayo, F. Herzberg), decision theory (I. Ansoff, E. Heinen, J. March, G. Simon). In Kazakhstan, the challenges of sustainable long-term development of enterprises through improved strategic planning system are reflected in the papers of N.K. Mamyrov, S.Y. Umirzakov, T.S. Satkalieva, K.B. Berdaliev, E.B. Zhatkanbayev, M.B. Kenzheguzin, K. O. Okaev, A.N. Sakhanova, N.T. Smagulova, S.S. Tamenova, O.A. Yanovskaya, J. Sundetov, Z.K. Davelbekova, O.M. Zaluchenova and others.

P. Druker, G. Kleyner, R. Uoterman and others discovered issues of management during the uncertainty of business environment.

Issues of strategic management focus on the studies of D. Aaker, I. Ansoff, M. Gould, R. Kleiner, E. Campbell, H. Mintzberg, A. Petrov, M. Porter, A. Piston, S. Prahalad, A. Strickland, A. Thompson, B. Henderson, G. Hamel, K. Andrews et al.

However, it should be noted that among the numerous papers there is a shortage of studies about specific market frictions and strategic development of company.

The aim of the research.

The aim of the research is to develop theoretical - methodological aspects of strategy formation of companies in terms of participation of Kazakhstan in the international economic integration.

In accordance with this aim the following objectives were set:

- to explore the nature and theoretical content of the concept of "strategic development";
- to examine economic integration as the main factor expansionist strategy of the company;
- to analyze the structure and stages of economic integration on the example of NAFTA, MERCOSUR;
- to identify the effects of integration on companies, as well as on macroeconomic and social indicators;
- to investigate the effect of protectionist policies on local companies, taking into account the financial and information barriers;
- to investigate the effect of protectionist policy on the SME taking into account financial and informational frictions.

Object of study is the activities of companies in terms of changing trade policy of the country.

Subject of study. Subject of study is organizational and economic aspects of strategy formation of companies under the influence of changes in the company's external environment.

Research methods. We used the methods of theoretical modeling, logical, systematic, and comparative analyzes of building econometric models, statistical analysis of the data using econometric analysis package Stata 9.0.

Theoretical and methodological base of the research is the papers of Kazakhstan and foreign scientists on systems analysis, the theory of strategy, information theory, general economic theory, the theory of competition, agency problem. We use formal logic (analysis and synthesis) methods in combination with the methods of systemic, qualitative, and quantitative analysis in order to achieve the objectives.

The information base for the research have constituted the decrees of the President of the Republic of Kazakhstan, laws and regulations of the Government of the Republic of Kazakhstan address of the President of the Republic of Kazakhstan "Strategy-2050", the data of the Agency on Statistics of the Republic of Kazakhstan and periodical materials.

The scientific novelty of the results of dissertation research is the following:

First time in the literature we outline two groups of financial market frictions to study the effect of economic integration: informational frictions and financial frictions. For each group we suggest a theoretical model that looks into the cross-sectional difference of the friction effect between small and big firms.

Scientific novelty of the research is as follows:

- new approaches to strategy development companies in terms of economic integration;
- the main barriers to the two groups of financial markets (information and financial friction) to examine the impact of economic integration;
- the effect on the country's participation in the trade union on the main components of the external environment of the company, namely indicators of economic and social development;
- linear regression method and empirical tests conducted to assess the effect of a protective tariff (first used);
- recommendations on the development strategy in the context of changes in trade policy and the introduction of customs duties.

The provisions for the defense are:

- author's definition of "strategic development of companies" through the prism of the impact of environmental factors;
- recommendations for the choice of company strategies in the presence of barriers to international trade;
- the long-term effect of protectionist policies on the basis of a theoretical model of human capital accumulation. First applied the model takes into account the friction of the financial market predicts that the industry's protectionist policies have a small business can lead to a stable equilibrium;
- proposing index of social welfare (SWI), and calculations for the EurAsEC countries.

The Significance and Benefits of the Study.

With the help of three theoretical models we studied the effect of financial frictions for the effectiveness of protectionist policies, financial and informational frictions. The predictions of the models find some support in the empirical tests.

Often economic integration between some countries comes along with protectionist measures directed against other countries. Consequently the costs and benefits of economic integration and protectionist policies are intrinsically intertwined. When we try to study the effects of integration and/or protectionist policy, we can focus on only some aspects of the problem, for example only on benefits, or we can direct our attention to the overall effect. In this thesis we employ both approaches. In the first step we study financial and informational frictions and the effectiveness of protectionist tariff policy. That approach focuses only on the effectiveness of protective tariff policies. The second step is to investigate economic integration and social development. We consider the case of the Eurasian Economic Community. The third step is about the effect of integration on the economic growth of member countries. We estimate the net effects of the integration of the former soviet union countries into Eurasian Economic Community.

The results of our study have practical value as a guidance for policy making of the Republic of Kazakhstan. The outcome is also significant for companies that face with challenges of economic integration.

Approbation and implement of the research results.

The main propositions and results of this study were reported at international scientific and practical conferences: Международная научно-практическая конференция «Vedecky prumysl evropskeho kontinentu – 2011» (г. Прага, 2011г.),

Международная научно-практическая конференция «Nauka: Teoria I Praktika – 2011» (г.София, 2011г.), Международная научно-практическая конференция «АТНТ 2011» (г. Коямпутур, Индия, 2011г.), Международная научно-практическая конференция “Naukowa przestrzen Europy – 2012” (г. Прага, 2012), V Всемирный конгресс инжиниринга и технологий – WCET-2012 «Наука и технологии: шаг в будущее» (г.Алматы, 2012), IV Международная научно-практической конференции «Проблемы инновационного развития нефтегазовой индустрии» (г.Алматы, 2013 г.), V International Congress on Entrepreneurship “ICE -2013” (г.Алматы, 2013 г.), Международная научно-практическая конференция “ Strategiczne Pytania Swiatiwej Nauki -2014” (г.Варшава, 2014г.)

Publications: There are 25 publications including 5 articles in journals, recommended by the Committee for Control of education, 2 in journal indexed by ISI Web of Knowledge, Scopus (Impact Factor-0,234 and 0, 165).

Thesis research structure and size. Thesis research consists of introduction, three sections, conclusion and bibliography with sources and appendices. There are 21 tables, 27 figures and 122 sources of reference in a thesis.

The dissertation outline. The remainder of this dissertation is built upon the following outline:

Chapter 1 basic theoretical and methodological principles are studied, based on which the study was conducted. Methodological approaches to the study of the strategic development of the company have been developed. On the basis of the existing theories of the nature of the concept of strategic development was disclosed. the relationship of the strategic development of the company and its external

environment have been established. Economic integration is examined as one of the environmental factors as a challenge for the company. author's concept of the strategic development of the company's management was justified.

The 2 chapter is about contradictory character of integration. Analysis of world experience of economic integration on the sample NAFTA was made. Conclusions made for EurAsEC , as well as for other developing countries. Often economic integration between a number of countries comes along with protectionist measures directed against other countries. Consequently the costs and benefits of economic integration and protectionist policies are intrinsically inter-twitted.

In Chapter 3 we try to study the effects of integration and/or protectionist policy, we can focus on only some aspects of the problem, for example only on benefits, or we can direct our attention to the overall effect. In this thesis we employ both approaches. In the first step we study financial and informational frictions and the effectiveness of protectionist tariff policy. That approach focuses only on the effectiveness of protective tariff policies. The second step is to investigate economic integration and social development. We consider the case of the Eurasian Economic Community. The third step is about the effect of integration on the economic growth of member countries. Estimation of the net effects of the integration of Eurasian Economic Community into companies is one of the output of this chapter.