

## Implementation of Project Management Technologies in Kazakhstan

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Received: November 6, 2014

Accepted: January 29, 2015

### ABSTRACT

Personal experience and international practice demonstrate that consistent and systematic application of project management technologies to project activities cause a fast and cost-effective project implementation. However, despite of the fact that the Republic of Kazakhstan has established an e-procurement system and took steps for the better transparency of tender procedures, the tender results are still affected by human factor (like corruption). The latter includes subjectivity in the project selection. This is the only explanation of the fact that one of the projects that had achieved a certain notoriety has been included in the State Program of Forced Industrial-Innovative Development of Kazakhstan. It's the scandalous project of domestic production of tablets and electronics in Free Economic Zone “Seaport Aktau”. In this article, we try to identify the “traps” that are not allowing Kazakhstan government and community to take advantage of project management technologies. The results of opinion polls in the focus groups as well as a variety of analytical tools such as modification of flowscape by Edward de Bono (De Bono, 2006) are used, comparative analysis, the Ishikawa causal diagram are used for the explanation. The significant finding shows that Kazakhstan has lost its ability to creative work in the situation when the management system is changed to just implementation-based system. In fact, specialists in different spheres should only obey the orders, instructions of their superiors, heads, and not to be innovators, offering their initiatives.

**KEYWORDS:** Project management (PM) technologies, PM benefits, Analytical tools, Hierarchical Management system, Kazakhstan

### INTRODUCTION

It has been globally recognized that project management is a special area of management which provides tangible results. Personal experiences and international practice demonstrate that consistent and systematic application of project management technologies to project activities cause a faster and cost-effective project implementation. Thus it allows certain direct and indirect administrative advantages (Archibald, 2003; Myakenkaya, 2014). Kazakhstan's President has always new interesting and perspective initiatives. The government has adopted 'The National Program of forced industrial and innovative development of the Republic of Kazakhstan' and extended it to year 2020. Some of the projects of this program have already been implemented. Kazakhstan has mastered the production of 150 new products in the field of engineering, pharmaceutical and chemical industries within duration of this program. However, some projects have not been implemented due to lack of balanced performance management, weak monitoring system and poor allocation of responsibilities between the performers (Mazorenko, 2014). And what if Kazakhstan starts to implement these projects as well as ones arising from them at least twice as effective? *Will there be 300 types of new products?* Yes, this could be done but no one did it; why? Meanwhile, the widespread application of professional project management methods could give a big effect in the state programs management, companies' management, NGO's project, programs management and international cooperation.

The state makes efforts in fighting corruption as corruption diverts part of the funds from the projects. Despite the fact that the Republic of Kazakhstan has an established e-procurement system but still the human factor may affect it. For example, via “specific” goal-setting for the screening (selection) of projects. So, among the projects receiving state support, and appear like the notorious project of tablets and electronics production in Free Economic Zone “Seaport Aktau” (IA News-Kazakhstan, 2013). Therefore, one of the projects receiving state support and funding, had achieved certain notoriety. It is the project of tablets and electronics production in Free Economic Zone “Seaport Aktau”. This project of tablets and electronics production in FEZ “Seaport Aktau” first was included into the program of Forced Industrial – Innovative Development of Kazakhstan. Later, the Department for Fighting Economic Crimes and Corruption of Mangistau region proved that the first Kazakh manufacturing plant which was supposed to produce domestic tablet PCs “Akku” in the free economic zone of “Seaport Aktau”, had no production at all. And all the tablets were simply purchased in China.

Frequently, a fake goal-setting practice takes place in the selection and management of projects in Kazakhstan; we talk about such significant socio-economic problem as job creation. The definition ‘fake’ is used due to the fact

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that the goal is not achieved but just acts as a cover. Hence, in 2012 the government planned to provide permanent jobs for more than 50 thousand people through implementation of new projects. However, the diagram shows (Fig.1) that the unemployment rate did not decrease in this period.

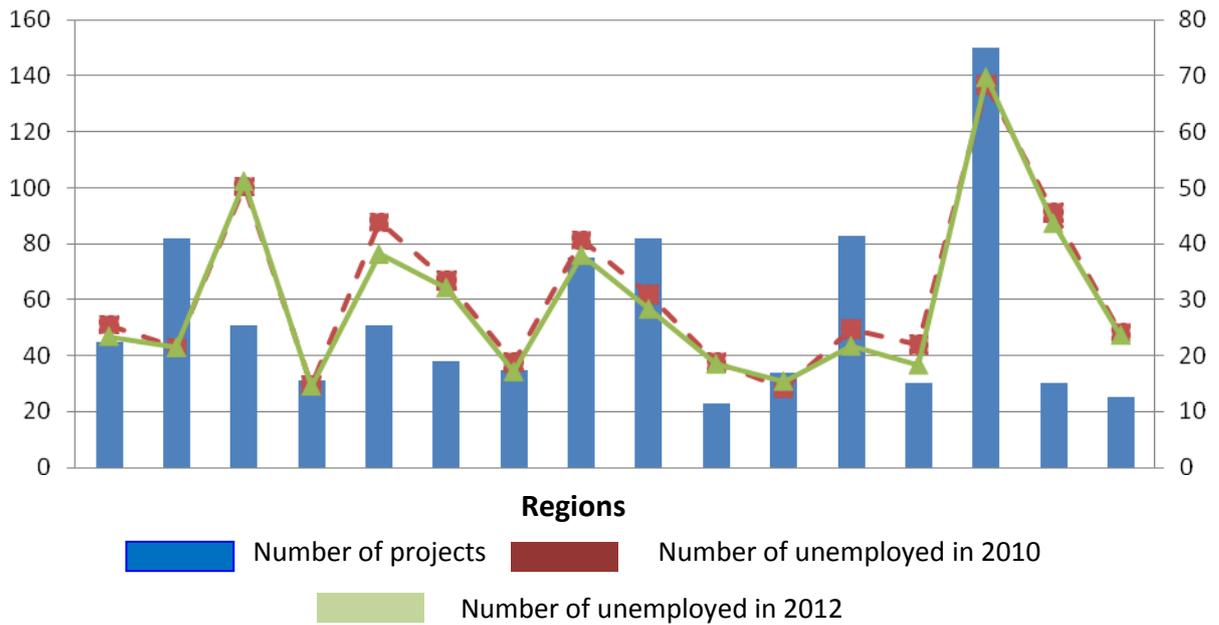


Fig. 1. The number of projects and unemployed by regions  
*Economic Activity of Kazakhstan (2013), Statistic collection.*

In addition to these well-known and widely discussed phenomena there are other hidden (invisible) constraints that hold back implementation of the principles and techniques of effective project management in Kazakhstan.

The objective of this paper is to identify the “traps” that are not allowing Kazakhstan government and community to take full advantage of project management technologies.

### MATERIAL AND METHODS

In order to achieve our objectives, we have initiated brainstorming in many different groups and have built Ishikawa causal diagrams to identify the reasons for the lag in project management. The results tend to discourage. Here is an example of one of the diagrams. The picture below is disappointing. It shows that there is no resources, no developed infrastructure, no training programs; the competitive environment is poor, etc. (Fig.2).



Fig. 2. Ishikawa causal diagram: searching reasons for slow implementation of project management in Kazakhstan.

Let's try to find a key reason among all these numerous reasons. To do we need to use another technology which is called "Tracing a key problem" and is similar to flowscapes by Edward de Bono (De Bono, 2006). The reasons in random order are presented in Table 1 and then we will try to define which of them is related to other reasons from the list.

Table 1. Possible reasons of the slow implementation of Project Management in Kazakhstan

No.	The name of reason	Relation to other reasons
1.	Lack of basis for personnel training	2,11
2.	There is no state support of the project management technologies implementation program	3,4
3.	There is no state standard in project management	12,11
4.	A poor competitive environment in business	8,10
5.	A very small amount of specialists certified against international standards	1,13,14
6.	Lack of information about projects ordered	7,4
7.	There is no independent expertise of the projects performed	4,3
8.	"Why should I learn the new way of doing something, if everything is comfortable for me in the old way". Resistance.	3, 12
9.	Successful project experience is concealed	11
10.	Experience of successful managers is not available for dissemination	11
11.	Project environment is not established	5,8
12.	There is no motivation in teams and groups	5
13.	Weak teaching staff in the universities	1
14.	There is no qualification requirements to project manager in the state orders	8,2

Next, let's put together the defined connections as they represent a potential transition from one condition to another (Fig.3) and find the ones that do not have other reasons 'entering in'. It means that these key reasons generate all the other. Thus, there are two key problems revealed by this technology - number six (the project market is not transparent) and number nine (the information about successful projects and technologies is closed).

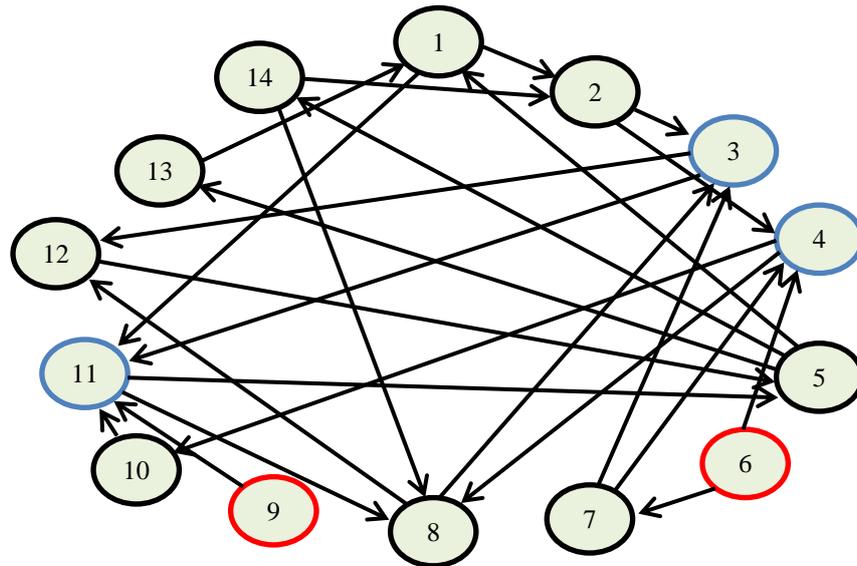


Fig. 3. Key issues of inefficient development of project management in Kazakhstan

Let's get back to Figure 3. The stock points figured as 3,4,11 in the diagram should be also considered since they are like a magnet for the rest of the problems. The solutions of such specific problems are related to business environment and project management standardization shall be addressed to the government. The key problems can be traced from another point of view, focusing on the existing facts in regard to the interaction of various aspects of the project as shown in the Table 2.

Table 2. Possible reasons of the slow implementation of Project Management in Kazakhstan

No.	The name of reason	Relation to other reasons
1.	Lack of qualified managers at the market	7,2,3
2.	No demand for project management specialists	3,4,6
3.	The employers are not aware of benefits	5
4.	Few providing companies at the market	5
5.	Using simple models for projects implementation	6,8
6.	There is no state standard for project management	3
7.	The PM's link with the organization's management is weak	3
8.	There are hidden mechanisms of execution	6

The interconnection process (Fig. 4) shows the main reason indicated in Table 2 under paragraph one: the number of qualified professionals are insufficient. Meanwhile, the professionals in particular can turn Project Management into a powerful management tool, not only by creation of new products and services, but also through implementation of targeted changes within organizations, companies and entire socio-economic and organizational systems.

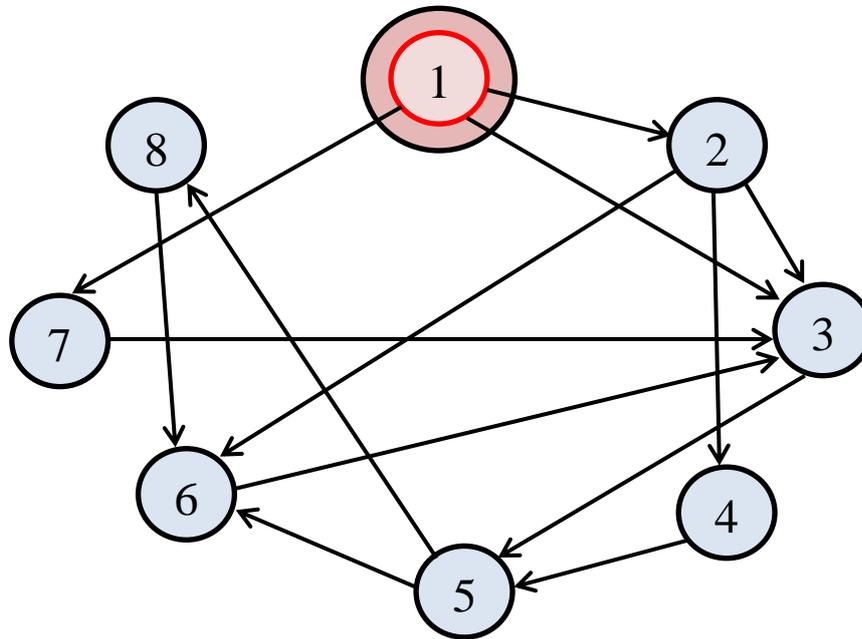


Fig. 4. Key issues tracing and identification

## DISCUSSION

New research conducted by Project Management Institute (PMI, 2014) identifies the main trends in project, programs and portfolio management. And one of the trend suggests focusing on talent development and wider use of “flexible” methods. Survey results also indicate critical success factors such as: a clear definition of the expected benefits, support from top management and career development planning for the project team members. For us, the new success factors become another “trap” because certified specialists typically do not receive bonuses, the tender requirements do not provide any conditions in regard to international qualifications in Project Management, and top managers are not interested in the development of future leaders. In reality, the performers initiate own development and training because sometimes it becomes clear to them that projects should be carried out by the same rules and the team should speak the same language.

As a consequence, there is a significant drop in the motivational component, although numerous data provide the evidence (including the World Bank researches) that the residents of the former Soviet Union have the highest creative activity at the stage of the acquisition of knowledge. In the following stages, we just ruin the talents and creativity (World Development Report, 1996). Generally, we ruin everything; we ruin the state, which happens unconsciously, unaware of the consequences; though the state itself does not need it. But how does it happen?

Let’s recall a parable from the book in which the author gives vivid examples of the ineffectiveness of the so-called “goodwill conceding” (Kennedy, 2008).

The essence of the story is briefly reduced to the fact that many years ago, when the first travelling agents came to the northern land, introducing the latest creature comforts such as refrigerators, suntan lotion, iced beer to local people they were greeted with warmth and friendliness, that Northerners are famous all over the world. When the travelling agents got accustomed a little, they began to learn some tricks of hunting to obtain their own food on long journeys between settlements. And the northern wolves chased the sleigh with prey. Frightened by wolves, the salesmen cut off a piece of meat from the carcass and threw it to hungry wolves. Gradually the wolves began to chase all sleds and stopped hunting, waiting for easy prey. A point was that the wolves were taught that if they need grub, they just have to chase the sleds! It started quietly but led to the catastrophe, and when it gained power, the most severe measures were put in place to somehow get out of this situation. It’s an important to distinguish conceding as a strategy to respond to the challenges and concessions that arise from the weakness, from the crucial situations and problems.

Goodwill conceding in response to the challenge is a leadership experience in breakthrough; it takes one out of the vicious circle of contradictions. These concessions are effective because they are formed by a kind of “credible

commitments". The concept of "credible commitments" was introduced by Thomas Schelling who win Nobel Prize in 2005. The concept suggests that if one party convinces the opponent to follow a certain specific strategy at any cost, the opponent, in turn, takes it for granted, thereby limiting his own freedom of maneuver (Schelling, 2006). Changing or even deliberate deterioration of own position can bring a leader to the achievement of a desired outcome; this is the essence of strategic behavior. Strategic behavior often becomes paradoxical (at first glance, illogical) and the so-called credible commitments get formed at a reasonable price or even at no cost; for example, '...to prove that I am safe for you, I disarm'. Therefore, if there is a specific, clearly stated purpose, the time limits are defined, resources are available, then it's time to form a partnership environment or infrastructure for goal achievement and project implementation because as a proverb says: *'One man, no man'*.

Core motivation of potential partners is formed by "credible commitments" presented by the leader. Credible commitments become the basis for justified concessions of the partners. Goodwill conceding caused by problems is just another type of shotgun compromise and it does not affect the bottom of the disagreement. As the theory and practice of conflict resolution studies prove, it gives only temporary visible progress in problem resolving; it just suspends the conflict and give it time to grow into another outbreak. Kaziyeva (2014) gives a finest example of the goodwill conceding caused by problems is the development of franchising in Kazakhstan. It brings us to the question "Why tried-and-true franchising technologies well-accepted in other countries are not working in our country?" In domestic franchising practice there is no correlation between the expectations of one party and the liabilities of the other; in other words, the lack of expectations management leads to mutual disappointment and disbelief.

Further analysis of the situation shows that the conditions are settled for a breakthrough and then the movement goes on, if the conditions motivate development. We create technology parks and apply the best international practices. They work fine abroad but not in Kazakhstan or Russia. Why? We summarize this parable not only for the initial idea of endless conceding but in terms of the behavior of the state. No one will succeed if the government establishes conditions that are subject to change and one doesn't need to work hard for result; all he or she needs is just expect for new concessions, postponements, and delays. We are losing our unique ability to be creative. There are many other examples in Kazakhstan. *'It-City'* Technology Park is not addressing its mission of computer technology development because we 'feed the wolves' again. The day when the government decided to implement foreign ERP software such as SAP, ORACLE in state ministries and departments, it has destroyed our own developers' potential for many years ahead and it has turned them into adopters of foreign software products. But Korea has taken the other way and decided to develop just their own software products. Today, they have the best professional programmers there. It's a result of just one wise solution. The country's management specifies what equipment will be produced as a strategic priority in order to give impetus to the development of the first large-scale enterprises. And then the government monitors and controls implementation of decisions taken.

As for the Kazakhstan government, again it prolongs the *'National Program of forced industrial and innovative development of the Republic of Kazakhstan'* till year 2020. And watches the other countries: *"The South Koreans work the longest working day. And they have the biggest modern economy today. Take into consideration, it is a state that does not have even a single piece of coal in its subsurface - nothing, no rich mineral resources! Today they argue and compete in information technologies with the United States and Japan. This is the kind of state that we should take an example of"* (Nazarbayev, 2014). Hence, we pay high cost for one wrong decision; it resulted in the destruction of the entire industry.

There is another important aspect of project management that is clearly underestimated, resulting in loss of management benefits – it's a targeted structuring of relationships with key project beneficiaries (stakeholders). Stakeholder theory has been around for 30 years, starting from the work of R. Freeman (Freeman, 1984). However, it has not been adequately reflected in the standards of project management. For example, while building process architecture of the project or of the business by M. Porter (Porter, 1985), we traditionally distinguish three groups of processes – main processes, auxiliary processes and control processes. Such distinction of processes in project focuses on goods produced or services rendered. The basic process of goods or services production is maintained, resourced and managed. But there is nothing about how useful a product or service is to the final consumer, how well the other stakeholders are satisfied in connection with the flow of the project (e.g., suppliers or banks) and what processes contribute to achieving of an acceptable level of satisfaction.

Porter's approach to the reconstruction of process architecture was relevant at the time when focusing on the product or service in the business justified itself. Today, when a customer finds thousands of similar goods or services, and the traditional positioning in business do not promise the success of the past, all the attention of managers is focused on the delivery of value. This value contains in the corporate myth message addressed to the client; it is packed into the shell of the corporate brand which business stakeholders tend to be united with. In this sense, the product or service becomes a kind of occasion, a prerequisite for the development of a long-term commitment to the basic values of the project. Accordingly, it is possible to allocate a whole new class of processes, which is called "relationship" or "front-end" (Nedosekin, 2013). Each stakeholder is subject to its own set of specific processes and these processes are measurable in terms of the integral value that is delivered to the stakeholder. Relations have a dual nature. They are the sources of the project without which the project is unable to exist and to develop. On the other hand, they are also the results of the project. After all, the balanced and mutually

beneficial relations, where the 'win-win' situation is achieved, are the best environment for the interchange of values, goods, services, money. One can name it a kind of 'daisy relations' (Fig. 5).

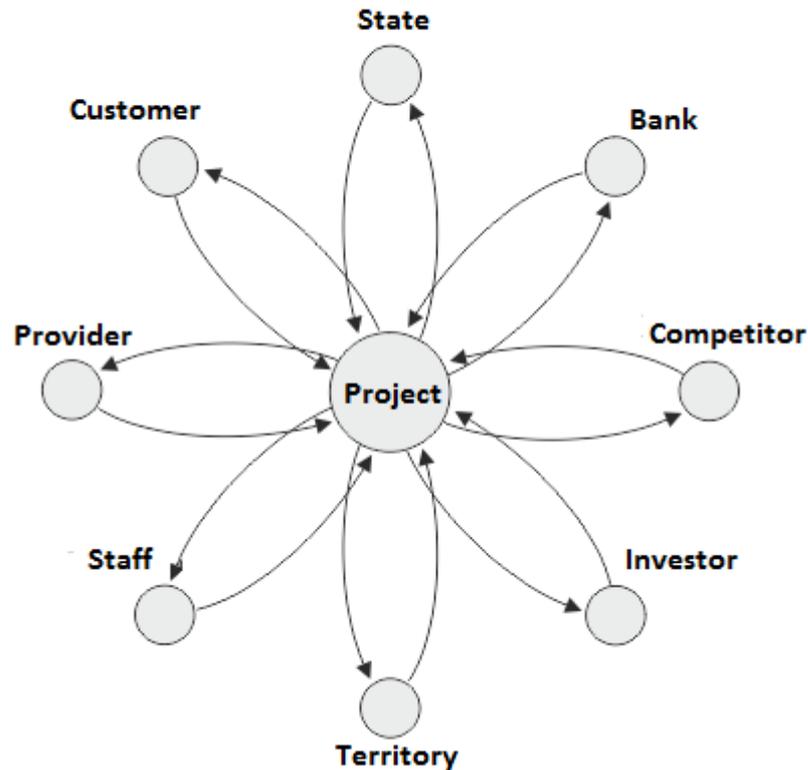


Fig. 5. 'Daisy Relations' Model

The essence of the proposed 'Daisy Model' is that stakeholders intensively interact with the project or company. This interaction involves energy and information interchange and also involves third parties such as noosphere of Earth as a set of ideas, the Earth itself and the surrounding physical space which jointly provide the project and stakeholders with energies, forces and natural resources. If such interchange is balanced and committed to mutual benefit, then the 'daisy' is growing and gaining strength. If any part of the system is misbalanced and the energy is illegally taken out of the system then the 'project plant' languishes and eventually dies. A typical example is business taking a bank loan for a project under initially burdensome conditions resulting in credit default and subsequent bankruptcy. So, when structuring the project and tuning the control contours, the project owner immediately after the definition of the central ideas of the project should clarify the priority issues as:

Who are my stakeholders?

What is the value that I'm going to deliver to my stakeholders and what I would get in return, what is the equivalent interchange?

What is the mechanism for delivering value?

What are the risks I take upon myself when I get into relationships with various stakeholders? What are the chances I getting in return? How to reduce the risks and increase the chances of success of the relationship?

How well the project life cycle is synchronized with the life cycle of stakeholder that I have planned to build relationships with? Is there equality between me and my stakeholder or is there a lack of parity?

How do our relationships with stakeholders will develop over time, how fast, in what time frame?

If the owner of the project does not have the answers to these questions in his/her mind and such answers are not written on paper within the structure of the business plan, then one can be 100% sure that the project is doomed to failure. Because other projects will put relationships with stakeholders in the first place – and this will give their project undeniable competitive advantages that cannot be clichéd for a long time. When replication happens, the project has already got its highest pitch or closed with profit and there's nobody to compete with the business paradigm has changed significantly.

## Conclusion

The research results can be applied and formulated as a sequence of steps that are expected in state initiatives:

1. To train and certify up to ten thousand project managers and project specialists;
  - The project manager should verify competence by obtaining an international certificate.
  - Create a project environment by establishing a Project Management institution, adopting project, program and portfolio management standards.

2. Among the identified problems focal is "lack of qualified professional (in project management)." However, note: it is not just a problem in the education system, certification - the main thing is that the "good qualified specialist" means in Kazakhstan first of all – just "good implementer". Hierarchical management system in Kazakhstan expects from professionals not new ideas, inventions, initiatives - but requires to be following orders and the instructions of the head, to implement the ideas of others (see example 'It-City' Technology Park). This is the main cause. It generates others. One of them is specified in point 3.

3. Lack of skills to build partnership networks, using the principles of "credible commitment" (Schelling, Thomas C.), mutual benefits participants (energy-information exchange between project team and stakeholders). This significant defect and unwillingness to build the 'right' partnership inhibit the development of entrepreneurship, including franchising in Kazakhstan.

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