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Chapter 1 Introduction

Most experts in Kazakhstan consider causes of financial crisis only in failure of banking system, and consider measurements of economy stability improvement through development of financial sector. According to information portal “Zakon”¹, government anti crisis strategy considers development of infrastructure, agriculture, financial sectors as key strategic industries, but there is not much available information about results of implemented projects. So it is not clear how effective was government antirecession strategy. In Kazakhstan strategy management and anti crisis management practices analysis in Kazakhstan are in development stage and need substantial broadening, as well as practical implementation and monitoring of strategy in government and private sector.

According to the information portal entitled “Nomad”², the government of Kazakhstan developed an anti crisis program 2007-2010. According to this program, most resources were directed to banks for refinancing credit debts in construction, to protect the industry from financial bankruptcy. According to program³ were invested 10 billion dollars in financial sector, construction, support of small business, agriculture, industrial and infrastructure projects. Strategy realization was under supervision of state holding “Samruk – kazyna”. In article “Mediasystem”⁴ holding was criticized for its ineffectiveness, waste of budget money, investment in non-perspective government enterprises, ineffective management and its total nontransparent operations.

Based on the above considerations, the problem of state management style needs to be revised. To this end, the current research will consider and employ different analytical articles considering government management practices.

The so-called "anti-recessionary" management style which in essence consists of timely preventive actions of recession, or timely, competent and whenever possible fast recovery actions, necessary for effective management in organization. The problem of a choice of "successful" strategy of anti-recessionary management will be, obviously, one of the most urgent for the Kazakh enterprises at a stage of transition economy to developed market economy; this problem in the conditions of the market will be important.

Anti crisis management became a popular term (Kasu 2005)⁵ in business society of Kazakhstan, but in the Kazakh literature there is no clear difference between general management and anti crisis management. Most attention there is at prevention of crisis. According to Kasu, practice and theory of anti crisis management in Kazakhstan is not clear for entrepreneurs.

For private organizations, it will be important to look at the general strategy management practices and for leaders in different organizations to consider the general profile of management styles in Kazakhstan.

¹ Information portal “Zakon”, Anti crisis program, <http://www.zakon.kz/127615-antikrizisnaja-programma-nazarbaeva.html>

² Information portal “Nomad”, Government anti crisis program support construction investors, <http://www.nomad.su/?a=3-201102140034>

³ Government program for stabilization of economy 2009-2010, <http://ru.government.kz/documents/govprog/27>

⁴ Mediaholding, “State criticized fund Kazyna”, http://www.mediasystem.kz/2012/01/12/senatory_segodnja_podvergli_zhestkojj_kritike_dejatelnost_fonda_samrukk_azyyna.html

⁵ Journal “Kasu”, anti crisis management, #4 2005, <http://www.vestnik-kafu.info/journal/4/128/>

Considering international theoretical aspects of dealing with crisis, it is worth looking at crisis management methods. In the article entitled "Crisis management - planning and action" (tutor2u)⁶, argued that organizations should prepare crisis management plan for unexpected events. Plan should foresee unexpected events and be well prepared for possible alternative events and actions to resolve situation. Generally speaking, plan should consist of: contingency planning, crisis scenarios, consequences, risk strategy and cases simulation. In paper "Managing crisis: risk management and crisis response planning" authors strengthen points on creating crisis management team which should evaluate and prioritize organization risks in order to avoid risks and modify organization's priorities. It is mentioned that crisis management communication is important part of the plan. Crisis management has common features in worldwide organization, and theory practically can be applied to any organization. However, there are many issues which can slow down process, and important part for this paper to research what problems do organization face in their activities and what possible solutions can be applied.

There is need for state and private enterprises to develop common anti crisis strategy which will generally benefit the economy. To this end, there is need to analyze the development of effective anti crisis management strategies both in the governmental and the private sector, which is the topic that the current dissertation attempts to examine.

The urgency of the selected theme is dictated by the Kazakh insufficiency in fields of the management theory and practice and its inconsistency, lack in methodology of diagnosing, forecasting and preventive actions. It causes the necessity to work out methods and tools in formation of rational decision and realized strategy of management in a crisis situation for maximal improving situation within enterprise, and its consequences for the enterprises, or getting of the enterprises from a crisis and to maintain its financial stability.

Methodology which is going to be used in this research paper, firstly, will be based on a review of crisis management theory. Secondly, will be researched what are the current problems modern organizations facing and what can be done in strategy formulation. For these purposes, will be used analytical articles from the internet and information from interview. Will be considered different strategies, which can be employed within organization. And thirdly, based on above research, will be given conclusions and recommendations for organizations in Kazakhstan. Contribution to existing knowledge will be findings of inefficient processes which exist within companies in Kazakhstan and possible management solutions based on crisis management theory.

Methodological and theoretical base of the conducted research is management literature which specializes in considered problems.

Publications of famous experts will be considered in the field of strategy, business management, financial management and the financial analysis. During research of the extensive base of the literature in management methods are very important to use in the analysis of a financial and economic condition and evaluation of condition of the enterprises. Also, will be used Kazakhstan legislative and government policy.

As practical base of research will be used information from managers in different enterprises. Also, will be considered government, economy, and financial policy in some of the enterprises, and publications in the economy literature and mass media. And also information received during

⁶ tutor2u, "Crisis management –planning and action", <http://tutor2u.net/business/strategy/crisis-management-planning-and-action.html>

independently spent economic research of reforming processes and re-structuring of large and socially significant enterprises.

Based on the found information for organizations it is important to make recommendations for the decision in anti-recessionary management.

The dissertation has the following structure. In the second part literature review is presented, where by the theory of crisis management is discussed and reviewed and whereby general information about the economy of Kazakhstan is presented. The third part includes the methodology approach followed by the data analysis. In the fourth part, discussion of findings is presented. The last part refers to the theoretical and managerial implications, while conclusions are discussed and recommendations for future development are highlighted based on the overall analysis of the topic.

Chapter 2 Literature review

The first part of the literature review sections refers to the notion of crisis management and its application within organizations.

2.1 Definition of crisis and anti crisis management

Crisis is generally not stable political, social, or economic condition, which involves an impending decisive or abrupt change (Investopedia – Definition of crisis management)⁷. It defined as sudden change in the development process in any kind of activity, to either improvement or aggravation. In organization crisis can be defined as not expected circumstance which can threaten employees, services, products, customers or reputation. In any case it takes immediate coordinated actions and solutions from management to preserve or recover confidence in the organization under crisis. In the article “What really constitutes a business crisis”⁸, Michael Naylor distinct crisis in two categories. First, when organization doesn’t control crisis situations which are unexpected by the nature. Second, when crisis events can be controlled and avoided.

For successful corporate governance, management should develop and sustain policy in order to support organization reputation and financial stability. Otherwise, company can damage its reputation and customer trust what may lead to insolvency. Public relations are important in crisis management.

According to the American Institute for Crisis Management (ICM) ⁹public relations are significantly necessary activities to be implemented to prevent possible future political, financial or legal impact on a business.

Crisis management determined in three stages:

1. Pre-incident stage, considers possible crisis events and possible preventive actions to avoid

⁷ Investopedia, definition of crisis management, <http://www.investopedia.com/terms/c/crisis-management.asp#axzz1jnUiGbsc>

⁸ Michael Naylor, What really constitutes a business crisis, <http://managementhelp.org/crisismanagement/index.htm>

⁹ Crisis management, <http://www.siliconfareast.com/crisis-management.htm>

2. Incident stage, management of active crisis situation which requires actions and solutions to respond.
3. Post-incident stage, considering management of preventing recurrence of crisis, recovery of company image and customer relationships.

There exist many theories on management of organization in crisis situations. However they have a lot of common ideas and management actions.

- Anticipate and prevent possible crisis situations and be able to react to them;
- Keep up with right and timely information during crisis;
- React to any circumstances immediately;
- Fast response from top management to all levels of organization
- Think for long term effects of management actions.

According to “Avalution Consulting”¹⁰ expected potential crisis event, should be formulated and documented in unforeseen plans of action as the basic request of any anti-recessionary program.

Crisis taking time activities and not acting immediately or getting misleading information can have destructive impact on company stability and may treat business continuity. Company should have available resources; financial, human, information, to preserve company positions in initial stage of crisis. Due to low expectancy of crisis, organization needs to create anti crisis management team, which will be able to react immediately on constant timely basis.

It is also important to be transparent for shareholders so public will be ensured that problems are solving by top level management (guidebook – crisis management)¹¹. And problems should be considered in long term basis in order to prevent reoccurrence of crisis in near future.

Crisis management plan should be consisted of following actions:

- Immediate response – should be about all activities related to safety management, human resources, financial health, and other environmental effects.
- Running business – all activities related to proper functionality of all organization business activities, delivery of company goods & services under crisis event.
- Communication management – all activities related to internal and external communication within organization in crisis conditions.
- Human resource management – all activities to prevent side psychological effects of the crisis within the company, arise confidence and possible human resource development.

¹⁰ “Crisis management plans: what your executive team really wants”, Brian Zavada, 2008,

¹¹ Guidebook, “Crisis management: risk management and crisis response planning”,
http://strengtheningnonprofits.org/resources/guidebooks/Managing_Crisis.pdf

2.2 Crisis in organizations

Last years in state economy development policy, according to general state development strategy 2003-2015¹², main accent was devoted to various aspects of competitiveness and were introduced in practice new activity methods in different market segments and were worked out many marketing programs and introduced progressive western technologies. But for such problems as reforming, re-structuring and reorganization in many of the enterprises, were left much less attention. And questions of competitiveness and re-structuring of organizations are considered not in a complex, and locally, but broadly manner, that is wrong and leads to negative economic consequences.

The present stage of development of market reforms in Kazakhstan- more and more pressing industrial, economic, organizational and financial relations between the enterprises in different sectors.

Competitiveness strengthening of effective production and links between local organizations, and also with foreign suppliers of goods imported to Kazakhstan demands from the national companies and firms coordination of efforts for effective collaboration in the domestic market.

As a rule, the enterprises overcome difficulties, dictated by the internal Kazakh and external economic environment without sufficient assistance of the state, without developed market structure, without knowledge of world market experience in the conditions of tough competitiveness. However world experience shows that recovery, stabilization and the subsequent development of a national economy depends in a certain ways on competitiveness of local producers.

Increase of competitiveness of the Kazakh goods in the local and external markets is considered in state reforms and policy, however competitiveness of Kazakh enterprises yet is not considered properly by legislative and executive powers.

Besides, high output production costs, smaller labor productivity, backward technologies in production and management, legal, economic and institutional disorder substantially decrease local organization's competitiveness.

In such circumstances organizations need to develop ability to act immediately, especially it is important to react timely to changes in a consumer's behavior, preferences and demand to make necessary changes in production in correspondence with transition environment and state reforms.

Perspective strategy plan should be developed at the enterprises in changing competitive environment. Strategy can differ in different sectors of economy, with the main purpose of creating certain competitive advantages. As practice shows, there is need for management timely and precisely evaluate condition of competitive environment, make proper SWOT analysis, to evaluate strong and weak points of organization to choose proper strategy to avoid any threats, dangers and all market changes, during crisis.

Continuous monitoring of the competitive environment is a necessary condition for an analysis of a market situation and orientation of organization in its production to satisfy

¹² Strategy of industrial – innovative development of Kazakhstan 2003-2015, http://www.kazembassy.by/econom/industr_razvitie.html

requirements of the market more efficiently. As a result conclusions about a condition of the competitive environment should be made on a basis of an innovative policy of the enterprise.

In essence, any advantage over competitors is achieved by innovations and organization's ability to introduce new products. Achieving market advantages is necessary factor for competitiveness of an enterprise. In the conditions of high competition, it is important to have competitive advantages with superior quality, lower price and proper marketing strategy to be successful in the market.

Commercial innovation of the goods, and also their competitive advantage over similar products are important, but at the same time it is important for organization to have extensive distribution network. Well developed strategy of distribution network and ability of the enterprise to deliver products or services just in time, to satisfy timely needs and values of its customers, considering efficiency of distribution processes is the one of important considerations organization should make to improve its competitiveness.

2.3 Restructuring of organizations

Re-structuring is one the effective tools to increase competitiveness of the enterprises. It is considered as very important factor for organization structure to change in accordance with external market conditions or changes in organization's policy, strategy, functions and product.

According to "Finekon", re-structuring is directed on production efficiency, increases competitiveness¹³ of the enterprises and production processes, and also improves investment attractiveness. Often it includes a complex of actions directed on improvement of organizational structure and functions: modernization of technical and technological aspects of production; improvement of financial and economy policy; decrease in production and marketing expenses; the best use of materials and human resources; creation of a modern information system and document circulation.

Transformations in property, resource and other aspects not necessary are connected with the production processes only. As a rule, re-structuring adapts processes of management in the enterprise to changes in an environmental conditions and corporate relations with partners. Successful reorganization directly influence realization of the planned competitive strategy of the enterprise, and requires changes in activity processes of organization in step by step stages. Such management of reorganization, for the purpose of competitiveness, allows creating an effective mechanism of re-structuring in initial stages and in its continuous process of adjustment.

For effective realization of re-structuring should be analyzed problems faced by enterprise, its weaknesses and strengths to overcome weaknesses. Firstly, should be identified priorities in organization, competitive strategy and forecasted future production and sales, in coordination with general company mission and vision, short term goals and current problems, and also considered main factors influencing goals. Secondly, re-structuring procedures should be developed. In the preparation stages should be included: review of management practices, with proper analysis of the external and internal environment factors along with organization competitive strengths and weaknesses, which comes with analysis of business processes; planning of the general concept of the re-structuring, its direction and structure; actions; an evaluation of results and corrective actions. As a result at the enterprise the uniform system of transformations is formed.

¹³ Restructure of organization, <http://www.finekon.ru/restrukturizacija.php>

In the last years in the developed countries reforming of organizational activities frequently used even by those enterprises, which practically do not have serious problems with its production processes and sales. Thus, lead managers try to forecast and anticipate potential threats, dangers and risks of market activity in various market indicators.

The re-structuring process directed on increase in efficiency in functioning and maintenance of competitive position of an enterprise, and also can be conducted in the separate divisions, in different activity processes such as supply chain, product development, engineering procedures, production, marketing and sales. Organization can be divided in smaller organizations and allocate, separately its assets, human resources, capital and financial obligations. Shareholders as a result receive shares of the newly formed company proportionally to their investments into business.

The independent (industrial-commercial) division unites all functions which necessary for production of competitive product and services, and its effective realization, what allows management to react faster to requirements of buyers and to changes in the external market environment. Independent division is responsible for results of the activity, thus its efficiency and achieved results are reflected in financial report of the enterprises.

Allocation of producing units into future required products as a result of the competitiveness analysis of production, allows considering market demand and subsequent increase in production, and also appealing to a local and foreign investors. Such approach appeal to concentration of financial resources, and fulfillment of the general strategy, investment in product development and its diversification. Redistribution from main organization activities to product development units and also to outsourcing companies, necessary change within a corporate activities, for competitive strength development as a whole.

Production of weak-competitive goods can be allocated to other business unit, with main purpose of diversification or competitive low cost advantage benefit. Principles of division into business units are fulfilled according to: market conditions and consumer preferences; different organizational, technological and financial conditions for production; different degree of competitiveness of goods; different degree of investment attractiveness; different degree of quality of goods.

A control system and organizational structure should be corresponded with a re-structuring strategy. Change in strategy demands change of in organizational structure, so balance between goals of organization and the strategy should be maintained.

Efficient realization of strategy is only possible when sub strategy correlated with general strategy. In my opinion, long-term strategy should be consisted of sub strategies in key questions such as: new organization prospects; a cost benefits; organizational structure of management; directional development strategy; technology development policy.

So, for example, according to Comnews re-structuring of Kazakh national company Kazakhtelecom¹⁴, was proposed by government (government control 51% of shares) to change its organization structure to become more competitive. Corporation control all communication infrastructures and telecommunication market, with high prices for its relatively low quality services. So, government decided to sell its 5-25% share on stock exchange market. Here strategy government trying to implement is to increase corporation competitiveness, variety of services provided, modernization of its infrastructure, decrease in prices, and better attractiveness to

¹⁴ Kazakhtelecom sells its business, Comnews, 2009, <http://www.comnews.ru/index.cfm?id=46351>

investors. Strategy was directed as preventive actions to expected entrance of more competitive Russian companies and following fall in share prices.

For stable management and efficiency of the company in a transition period, management role should be fulfilled by leading executive staff. Further there should be created high-grade organizational structure in the company to monitor activities of divisions or joint companies, with control of external factors influencing corporate strategy and development.

One of the forms which can better suit organization purpose is holding structure. Holding structure it is when group of the enterprises or the affiliated firms, acting within the limits of a controlling company which keeps shares of these enterprises. Under condition of legal and economy instability controlling companies try to have not less than 51 % of shares of branches.

Holding formation allows moving the capital from less perspective spheres to more progressive and monitor seasonal and recession fluctuations and other risks.

As example, we can consider company "Kazneftehim" ¹⁵ - the vertically-integrated petrochemical company, which successfully developed the strategic plan for development. Within several years, company transformed into joint-stock company, united a network of the enterprises in production, extraction and distribution. Special attention was given to increase in social security of staff, and also improvement of working conditions. Developed its structure according to the strategic plan, the company has taken strong market position. The association integrated its activities to delivery of the jet fuel, special liquids, and oils to leading aviation enterprises. Company developed industrial activities such as, processing, transportation and petroleum storage. Company strategy was strong backward integration, by creation of successful joint enterprises in excavating, processing, transportation, and storage. Joint enterprises became very successful and demanded by the market and thus attracted investors. Additionally, company acquired plant for production of a chemical fiber "Fenilon".

"Kazneftehim" has concentrated its attention on oil extracting, thanks fully to recently made re-structuring. During the process have been sold some of its major business activities, in particular, chisel, transportation and building divisions. Henceforth the company concentrated in perspective directions. After the conducted re-structuring the company intends to make the petroleum enterprises as a separate structure and in the future to organize its independent trade of shares and to concentrate a great attention to hi-tech production of meta-aramide fibers.

Considering, the crisis phenomena in the world's financial markets and high price of hydrocarbons, company Kazneftehim did make just in time re-structure of its activity, what in further undoubtedly will have positive impact on the company indicators and its competitiveness in the global market.

¹⁵ Kazneftehim rapidly developing oil company, Zondir, <http://www.zondir.ru/articles/him-prom/ao-kazneftehim-dinamichno-razvivayuschayasya-kompaniya-v-neftyanoj-i-himichskoj-otraslyah-promyishlennosti.htm>

The following part of the literature review section is dedicated to an analysis of the Kazakh economy to provide insight with regard to the context within which the study takes place.

2.4 Background information about the economy of Kazakhstan

Kazakhstan - dynamically developing agrarian-industrial country. The basic source of economic growth of economy is the mining industry. Kazakhstan consists of five large regions:

Northern Kazakhstan - the grain production, extraction of iron ore, coal, mechanical engineering, and production of petroleum.

Eastern Kazakhstan - nonferrous metallurgy, mechanical engineering and a forestry.

Western Kazakhstan - the largest oil and gas extraction region.

Central Kazakhstan - black and nonferrous metallurgy, mechanical engineering, animal breeding industries.

Southern Kazakhstan - rice, wool, grain, fruit, vegetables, grapes, nonferrous metallurgy, food-processing industry, fish and forestry. The share of trade with international partners like CIS and Baltic countries - is great, it is 59 % of export and to 63 % of import. The basic trading partner is Russia. There are also trade relations with Germany, Turkey, Switzerland, Czech Republic, Italy, China, USA, Great Britain, South Korea and others.

Exports

Kazakhstan export raw materials from extraction in fuel, metallurgical and chemical industry.

Structure of the Kazakhstan export:

Petroleum - 35 %

Nonferrous metals - 17 %

Ferrous metals - 16 %

Ores - 12 %

Grain - 9 %

Other - 11 %

Imports

The basic imported products are cars, equipment, transports, chemical production, fuel, food, finished products and the consumer goods.

As a result of high dependence on foreign markets bank crisis in Kazakhstan has started at once after the crisis in the USA, in autumn of 2007.

After average annual growth rates of more than 10 % within 2000-2007, gross national product growth in 2008 has been 3,3 %, and in 2009 only 1,2 %. Nevertheless, Kazakhstan - one of few countries of the world, which has saved positive growth rates in crisis.

According to SBERBANK OF RUSSIA there is a risk that the banking system problems can slow down recovery of all economy. Having learned lessons from current crisis, Kazakhstan about to introduce a western advanced experience in finance and state regulations.

Public sector organizations

For government anti crisis management was in prevention of crisis conditions rather than considering core a problem within enterprise. All of it actualizes a problem of a choice of adequate anti-recessionary strategy at each individual enterprise.

In 2008, according to Samruk-Kazyna¹⁶ was created state Holding Corporation with mission to manage and control all strategically important state organizations in order to improve Kazakhstan economy and create competitive environment. Holding keep shares in 500 companies, such like Development Bank of Kazakhstan, Investment Fund, Kazyna capital management, Samruk- Kazyna invest, Innovation Fund, Small enterprise development fund, Export corporation, Kazmunaigas (Gas and Oil), KEGOC (energy network), Kazakhtelecom (Telecommunications), Kazpost, Kazakhstan Temirzholy (Railroads), Airastana, Kazakhstan Engineering, BTA bank, Khalik bank, Aliance bank, Maikangold and others.

According to information portal “Zakon.kz”¹⁷, Samruk - Kazyna was very much criticized for non transparent transactions and very complicated money distribution scheme. And according to state deputy Ualihan Kalijanov, investment of state funds is not clear and there are no sufficient results from money investment. Minister of finance Bolat Jamishev, criticized fund “Damu” for its non effective style of management.

Private sector organizations

The rigid financial policy in Kazakhstan has had substantial impact on economic relations, having destructive influence on the economic relations within organizations. Understanding of financial crisis is largely attributed to deregulation of financial relations and inadequacy of a policy in financial stabilization in realities of transitive economy, what causes necessity to co-ordinate overcoming crisis with realization of effective anti crisis policies and their proper implementation.

Private organizations in Kazakhstan function in all economy spheres: trade, agriculture, oil and gas, telecommunications, mining and others. In the article from journal “Expert Kazakhstan”, 18Aizhan Shalabaeva criticized government for recent increasing state share in all economy spheres and as a consequence decreasing share of private sector. According to Aizhan, more favorable support from state policy to government organizations leads to the situation when more competitive private organization getting into hard economy position. And many private companies according to author have no incentives to invest money in development, because of this state strategy.

¹⁶ Samruk – Kazyna, national holding, http://samruk-kazyna.kz/page.php?page_id=6&lang=1&parent_id=5

¹⁷ Zakon.kz – informational portal, <http://www.zakon.kz/138100-chinovniki-ne-soglasny-s-kritikojj-v.html>

¹⁸ Expert.Online – State will give garbage to private organizations, <http://expert.ru/kazakhstan/2011/23/gosudarstvo-otdast-musor-v-chastnyie-ruki/>

Chapter 3 Methodology and data analysis

3.1 Research Questions

The purpose of the current dissertation is to examine a problem of choice of necessary strategy in anti-recessionary management of business depending on a development stage of an enterprise. There are many studies exist in methodologies of crisis management, however there is lack of studies related specifically to Kazakh economy environment. Therefore, will be reviewed already existing methodologies and in analytical part will be considerations for its practical applications related to Kazakh context.

For the purpose of general conclusions as to the implementation of crisis management practices was made analysis of the literature review. As a basis of analysis were reviewed general crisis management theories. In order to approach management practices in Kazakh organization was analyzed general economy situation in Kazakhstan. The essence and principal causes of crisis in Kazakh enterprises will be considered. Also, will be revealed the problems related to formation and a choice of adequate anti-recessionary strategy at the enterprise.

Because state organizations are very important for economy development, much attention was devoted to state organizations. For analysis of practices in state and private organizations was used information from official documents, media sources, and organizations web sites.

In order to get additional information, were conducted interviews with managers of Kazakh organizations. Problems in Kazakh organizations will be analyzed with use of collected information from interviews with key leaders in different Kazakh organizations, in order to get professional view on the crisis management within organization. Interviews were based on questions which are essential for research and were developed with use of ideas from papers “Managing crisis; risk management and crisis response planning”¹⁹ and “Financial crisis and economic forecast” by Ignazio Visco. Interviews were based on questionnaire which reviewed crisis management practices existing within organization, general problems and methods for their solution. Managers of the companies were approached by the phone, with timeframe of the interview about 10-15 minutes.

Achievement of the purpose needs to take to consideration decision of following problems based on theoretical and practical research questions:

1. To define the essence of crisis
2. To show the reasons and crisis factors at the enterprises
3. To analyze a current state of a problem of anti-recessionary management of business and corresponding anti-recessionary strategy
4. To specify development stage of the enterprise, necessary for the further analysis; to carry out the analysis of condition of the enterprise at its various growth stages;
5. To show necessity of the crisis preventive actions and to consider existing methods in forecasting of financial crisis at the enterprise as components of anti-recessionary strategy management of the enterprises;

¹⁹ Managing crisis: risk management and crisis response planning
http://strengtheningnonprofits.org/resources/guidebooks/Managing_Crisis.pdf

6. To consider a technique of formation and a choice of anti-recessionary strategy at an enterprise;
7. To analyze stages of realization of anti-recessionary strategy at the enterprise in a crisis condition
8. To consider and analyze alternative strategy simulations and its realization;
9. To analyze the results, to make corresponding conclusions and recommendations for situation improvement at the enterprise.

3.2 Factors influencing the choice of strategy

Working out on a consideration or a choice of anti-recessionary strategy, and also practical recommendations for the decision making in anti-recessionary management at the enterprises, takes into consideration problems which related to criteria of strategy formation; and it is necessary to find out, that this or that strategy considers different number of choices, their dependencies and possibility of effective realization.

Firstly, let's consider internal factors in organization which influence its growth and stability, we need to take into consideration and evaluate weak and strong internal factors of organization. All internal factors can be classified in following groups: marketing, production, human resources, management, and finance. So, now let's consider what problems may arise in organization, which should be analyzed and used in strategy formulation.

Marketing: The mistaken forecast of a demand, inappropriate sample range, non consistent positioning of a goods, irrational price policy, inadequate stimulation of sales, expensive distribution, wrong customers service, adverse changes in consumer behavior, incorrect system of marketing.

Production: Not appropriate production time-tables, imperfect technologies, wrong direction in research and development, weak quality assurance in production, poor quality of supporting activities (transportation, energy, repair), low level of industry potential, irrational production, irrational operational management.

Human resource management: Non efficient leadership, conflict relations in the team, inadequate human resources, surplus of a labor, staff schedule management, irrational methods of stimulation at the work, inadequate information management, irrational structure of management, inadequate level of qualification of top management and subordinates, unsatisfactory level of planning and the control.

Finance: Not optimal capital structure, bad investment decisions, absence of responsibility for financial results, the weak control over costs, irrational tax planning, inefficient planning and the control of capital resources, problematic relations with suppliers, investors. Also, imperfect financial planning and non optimal strategy in formation of financial funds sources. And, inefficient financial strategy in asset formation of an enterprise.

In crisis management these factors interact and supplement each other. One factor can be cause of others which were not considered - the negative effect amplifies and arise inconsistency of global character. That's why it is necessary to define factors which are present at an organization.

For effective strategy formulation it is necessary to analyze organization condition and all internal and external factors for previous years with quarterly breakdown, industry marketing situation: rivalry in the market, a market capacity, the projected plan of sales, product design, prices, alternative goods, stimulation of sales, marketing services. It is important to consider:

1. The activities of organization - production structure, research and development, an infrastructure, functions, range of activities.
2. Management – organizational legal form, organizational structure and its transformation, executive management, methods of hiring and selection of staff.
3. Material resources, storekeeping, human resources, production planning, payment system, labor productivity, decrease in expenditures for labor, sales volume and schedule.
4. Organization Costs and Accounting, estimated costs, the scheme of profit generation, the balance of income and expenditure (inflow and outflow of money resources), if inflow more than outflow, a pure cash flow cumulative, is positive.
5. Accounting balance sheet
6. Efficiency of investments - commercial, budgetary, economic
7. Risks: marketing, political, operational and strategic... For example, company can develop new product but other competitive company can develop more efficient and cheap product which can decrease projected sales and revenue.

To analyze crisis (bankruptcy) condition in the enterprise, can be used methods from financial analysis²⁰ and applied to strategy formulation.

The factors characterizing given indicators, have many general elements, as all of them - derivatives of key components of the same annual financial reporting. Actually they are often related, and consequently they can be considered as system. The analyst can transform a series of factors into the dynamic numbers showing the most important driving indicators, used by managers to affect company activity.

The financial condition of the enterprise can be evaluated from the point of view of short-term and long-term prospects. In the first case criteria of an estimation of a financial position - liquidity and solvency of an enterprise, is ability in time and fully to pay accounts which are under current liabilities. The financial condition of the enterprise in the long-term plan is characterized by the indicators of financial stability, on the basis of parity between own and loan capital of the enterprise.

Thus, it is recommended to define a forehead financial condition, to carry out the detailed analysis of a current financial condition of the enterprise. For crisis forecasting it is necessary to pay special attention to significance of current ratios, financial stability and enterprise activity. If they are standard it is possible to make a conclusion on a stable financial position of the enterprise, about

²⁰ Ratios for financial statement analysis, <http://cpaclass.com/fsa/ratio-01a.htm>

its liquidity, solvency, and effective industrial activity. In this case maintenance of a financial condition of the enterprise will be a management task. In case of not standard results of the given financial indicators, it is required by management to conduct more detailed analysis of the reasons of this non standard results, and if necessary - to revise the financial policy of the enterprise.

At a **growth** stage the firm is characterized by safe enough state of affairs that allows it to increase production. At this stage the most dangerous production factor is the high share of a loan capital that can lead to inability to pay debts and to become bankrupt. It is interesting to look at "Greiner curve"²¹ as it considers problems organization may experience during the growth stage.

At a stage of **slowing growth**, threats to organization stability can arise from: loss of flexibility in the management of organization, inadequate marketing and inefficient transaction costs. Large number of days which take for enterprise to convert their receivables into the cash form, makes direct impact on solvency of the enterprise. Management flexibility loss leads to delayed acceptance of administrative decisions, inefficiency of these decisions and, as consequence - to increase in costs and losses in profit from inadequate and delayed reaction to external and internal deviations.

According to "Mind tools"²², the **stability stage** is characterized by reliable position of the enterprise, stable profits, and sufficiency of all industrial resources. At this stage in my opinion dangerous factors may have remained from a stage of slowing growth. Besides, there is an effect of ageing of fixed capital and administrative staff (here it is a question of moral "ageing" of staff, about loss in flexibility management due to obsolescence of used principles, methods and management techniques). These factors lead to decline of productivity in comparison to other companies and loss of competitive advantage of firm.

At a **recession stage** situation is worsen with the general decrease of financial and economy conditions for firm. In the background of economy crisis, worsen internal factors can lead to accelerated transition of the enterprise to a crisis stage and bankruptcy.

Concerning demand for goods and services carried out analysis shows that practically at all stages of organization product life cycle parameters are identical, and their influence is accordingly similar. So, sharp reduction in demand critically affects any stage of development of firm. Volumes of output are reduced, a unit cost as a result increases as a share of fixed costs increases, the profit per unit and total profit decreases. The firm can suffer losses, which is difficult to recover, it can appear that it is more favorable to cease firm, than to continue production.

Development of substitutes leads to replacement of the goods, from the markets, to reduction of demand for firm's product, loss by firm in profits and to bankruptcy. Change of other market conditions influencing demand, influence a firm condition similarly.

Influence on related and supporting branches of the enterprise is coming out from related resources. Basically it is coming from increase in the prices of resources and switching of resources in other activities or other purposes due to various objective and subjective reasons in economy and activities of competitor firms. Decrease in economy position of firms-suppliers can also cause a chain of bankruptcies of firms depending on them. Especially this factor is important at stages of the enterprise formation and recession as during these periods the organization is most vulnerable.

²¹ "Greiner curve, surviving the crises of growth", http://www.mindtools.com/pages/article/newLDR_87.htm

²² "Product life cycle, manage your product to maximize success", http://www.mindtools.com/pages/article/newSTR_80.htm

Except external factors there is also a factor of internal character - absence at firm of any reserve of strategic resources. This factor appears from the initial stage of running firm because of insufficient coordination system of supplied resources. It influences all stages of life cycle.

According to "Mindtools" PEST²³ Analysis factors of the competitive environment also are critical for firm ability to live. Other firms can use the best technologies, the best marketing strategy, and the best administrative abilities. Firm with outdated technologies can lose its market position and this can lead to firm liquidation.

The big threat is represented by entry in the market of new powerful competitors. This factor is less dangerous at growth stages as during this period the firm is most dynamical and can resist to the competitors. But at stages of formation, stability and recession when production processes become less flexible, new powerful competitors can cause exit firm from the market.

Activity of the state structures is the important factor influencing development and functioning of the enterprise. Fiscal and the government policy have strong effect on all stages of life cycle. If it is not stable, it is difficult for firm to survive, in any development stage. Instability of the legislation also has potential risk for a firm.

The important role in company activity is played by unexpected factors. Unexpected effects can both to promote firm prosperity, and to lead to its bankruptcy.

If to consider the factors influencing bankruptcy of firm, on stages of life cycle of the enterprise it is possible to produce strategy to prevent it from crisis state and bankruptcy. It is necessary to notice that the choice of anti-recessionary strategy should be made beforehand - having defined prospects of development of firm, management. This conducted research, can provide in advance consideration of the basic problems at each stage of organization development and to make adequate tactical and strategic preventive actions.

According to Ignazio Visco²⁴ crisis forecasting concerns measures of tactical character in preventive conditions of crisis. But in any case making choice and the strategic decisions will have financial implications which are necessary to forecast. These forecasted financial implications are apparently will influence criterion of a choice or rejection of those or other strategies in behavior of the enterprise.

It is known that knowing the general laws of development of any enterprise it is possible to make the forecast of its development for future. Thus, would be logical to take advantage of present possibilities for forecasting, prevention of crisis consequences at the enterprise.

At the enterprise which is in a condition of financial crisis, are observed low indicators of activity, profitability and return on assets. Loss in financial and economic activity testifies that the enterprise is under the threat of bankruptcy. However it yet does not mean that any unprofitable enterprise should become bankrupt. Financial loss can have time character, and it should not be underestimated that a management and managers of the enterprise can find effective decisions and lead the enterprise from crisis.

²³ PEST Analysis, problem solving, Understanding "Big forces" of change, http://www.mindtools.com/pages/article/newTMC_09.htm

²⁴ "The financial crisis and economists forecast", Ignazio Visco, 2009.

In my opinion, putting broad analysis into practice, takes importance to create, an own database, using the given samples of firms of interesting industry. And, it is better to use various economic indicators, most precisely reflecting position of the enterprises in specific industry with allowance for specificity of the Kazakh conditions. In the analysis will be considered main problems which exist in organizations and what appropriate techniques can be applied.

The further analysis of possible strategy of anti-recessionary operation of business demands definition of a technique of a choice of the anti-recessionary strategy adequate to a concrete situation. Formal approach is necessary to most precisely evaluate a current condition of the enterprise and to choose optimal strategy and tactics of management. Furthermore, such approach for a choice of strategy allows tracing and evaluating prospects of development of the enterprise, and its market stability.

Organizations should develop techniques which will allow them to analyze a financial condition and the general condition of the enterprise, to define prospects of development of the enterprise, to find out position of the enterprise at stage of development and to choose strategy and management tactics by this enterprise. Many strategy developing techniques are available at web site "Mindtools"²⁵. Also it is important constant monitoring of any changes in condition of the enterprise for the purpose of correction in the chosen strategy in any stage of development.

First of all, it is necessary to carry out the financial analysis of a condition of the enterprise. It is necessary to carry out the detailed quarterly analysis of a financial position of the enterprise better for more than three years prior to accounting date.

Also it is worth to analyze a condition of the enterprise from the moment of its last large restructuring (owing to internal or external crisis and so forth). Such analysis will allow to construct the integrated development phase (to a point where the enterprise is at present) to trace general tendencies of development of a given industry.

It is necessary to underline that the current financial analysis should be conducted at the enterprise constantly. Monitoring of the external and internal environment of the enterprise will allow reacting faster and adequately to any changes, and also in time defining approaching crisis (change in economy and a state policy).

Thereupon it is important to consider research and application of the advanced foreign experience and how it can be used in Kazakh practice. One of modern directions in development strategy is controlling - the tool of planning and analysis of condition on the basis of the computerized system of information processing.

The following step is forecasting of condition of an enterprise in short and long run of its development. On the basis of the general laws of product development stages of any enterprise it is possible with some probability to make forecast of its development. For this purpose, it is necessary to take advantage of results of the financial analysis.

²⁵ "Business strategy tools and techniques", http://www.mindtools.com/pages/main/newMN_STR.htm

Chapter 4 Discussion of findings

Today many organizations in Kazakhstan, according to interview with Key Account Director of Home Credit Bank, Baurzhan Muratov, face problems with competence of management. The big problem is slow reaction within organization to changes, what lead to high risk to lose its competitive advantage (low cost competition or differentiation). In the conditions of Kazakh financial crisis for the companies it is important to be able to make decisions very fast. And to be able within two-three months optimize financial and administrative tasks. Considering a situation not only in the small companies, but also in large holding structures and in retail companies, one of such strategic decisions is based on analysis of incomes, expenses and assets. This allows to reveal bottlenecks and to define, where actually there are unproductive expenses. Today the majority of the companies, first of all, try to deal with crisis by firing its employees, instead of correctly optimizing the non-productive costs. But, as a rule, the basic unproductive expenses are not wages, in respect of the wrong financial policy, and unproductive use of assets. Therefore this consideration allows not losing qualified personnel. And it is very important – because after all staff is core for the business. On the other hand, we can define the major expenses which are subject to reduction first of all, and that is more likely in 70-80 % of cases – it's not staff. For example, we applied such decision process to one Kazakh construction company to check its cash flows. I have chosen construction company because construction one of the industries which suffered very much from economy crisis. Cash flows analysis was chosen because for construction business it is very important to be cost efficient. All data and information were provided by construction manager of Construction Company (for confidentiality reasons lets name it Construction Company). Analysis was done based on their past experience, and professional opinion. When analysis of the separate account of incomes and expenses was considered, were found out three very serious points of cash outflows. Some decisions made inside the company, were responsible for these points. Holding company was backward integrated in its structure: represented itself as builder and supplier of materials. During the analysis it was found out that because of wrong business processes, many building materials were used in inefficient manner, and it was impossible to count efficient volumes with use of inner techniques of accounting which were applied in this holding. And as building materials at that time increased in price, some managers who are responsible for these processes benefited at the expense of organization. It was the first point of outflow of capital. The second point concerned sales of apartments. Five years ago apartments considerably increased in the price in Kazakhstan, during some periods the price increased in few times. In this holding in sales department real cost of apartments in reports was underestimated. And people who were involved in this processes, benefited from this by holding expense. After conformity of real expenses and real income, company owners and top management has promoted to a management positions of these business processes its relatives, even though they at that time had no field experience. But for the owner it was better to assign as a manager his not experienced relatives, but not stealing. Thus many organizations in Kazakhstan, because of poor analysis of its business processes, loose in professional management, what leads to poor management practice in organizations.

In my opinion for development of right antirecessionary strategy organizations should take in consideration marketing component. Many companies in Kazakhstan looking in short run, and do not consider customer relationships as its priority in their product development. In initial stages of any new introduced products in the market prices have tendency to be higher than more mature products. In Kazakhstan companies loose huge amounts of time, efforts and advertising expenses, so by the time product become familiar to the customer in the market appears new competitive product with considerable benefit. So company face problem of higher expenses to considerably low generated income from sales. Correct correlation of expenses and incomes allows considering

correctly one more problem particularly in retail industry. Let's consider some network shops. These networks have different specific from oil and gas industry, and require strategically considered marketing behavior. For example short life products, which need to be sold immediately in the market, can be sold at its cost in order to penetrate the market and later by achieving cost efficiency with increased total sales and decreased total cost per unit start to generate profits. Problem is that many organizations in Kazakhstan, in marketing divisions don't have clear vision about their cash flows, expenses and income accounts. And when developing marketing strategies they often do not consider or do not monitor what happen with new product, if it sold at cost or sustain loss.

In my experience, few years ago one of known networks of large hypermarkets in Kazakhstan has carried out the marketing promotion of its distribution network. Previously it estimated the real cost of milk delivered from a local milk farm, and decided to sell milk at a loss of around 10 %. Thus the price on the market was appeared to be 30 % more cheaper, and all customers immediately shifted their preferences to buy milk in these supermarkets. It was clear that all customers buying the milk purchased also the rest. Thus marketing share was successfully increased and were gained more customers, what generated more profit. It is necessary for organization to know what share it will gain and at what cost, it is necessary to count profit, comparing with the previous historical period. For this purpose it is necessary to know the real cost price of the goods, expenses for warehousing and transportation. Marketing strategy can be vital in order to win customers.

Now, when Kazakh market becomes more open to international competition, for organization it is important to look at customer preferences. Treat of new entrants in the market increasing, as global corporations have more developed products for considerably low price. As many of organizations in Kazakhstan belong to government they in last few decades had not invested in new technologies and were not interested in new management practices. So now they experience pressure from more advanced and competitive foreign competitors.

Many public companies in Kazakhstan are state owned. State created new institution "Kazyna" which is responsible for strategic planning and management of government resources, developing business environment using more advanced western managerial processes. As economy of Kazakhstan is resource driven, government trying to implement strategy of economy diversification. However, due to corruption efficiency of state anti crisis strategy is very low. According to business journal "Kazakhstan"²⁶ many of investment decision under anti recessionary fund are made in favor of minor group interests. In my opinion most of decisions don't have strategically important basis to stabilize economy as anti recessionary strategies. All transactions are totally non transparent and for public sector it is not possible to evaluate and monitor efficiency of taken decisions. But because there is no control mechanism and no transparency many of the projects failed. For example, according to Natalia Kunina²⁷, building of development center in Astana for research in biology field was constructed and functioning on paper, but in reality nothing was done, 600 million tenge (4 million dollars) were just stolen. So, for state it is important to consider creation of some controlling mechanism, with using of modern management techniques (finance, budget planning, management, marketing, human resource..) to ensure efficient anti recession strategy function. Committee should consist of independent directors and provide publicly available information on efficiency not only implementing programs but their further benefits.

²⁶ Financial storm of natural resource economy, Kazakhstan, <http://www.centrasia.ru/newsA.php?st=1240896180>

²⁷ "600 million tenge stolen, development project just left on paper", Natalia Kunina, Nomad, <http://www.nomad.su/?a=13-200910060306>

Besides, it is necessary to develop backward strategies and processing of those resources which state organizations now sells: petroleum, liquefied gas etc. Unfortunately, Kazakhstan, during last 6-7 years did not given appropriate attention to these projects, but now these projects should be considered. Inefficient state companies should be restructured or ceased. And all means, which are directed to support of inefficient organizations, should be directed to more efficient projects and new organizations with new perspectives and visions to recover economy faster. It will be break through development of economy. Kazakhstan may take advantage of world strategy development experience: with building new infrastructure, the enterprises will grow faster. Acceptance of such decision at government level would be an important decision for economy development. Certainly, decisions in economy development are not simple, it would be desirable for state to reconsider importance of inefficient companies, towards new efficient organizations.

Considering human resources management practices in many Kazakh organizations director is the only one person who is responsible for decisions and usually its staff in treat of fire especially in crisis time. So, personnel don't feel secure and is not loyal to the company and directed to the short term performance, what may lead to distortions in strategy implementation and very often to its failure. Many employees don't care about strategy implementation or company goals, as they don't feel themselves secure and part of the company. I think in crisis condition for organization it is very important to involve employees in strategy formulation from bottom to top, with whole organization involvement. In some cases it is important to listen to what employees says as they are closer to customer and they know customer needs. With better employees involvement it is much easier to control and evaluate strategy implementation. Maybe employees should partly share responsibilities with top management, so in extreme cases they will be able react faster to rapidly changing market situation.

According to the interview with Tleuliev Jaksilik, top manager of BTA Bank, one of the big problems for organization is lack of experienced and qualified managers. Because system of education in Kazakhstan is not yet restructured to demand of modern market conditions and in many cases have poor quality. So, many organizations open their own education centers inside organization to train and develop personnel they need. It is impossible to become the good manager after leaving university. And one of the big and widespread mistakes of graduates, to start up business immediately after graduation. Before starting the business it is necessary to prepare the business plan where profit and costs should be analyzed. And first of all income that company will receive in a year after development stage. While the economy was growing rapidly, ability to effectively operate business was considered unimportant. But now in crisis situation organizations sell the property or get into debt to be kept in crisis. Instead they need to change the business structure from within. And only after make decision, to borrow credits, having strong financial budgeting to repay credits. For this purpose it is necessary to conduct analysis and compare income over costs, to make the accurate business plan, and correctly operate risks. It is not necessary to be the good analyst to become the founder of the company, but to have management experience is important. Personally I would recommend to young graduates interested in its own business: at first get professional experience, study business processes, and get experience in human resource management.

According to Jaksilik, there are many organizations in Kazakhstan which undervalue importance of long-term financial planning. The companies need to consider first of all the projected cash inflows and costs, accurately define the purposes, strategic and tactical plans of organization. Budgeting should cover annual and operational planning. But goals for budgets should be set at top strategic level. If the firm want to make consistent budgets it should be guided by long-term

prospect, instead of short term. Budgeting should become for an organization the tool of achievement of a strategy goals and organization mission.

For organizations in Kazakhstan the strategic plan is important direction as a whole with formulated general goals. As many organizations focused mostly on short term goals, it is important to specify the goals for forthcoming year, formulate efficiency indicators and define the resources necessary for divisions within organization. The plan should establish limits and goals under which it is necessary to be guided by budget.

Chapter 5 Theoretical and managerial implications

According to main objectives and goals of the current dissertation were analyzed results of complex research of problem of a choice of anti-recessionary strategy and tactics in operations of organization.

As a whole crisis is the major element of mechanism of self-regulation of market economy. Crisis gives an impulse for economy development, executing stimulating function. Crisis influence organization to update its structure in new environment, create conditions for development of organization.

Principal cause of crisis in the today's Kazakhstan enterprises, caused by imperfection of a system in the state management, corruption, lack of control and monitoring, production and financial crisis. Formation of a structural policy in a transition period in any negative tendency can rapidly lead to down turn of economy development. Imperfection of market mechanisms, incompetence of the market institutes, and insufficient experience of state regulation leads to occurrence of the negative phenomena. It is a question of overcoming of tendencies in oil economy specialization of Kazakhstan and loss in development of scientific and technical potential in high technologies.

Crisis management inefficiency in organizations is influenced by inefficient and none qualified management within the enterprises what leads enterprise to crisis. The information about the reasons and factors of inconsistency of the companies gives possibilities to apply anti-recessionary strategy and corresponding tactics.

Among enterprises in more favorable position firms where management bodies has already understood danger of backward development of control system and realized necessity in use of civilized market methods, utility of comprehensive and multiple studies of administrative strategy and tactics, concentration of organization forces before the next serious actions.

The decision of problems of an individual enterprise essentially depends on a choice of options of financial recovery of the company. After re-structuring of the accumulated indebtedness the enterprise has an opportunity to function normally.

As a matter of fact, it is a question of development and realization of new strategy and new structure of enterprise functioning, including making of new prospect, rules and mechanisms of continuous daily tracing of external and internal changes, and operative and effective reaction to them.

Allocating the main ideas from crisis management theory to considered problem in Kazakh organizations, it is possible to generalize following features:

The key factor of success is ability (especially in case of bankruptcy threat) to concentrate resources and efforts of all divisions of the enterprise into the complex decision making of problems to achieve the general positive result at minimum cost. Such position stimulates necessity of transition to new technologies of management. (Variants of such technologies are known abroad, but in domestic conditions their practical application and essential features are required).

- The basic contribution to result is given by large, strategic changes in approach and enterprise development. In this view of a methodological basis of coordination of innovative

activity of organization it is useful to apply the strategic planning and management methods accepted in world practice, but for now they are almost not used in the Kazakh enterprises.

- A key factor to a working technique is the complex, system approach, technology of management directed to market strategy of organization, application of methods of strategic planning and management and other rational methods and approaches.

It is necessary to remember that in the classical scheme of such kind of management following functions are realized:

1. The analysis of an environment and potential competitive advantages of the enterprise. Results of the analysis form base for an alternative choice of strategy development of the enterprise in criterion of a financial condition;
2. Diagnostics of the reasons of crisis situations in economy and the enterprise financial condition, carried out on the basis of the complex analysis of a current financial and economic condition of the enterprise. The choice of methods and analysis directions is defined by necessity of search for effective methods of financial improvement in the enterprise;
3. Business planning of financial improvement of the enterprise with allowance for the basic aspects of re-structuring of the enterprise, and consideration of its debt and accounts payable. In the business plan there are indicators which are useful to trace a current state of organization;
4. Organization of process in anti-recessionary management as coordination of all processes occurring at the enterprise, and also fulfillment of the actions provided by the business plan, and their orientation for the purposes of financial improvement;
5. Maintenance of the control in the form of regular supervision over completion of the planned actions, continuous monitoring of deviations in actual indicators from planned.

Adequate to a situation, flexible strategy of operations in organization by definition will be anti-recessionary with preventive measures and restructuring functions.

So, anti-recessionary management is a formation of such control system by the enterprise which ensures its effective work at a certain risk level. Professionalism of managing directors is evaluated not only in use of all complex management tools (including methods of the organization of business processes), but also in ability to expect and foresee events in external environment.

Directions of activity owing to their qualitative distinction are realized by different managers. Plans of strategic direction are realized by specially prepared chiefs who have gotten the name of anti-recessionary managing directors. The primary goal of this category of managing directors - enterprise recovery, and only at absolute impossibility of recovery should be carried out bankruptcy procedure based on the law requirements. Anti crisis management realized basically by administrative methods, so this role is done within organization by top management.

In connection with problems of state regulation in ability to increase efficiency of economy of Kazakhstan by formation of investment funds, with modern managerial information and consulting of re-structuring of the enterprises are the things to consider in retraining state managing directors.

5.1 Recommendations

Due to fact that government in Kazakhstan control most key and dominant organizations, with outdated system of management, there is need to improve efficiency of its anti recession strategy to influence economy situation in all organizations in Kazakhstan. State anti recession strategy has lack of any control mechanism and does not provide necessary information about efficiency of anti recessionary projects on the annual basis. So, to improve situation there is definitely need in non depended controlling committee. Strategy development and structural reorganization of economy should be main strategic direction of the state.

Analyzing a situation at the Kazakh enterprises, it is necessary to notice that their position is in most cases unstable and under the influence of arising external adverse factors which can easily turn situation in the critical position. To avoid them, there is need in series of measures, not only to reach the prime purpose - stabilization, but also profitability, increasing market share, competitiveness and so forth to keep stability and create base for strengthening of structure and the further effective development.

For achievement of necessary results (at first the short term goals is to survive, and then a long-term objectives to reach competitiveness and profitable development) it is necessary to use all complex of possibilities to choose the most effective directions of activity and projects. Successful results come from large, strategic changes of structure in the range of manufactured production and (or) services. Cardinal changes in control system, and creation of new effective financial and economic system and methods should be considered along with retraining of an administrative staff.

To overcome complex decision of problems in the organization with coordinated use of wide spectrum of services in administrative management, working out and support of new projects, formations at the enterprise of an efficient team, qualified management and staff training is necessary.

In the initial running stages of an enterprise it is recommended to carry out crisis preventive actions. At this stage of development it is necessary to develop plan of preventive actions, which corresponds with long term vision and strategy of organization. In particular (to be exact, as one of strategic preventive measures from crisis) it is necessary to conduct crisis forecasting/diagnostics at the enterprise.

Resolution of problems of the enterprise and successful recovery of business can include following actions:

- Revision of current strategy or activity of the enterprise (not anti-recessionary strategy);
- Acceptance of measures directed to increase profitability;
- Review of cost saving decisions;
- Sale of available assets for the purpose of increase in available funds to protect the business from failure;
- Use of a combination of these actions.

Managers of the modern enterprises should solve managerial problems. For this purpose more often, as shows the experience of the Kazakh enterprises, it is enough to pass retraining in the field of modern management.

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