

## **Baybars Altuntas: State needs innovations, not inventions**

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**Pavel Koktyshhev, founder of Club of young entrepreneurs and business incubator MOST, opened Kazakhstan Business Angels Association in April, 2016. It’s an important step for Kazakhstani investment market development. Baybars Altuntas, Chair of World Business Angels Investment Forum, Vice Chair of European Business Angels Network and President of Turkish Business Angels Association, was invited for the opening ceremony. We decided to catch the opportunity and asked Mr Altuntas about the importance of business angels associations and conditions, that are necessary for establishment of favorable investment climate in the country.**

**One of the aims of Kazakhstan for today is an improvement of investment climate and attraction of foreign investors to the country. Nevertheless, process is going on really slow, for example, we still don’t have adequate VC market. According to your experience, what conditions should country have for market development and growth?**

The statistics shows that only 1% of entrepreneurs are able to attract VC or angel investor’s money to his business. And only 1 out of 10 such entrepreneurs, who was able to attract money, becomes very successful. So, developing the investment ecosystem is very important to increase this ratio.

We understood from our experience, that if the stakeholders of the investment ecosystem are very connected with each other, this ratio is increasing. Why? I am an angel investor and I am investing in entrepreneurs, it there is an exact opportunity for me within the market, not in Silicon Valley, than it’s easier to invest in the startup and return your investment in a reasonable period of time. Otherwise, I have to go to San Francisco and go to the queue; there is a long queue, because the world is waiting for raising funds here. This will decrease the ratio of the successful investments.

Simple investments, successful investments and smart investments are different things. In order to crate a sustainable economic development we need to create such kind of the environment, where stock exchange, chamber of commerce, incubation centers, acceleration centers, techno parks, public institutions, universities work together and in cooperation with SME’s, innovators and startups. If you can connect those stakeholders together, then this will bring a better success ratio for Kazakhstan investment ecosystem.

### **What is the role of government?**

In 2010 I was invited to the White House by the USA President Barak Obama. During the personal meeting with the US President I underlined the importance of converting public money to smart money. After the global economic crisis all governments in the world need finance. This

finance that can be used for development of SME's, investment markets are very limited. We have to use this limited finance of the public authorities with smart methodology. How it works?

In most governments of the world public authorities prefers donating money to the business ideas of entrepreneurs and startups. Donation is not something good, because it doesn't bring the know-how, mentorship and networking.

Nowadays entrepreneurs are different from yesterday entrepreneurs. Because today the population is 7 billion and competitiveness in the market is more, than ever. In that case, in order to compete within the competitive market these entrepreneurs need more than finance. They also need know-how, mentorship and networking, and none of the governments today can provide it. Who can provide it? Angel investors. Not crowdfunding, not VC, not banks, not families. Angel investors are unique people of that ecosystem, who can give it all to the entrepreneur.

My proposition to the US President in 2010 was to create an awareness in the governments of the world to put money to startups in cooperation with qualified angel investors. Co-investments. He enjoyed this solution very much.

Turkey became the first country this practice was implemented. In six month period of time in Turkey we passed an angel investment law regulation. Government started to recognize, accredit and certify qualified angel investors. This accreditation brought some incentives. For example, Turkey became the first country in the world with the highest amount of tax incentives – 75%. If I invest \$100 000 to the startup, I can deduct \$75 000 of my investment form my next year income.

Secondly, the government's amount of investments matches my investments. If I put \$100 000, the government will also automatically put \$100 000. If this company makes the profit in the future, 25% of this profit, which go to the government side, will be donated to this company.

Governments should clarify the strategy very well: are they going to support the entrepreneurs, startups and SME's or they support the supporters of SME's, entrepreneurs and startups.

### **What did Turkey choose?**

Support the supporters. This is the way of converting public money to smart money. By co-investing, we grow smart people. Entrepreneurs get money from angel investor and government, but moreover, they get know-how, networking and mentorship. That's how the new generation of smart entrepreneurs is rising. So, all the sides are in profit, that's why I think it's a good system.

### **What should angel investor do in order to get the government accreditation?**

He has to prove that he has \$600 000 minimum. It includes cash, cars, house or whatever. And/or he has to prove that he had \$60 000 of income in previous year.

### **So, it's only about financial part...?**

Yes. Unfortunately, for today the know-how part is not assets, but it will be. 12:32

**Then how can they know that business angel will give more than just money? Especially, if we talk about qualified investors.**

This is the question we ask to the treasure department, which give this accreditation. Now there are 315 angel investors accredited by the government, including me. But the law is very very new, so it's an acceptable amount. All of them are correct angel investors.

They also check biography and try to understand if this guy can transfer know-how or not. I understand very well why you are asking this question. For example, if the grandmother receives financial funds from the grandfather, and after his death she became the hugest taxpayer of the city, can she become an angel investor? Of course, no, because she knows nothing about business, she only has money. Money is one of the four items, which angel investor has to provide. But know-how, networking and mentorship are more important parts, than financial one.

**Что сегодня действительно важно для страны и ее развития?**

In 1950s inventions were important. Today – innovations are important. In 1950s you didn't have to have the specific skills to sell your product to the market. Today because of the competitive environment, you should have these skills to carry your invention to the market. We told entrepreneurs that they couldn't convert your invention to innovation, because if it sold to the market – it's innovation, if it's not – it's invention. So today government needs innovations, not inventions. Why?

Because innovation means new tax for the government and new workplaces. Inventions means A4 paper on the wall. Governments need money, that's why they should be more intelligent. So, innovations comes first.

Who provides innovations? Entrepreneurs, so it's logical that today they have special agenda from the government.

**We talked a lot about cooperation and different summits of entrepreneurs. Then, what about angel investors associations. Why are they important? Can you share your experience?**

In Europe last year 275 000 business angels invested 5.7 billion euro to the startups. 165 000 new jobs were created. In the USA it's \$20 billion with 300 000 angel investors. The global market size of early stage investment market is \$50 billion. How much of this amount Kazakhstan receives? Almost 0.

4 years ago in Turkey we also thought that it was 0. But after foundation of Turkish business angel association we started to make surveys and researches, create statistics. Then we understood that it's not the case. We understood that Turkey receives 500 million euro of early stage investment money. It has already had it, but we didn't know about it.

So such associations are really important. For example, it's my first visit to Kazakhstan. Without Kazakhstan angel investor association, founded by Pavel Koktyshev, I wouldn't be here. The main thing, that such associations do, is connecting local market to the global market. If I want to invest into Kazakhstan startup, but there is nobody here, who can communicate with me, who speaks with me in one language, how can I invest?

Moreover, existence of such association is critical for early stage investment market development. They educate entrepreneurs, show them how to communicate with global investors, because receiving money from local investor and from foreign investor are different things. It's good to attract local investor to the startup, but if entrepreneur want to enter the global market, he should find foreign investor, who knows enters and specifics of the foreign country market.

**You are also a creator of theory of the steps for entrepreneur's rising. Can you tell more about it? For example, what does wannapreneurship mean?**

This is the word I invented. It defines the one, who wants to become an entrepreneur. Unfortunately, anyone, who has a business idea, thinks that they are already entrepreneurs, but it's false.

That's why I created my own theory of steps of entrepreneur's rising and development. Now South East European research center checks if this theory is right or wrong in many countries.

This theory is based on my own experience. There are 9 steps. First is wannapreneurship, the step, when man wants to become an entrepreneur. On this stage he should use the right side of his brains, because it produces ideas and imagination.

Usually I am very angry, when entrepreneurs come to me without business plan. But no one of these entrepreneurs asked me whether I had this business plan at the beginning. No, I didn't have, but I didn't look for a partner with money, I did everything on my own. If you asked my money, then I should see, what is your plan. By the way, business model is more important than business plan. Business plan is a list of things, you should do, and your expectations. Business model is the mechanism that provides the money flow. Anyone can make a business plan, you can download it from the Internet and do corrections. But not everybody can develop a business model. That what differs successful businessman from smart one.

So, this is the first step. Second step is innovation. Third – entrepreneurship. If a man smart enough, he will pass all three steps. If he only wants to become an entrepreneur, he can start from the third step, but earlier or later he will have to return to the first two steps and it can cost a lot.

**You speak a lot about smart entrepreneurs. How can government rise them? Is it a matter of education?**

Better to start the process as early as possible, from the childhood. You need to create business climate for children, where they can generate their own ideas. For instance, child drink Cola or

whatever, and there is a can. He can throw it away, or he can make a pencil holder from it, which he can sell to his friends. To think on this way, child should grow in a special atmosphere.

### **Who should create this environment: school or family?**

Everything starts from family. In my opinion, if schoolteacher is a successful entrepreneur, he won't be a teacher in school. That's why family should develop business skills in child. So, families should be very open, when it comes to money.

My family wasn't opened at all. My father is an officer, mother – teacher and neither of them wanted to talk about money. People like me sometimes don't need education - we just do something, create businesses. Our duty is to tell about our experience to people, show them how we do it. What is a business model? How can we develop it? What values can we provide through our business? Those are the right questions for the young entrepreneurs. You shouldn't start with a definition what is business and what is its history. This is the duty of academicians. Can you name me one academician who has world-known successful business? I don't know even one. But it doesn't mean that academic part isn't important at all. They just have another tasks and develop the sphere from the scientific point of view.

### **What about other steps of your theory? Is the final step becoming an angel investor?**

The fourth step is marketing. This is the most important moment for entrepreneur, because it decides whether he can sell his product or everything was useless.

Fifth step is branding. It's natural: if there are a lot of sells, brand will appear.

Sixth step – institutionalization. Seventh – franchising. On the eighth stage entrepreneur should decide, whether he wants to be employee of his own business or he wants to be a leader. Leader is not the one, who leads his business the whole life – usually he leaves the company. After leaving, leader has more time for mentorship and he also has networking and knowledge. That's why the ninth step is becoming an angel investor.

In the beginning of entrepreneur's journey success defines with the load of bank account. In the end of the journey success defines with how much you give back to the world. It can be donations, building of churches and mosques, whatever, but you should return something back to the world. In my opinion, rising of the new entrepreneurs, who can change the market and help their own country, is the good method of returning the earned to the world.