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Realizing Russia's Potential
SKOLKOVO: FAST TRACK TO RUSSIAN R&D TALENT AND INNOVATION
Seminar

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A. Chernov:

Dear friends, welcome to the beautiful city of St. Petersburg, which is still the second capital of our country. And thank you for joining us at such an early time, because we know at Skolkovo that those who wake up early make the most progress and success. We are going to talk about success. You know, today it is very popular to talk about football. A famous coach from Scotland said that football is not a question of life and death; it is a lot more serious than that. Innovation is not a question of death or life, but nowadays it is innovation that really drives progress. Yesterday, a couple of people, including the President of this country, were very explicit about the necessity of concentrating on innovation. Yes, we are a rich country; yes, we have huge, if not the biggest, natural resources; but only relying on this richness and on our intellectual capital instead of developing innovations and being aggressive – not only dynamic but aggressive – in making money, takes us nowhere. So I hope that this session, which we are going to start in a second, will raise a lot of questions and give us a couple of answers. The name of the session is 'Fast Track to Success' using Skolkovo as the greatest platform for that. When we talk about startups, the issue is that Skolkovo is a startup itself. When we are trying to tell everybody how to be successful, we have to learn the way to success. This slide gives you a very quick overview of where we are right now, in terms of disciplines, students, professors, square metres, hectares and US dollars raised for our R&D centres. I suggest you have a look at this slide and forget about it, because although it gives you a very decent picture, I think it is not even enough to show and explain what the aspirations are of those who launched our project. We enjoy the privilege of having the biggest politicians supporting our project, but that is also the risk of Skolkovo, because when they support you, they ask a big question afterwards: where are we? From time to time this question takes the form of changes in the management of our Foundation. The most recent restructure happened three days ago, and I am quite sure that it is for the success of Skolkovo, but that is not today's topic. On the panel, we have a couple of very intelligent people: Sergey, I am talking about you; Conor Lenihan, and Sergey Kurilov, who

runs Technopark, and Alexei Sitnikov, who is in charge of Skolkovo Tech. Actually, you see the elements of the Skolkovo ecosystem: the pillars, as they say in Spanish. Skolkovo Tech, the university, which really guarantees the pipeline of talent. The Technopark is something which really gives you the tools of how to be successful, and Conor Lenihan is the guy who is in charge of selling the Foundation abroad. He is the Minister for Foreign Affairs of Skolkovo. I invite you all to start the open discussion on how and which way will we go, and what we can provide our participants with to guarantee their success. I would like Alexei to start with a couple of words.

A. Sitnikov:

Thank you, Sasha. I have just a few words about Skolkovo Tech or Skolko Tech, as we choose to call it. How many of you have heard of this institute? Could you raise your hands. I would say we have been going for about six months. So we are probably the youngest university in the 21st century. It has been said that Skolkovo is a startup, so Skolko Tech is a startup university. It is very hard to describe it in the sense of an established academic institution, because it is constantly changing – it is ramping up on so many different fronts, that if I start describing each of them, it would probably take this half hour and then the other two segments of this seminar. So, very briefly, why do we have Skolko Tech inside Skolkovo? Actually, before even conceiving the project as a whole, nobody had any doubts that we should have a university at the centre, at the heart of Skolkovo, because if we do not have it, it is just a real estate project, with some companies maybe, but there would be nothing that would maintain it or drive the innovation process, in a similar way as it does in the known places of innovation, such as Stanford, MIT, other places in the United States, and Europe. But we did not want to have it too big, because it is something that has to grow naturally over the years to become a real driver of innovation.

Have a look at the numbers on the screen: 1,200 graduate students, it is a graduate only university, organized around five themes – these are the same themes around

which Skolkovo is organized, the priority areas. The university will have all the new features which we can have because we are building it from scratch, from greenfield. For instance, we will not have departments, we will have programmes, because those of you who are familiar with our academic structure set-up in the United States, for instance, once you have a department, you have a rigid border that significantly limits your ability to undertake interdisciplinary and multidisciplinary research. So we will not have that.

The university will be international, and just to give you some idea, we are striving to have up to, ideally, 50% or 40% of faculties and students which are international, so that we can solve another issue that the Russian system of higher education has, which is a state of being closed. So, this is a university, a startup university, and in a sense an experiment into how we can organize a new type of university. The double helix model, if you are familiar with it, is education and research, so we have that, but ours is triple helix, which adds innovation to it. We also have a special centre for entrepreneurship and innovation inside the model of the university – not by chance, not in spite of this, not over time, but right there from the beginning, for us to help those ideas that the faculty and graduate students create, then to transfer them into companies and successful startups, we hope. So, from the outside it looks and feels like a university of a regular type, but on the inside it is really a startup, innovative university; it is an integral part of the Skolkovo ecosystem. And that may be, you might call it, the cornerstone, the centre, and we think of it as a generator of ideas that help the researchers, faculty and students that come to Skolkovo, and the startups that are growing in the Technopark, to be together, and to be constantly in motion, in conversation, in interaction with each other; to make this ecosystem work. We are now, as I said, in our sixth month, so we are very young, but we have recruited our first group of students. We have our first faculty hired. We have our first research centres. Actually, just a couple of days ago, decisions were made on which research centres will be formed inside Skolkovo Tech, and once our board approves this, we are going to announce the first three research centres to be formed this year. And as it says on this slide, we are going to include up to fifteen

large research and development centres, each funded at about USD 12 million per year for five years, so this is a significant effort to those of you who are familiar with how much research funding buys in terms of dollars per professor and graduate student, and this is going to be a significant effort which we will continue.

We are also doing many other things. The faculty and students are forming the Centre of Entrepreneurship and Innovation, and are announcing the first innovation support grants programmes for small startups at the seed and pre-seed level, to see how the system would work to help them develop better plans and to develop their businesses into successful ones. This is a snapshot of Skolkovo Tech. It is not really easy to describe in the course of five or ten minutes, because we call it, basically, an adventure. And everybody who works for Skolkovo Tech works there because it is fun. It is an opportunity to create something that we have never done before. I describe this to audiences who are familiar with the Star Trek series as, “To boldly go where no one’s gone before, to seek out new and old civilizations.” That is what we do at Skolkovo Tech every day. We invite you all to be part of this adventure, in different forms, in terms of supporting our innovation programmes and doing research into industry – we have an excellent value proposition, because we are the connecting arm between industry and research that is lacking in Russia, and we are trying to create these research centres. Industry is a participant there, always, with their tasks and with their needs. We are now talking to Russian industry, to international industry, to key partners, to engage them in this process. So that is it in a nutshell.

A. Chernov:

Amazingly, when we started Skolkovo, the biggest fear we had was where to get all the talented people, and where to get all the participants from. I have to confess that at an earlier stage we were running after these companies, trying to persuade them, trying to bring them on board. With some I would even say we offered political and logistical discounts. We were saying, “Guys, whatever happens, come and join us.” Now the picture is different. We have more than 20,000 proposals. Ten thousand of

those went through the expert panel, and we are very selective. That definitely raises the quality of the participants. I think the same is true with the university, Skolkovo Tech. The expectation is so high. The Foundation depends so much on the success of Skolkovo University, that I would say, if you have not yet decided where your kids will study, take a moment to talk to Alexei after this session, please! He is in charge. Now, I would like to invite Sergey Kurilov to say a couple of words about the services and the tools that Technopark is offering.

S. Kurilov:

I would like to welcome you all, and ask one simple question – how many people in this room are entrepreneurs or early participants in the Skolkovo project? Could you raise your hands? Very good. Firstly, congratulations. Secondly, I want you to ask as many questions today as you can, because, as Alexander said, we want to base our discussion as much as possible on presenting Skolkovo as a holistic institution that provides all the most important services – from training to providing office space.

As you all know, and especially as many of you are Technopark residents, the Skolkovo Technopark is one of Skolkovo's key elements. Normally people smile when they hear this, but it is true. Technopark offers a range of the most essential services, helping companies to develop quickly and dynamically. When we began this project, the last thing I wanted to do was create something out of thin air, or reinvent the wheel. We looked carefully at projects abroad, held discussions with very rational and intelligent people, spoke to consultants, and in the end came to a very simple conclusion – we would have to start from scratch. The process which is now underway is a process of defining and analysing, through trial and error, the needs of the numerous companies that are already part of the Skolkovo project. We are shaping a holistic proposition for them – working out what we can do, and what we can give companies so that these brilliant people feel at home and produce excellent results, measured not only in terms of the amount of money they can attract on the market, but also in terms of other parameters.

Alexander made a slip of the tongue when he was giving an overview of where we are now, and in doing so said something very important – “I suggest you have a look at this slide and forget about it”. But I cannot forget that in only two years we will have a huge technology park complex of buildings, covering 150,000 square metres. I really want to believe that more than 8,000 people will live and work there, and I am convinced they will. On the one hand, this places a huge responsibility on our shoulders, but on the other hand it makes our mission extremely interesting.

We are currently working to optimize and speed up the processes for working with participants, from the receipt of visa applications, because we have attracted large numbers of companies with foreign workers, through to carrying out research in the laboratories which are already operational within the Skolkovo Technopark’s office. I would be very interested to hear the opinions of the companies represented here today about what you think is working well, and what has not been so successful. If you have something to say, please raise your hand.

A. Chernov:

It is not your call on who asks the questions, that is me, I am the moderator, OK?

S. Kurilov:

Sorry, boss!

A. Chernov:

Over to the Q&A session. Conor, please join us in this self-promoting exercise.

C. Lenihan:

I will not talk too long, because I am conscious that people will probably want to ask questions. First of all, my name is Conor Lenihan, I am in charge of the Key Partners Department at Skolkovo, which is that part of Skolkovo that is charged with bringing the large, multinational corporations to locate an R&D presence at Skolkovo. I think the message I would like to get across here today is a very simple

one. When I came here at the invitation of Viktor Vekselberg last year, in April, and attended this conference, I think to a certain extent, when you spoke to people, Skolkovo was kind of a wonderful, beautiful diagram or a drawing on the wall. It was all yet to happen, and I suppose the message from the last year's activity at Skolkovo is that this is a highly operational project now. It is not a notional project. We have managed to attract twenty large, global corporations to locate R&D teams at the location, and some of those companies are already hiring the staff and preparing, if you like, to deploy to Skolkovo when it hosts the G8 summit in 2014. So, there is a large amount of operational pressure on the organization now, a very real deadline or date to meet now. With the deadline of hosting the G8 summit in 2014, that puts huge pressure on Technopark, and my colleagues on the construction side. The good news is that instead of being a project based initiative, it is now very much an operational project. As I said, the twenty companies that have located include IBM, Cisco, Honeywell, EADS, EMC – huge global companies. They are locating and making investments of the order of USD 100–150 million each. That is stretched out between now and 2016. The employment and level of R&D professionals being employed at the site in those big companies ranges between 25 and 250. There is a very strong cohort of Russian companies locating – private companies, very well-known companies, and they are becoming a source of attraction in their own right to the international companies locating at the site. We are hopeful that in the next year many more Russian companies, both state-owned and privately owned, will locate at the site. With regard to the research activity that these multinationals are performing, it is very interesting. It reflects the five themes – our scope of research that Skolkovo requires of all companies, be they startup, scaling, or large companies, and the science and research is very significant. From my own experience as a Minister for Science, Technology, and Innovation in Ireland, we struggled sometimes as a country to attract R&D. In fact, in some cases it took us 20 years, and that is 20 years of dealing and negotiating with companies, locating manufacture, and then maybe after a 10 year period of having them bedding down and settled in the country. Then we moved into performing R&D at

our location in Ireland. Here it is the other way round. Russia is basically targeting R&D-rich companies, global corporates, to come and locate and front-load the commitment around R&D. That is not an easy decision to persuade these companies to make. They are in many different locations. But the bottom line, if you like, the reason why they are motivated enough to locate and invest and hire the people, is basically threefold, and it is not one or the other, it is a mixture of all three in most cases: basically market access; talent, the strength and depth of Russian scientific and technological talent; and of course it is alignment with a large and very well backed public project called Skolkovo. I think one of the motivating reasons why I accepted Viktor Vekselberg's offer here is that I previously worked in a small country on the science, technology, and innovation end, and promoting investment into Ireland, and what impressed me most about this project last April when asked by Viktor to join it was the strength and ambition level of the project itself. I mean, there is USD 4 billion of taxpayers' money being put behind the project; the location itself has been established; the staff are very talented. I am not trying to flatter my colleagues here, but when I came over for the first week to talk to the senior people in the foundation, it was hugely impressive, the quality of people who were being deployed into the Foundation to start doing the business for Russia with regard to Skolkovo.

The other thing I suppose, apart from the ambition of it, is that you have such a high profile person like Viktor Vekselberg committing 70% of his time to this public project – that is most unusual in other parts of the world. When I was in government for 14 years, one was lucky if one got a billionaire to give you his PA or his research assistant to work on your project; to have a very high profile business person bring all of his skill sets, entrepreneurial and managerial, behind a public project, is most unusual, and that was one of the key reasons why I believed last year when I joined that this would be a success. I think in the last year, it crossed from being a pre-trading startup to being an actually fully-traded startup and that is really reflected again, looking at Mr. Lupachev there, we have very dynamic partnerships with venture capital, with top performers in terms of R&D here in Russia, so the

networking partnership dimension to the project is going very well, as well as the presence of the large companies. I think Viktor said very clearly and publicly that the presence of those companies is proof that it is succeeding, because they do not take these decisions lightly. They are coming for a reason, because they think the offer is good at Skolkovo, and I think it is important that people who are from Russia – I am not from Russia, I am not a Russian citizen – but I think Russians should be justifiably proud.

A. Chernov:

That is easy, we can solve it! Consider it granted.

C. Lenihan:

Thank you very much for the offer! What I would say is that the Russian people should be very justifiably proud of this, because a very simple way of explaining why it is relatively easy to sell, for instance, the talent argument to these large companies, is that if you look at Cisco, one of our key partners, when I went to visit their facility in Silicon Valley, one of their personnel said to me that they have 700 Russian scientists and technologists working in their Silicon Valley site alone. And that is not atypical of a lot of large United States technology based companies. These companies really do know about the strength and depth of Russian talent in the science and technology area, and that is one of the key drivers of their decision to locate at Skolkovo and to locate in Russia generally. So I leave it at that. I hope I have not gone on too long.

A. Chernov:

Well, when I was working at the Coca-Cola company, I had a chance to talk to the CEO of Coca-Cola, Muhtar Kent, and he asked me what I thought the purpose of this company was, I said, “Well, selling Coke worldwide.” He said, “No, kid, it is to make money for the shareholders.” Conor, my question would be – and for the others, raise your hands if you have any questions – it is easy to sell the concept of

the need for developing the country and for how motivated the participants should be, but I do not believe in that. Really it is all about money, and when you talk to the representatives of a small company in Ireland, for example, coming to him with the concept that he should trust in Russia – he does not – he does not have to trust in Russia. He has to understand that that is the place to make money, that that is the place where the business environment is comfortable, and social attitudes are comfortable. In truth, the perception is that there is corruption here – well, there is a very special form of democracy here – and it is minus 30 degrees, easily, starting from October. What are the reasons he should make the decision to go east instead of west? Do you think we are doing enough, not to position ourselves politically, but to really do what I would call a fast moving consumer goods (FMCG) approach, to do a very detailed sales exercise?

C. Lenihan:

Well, I spoke in London recently at a conference where His Royal Highness the Prince of Kent said that he was baffled, genuinely baffled, why international investors would invest in China and India ahead of Russia, and I think it does say a lot. I think there is a promotional challenge generally for Russia, but then you have to balance that against the fact that inward investment grew by 25% here last year, so there is an appetite, there are clearly a lot of companies out there, notwithstanding factors around corruption, bureaucracy, or the operation of the court system in relation to IP. Despite those hurdles and challenges, inward investment is climbing very strongly here in Russia, and it will continue, because the longitudinal studies on, for example, WTO accession show that before you actually fully accede to the WTO and adopt those rules, you get quite a significant surge in investment. This happened in China as well. So I think the landscape is going to be very favourable for Skolkovo and for inward investment into Russia, for the foreseeable future – certainly for five to seven years.

I was at an interesting presentation the other day, again by one of these emerging market economists, making the presentation in Moscow, but based out of London,

and a lot of the time I suspect that the media coverage of Russia does not do it any favours, even in terms of the figures around capital inflows and outflows. They are often in fact misrepresented internationally. When you look at the inward investment figures – because obviously, if a Russian company, say Gazprom, buys a significant asset in Europe, that is actually counted as a capital outflow in many of the figures that you see – they look an awful lot bigger than they actually are. That is a figure that is frequently quoted, in my view, against Russia: that all this capital is leaving Russia, whereas in fact the picture when you look at it forensically in terms of the inward investment and the nature of those capital outflows, it is quite a different picture. So, I agree with you, there is a big job in terms of explaining and communicating what is happening in Russia, and I think that is a challenge for everyone, not just the people in Skolkovo, but anybody involved in inward investment and promoting the investment opportunities in Russia. But I did say that one of the reassurances for people investing in Skolkovo is the fact that it is a separate Federal Territory with its own juridical and justice, seen in its own right, and that is a significant selling point for the project for investors. They feel in a sense that the rules are transparent and clear, and it makes the decision to locate much easier for them, I think.

A. Chernov:

It is now time to begin the second part of our session with contributions from the general audience. Please.

From the audience:

Thank you. I wanted to say first of all, I do congratulate you on your approach with the Technopark and the Tech University, I think it is a holistic approach. Specifically with Conor, I think it is quite possible to identify 20 big corporations like Cisco, Honeywell, etc., but I was wondering if you are doing anything similar in Singapore or Chile, Santiago, who have an initiative in attracting foreign startups. In a very small local market, Singapore now has 3,000 startups. Chile has seed-funded 1,000

startups from overseas, just to mix in with the local talent, and accelerate the knowledge of entrepreneurship. My final question, which is self-serving, is how connected are you to Silicon Valley, and the ecosystem there? This is in consideration of the fact that Singapore and Santiago, Chile, have a bridge between Silicon Valley and their entrepreneurial culture and spirit. Maybe first to you, Conor.

A. Chernov:

What are you doing here? We want you to help us build that bridge, please. And in terms of Santiago, I know some Spanish, so I am planning to go there and to learn from them. Esta bien? Vamos a hablar en español allá con ellos. Is that OK? Do I speak Spanish well?

C. Lenihan:

The very significant question is: is Skolkovo interested in attracting non-domestic based startups or scaling companies? The answer is yes, that is absolutely the case. Our Investment Officer, Alexander Lupachev is here, but the profile to date amongst the startups is about 80% Russian, 20% foreign, and it is an ambition, again, to leverage a position through his contacts with venture capital, both domestic and overseas, to bring that profile to about 50–50. We believe that would contribute more to the development of the ecosystem, the innovation and the culture of startups at the site. In terms of connections to Silicon Valley, we have extensive connections to Silicon Valley, I am sure my colleagues will talk about that, but they are very practical links. For example, our IT cluster has had road shows there. The Foundation generally has had road shows there. A lot of our venture capital partners are from the Valley, and so, yes, we are learning an awful lot. But again, since I came to Skolkovo, because of my previous background as a Minister for Science, I am frequently invited to speak at conferences where you have got people who are so-called experts in innovation. However, I think people have to be very clear about this, because you always hear things about Singapore, about Ireland, Finland, Norway, Taiwan, Hong Kong, South Korea – you cannot make comparisons in the

innovation scene. In fact, my view, for what it is worth, on innovation clusters even, is that you cannot just simply import Silicon Valley. I know the publicity and the hype around Skolkovo at the beginning trumpeted it as Russia's Silicon Valley. I think the important point here is that there is no way you can replicate that, and I think one of the most interesting points that somebody made at a recent conference that I attended was that it has to be distinct and national. It has to be from the culture of the country, if it is going to succeed. You cannot just graft Silicon Valley into a location outside Moscow and say it is going to be the same and it is going to be as successful. It will be different, and hopefully it will be the differences between Silicon Valley and Skolkovo that will make the difference for Russia, Skolkovo, and the project generally. I will bring my comments to an end there, I think I have answered the questions around the startup, and of course the issue about connectedness with Silicon Valley. I mean, the research done by the Foundation before anything was done in terms of other innovation locations has been very extensive, and I think there is an opportunity here, on this particular initiative, to learn from all the different mistakes that different locations have made over the years: that is the real strength in being connected to these locations, because quite often, as you know when you read business biographies, it is all about how successful the entrepreneur was. You very rarely hear from people in business who say, "Actually I failed so many times and here is how I failed", and that is more interesting in my mind than finding out why Silicon Valley is successful. Let us find out what failed in Silicon Valley and hopefully avoid it in Skolkovo!

A. Chernov:

The second part of our session gives us a chance to talk more about Silicon Valley because we have a representative. Alexei, please.

A. Sitnikov:

I just wanted to briefly follow on Conor's answer to your questions. You know that we have an office at 3,000 Sun Hill Road, so that is a direct connection to Silicon

Valley, and we do this together with Rusnano, the Russian venture company. So firstly, that is our concentrated effort to commit to a partnership with venture capital, and Mr. Lupachev will speak of that more. In the course of last year, we have hosted three delegations of venture capitalists from the Valley at Skolkovo. As for your question about foreign startups, we do better. Not only do we invite foreign startups, as Conor said, we invite researchers, which is the step before they become startups. Sasha talked about the importance of the investment climate, and how foreign companies and big companies must make money for shareholders; we are talking about creating a favourable academic and research climate, which is the thing that will give birth to the startups, here locally, and with international participation. So what we do at Skolko Tech, we actually fund research efforts at the world's best universities, and connect them with Russian researchers, who we know are smart, but lack the skills to commercialize. So that is the trick; that is the magic formula we are following to achieve the result, then Russian and foreign startups will appear at Skolkovo. Then, I have to tell you that that effort has received a lot of support and interest from the world's leading universities. In our first call for research centre proposals, we have received over 130 white papers, in a very short period of time, from 30 countries and 360 universities around the world. And among those were six Nobel Prize winners and one Fields Medal participant, who wanted to participate in creating those centres of research, education, and innovation at Skolkovo Tech. So that is our way of doing things and proceeding there.

A. Chernov:

Somebody made a very tight schedule, so I do not know how to do it, but I will now invite to the stage our second group of speakers, and Peter Vesterbacka, the only one who is properly dressed here. We are all wearing Armani and Hugo Boss, but it is nothing to be proud of – look at this gentleman. Hopefully at the next session I have here in a year, we will have several people from our startup wearing similar tailor-made outfits. Peter, welcome. Alexander Lupachev, Head of Investment Department; Greg Becker, CEO of Silicon Valley Bank, other questions on Silicon

Valley are welcome; Mircea Mihaescu, Director of Sberbank Technological Research Centre; Mohsen Moazami, General Partner of Seif Capital. And now, Peter, the floor is yours. Short introductions and quick answers to silly and clever questions, please.

P. Vesterbacka:

OK, I am Peter and apparently I am properly dressed, so thanks for that. But actually I am at Rovio, and we made this little game called Angry Birds that I am sure you have come across. We have a billion downloads, so we are starting to get some quite good numbers, and they always say that the first billion is the most difficult, so hopefully it is going to be easier from now on!

A. Chernov:

So, we will have to forget our numbers, because there are some bigger numbers coming.

P. Vesterbacka:

Yes, but I think it is actually more useful to also talk more about the marketing and all that, and that is something that I always tell people. If you are serious about making games, serious about making entertainment, you need to be serious about the marketing. I think that is a very important topic here in Russia and at Skolkovo as well, so we can talk a bit more about that.

A. Chernov:

You do not have to be so short, it is not often that we get you people on stage. But still, let us go to Greg. Maybe you can continue answering this question about what are Skolkovo's chances of becoming the second Silicon Valley, which I do not think we have to do, I think we have to just be the first Skolkovo.

G. Becker:

So, first of all, thank you for letting me come today. It has been my first trip to Russia, and it has been truly an amazing few days. Maybe I will speak a little bit about Silicon Valley Bank and then we can go to your question about Skolkovo. Silicon Valley Bank is the only bank in the world that is exclusively focused on technology, innovation, and working with startups. In the United States, we bank roughly 50% of all startups which have ever received a round of venture capital financing in the United States, and about 60% of any venture capital firm that has been funded in the United States. This is what we do. We work with startups – and we are doing it around the world as well. What to me is most exciting about coming to Russia is the fact that Skolkovo is actually, to me, one of the role models that is out there for giving comprehensive support to the startup ecosystem and really trying to build it from the ground up, whether it is the universities, the seed funding, the incubator, or the support. It is really, truly comprehensive. I think all of you guys should be commended for that. That is part of it. The other part of it, to me, is making sure that you have role models and examples of successful entrepreneurs and successful individuals that come back to help educate, mentor, and train and develop these individuals. For me, one of the cautionary tales I would have is that if too much of the mentorship and guidance is provided by university professors and academics who have not been there and done that, I do not think it is going to work. You need people like Peter Vesterbacka; you need people like Pekka Viljakainen, and other people, who can really tell people the way it is – what has worked, what has not worked. So I think you are off to a great start; I guess the one thing is making sure that you are bringing as many of those entrepreneurs together. Concerning Conor's comment, I do not think that you really need to try to create a new Silicon Valley; I think you do need to create something unique here, and I think that is what is really special. I think it should be leveraging what – from my limited knowledge – Russia has done so well at, which is in maths and science, and harder, more difficult technologies, as opposed to just doing the Internet startups. I think that is something that can be leveraged here in a meaningful way that is truly differentiated. Great Internet companies can be started here, but I also think the

country has an ability to start great, deep, technological companies, that maybe no other place in the world could do. I think that is something that this Skolkovo and other places could capitalize on.

A. Chernov:

Thank you, Greg. Mohsen.

M. Moazami:

Good morning. First of all, it is a pleasure to be here on this distinguished panel. This is my fourth SPIEF, and it is getting better and better every year. Just to provide some context – although currently I operate as a venture capitalist in Silicon Valley, I have had the pleasure, up to the end of 2011, of being a member of the Cisco Executive Staff, and part of Senior Leadership looking after emerging markets, of which Russia was the largest market for us. So, for at least the last six years of my life I have had a lot of exposure to the Russian information and communication technology marketplace. We have sold here, we have operated here, and we have dealt with some of the opportunities as well as the challenges. But more importantly – please, my Skolkovo colleagues, correct me if I am wrong – we were the first Western company to sign the agreement, a Memorandum of understanding (MOU), between Skolkovo Foundation and Cisco. In fact, my team and I were responsible for putting together the strategy with Viktor Vekselberg and his team on the virtual Skolkovo. My colleagues here, who are building the physical campus, obviously that is going to take some time, because of the laws of physics, so the concept there was to adopt Michael Porter's concept of clusters, but implement and execute the concept of clustering on a virtual basis. What does that mean? That means that using the communication and collaboration technologies that are widely available today from technology providers, we could bring Stanford to Skolkovo before Stanford physically moves to Skolkovo. Bring collaboration from all over the world into Skolkovo or out of Skolkovo, before the physical space and the physical layout is ready. It was a very successful effort; there was a lot of

enthusiasm and a lot of encouragement. I have a final comment. At the time before the new Presidency in Russia, there was concern as to whether this would be a long-term sustainable programme, because the former administration thought of this concept as helping to decrease Russia's dependence on natural resources and move into the information and knowledge-based economy. It is therefore very encouraging to see that, despite the change in administration, Skolkovo and this information and communication development is a number one priority for the country. President Putin reiterated that importance yesterday. So with that, my final comment, now as a venture capitalist, is that because of all the exposure we have had, all the positive thoughts that we have had about the potential for the Russian market, the mandate of our fund is to spend about 20% of the investment funds here in Russia on Russian startup technologies and technology companies. That is our focus moving forward, and I am delighted to be here. Thank you.

A. Chernov:

Thank you for that. Mircea, first of all, congratulations on successfully finalizing the biggest acquisition in the history of Russia, when Sberbank just bought some tiny little Turkish bank – it happened just a couple of weeks ago. Sberbank is the biggest partner of Skolkovo, the commitment is over several hundred million dollars in building the data centre premises of Skolkovo.

M. Mihaescu:

Thank you and good morning. I am very happy to be here, and let me say that Sberbank is today the third largest bank in Europe; it is the ninth largest bank in the world, and we have only one way to go, and that is up. We bought a Turkish bank, we bought eight banks in Central Europe, so we will probably stop for a while to incorporate all these, but we are very large bank. You will be thinking, why is Mircea here? Sberbank and startups – there is a mismatch in size. Sberbank and innovation; I think for people who grew up in Russia in the Soviet Union, that is another oxymoron. Actually, Sberbank is investing very intensively in startups and in

technology innovation. We all know how the Internet and the technologies that built it have transformed shopping, have transformed media, entertainment, and advertising. We see the elements of those technologies modifying and transforming banking and financial services completely. So, our belief is that if we do not do that, if we do not work with technology startups, there will be a lot of changes that will leave us behind, and our desire to become bigger and larger and get more money for our shareholders, including the Russian government, will not happen. That is why we are working very closely with Skolkovo, and with a lot of venture capital firms. We provide what has not been discussed yet. All startups, and I understand there are very many in this room, actually need to sell their technology to someone. So someone needs to be the customer. And we can sell to each other, and get rich – that has been the model for the real estate collapse, or you can find large corporations, like Sberbank, who need you and who are willing to look at your technology, experiment with it, and see if it will work. More than that, we have taken the existing venture capital business that we bought when we acquired Troika Dialog about six months ago, and we decided to make an investment ten times larger, from USD 70 million to USD 700 million, and this is outside the investment that has been discussed here in the Skolkovo Fund. That is all for technology startups, but since we do not know anything about non-banking matters, we are going to invest in companies that build technology that can be used by a bank or by a financial services institution. These are not only products for the trading floor or for mobile banking – a lot of communication, a lot of infrastructure is needed by a very large corporation. So, that is why we are in this field, that is why we play here, that is why we want to participate in all these activities, and that is why we collaborate very closely with Skolkovo.

A. Chernov:

OK, that was short enough, yes. Thank you. Alexander.

A. Lupachev:

I will try to be short as well. I will start off with a quick question. How many investors do we have in the audience? Please, raise your hands. That is significant, but still fewer hands than the number of entrepreneurs, and that reflects the balance in Russia. We are constantly talking to the venture community as this is one of the most important elements of the Skolkovo ecosystem. The way we see Skolkovo for venture capitalists – I would agree with Mr. Chernov – it is the way to make money. They are in the business of making money. And for them, there are three important components of success. The first is the quality of the deal flow. They want to make sure that they invest in the right deals. Second is the environment for high-tech products and services in Russia. Investors need to make sure that their companies grow in terms of sales and profits. And third, last but not least, is the exit environment: the ability to sell these companies profitably. Skolkovo as a development agency tries to help at each of these stages. We have talked a little bit about our value proposition for high-tech companies. We provide grants, we provide a tax holiday for ten years, so we provide support for business development. But I would like to focus on the first and third areas, which are support for the investment community. Currently we work with 40 venture capital firms, 30 from Russia and 10 from outside Russia. We essentially hovered up the entire venture community in this country, and this is it: we have got 30 active funds that have got some dry gunpowder to invest. As a comparison, in Silicon Valley there are more than 800 venture firms, which do more than 10,000 deals a year. So we need to make a quantum leap.

A. Chernov:

How old is Silicon Valley?

A. Lupachev:

Roughly 30–40 years old.

A. Chernov:

You still have some time, OK.

A. Lupachev:

Yes, the third generation of venture capitalists are still active in business, you can meet quite a few of them right next to our office on 3,000 South King Road! So basically we are trying to support these firms with the quality deal flow. We invite their existing portfolio companies to us, that is, to answer the question about how we work with other countries, and secondly we provide some deal flow to these companies from our portfolio. Talking about the exit environment, that is probably the utmost test of quality for every venture firm. We have close ties with large corporations; we are working at the moment with the Moscow Stock Exchange, to establish the Russian equivalent of the NASDAQ. This year we expect the first Skolkovo resident to float its shares on this Russian NASDAQ, and we have six more companies which are in the pipeline. They are registered on the so-called RE Board, which is the first stage of working with the Moscow Stock Exchange. So basically, our vision is that a few years down the road we will have the entire value chain functioning, with the support of Skolkovo, and our job is to listen to the venture community and to learn everything about how we can improve.

A. Chernov:

Just to attract your attention, when we talk about Skolkovo, it is the Russian Silicon Valley, when we talk about something to start selling to Russian shareholders it is the Russian NASDAQ, when we talk about the St. Petersburg International Economic Forum, it is the Russian Davos, when we drink Russian Kvass it is the Russian Coca-Cola. Guys, we have to stop this! That is it. It is time to start launching new concepts. I would be really proud if some time, somewhere between Massachusetts and Oklahoma, they are not close, but anyhow, somebody will say OK, we are building an American Skolkovo. It will take time, but I think it is an ambitious idea.

M. Moazami:

I could not agree more with that statement. Ladies and gentlemen, I am a student of business and business history. To have the notion of replicating Silicon Valley is not possible. Trust me, in my former role when we were serving 132 countries, every single mayor, every single president, every single king wanted to replicate Silicon Valley. That is not possible. Let me give you a few historical facts. Many in the world have tried to replicate Detroit and/or Stuttgart, as far as the auto industry is concerned; many in history have tried to replicate Los Angeles, as far as Hollywood and the motion picture industry is concerned. But the models that have survived, thrived and succeeded, for example, sticking to Hollywood, is the completely unique, localized approach, for example, India and Bollywood. Bollywood is not Hollywood; Bollywood is a completely Indian creation which is now enjoying global success, a higher rate of film production than Hollywood, and so on. So I urge all of you, some of you are sitting here from the media and press, to do exactly as Mr. Chernov said. Stop saying the Russian Silicon Valley, the Russian this, that and the other. This is Russia's approach to innovation. And I think this is the mindset that we have to collectively help change across this great country with great potential.

A. Chernov:

When we have the Very Angry Russian Birds, Peter!

P. Vesterbacka:

Again, I totally agree with that. The world is full of these wannabe Silicon Valleys, and Silicon Valley is a great place, I spend a lot of time there. But again, it is Silicon Valley, and you cannot really replicate it, and you do not even want to replicate that. I would also like to add that there is a lot of life outside of Silicon Valley. I am from Helsinki, Finland: a fine little country next door, and we have given the world some small things like Linux, that you might have heard about, MySQL, and then of course Angry Birds. We also used to make mobile phones at some point as well. So the point there is that, again, this was all in a place like Finland – and it is actually

similar to here, you know, it is cold and dark, there is slush on the ground, there is also a great event called Slush, but I do not want to tell you more about that. Anyway, one thing that I think is really, really important is that you have to do your own thing. I think that Skolkovo is a great start, but again, it has to have its own identity and you have to do your own thing. I think that you are also being way too modest: Why do you want to be Silicon Valley? You want to be much better. And being better only requires that you are different, and then you define better. So there it is again: next year you will already be better, because you are different.

A. Chernov:

The floor is open. Just use the opportunity. When we talk about what has been done, what has been achieved, we are really way too modest, because in less than two years, we are proudly declaring that we have a university. We have an active Technopark, we have 500 residents – yesterday, we gave away the 500th certificate – we have construction that is ongoing. Part of the city will have been built by the end of next year. The first building is going to open on September 1, so I mean, if somebody had told me a year ago that we were going to declare those results in one year, there is no way I would have trusted this gentleman. But now we consider that this is not enough. So, we are ambitious, and with your help going forward, the Russian Skolkovo Valley will most likely be declared a success and serve as an example for many other countries to follow.

From the audience:

I think that a key question came up before this event. We had the Youth Forum just before this major Economic Forum, where 100 young talented people under 30 around the world joined us and challenged our thoughts. I made an introductory speech where I said, “Do not tell us what is great, just tell us what really sucks.” And they actually made a great contribution. I think the conclusion of that was twofold. First, it was: how do we get the real recognition of entrepreneurship and

entrepreneurship in Russia? Because this is the country of really, really big things – except the girls.

A. Chernov:

Please, do not belittle my panel!

From the audience:

No, I am not! The question is, what is your advice? You are clever, so how do we get all the mothers and fathers of this country to tell their children that it is good to be an entrepreneur instead of working in the public sector, instead of working in a big oil company, which looks safe? We have a lot of examples that things are changing at a quite rapid pace. What do we do to get an entrepreneurial society up and running? I think that is the key, not buildings, not infrastructure.

M. Mihaescu:

There is a key element that you see in Silicon Valley, Western Europe, and Singapore, and you do not see in Russia, and that is called stock options. When we had the Facebook IPO and the CEO makes USD 10 billion and everybody looks at him, there are another 3,000 people who made USD 5–10 million each. Many of them will start their own companies. So while we are focusing now on what Skolkovo is doing, that is the trigger. The long term is the other mechanism – the mechanism of the successful IPOs and the successful exits that will trigger the creation of more companies. You see that pretty much all over the world – you do not see it here yet. Maybe Greg has a different view or a similar view.

A. Chernov:

I will report to Vekselberg that we are urgently looking for stock options in our package. I expect him to be very reluctant on that.

G. Becker:

Just to follow up on Pekka's question, I will make a couple of points. One is, going back to what I said at the beginning, you need role models. And the more role models you have that you can display as the people that more people want to be like, the better. It is not about the large traditional businesses, it is about the company individuals, the founders. Again I will go back to Peter and his team. There are so many success stories already, and having those people as role models, that is number one. Number two is encouragement from society. I live in Silicon Valley, I live in Menlo Park, very close to Stanford, and my son is just going from eighth grade into high school there. And I was talking with one of the other fathers, and everyone there is either an entrepreneur or a venture capitalist in the technology industry, and we were chatting about his seventh grade son – his son is 12 years old. He is actually this summer running a camp for application development. This kid is a seventh grader. He is charging USD 500 per kid, and he is teaching them application development. His father and I were talking about it, it is because application development and success and entrepreneurship literally exist everywhere. The more that you can encourage those sort of things – where it is cool to do that as kids; kids want to be cool – the better it is for everyone. So it is about developing the games, it is about developing. Another kid in my son's class has already developed two applications for Android phones, so it literally is part of the DNA. And the more that that can be encouraged in society, the more success you are going to have with entrepreneurs being formed. So, again, I am not saying you want to be exactly like Silicon Valley, but it is that encouragement and role models from my standpoint, that will help create that.

M. Moazami:

Now I understand the difference between America and Russia, because my son, being in New Jersey for summer camp, decided to start a business, so he decided to sell lemonade. He asked me to buy some lemonade for USD 1 a portion, and added some nuts and was selling it for 50 cents on the street. So we have to learn a lot!

A. Lupachev:

I would add to that. It is not only about kids. It is about the existing class of entrepreneurs in Russia. There are more than three million entrepreneurs in this country and 99% of them are not in high-tech. They are mostly in retail, services, health, sales, construction, anything but high-tech. We have to have successful role models for them, and it is not just the richest man in this country, Alisher Usmanov, who was propelled to the number one position because of his investment in Facebook – he made his money in high-tech. It is about the thousands of smaller businessmen, many of them here or in this conference, who made decent money in the last ten years. We have two big stories of Russian Internet companies going public: Mail.ru and Yandex, but we need dozens and hundreds of these communicated properly, and that is why I wanted to give the ball back to Mr. Chernov, as our Head of PR.

A. Chernov:

I will pass the ball to the right, OK?

M. Moazami:

A key ingredient is celebrating and honouring failure. I want to use an example. A dear friend of mine is sitting in this audience, a very celebrated Silicon Valley venture capitalist and entrepreneur called Kamran Elahian. Could you please stand up? That handsome young man over there. I want to make an example of him. He has so many successes, it would take two days to go over them. But many, many years ago, that young man you saw with those beautiful glasses had a massive front page failure. He was a pioneer in handwriting-enabled mobile devices. It was a company called Momenta – please correct me if I am wrong, Kamran. I think he went through USD 40 million of venture capital funding and he failed, and he failed in a very, very visible, public way, on the front page of magazines and so on. He was a pioneer. Because all of us are only now on our handheld devices, on our

tablets, using gestures and handhelds, and he was doing that 15 or 20 years ago, he failed. But there were so many successes before that and after that, that the Silicon Valley culture honours him, trusts him, and gave him a second chance and a third chance and a fourth chance. Whereas in Western Europe, or in Russia, again, as someone who has had the pleasure of serving this market for six or seven years, failure is not necessarily a celebrated endeavour. That is a very key point that I wanted to raise. Sorry to make an example out of you, but I think it highlights an important point.

P. Vesterbacka:

That is a very important point, and if you look at Rovio before Angry Birds, we made 51 games. You probably have not heard about those. So I think that again it is very important to accept failure, and not to be afraid, and to have the courage to try new things, and there is a great thing that was actually established by some student entrepreneurs in Finland. They created National Fail Day, a day that celebrates failure, and then invited successful people to talk about their failures. The thing is, you learn so much more from failure than from success. So let us create a National Fail Day for Russia as well and celebrate the failures. It is something that is very, very important.

K. Elahian:

Thank you, Mohsen, for your kind words. I would like to mention one thing. I totally agree with Peter's point of view. Actually, when I was asked by the Government of Singapore to help them bring a Silicon Valley-type culture into Singapore, one of the first things that I talked with them about was not just tolerance, but celebration of failure, and they were all wondering how that could even be possible. In Asian culture, if you fail, you commit suicide. That is not acceptable. So I asked them to think about the entrepreneurs who had failed, and then succeeded later on, and we designed a programme called The Phoenix Entrepreneurial Award: the phoenix was the bird that I guess failed and burned and rose through the ashes and came back

up as a mythical figure. So we designed a very beautiful high-tech version of the phoenix, and for five years I used to go to Singapore with the father of the country, Lee Kuan Yew, he would give the award.

A. Chernov:

Next time I will go with you, OK?

K. Elahian:

Well, it was between 1999 and 2004 we used to do that, to change the culture. While I totally agree that you cannot bring Silicon Valley's physical things into Russia, or any country, I totally agree with what the other panelists have said. One key thing that we can do is bring the Silicon Valley culture and value system, which comprises of a celebration of failure, a meritocracy, so that everybody is treated the same, whoever is smarter and works harder moves up; you do not hire your brother, your brother-in-law, or your sister or your wife or whatever. The concept of shared ownership which was discussed, where everybody gets shares in the company; the concepts of thinking globally from day one – this is all vital. Do not think that you just want to be a Russian company; go the same way as Angry Birds, conquer the world, think about conquering the whole world. Look at the culture of Silicon Valley where it talks about participative management, not autocratic, dictatorial management, having your employees involved in goal setting. These are valuable things that are the way of the future in any country, and just to mention the last part of it: look at the integration of different people from different countries, the diaspora from so many different countries. I started ten companies, and in every one of my companies, I had people from China, from India, from Korea, from Israel, and from all over the world, who were working with me in the company as co-founders, as partners, and we all had the same rights. Those are the values that can really be not only celebrated, but exported to any part of the world, and that is the future of high technology entrepreneurship.

A. Chernov:

It is amazing. Vekselberg asked me to come with big ideas. I want you to join me watching his face when I say that my big idea is to celebrate Failure Day in Russia. I see these headlines: Skolkovo – Big Failure Celebration! So I want you please, to keep that idea to yourselves for another couple of weeks, OK?

M. Mihaescu:

Let me ask my colleagues a quick question. You have how many Skolkovo residents, 500? How many of them do you expect to fail? Because when I asked this question before, I was told they will all succeed. What do you expect?

A. Chernov:

No, no, we are proudly expecting about 70% to fail, because that was the ratio that Vekselberg said, not only what Vekselberg said, but our expectation is that if at least 20–30% are successful, that means that we are successful. You cannot expect 100% of the companies to achieve an level of success comparable to Angry Birds, no way. But 30% is an excellent result, 25% is something we are targeting, maybe.

From the audience:

Given that we have simultaneous interpreting here, and there was a lot of propaganda from Skolkovo folks, I am just curious: do you like Skolkovo as an arrangement, as a place to come? What do you think they should do to attract you to come over here? And just as a user and general admirer, what is coming next after Angry Birds?

P. Vesterbacka:

Let us start with the second part, which is the easiest. There are going to be more Angry Birds games, and also a totally new game called Amazing Alex coming out in July, so we are not resting on our laurels, there is a lot more. But I think that Skolkovo is a very good start. The same applies to Angry Birds, we are also off to a

good start. But we are only getting started. And I think that if you look at Skolkovo, yes, they have come a long way, there are more residents and all of that, but I really think that it is very, very important to get the culture in place, and as we have discussed here, there is a lot to do. Really, again, embracing failure is really important and I think that also as our colleagues have said here, let us not try to replicate Silicon Valley, physically, but really do something different, and I think those on the cultural side must come up with something different. Then if you ask my colleagues at Rovio about Skolkovo, I think that it is a bigger question about the Russian market too, and I think that that actually brings up one very important thing that you have here, that Russia itself is a huge market. It is one of the biggest Internet markets anywhere. Of course, you have China, but Russia is way up there. So for us it is a very important market, and we need to be here. Then if you look at Skolkovo, it is potentially a very, very good place for us to be, because there are some challenges establishing companies in Russia outside of Skolkovo, and so I think that again, it is a very good start.

A. Chernov:

There is nothing wrong with propaganda. Propaganda which is PR drives us all.

M. Moazami:

Going to back to being very Russian, you do not expect Angelina Jolie from Hollywood to go and operate in Mumbai, in Bollywood. You need the local versions of Angelina Jolie in Bollywood.

A. Chernov:

And we have those in abundance, trust me. Walk out, go to Nevsky prospekt! Angelina Jolie is jealous of them. She is not showing up here for only one reason: it does not make any sense for her.

P. Vesterbacka:

That is exactly the spirit, that it is better. That is what you want to create, to show that you have succeed when people actually come here and do not go to Silicon Valley. Because, I mean, with all the talk of Silicon Valley and all that, it is not perfect, it is pretty tough to attract talent and keep talent. There is plenty of talent here, so again, it is better.

A. Chernov:

And who is Angelina Jolie, by the way?

From the audience:

Sorry to interrupt this interesting discussion. You mentioned you expect 25–30% of companies to succeed. Just a quick question: How do you define success, and how do you define failure for Skolkovo residents?

A. Chernov:

Big bucks. Big bucks is the only answer.

From the audience:

What is the time frame?

A. Chernov:

The quicker the better. I mean, the floor is open, what are the other ways to measure success? Having a lot of people working for you? But if they are not happy, it is failure. Having a big office and an excellent car? No. It is all about making money, and the Foundation was founded for the purposes of commercializing innovative products. That is it. It is as simple as that; it is bold and simple. It is all about money. If they are successful, it means they have made a lot of money. OK, next point.

From the audience:

I wanted to add something on how do you define success, at least in Silicon Valley. It is creating great value and innovation. You know, when PayPal created a new way to make payments globally, and challenged Visa and MasterCard, that was great success. Recently, even though I am quite in touch with the exciting startups, I have tried to visit the most successful companies in the Bay area. Again, like Yelp, I created local searches and formed recommendations. Eventbrite created a platform for organizing events on the Internet, so I really think we need some success stories like MySQL, Marten Mickos from Scandinavia, and I think Nokia is quite a success still. So I really think that you have to – as everyone said – have a product or service that not only succeeds in Russia, but has a global presence, and then that will give you a head start. You will not have to follow the rest, you just get ahead of the crowd. I think you have the talent for sure, and now with a project like this you will have the infrastructure and the execution, which are very important. I would love to be a part of it. Thank you.

A. Chernov:

More questions? Please make sure the microphone is on.

From the audience:

Hello. I actually started my last company in Silicon Valley, which is where I have lived most of my life. But over time, over the last two years, we have moved all the development here to St. Petersburg. We were the first resident in the city incubator, out here, so pre-Skolkovo days. The team, by the way, is great here, so local talent is unbelievable. But it is here, it is in St. Petersburg, and these guys live here and that is where they want to work. There was talk about the virtual Skolkovo a long time ago. I am not sure where the whole thing is, but I can tell you that it is good, I am hearing all these things that Skolkovo is going to do for all of us. That you have simplified procedures and the tax authorities are going to be under control, etc. So, to make the long story short, the fact remains that anywhere here, running a high-tech startup is incredibly challenging, and I have got scars all over me. I am still

continuing to get them every day, and it is just the reality of life. It is expensive, the overheads are high, you get dragged into tax audits and goodness knows what; people do not understand what you are running. You do not turn profit in the first 12 months in a startup and a full R&D facility. So, what happens? How does that mesh with what you guys are doing in Skolkovo, and does everybody have to go and live outside of Moscow, or can people do the same things elsewhere?

A. Chernov:

Well, although you say that for a long time you have been hearing about virtual Skolkovo, we are only two years old, and we launched this idea a year ago, and we are actually making good progress in offering the market a real product named Virtual Skolkovo, maybe by the end of this year. That is to answer your first question. To your second question, I will do my best to invite Mr. Putin to the third part of the panel to help us to answer all these issues about facing all these challenges. Skolkovo, as a phenomenon, was brought to the surface for only one reason: to set an example. If we are successful, then we will need dozens and hundreds of Skolkovos all around the country. Skolkovo will not answer the question you raised. There is no way you can address the political and business environment with just one, even successful, innovation centre, but setting up the procedures, examples, and rules – this is what Skolkovo was built for. I do not know if I can answer your question, but sometimes just going together along the path is how you find answers. Gentlemen, we are about to finish with Angry Birds and this part of the session, and we would like to invite the third round of people to join us. I invite Vasily Belov, the Head of our Energy Efficiency Cluster, Pekka Viljakainen, who is the guy who brought this panel together, and maybe later Viktor Vekselberg can join us. And this is the last call for Ismo Rantala, who was late for the first part of the event! Sit, please. So, Pekka, the floor is yours.

P. Viljakainen:

Very quickly, I want to answer these questions which were in the second part. It is true that in Russia – I can tell this also as a Finn, watching it from the outside – many things are very Moscow-centric, without a doubt, and Skolkovo is no exception in that sense also. Having said that, already today at Skolkovo we have many things, many vehicles, many procedures, where we can help companies which are not in Moscow. Actually, when I joined Skolkovo, only five months ago, it was pretty clear that we were going to make this a cross-Russian project. This does not mean that the whole of Russia will be having the same tax benefits or having the same legal benefits, but what comes through the mentoring, coaching, venture capital, financing, all that kind of support, that will eventually be a cross-Russian activity, that is for sure. So I just want to be crystal clear on this particular issue.

I. Rantala:

Good morning again. What I run the Finnish Mobile Association, which is a concentration of Finnish mobile startups. We have about 600 mobile startups in Finland. Right now what is happening in Finland too is that we basically do not have home markets, just like many small countries will say, and most of these companies are born global, they go out right away. I created a concept called Nest New York, helping this to happen. To reflect what I can see is happening there in mini markets and mini infrastructure that we have in Finland, I can see the same needs and the same dynamics happening over here on a larger scale. I can later give an introduction as to how I see what is happening in Russia, the talent pool that is here, how much it can supply the global need of technology development. This can be something where they are not talking about Silicon Valley, but they are talking about innovative Chinese and Russian technology, driving them to actually be number one in the world, but for that to happen it will need some tools and help. After introducing that, I can go through and explain this Nest New York concept.

A. Chernov:

Vasily.

V. Belov:

I think in this part of our discussion we are supposed also to talk about some challenges that we have in our project, and discuss what would be our next steps and priorities in the development of the Foundation in the upcoming months and years. The first thing with which I would like to state is that we are also a startup. And for us it is impossible for us to predict and pre-plan all of our next steps for many years upfront. What we can do is we can try to learn as much as possible from the experiences that we have, from the creation of the ecosystem that we are now creating, and from the experience of other centres across the globe. I am proud to say that we have quite a lot of participants now. We have lots of projects; we have lots of applicants, and we have built good connections with the Russian universities, with academia, with the foreign universities. Now it is time to focus on the results, to start thinking about success stories; to help our startups to success; and to help them to commercialize. These will be our primary efforts in the upcoming year or two, when we need to really help them to succeed. In the previous sessions, there have been lots of things said about how we should promote entrepreneurship, how we should promote this profession, the risk-taking behaviour. The major thing that we can do here is show examples and cases, and this will be our focus for the upcoming few months.

A. Chernov:

There is another manager of Skolkovo who has joined us. His name is Viktor. Maybe not all of you know him. Viktor, the issue is that the audience came with the idea to declare a National Failure Day as another way of celebrating the business environment in this country, just for one reason, because before you become successful, you have to fail a couple of times. My question to you is: How many times did you fail before you became successful? Are you successful, by the way?

V. Vekselberg:

This question comes up frequently, and my answer is going to disappoint the person who posed it, because his question already contained the answer.

In order to be successful, you have to fail badly several times. If we are measuring success by the outcomes of our various business projects, my personal experience is divided into two sections. The first, substantial part saw a reasonably long period of incremental growth, without significant failures. Mistakes started to appear once a certain level had been reached. Analysing this situation, I would say that you are most focused in the early stages, you do not take on any additional risks, you analyse your relationships with partners and the risks connected with capital investment very carefully, and you scrutinize the environment in which you are operating very closely. As soon as you reach a certain level, you begin to relax. You restructure your portfolio, leaving 20% aside for various risks following the Pareto principle, you delegate responsibility, and that is where the mistakes start getting made.

In terms of success, and this applies mainly to the founders of start-ups, I would say that business, and especially the venture business, is all about people and human interactions. Business means knowing how to build a team of like-minded individuals around you, who share your way of thinking 150%. When your teams are in the early stages of formation, when you have a small group of partners and colleagues around you, knowing how to form a team, build a group, and set the right targets will practically guarantee you success. This is certainly the main thing in the initial stages.

A. Chernov:

Viktor, I took the risk of answering one of the questions posed; somebody asked what would be the percent required to consider our residents successful – 10%, 20% 50% or 100%? What is our expectation? I told them that if we achieve 30% success, then that would be unbelievable success, but what is your opinion on that?

V. Vekselberg:

That depends how you define success. If we are thinking of success as being connected to implementing specific business ideas or, rather, in this case, the innovative technological ideas that form the basis for a business, no doubt a 30% success rate would be an excellent result.

I would approach this slightly differently though, within the context of my first answer. If during this phase you form a team and build a business that fails in some specific project, that is not a critical mistake, because you will have learnt lessons from it, and your second or third attempt will no doubt be successful. I believe that Skolkovo should be an environment where we measure our success not only on the results of specific achievements within specific projects, but also, and principally, on the formation of a new and badly needed class of entrepreneurs in the field of innovation. There are very few such people in modern Russia, and those that do exist move to other parts of the world.

We would like the circle of entrepreneurs in this extremely complex innovation sector, in the high-tech field, to be as wide as possible, so that a new entrepreneurial culture is formed in the innovation sector of business. That is why 30% could be considered a decent result from a project success rate point of view, but in terms of producing a new generation of successful entrepreneurs, we should be achieving 100%.

A. Chernov:

Very challenging and encouraging. Pekka, you had a question for Viktor, but maybe we can all come up with a joint answer together. What is the second stage of Skolkovo? That is assuming that the first stage is almost over. I would not say that it is over, but still we have to think ahead, we have to look forward and decide where we want to be in the coming two years. OK, we know that the G8 is coming and it is a big event, but it is just an event. We are not building Skolkovo for G8, and G8 is not coming to Russia because of Skolkovo, we have to be honest with ourselves. If it is not Skolkovo, it would happen in the Kremlin or somewhere else. And there will be more events coming. But what about life after the G8 and what is the second

stage? What are the 'achievable' we want to deliver within the next two or three years?

V. Vekselberg:

This question would certainly be easier to answer looking over an eight to ten year period, rather than two to three years. Having said that, the Foundation is currently acting as the managing company for the creation of this environment. Inappropriate parallels are often drawn between Silicon Valley and the Skolkovo project. I would like to stress now that the comparison is none the less appropriate, even though everyone understands that Silicon Valley has no managing company. It is a region which grew up thanks to market forces of supply and demand, with the state participating in placing certain orders.

Naturally, if within eight to ten years (the sooner, the better) we can succeed in creating that kind of environment, which exists independently within the market, and which reacts to the needs of the Russian and global economy in supporting and developing universities, innovation companies, technology parks, and scientific research, and if the Foundation stops being a management company, then I would say that we would have achieved the result we set out to achieve. We would have built an environment capable of surviving independently whilst following the rules we created for it.

A. Chernov:

So me losing my job in a couple of years – that is a success! Guys, please.

From the audience:

I could not agree with you more, Viktor, it is a pleasure seeing you here. I think you mentioned the relationship between the different parties, especially between the entrepreneurs, the investors, and the corporations. We had the bank here earlier, the first customer for the entrepreneur is perhaps more important than the first money. But I really think – not comparing it to Silicon Valley, but considering the

incredible talent that is in Russia – if we embrace the culture that has developed in Silicon Valley, and China boosted its economic growth by having some Chinese emigrants come back to help build China into the fastest growing economy – I was wondering what you are doing in that regard? We heard that there are 700 Russians working at Cisco alone. Is there a bridge between all of the expats, all of the successful Russian people, and can they come and jumpstart what you are doing in Russia?

V. Vekselberg:

Thank you for your question.

We have always known that our fellow Russians, who for various reasons have gone abroad, worked for large corporations and achieved great success, have a lot of potential to help us. I would like to share with you my initial impression – our talk about the Skolkovo Foundation has been received much more negatively by our fellow countrymen than by their foreign colleagues. There is a good explanation for this. I can understand it from an emotional point of view. People who have moved abroad have, as a rule, faced difficult circumstances. For people who left twenty years ago, there was a wave of emigration, they faced huge challenges, and they have worked long and hard for their success. People who left relatively recently also had to make difficult personal decisions, and it was certainly in the context of, how should I put it, a lack of trust in what is happening in our country.

We say that there is not a normal investment climate in this country. In reality, we do not yet have what one could call a comfortable entrepreneurial environment. Therefore, in reply to the question, I am ready to pull out all the stops for Russian audiences, but it will be pointless if people do not pay attention and believe in what we are saying. We should prove that this is all really going on, that we have already had our first successes, that we have created something that can make people feel at home. And people will have two requirements. Firstly, they need the people surrounding them to be like them. Secondly, they need the families they bring with them to be able to enjoy a reasonable level of comfort and live a normal life. We

have the power to make provisions for some of this, but there are also things which are out of our control. I would therefore like to stress that Skolkovo can only be a success if the general improvements needed in our country are made. If everyone sees that this is happening, it will undoubtedly be much easier for us to persuade our fellow Russians to come home, and to work with them to make use of the experience they have accumulated and their potential.

A. Chernov:

We have to let Viktor go. Thank you for coming and clarifying my future! We have one question.

From the audience:

I have one question. I am a participant of Skolkovo. You clearly explained what success is from a startup point of view, but there are major participants like Boeing, Siemens, and others. How do you measure our happiness and our success?

V. Vekselberg:

I think this is easy to answer, because the success of the large corporations in partnership with us is measured by traditional means. Large corporations are aggressive and rational. I do not believe that Boeing or Cisco will be charitable in any way. They will come if they believe it is profitable for them, there is nothing else to it. They will have to be sure that Russia is a strong, interesting market, and that they will have access to a professional, educated labour force which is completely happy with the working environment. They are pragmatic, and they will choose from the available options. If we can grab their interest and offer them the most attractive and competitive conditions here, we and they will be successful together.

A. Chernov:

Thank you, Viktor. We will keep going with our panel. Yes, please.

I. Rantala:

Yes, I want to come back to that question of what Skolkovo will be like after two or three years. It came to my mind that the business is always local. Like Viktor said, it is about people. Buying and selling is totally the same thing, it is just you are sitting on a different side of the table. When it comes to the startups coming from Russia, and there is a lot of talk about trust and the 'new guys in the hood'. It is something that comes with substance. The technology level, the services, and everything that I have been so impressed by in Russia and with the Skolkovo companies – it is clear to me that this happens with time. When you go to the businesses, when you go to different regions, when you start to do business, when you start to adapt, you make promises and you keep your promises – you deliver more. It is not about being a Russian company or being a startup from St. Petersburg or whatever, you might be from Delhi or Helsinki or Silicon Valley. It is all the same. What I would like to see is more talk about the lessons learned. It took 15–20 years for Finnish people to go into business with people, because we are introverts, we like the cold and we want to be indoors in the wintertime, and we like to do techy stuff. When we started to sell that techy stuff, it was a pain, everybody hated us because we could not talk. After Nokia's success we found that actually they are just people too, and we can start to do business like that. We accepted that we could do business just like anyone else, and then we started to be accepted over there. I think that Skolkovo is a two year old startup, a well-funded startup. I see the same thing. I am sure it takes some time, but we have lots of lessons learned, just like this Nest concept was made for these introverted Finnish people, and actually we have had some companies from Russia and the Baltic countries over there also. It is the same thing; the language is terrible, the technology is brilliant and the customers are there, business is there, but then we have to start to localize. First we start to localize, we find the best business partners in the region; we get ideas over there from the markets; we make the products ready with the pilot customers, and then we are basically in business and we can unlock the value that we have with the business over here, compared with what it is over there.

A. Chernov:

Before I give the floor to Pekka Viljakainen, who is going to close the panel, I wonder why there are so many Finns in my panel. Is it because you guys love St. Petersburg or is it because of Pekka? Is it the similarity of the languages?

P. Viljakainen:

I have seen you in action, so I took the big guys to watch you. That is the only reason. First of all, I think we have to close as there is a new session starting here. First of all, thank you to everyone for joining us here. I think that the only measurement for startups, and I said it yesterday in 27 TV interviews, what Viktor says, what Stanislav Naumov says, what Mr. Chernov says, whatever we say, we are just bureaucrats; we are just back office guys. The only measurement of whether Skolkovo is real or not is the companies, either the big ones or the smaller ones. And actually we have changed the paradigm a little bit, so if you go just to the right when you go out, you will see 22 companies. They are real entrepreneurs. They are not perfect, they are not the most beautiful, they are not the biggest, but they have been selected to show what kinds of company Skolkovo are. I think next year we will have much more. We have 500 altogether in the Skolkovo Programme, and that is the only measurement. So if you ever find anybody, your mother, your father, your neighbour, who has a view about what Skolkovo is, whether it sucks, whether it is good or bad, whether it is American or Chinese or Russian, just ask him or her to check what kinds of companies are there. If the companies are not good, then we are not good. That is the only measurement. That is the purpose, the message, and the way that we are going forward. I am continuing this story on behalf of Mr. Vekselberg, saying that we are in Version 2.0, we want to be more international, but we have make the companies – our achievements – the front line of all our communication. Thank you from my side. Mr. Naumov also has a very quick note.

S. Naumov

Thank you very much.

I am an extrovert – yesterday I went to hand out invites to our Start-up Supermarket of new projects to everyone, and suggested they buy a couple of start-ups. I had several dozen such conversations, and in half of them they actually suggested that I buy something, in other words they offered to come and show something of their own. This shows that we have really great potential.

Going back to the question which Alexander asked Mr. Vekselberg about the prospects for the next two years, I can say that we are now ready to announce, in the very near future, a large new competition for those who are not yet participating in Skolkovo. This includes those teams that have already submitted applications but were not successful the first time. What is happening now at our stands remind me of a good communal flat or a tourist camp in the forest. I even hear that the guys representing our start-ups are already giving each other a light and sharing cigarettes. It seems to me that the point of this new competition, which we will announce shortly, with the first interim results to be announced at the Open Innovations Forum in Moscow on October 31, will not be to attract individual teams with individual projects, but rather, using the experience we have gained, to mix them up, so that there are people from different clusters and different regions. And, of course, we want to attract the representatives from the investors who come here – for example, we have Alexander Lupachev here in the room, who is responsible for working with venture funds. The prize fund is important in any competition, as it acts as a stimulus. It would be helpful if another RUB 1 billion of the soft commitments made by venture funds to Skolkovo – which total around RUB 12 billion, of which RUB 1 billion is already confirmed in contracts – could be put towards the prize fund. Thank you.

From the audience:

Mr. Chernov, if I may, I wanted to invite everybody to our grand opening on Monday in Moscow. We are opening Plug and Play Moscow with the help of Murad and

Magomed. It will be a great pleasure to have you attend the Plug and Play Grand Opening. Thank you.

A. Chernov:

You stole my announcement. I was inviting everybody to your party! OK, thank you very much.