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5. Surviving uncertainty through exchange and patronage networks: a business case from Kyrgyzstan

Gül Berna Özcan

INTRODUCTION

Economic and political uncertainty in transition hampers economic development. Yet uncertainty also creates new opportunities for entrepreneurs and can bring massive gains in emerging market economies from the many gaps that exist in the chain of production, service delivery and consumption. However, managing uncertainty is a crucial day-to-day challenge for entrepreneurs, especially when property rights are not fully secured, legal and institutional structures are weak and enforcement is arbitrary. Social networks are often the most reliable and efficient ways of dealing with pervasive uncertainty and day-to-day business problems for entrepreneurs. As we illustrate in the following case study from the tourism industry in Osh, located in southern Kyrgyzstan, such networks provide a degree of stability and opportunities for businesses to develop.

In this chapter we illustrate the ways in which innovative entrepreneurship emerged during the meltdown of the Soviet command structure and its industrial base. This is accompanied by governance issues related to the weak state capacity in the newly independent states of Central Asia. However, entrepreneurial innovativeness in post-Soviet transition takes markedly different forms and demonstrates different characteristics than would be found in its counterparts in capitalist Western societies. The innovative challenge in transition countries tends to be less concerned with technological and product development and more profoundly based on managerial ability to deal with uncertainty in business start-up and to develop a successful survival strategy. On the one hand, the business strategy in peripheral states of the former USSR has to cope with inherited Soviet distortions in resource allocation and factor endowments, while on the other hand, it has to accommodate weak states and arbitrary law enforcement.