Energy and raw material exports will go up. But where is the modern Russia?

Russia is neither Moscow nor St. Petersburg. Russia is neither very safe nor very violent. You could say that Russians drink a lot of vodka, or that the young generation drinks only bottled branded water. It's not about high fashion or grandmothers. It's not about energy or that the young generation drinks something smaller than elephant-size to nano-size products.

The next generation

We wanted to find the next generation of talented Russian innovators and entrepreneurs, so we travelled to Skolkovo, a futuristic start-up business park with some of the best brains in the country and wearing 50-year-old glasses.
Dr Anna Nikina has built her career in Finland and Europe and moved to Russia in the beginning of 2012 to work for Skolkovo as Head of Development, International Programmes, Technopark Skolkovo.

Why did you move back to Russia and start to work in Skolkovo?

I was born in Moscow, but have lived in Europe almost all my life, working for international organisations such as Trainers’ House, Nokia and the Finnish-Russian Chamber of Commerce. When the opportunity to work for Skolkovo presented itself, on a personal level I felt that the move would turn a new page in my life and be an exciting opportunity. On a professional level, the move to Moscow was a natural continuation of my international career, providing the possibility to realise myself in a new setting while having the chance to draw on the experience that I already had. Moreover, the topics of entrepreneurship and innovations – both being closely linked to Skolkovo – are well-developed within my personal story. I have spent a couple of years as an entrepreneur, have defended a doctoral dissertation on the topic of female entrepreneurship, am currently an Affiliated Professor of innovation management and internationalisation at Grenoble Ecole de Management in France. I have also coauthored a paper honoured in the USA in for its ‘practical contributions to entrepreneurship’, and several books on entrepreneurship, including the most recent one published by Pearson Education. Overall, it seems that my previous experience in life and work have been preparing me for the move to Russia and Skolkovo.

Why should a western start-up set up its’ operations in Skolkovo?

In addition to access to the Russian market and the opportunities existing here, today there are already over 700 innovative projects that have been accepted into Skolkovo, and that in itself provides the most interesting network of scientists and entrepreneurs. Every start-up entering the project receives tangible...
benefits in terms of taxation incentives, migration and customs easing, along with the possibility to apply for a grant to develop their innovation – and up to now about 150 companies have received grants totaling over $260 million. Additionally, Skolkovo, and Technopark Skolkovo in particular, offer a range of services that are also in line with foreign companies’ needs, and in Technopark Skolkovo companies can find a reliable partner in establishing and developing their business operations in the Russian market.

Only recently we had a visit from a group of young American entrepreneurs who commented that now that they have seen Skolkovo, talked with people who are involved with the project, and got to know the plans for existing and future infrastructure, their way of thinking about doing business in Russia has been reshaped, and potentially they too could see their start-ups as part of the Skolkovo story.

When it comes to foreign innovators and entrepreneurs making a decision about setting the operations in Russia, my belief is that the first step should be to visit Russia and Skolkovo to see for themselves what it is all about and envision establishing and running a business in this part of the world. Other people’s opinions and experiences are certainly valuable as well, but you need to combine this knowledge with the experience of Russia, Moscow and Skolkovo to be able to make up your own mind.

Please sum up the process of establishing operations in Skolkovo?

In the application process, there is a consulting centre in Skolkovo that provides advice for applicants on free-of-charge basis. You can apply online to participate in Skolkovo. Your innovative project will be evaluated within one month by a panel of experts – some of the key criteria include the technical feasibility, potential for commercialisation, competitive advantage, aspects of internationalisation and team composition. If the project is accepted, you must establish a Russian legal entity and then you may enter Skolkovo.

What kind of personal motives do you have for developing Skolkovo?

Knowledge, skills and the right contacts are, in my mind, the most liquid capital there is. Therefore, in my work with start-ups I aim to offer the most interesting and valuable educational training with concrete results, meetings with investors that are likely to translate into effective outcomes, and contact trips and business incubation opportunities internationally in Europe, Asia, USA.

Part of the aim of Skolkovo is to integrate Russian innovators and start-ups into the international entrepreneurship community. This idea is close to my heart because, in addition to working with entrepreneurs from all over the world, I can also show that Skolkovo could be their bridge to the Russian market and that opportunities exist here.

How will Russia be different in five years’ time?

Russia is already in the process of finding its way as an innovation-focused economy. Some further work needs to be done in terms of learning to utilise the great potential of intellectual work that exists here – for example, last year a total of about 1,000 international patents were applied for by Russia’s leading innovative companies while the annual amount of international patents from Microsoft alone is over 2,000.

Skolkovo has existed for two years now and some of the results that we see today show that the project is moving in the right direction under the leadership of Mr. Vekselberg, President of the Skolkovo Foundation and one of the most successful entrepreneurs in Russia. I hope that in five years we will see some major international success stories being born among Russian start-ups, making an impact as large as Google’s or Apple’s, and therefore the attraction of the global innovative community will turn towards Europe and Russia in particular.

The concept of time in Russia has a different meaning and metrics than elsewhere; not only with respect to the famous Moscow traffic, but in all other human aspects of life as well. But one thing is for sure: Russia is taking its first steps towards a free market economy and democracy. There is no going back, but there are both physical and emotional obstacles ahead.

Some experts say that Russia has a period of 20 years ahead that will decide if it will be able to build a new economy. After two decades, the proven oil reserves will not be able to supply the whole country anymore. But government officials and politicians are being a little simple if they think they can build the new economy between the elections in a four-year period. Think about having the mission of building a new entrepreneurial culture and hundreds of new hi-tech companies in four years, and expecting to achieve high ROI merely with public funding. This is not realistic even in Houston, Stockholm or Bavaria, so wouldn’t it be possible in Russia? Pyotr Karu has said “I want maximum results in a minimum time span”, but four years might be too much to demand in this case. That is however, what our next guest is expected to achieve!

We met Sergey Kurilov, CEO of Technopark Skolkovo, to interview him about his task of leading the way towards modern Russia. Most say that this task is not the easiest, as there are not many who explicitly say or show that they believe in Skolkovo. Sergey seems to be a typical midfield player. He sees the whole game, plays in both directions, and is the most trusted person on the field. He knows what he is doing, and leads his team in the right direction.

At first we were given less than 30 minutes for the interview, but the conversation was fruitful when sharing the experiences, and in the end we had almost two hours to discuss and build a picture of the new Russia. Even though there are clear pitfalls and difficulties along the road, Sergey is very open and honest about what lies ahead. The truth is told loudly during the discussion, and facing this truth provides a good way to succeed in modernizing the country.

Sergey was born in St. Petersburg, graduated from there as a Master of Economics and made a career in consulting and, like many other of his generation, in the oil and gas industry. But let’s get Sergey’s view on the status of education Russia. Education is probably the most important factor in building a wealthier society, but Sergey is really worried about education in Russia “Secondary school education is now awful, a disaster. We used to be multilingual, and have taken five exams, which supported creativity, but today we have only one test with three disciplines. The test is not a challenge, so it limits your thinking. Preparing for a test like that is like preparing for an exam where the answers are given. It’s another mindset.” Russian education used to be considered “top notch”. Students were expected to think, and be not only to a multidisciplinary approach, but also to the fact that students could have conversations during the exams and try to find different kinds of new solutions. This is a more creative approach than just having three answers in buckets.

Sergey didn’t want to leave any room for misunderstandings about his opinion on the current testing system: “Think about having an exam about the Winter War 1939. Was it a) good b) not good or c) a tragedy? What do you think the answer might be?” There cannot be a clearer way to describe the problems in the current school test system to a Finn than he stated. And he did it in a really warm-hearted way.

You can sense that education is backward rather than forwards, despite the efforts of the Ministry of Education. It is trying to increase the number of disciplines, and there are more higher education schools than there used to be, but the quality is just not good enough. “When I went to university, the quality of education was really bad, and I decided to take studies in Germany and the UK as well.” It looks like schools are facing even greater challenges than Skolkovo. Anyway, there are many competent scientists and strong academic roots in society, and Skolkovo should be able to benefit from that, and there are many private projects improving higher education. One is located on the same campus as Technopark at the University of Skolkovo. They have lecturers from the leading business schools but it’s a very expensive way to run a university, so only a few people can afford to study there.

But in the end Sergey is still proud of this system that has originated from the Soviet system, because the universities have a really extensive selection of courses. The Russian education system is broader in scope than foreign systems, but not as deep.
“There is a huge gap between the technology the students get from university and their ability to start a career or company,” says Sergey, meaning that companies have to train young people for several more years before they can really be effective for them.

“We already have over 700 startups in Skolkovo, but we often forget our mission: to create an environment. Bring the right people, and an entrepreneurial culture, that’s all,” Sergey is convinced that there is no shorter or easier way to build the right culture. “Although India skipped land lines and went straight to cellular, I don’t think that we can skip things. We need the processes and education, be it IP rights or secure assets,” Sergey says.

“The major risks in Skolkovo are, as usual, in the field of expectations. The government is investing US$ 7 billion over the six years in Skolkovo, and they are expecting us to create exact scientific solutions and breakthrough technologies, not new businesses.” So this is what is expected, and fast. But the aims within Skolkovo itself are much broader. They are aiming at building a totally new and fresh entrepreneurial environment and teaching people how to make money through scientific solutions. Ambitions are really high, and matching the deep scientific world with highly commercial business targets will not be easy.

Skolkovo has been building relationships with universities that have hi-tech equipment for scientific research, but using the equipment is difficult in practice. To create new scientific solutions, Skolkovo has been investing in its own very hi-tech equipment, and that could be of great interest to foreign startups. We saw some state-of-the-art gadgets when visiting Technopark, something you do not see often in Finland. So the buildings, infrastructure, and equipment are in place, the right culture is on the way, and we believe that it will happen, even if some people say that Technopark is too far away for entrepreneurs.

“Our mission is to take the initiative,” says Sergey. And in real life it can either irritate or motivate people around you. Skolkovo has been very active in taking the initiative: there are hundreds of companies working for the common goal, and there are clear signs that a new startup culture is about to be born. Sergey is very realistic and does not want to take any credit. As he said, that is a very active entrepreneurial community developing in Kazan, and it will happen with or without Skolkovo.

What they have learned from other technology parks, innovation centers and start-up communities is that it is all about the team. The Class A team can make a breakthrough with a Class B idea, but a Class B team can screw up a Class A idea. What we have seen in Skolkovo is that they have a really strong and competent team in place. Most of the ideas are still far from being commercial, and some of the ventures we have seen are far from conquering global markets, but they are bubbling under. A strong LIKE and thumbs up! •

Pekka Viljakainen, Advisor, Skolkovo: No fear in modernising Russia

“I was in a seminar six or seven years ago, and by accident the microphone was given to me. I said that I fully buy into Russian modernisation, but I strongly disagree with the President about the order of importance. And when that ‘strongly disagree’ was translated to the 3,000 people in the audience, I heard exclamations of astonishment. Next morning at 6 a.m. I was invited to breakfast with an advisor of the President. Ever since we’ve been friends”, says Pekka about the lucky accident that brought him to Moscow.

Pekka says that there are many people who could say the same, and even have the guts to do it, but the point is that he actually made it happen, and that’s why he ended up in his present advisor position in Skolkovo, helping Russian companies to go international - assessing, helping and giving access. Pekka is not a person who surrenders when the first obstacles present themselves. Quite the opposite, in fact.

His nick name is ‘Bulkkero’, so this might be a real chance actually to make some big changes. He has written a book called ‘No Fear’ where he describes in detail the importance of skills in building a winning organisation. And during the meeting you can sense that Pekka is really committed to driving cultural change in his own Skolkovo organisation.

Life after 25 years of P&L responsibility

Two years ago, Pekka had a 25th anniversary, and not a very typical one. The anniversary was about 25 years of working in P&L. Pekka was managing 9,000 people in 24 countries in Tieto Corporation. He joined the limited company after selling his own software company Visual Systems to Tieto. Today Pekka is the biggest private shareholder in Tieto after leaving the company, and he has no executive duties, except for “increasing the dividends every April.”

“He will break over before I work in the public sector, especially in Russia”, said Pekka. But Russians are very strong in negotiations, and discussions continued for four months until they signed the contract, and Pekka became advisor to Mr. Vekselsberg, the person leading the whole Skolkovo project, and reporting to Prime Minister Medvedev.

Skolkovo is a start-up itself, having been active only two years. Pekka compares it to the Finnish public investor in start-ups, Tekes. Tekes is the most important publicly-funded expert organization for financing research, development and innovation in Finland. Tekes promotes a broad-based view of innovation; besides funding technological breakthroughs, it emphasises the significance of service-related, design, business and social innovations. Tekes works with the top innovative companies and research units in Finland. Every year, it finances some 1,500 business research and development projects, and almost 600 public research projects at universities, research institutes and polytechnics. Even in Finland, you would not expect fast results from a public company, so how could that happen in Russia?

Thanks to Russian history and bureaucracy, it should have taken much longer than two years. “Technopolis is the role model for Skolkovo, so a Finnish background should be an advantage as an advisor in Skolkovo.”

“I’m not here to build houses or construct buildings, although I do understand that we need places and infrastructure for companies. I’m here to help young entrepreneurs and companies to establish a leadership culture – a different leadership culture: My grandfather started to teach me how to manage a company when I was four, but here we don’t have this culture. In Russia, parents tell their children that starting a company is not only a risk, it’s dangerous. We have to start at the fundamentul level.”

“We will be ready, when mothers and fathers in Russia advise their children to start a business”, Pekka points out. It sounds like he will stay a longer in Russia, and is highly motivated and committed to change the culture and give a boost to entrepreneurship in Russia.
Why in Russia?

Pekka says that he is now 40 years old, being P&L responsible over 25 years, and knowing basically all of the top 100 businessmen in Finland, going to his smoke sauna with them. There could be good business opportunities, but he doesn’t see any more learning for himself. “I’m here to learn, and when I’m not learning anymore, I will retire”, Pekka says. It so easy to be trapped on your success. Pekka calls this as “the most beautiful boy of the town syndrome”. It would be easy for Pekka to be the hottest guy in town in Joroinen or Munich, but if he’s not learning anymore, it’s useless. “Honestly, I hate the Moscow traffic, and to leave my kids for a week to work in Moscow, so this is definately not fun, but I try to balance this so that I learn. And there is much more to learn in Moscow than in Bavaria or New York.”

The roots of innovation in Skolkovo

Many innovations in Skolkovo are based on very heavy scientific research. Many of the products are business-to-business innovations, and fewer are consumer-driven as in Helsinki or Silicon Valley. “There will be many Russian consumer-driven brands, but it will happen through acquisitions, not through systematic brand building. For example, the world’s 11th biggest bank is Sberbank”, says Pekka. So Russia has plenty of capital, and companies are able to buy a global market share.

There are Russian brands in the IT sector, such as Parallel in virtualisation for Mac users. “It’s a Russian brand, but nobody knows that”, Pekka suggests that maybe Russian image and heritage in branding is something for the future, and today it could be even harmful for a good service to have the Russian stamp on it. “There is a leading iPad app developed in Skolkovo, and if the Americans knew it was Russian, it might frighten them”, says Pekka.

The future of Russia.

According to Pekka, western countries’ image of the current situation in Russia is wrong. It’s right in a historical perspective, but wrong when looking at the future because in five years the country won’t be managed by Soviet era chiefs, but people who were born after the Soviet era. In the White House and leading companies, managers under 40 years of age are taking over all the key positions. In daily life, you still meet many people who don’t trust anybody, and companies with a very heavy top-down culture, but in most cases it’s similar to western companies.

“I have only once drunk vodka in Russia, at a funeral, because that’s the custom here.” The change would really be big, if vodka was not part of business in Russia anymore. “We talk about sports, kids, kindergarten. It’s a totally different mindset to what it was five years ago. It’s a different ball game now. In five years’ time, not everything will be changed. There is still a lot of bureaucracy and corruption, but the companies you want to work with are pretty modern in their thinking.” That’s what Pekka honestly believes.

“Why the hell are not the big European companies here?” Pekka asks. There is huge potential in all industries, and the service market is particularly underdeveloped. So where should you go, if you want to grow. It’s much easier culturally, linguistically and business wise to do business in Russia than in China. “It’s not easy, but it’s easier”, is what Pekka has learned.

Pekka is a very strong believer that Russia will develop well, and that the train is unstoppable. The young generation has a clear vision and, regardless of governments; they will do what they see important. There is no way back to a closed society. Pekka doesn’t really see any country risk as such. “There are more opportunities than threats here. And I’m not Russia-positive, I’m business-positive”, are Pekka’s last words, as he rushes off to his next meeting.

The genuine Russian culture

Pekka Viljakainen is sure that Russia will keep its uniqueness. The Slavic culture is still strong. Pekka’s Russian wife has told him that all major changes have taken more than 30 years, so don’t expect a big change in just three years. Pekka thinks that it’s somewhere in the middle. “We can perform a miracle perhaps in 30 years”. Then he’ll be about 70, a good time to retire. Russia needs Pekka to modernise the economy in the next 30 years, but Pekka needs Russia just as much to keep him vital and to keep learning curve on the up.