

# Influence of the Global Economy on Evolution of National Economy Due to the Entrepreneurial Supply Chain Management

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**Abstract**— With the help of comparative and descriptive analysis methods notes and presentations of economics as part of entrepreneurial supply chain management in a number of Russian and Kazakhstani industries were investigated. Parameters of economic development of Kazakhstan, Russia, China and other countries were used to illustrate and support the theoretical background of the investigated issue. According to the information provided by industries within the scope of entrepreneurial supply chain management in Russian and Kazakhstan companies, the strategic goal of building foreign economic relations is the effective participation of the country in foreign trade and integration processes in the interests of sustainable growth of the national economy, the welfare of the population and ensuring non-discriminatory conditions for goods, services and capital. The results and methods of the study can be applied by economist to investigate issues of impact of global economy on national economies in various countries, including as part of entrepreneurial supply chain management of various levels. Results demonstrated that There is positive effect of competence on supply chain strategies as it is verified relationship competency of firm's quality and efficiency orientation.

**Keywords**— *national economy, competitiveness, world economy, economic efficiency, domestic production, business, entrepreneurial supply chain management.*

## 1. Introduction

The essence of the national economy lies in the fact that it is an established system of national and

social reproduction of the state, in which sectors, types and forms of social labor are interconnected, resulting from the long historical evolutionary development of a particular country. The influence on the characteristics of the national economy is exerted by historical, cultural traditions, the geographical position of the state, its role in the international division of labor, etc. [1].

The competitiveness of the national economy is the main indicator reflecting the state of the country's economy and its development prospects. In modern conditions of large-scale cross-border movement of capital, globalization of markets and production, the competitiveness of goods, enterprises and the state is increasingly determined by the ability of the national economy to generate and implement new technologies [2].

The leading role in the process of recognizing the economic viability of the state is given to the formation and development of a competitive national economy, which is impossible without using all available mechanisms that accelerate the reform and improvement of internal market institutions [3]. Developments and rapid changes in the international community, moving from traditional society to the information society, as well as changing the national economy to the global economy, require different solutions to enable economic growth and development in society [4].

The economic power of entrepreneurial activity is globally accepted over the period of time [5]. Entrepreneurship, which is the concept of the

discovery and exploitation of opportunities for value creation in various sectors, is the basis for an all-round development [4]. The more entrepreneurs a nation has, the better and the more chances are there for a fast and accelerated national development [6]. Increasing the number of entrepreneurs do not just improve the economy and produce more profits for the economy. Creating more businesses and hiring more people can provide a social safety net for society [7]. At the same time, in developing countries, where entrepreneurial activity is actually in the shadow, entrepreneurship is sometimes more aimed at survival, preservation of social benefits than at innovative development [8].

Entrepreneurial supply chain management directly and positively influences the entrepreneurship skills and financial literacy. Financial literacy, in turn, directly and positively impacts entrepreneurship skills [9]. A thorough and well-developed entrepreneurial supply chain management paves way for the building of good human and personal relationship thereby addressing personal and social challenges such as poverty and unemployment [10]. Although most entrepreneurship programs and courses are offered at the university level, more and more initiatives and interventions are emerging in primary and secondary schools [11].

Entrepreneurial supply chain management is a great economic stimulator: it creates new technologies, production and services, encouraging improved productivity and rapid economic growth [12]. Entrepreneurial supply chain management can be a strong strategic tool for regional development, it is important for entities such as academia, government and business to cooperate towards the same goal in order to strengthen the entrepreneurial intention of society [13]. Entrepreneurship ecosystems in industry have become the most important and efficient mechanism of business community engagement and knowledge transfer within university-industry-government framework creating value to society and regional economy [14]. Entrepreneurial knowledge, entrepreneurial attitudes and intentions, capacity and skills, are developed by entrepreneurial supply chain management that are consistent with the requirements of the economy [15].

Definitely, there's no direct impact of entrepreneurial supply chain management on an economy, but entrepreneurial skills positively impact the performance of enterprises, first of all small and medium ones; such entities, in turn, operating more competitively and profitably significantly contribute to national economy of any country [16].

There's no official information on amount of entrepreneurial supply chain management programs and entities in Kazakhstan. As of 2016, there were entrepreneurship-oriented programs in 26 entities, among which 12 were university business schools,

6 training and consulting companies, 2 corporate universities and 6 representative offices of foreign business schools [17, 18].

According to the 2018/2019 Global Report of Global Entrepreneurship Monitor [19], Kazakhstan possessed 31th place among 54 countries in National Entrepreneurship Context Index (NECI) rankings with the score of 4.93 (out of 10). In Global Entrepreneurship and Development Index 2019 of the Global Entrepreneurship and Development Institute Kazakhstan took 59th place among 137 countries with the score of 31 out of 100 [20].

In terms of entrepreneurial supply chain management in Global Report of Global Entrepreneurship Monitor [21] Kazakhstan possessed 33th place (54 countries in total) with the score of 2.9 and 52nd place among 54 countries with a score of 3.6 in entrepreneurial supply chain management of 2017/2018 Global Report.

The quality of educational programs in entrepreneurial supply chain management determines the quality of training of companies, such quality is an urgent problem for the entrepreneurial supply chain management of the industries [22, 23].

One of the most important factors influencing the quality of entrepreneurial supply chain management is the curriculum based on 'best practice' approach [24]. Significant part of modern entrepreneurial supply chain management curriculum form study of global and national economies and mutual influence and interconnections between them [25].

Despite numerous studies addressing various issues of entrepreneurship education, there's a lack of researches, which would address aspects of influence of global economy on development of national economy, which are part of entrepreneurial supply chain management curriculum.

This research sought to elucidate impact of global economy on national economies as lectured within entrepreneurial supply chain management programs in industries.

## 2. Data and Methods

Comparative and descriptive analysis methods were used with the purpose to achieve the aim of this study.

Data for the research was taken from notes and presentations of lecturers of economics as part of entrepreneurial supply chain management curriculum in a number of Russian and Kazakhstani industries. Parameters of economic development of Kazakhstan, Russia, China and other countries were used to illustrate and support the theoretical background of the investigated issue.

## 3. Results

In the context of globalization, the strategic goal of building foreign economic relations is the effective participation of the country in foreign trade and integration processes in the interests of sustainable growth of the national economy, the welfare of the

population and ensuring non-discriminatory conditions for goods, services and capital.

The current situation in domestic trade, which is characterized by the development of modern formats of wholesale and retail trade, an increase in cashless payments and the total number of retail space, the development of cooperation and increased competition, opens up new opportunities for increasing volumes and further developing of domestic trade.

The development of electronic commerce is one of the priority areas for the development of the country's economy, contributing to the development of cashless forms of payment, reducing shadow trade and having high potential for integration into international trade, and will also create conditions for promoting domestic goods and services to the foreign market through increased participation and representation on world electronic platforms.

More and more countries, both developed and developing, understand the importance of trade development as a driver of the country's economic growth and adopt strategic and program documents on trade development. It is important for any country to take into account the experience of countries, which are main trading partners, as well as a number of other developing, and developed countries of the world.

Solving problematic issues is not possible unilaterally. Coordination of efforts of the government and business, creation of favorable conditions for achieving of the goals and objectives of a socio-economic nature are required.

The need to develop new theoretical and methodological approaches to solving the problems of the formation and development of competitiveness is long overdue and requires the study of world experience in this area.

In the economic literature, considerable attention is paid to the issues of the current state of the national economy from the point of view of studying competitiveness, since these issues directly depend on the stable political and economic situation of the country and, in general, foreign economic relations.

When studying the laws and characteristics of the national economy, certain questions arise that are associated with historical traditions that have developed over the centuries at the stage of formation and development of the state.

Studies of scientists in the field of competitiveness of the national economy are systematic using an economic assessment of the current state.

The key to the economic development of many countries is a well-formed trade policy based on ensuring the active growth of domestic trade, by stimulating small and medium-sized businesses to produce high-quality products. Domestic business initially focused its production on foreign markets, successfully solving the problems of improving the quality of goods and packaging and the dynamics of deliveries with agreed volumes of products.

It is well known that goods manufactured to the highest standards are competitive by definition.

The consumer should be provided with an environment that satisfies his needs for the acquisition of domestic goods and services at a fair price and high quality. At the same time, comprehensive work is required to strengthen the institution of consumer protection, which should guarantee the restoration of violated consumer rights and provide him with unhindered compensation for damage.

In this regard, domestic trade policy should be focused on expanding trade through the creation of a comfortable consumer environment, the development of multi-format trade, modern wholesale link and trade infrastructure.

Addressing the issues of stabilizing prices for goods, the possibility of a qualitative forecast of future prices and their insurance, removing shadow trade is necessary, including as part of measures to develop exchange trading, which is currently gaining rapid momentum both in the domestic market and in the foreign one.

The accelerated development of domestic production will be possible due to the creation of an efficient distribution of goods infrastructure that will optimize the supply chain of products from producer to consumer, reduce product losses and increase the availability of goods for all segments of the population. At the same time, the product distribution infrastructure should be focused on the export of domestic goods and the transit of foreign goods through the country.

In general, it is necessary to understand the advantages of a country in foreign trade and domestic competitiveness, which goods and services should be a priority of the national trade policy with reference to the sales markets and taking into account the country's transport and logistics capabilities.

In the context of the transformation of world trade and the strengthening of protectionist measures between the largest economies in the world, the need has grown for conducting a foreign trade policy of adapting to changing trends in world trading systems and responding to new challenges in order to meet the needs of the domestic market.

Trade ubiquitously is a driver of economic development, having a positive effect on GDP growth. On average, the contribution of world trade to world GDP is 58.6% (USA - 6.6%, China - 6.0%, Germany - 4.1%, Russia - 0.99%, Kazakhstan - 0.13%).

### **3.1. Domestic trade on example of Kazakhstan**

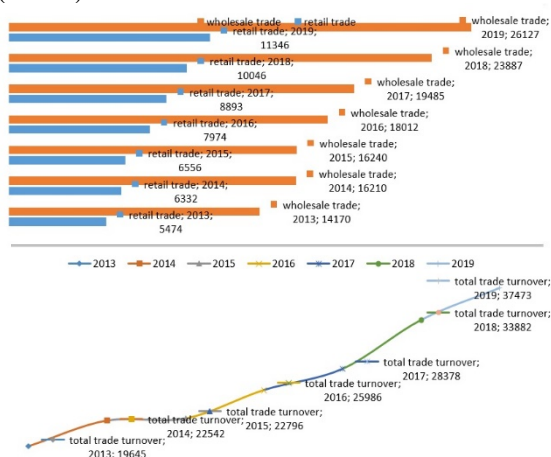
To deliver the products to its customers effectively and efficiently is the concern of SMEs. Due to global competition buyer has more knowledge and alternatives to switch to another company where his needs and wants fulfill. In recent years in Kazakhstan there has been a steady increase in domestic trade. At the end of 2019, along with the construction industry, trade showed a high added value in the development of the

economy, outpacing transport, production industry and agriculture.

Amidst increased demand, growth in the nominal cash income of the population and the price of goods, volume index of retail trade amounted to 105.8%, while the volume index of wholesale trade was 108.2%, which is associated with an increase in the volume of trade in oil and oil products, special equipment and spare parts for them, vehicles, grain and meat enterprises.

At the end of 2019, the volume of retail and wholesale trade grew by 10.6% and amounted to 37.5 trillion tenge.

Retail sales in 2019 amounted to 11,345.7 billion tenge, or 12.9% more than the previous year. The largest share in the total retail trade of the republic in January-December 2019 was in Almaty (31.3%), Nur-Sultan (11.6%), East Kazakhstan (8.8%) and Karaganda region (8.7%). More than half (72.4%) of retail turnover is concentrated in small businesses: individual entrepreneurs (41.9%), small enterprises (30.5%).



**Figure 1.** Problems Domestic trade (2013-2019), billion tenge [26]

At the same time, about 70% is accounted by wholesale trade; this is mainly small wholesale (87.3%). The share of wholesale and retail trade in employment was 16.1%.

Today, there are 12 border regions, 62 border districts and 1284 settlements related to the border territories. Over 1.6 million people populate them. The southern part of the regions, due to their population density, is provided with infrastructure and transport accessibility, therefore, there are prerequisites for the development of cross-border trade, while the northern regions in the border area need serious support. Further development of border areas and an increase in products circulation is impossible without the creation and improvement of existing infrastructure, including customs, transport and logistics infrastructure.

### 3.2 Safety and quality of Kazakhstan products

Quality plays one of the leading roles in competitiveness of the products.

At present current product-related technical legislation is built on the establishment of safety requirements through technical regulations. Qualitative characteristics should be established in voluntary standards. Thus, it is stipulated that the state is only responsible for security issues, and the market will independently determine the quality depending on the desires of consumers.

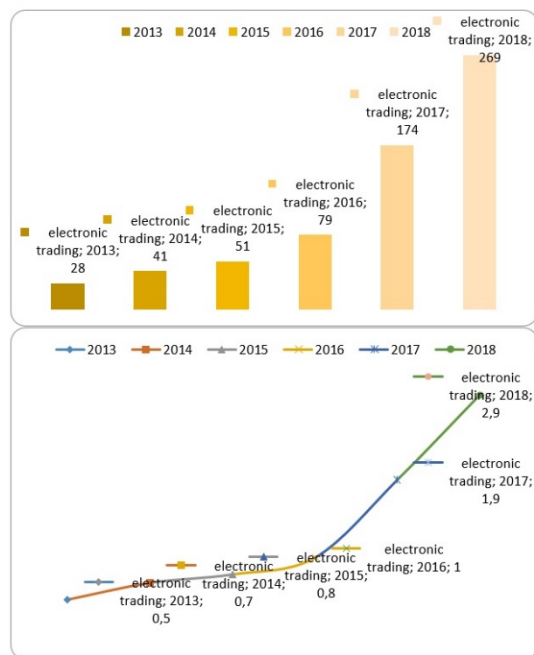
To ensure product safety in the Republic of Kazakhstan, the testing base is developing and strengthening. Currently, the country has 897 testing laboratories and 105 certification bodies. At the same time, today about 40% of the testing equipment is over 15 years old and needs modernization (vehicles, consumer goods manufacturing, furniture industry, electrical engineering, construction industry, mechanical engineering).

It is also necessary to develop a laboratory-testing base in such new areas as Halal, certification of organic products, Good Laboratory Practice (GLP), Bio-banking, GLOBALGAP.

It is important to note the need to determine the quality characteristics of products, which includes the classification, grade of quality and other quality indicators that determine the benefits and attractiveness for the consumer and competitive opportunities in the market. Such standards should be developed from a comprehensive perspective for each type of product.

### 3.3 E-commerce on example of Kazakhstan

In Kazakhstan, e-commerce began in the 2000s with the opening of the first online stores, while it has become widespread only in the last few years. Thus, in 2018 the volume of the e-commerce market doubled compared to the same period last year (174 billion tenge in 2017) and amounted to 269 billion tenge (including international electronic platforms). The share of electronic commerce in the total volume of retail goods turnover in 2018 amounted to 2.9%.



**Figure 2.** Share of electronic commerce in Kazakhstan, billion tenge, %

The number of buyers in electronic commerce also doubled and amounted to 2.3 million people against 1.3 million people last year. The market has more than 1,700 online stores.

Currently, one of the most dynamic areas of electronic commerce in the world is the trade in food and agricultural products. According to forecasts, by 2023 this segment will grow by 64% compared to 2018 and its volume will amount to more than 134 billion US dollars. In Kazakhstan, the volume of electronic trade in food is only 16.4 billion tenge and accounts for only 4% of all electronic trade in goods.

In 2018, fulfillment centers were opened in the cities of Nur-Sultan, Almaty and Aktobe, where owners of online stores can receive a range of services, including acceptance, processing, storage, tracking and delivery of goods to the final consumer. At the same time, online stores minimize their logistics costs, renting a warehouse for goods, personnel and other costs, and the delivery time for parcels is also significantly reduced.

For 10 months of 2019, the volume of postal items amounted to 4 million units, 80 online stores are served.

For the convenience of entrepreneurs engaged in electronic commerce, it is planned to provide all regional centers of Kazakhstan with the services of fulfillment centers by 2025. Thus, in 2020, it is planned to open 4 centers in the cities of Nur-Sultan, Almaty, Shymkent, Saryagash and by 2025 to open another 12 centers. The expansion of the network of fulfillment centers will increase the volume of postal items and bring their number to 82.8 million by 2025 and serve more than 1,000 (one thousand) online stores.

Considering the fact that Kazakhstan has all the

infrastructural and procedural possibilities for redirecting the volume of Internet parcels through the territory of Kazakhstan, from the total volume of transportation to Europe, the logistics companies of Kazakhstan will be able to receive revenues from 132 billion to 1,270 billion tenge by 2025.

#### 4. Conclusions

The purpose of this paper is to present a framework for pursuing global entrepreneurship where supply chain management can often serve as a platform for resource acquisition, market development, and risk mitigation. With the help of comparative and descriptive analysis methods notes and presentations of lecturers of economics as part of entrepreneurial supply chain management curriculum in a number of Russian and Kazakhstani industries were investigated. Parameters of economic development of Kazakhstan, Russia, China and other countries were used to illustrate and support the theoretical background of the investigated issue.

According to the information provided to companies within the scope of entrepreneurial supply chain management in Russian and Kazakhstan industries, the strategic goal of building foreign economic relations is the effective participation of the country in foreign trade and integration processes in the interests of sustainable growth of the national economy, the welfare of the population and ensuring non-discriminatory conditions for goods, services and capital.

The results and methods of the study can be applied by scientists to investigate issues of impact of global economy on national economies in various countries, including as part of entrepreneurial supply chain management in industries of various levels.

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