

Experts Say Russia Needs Better Execution of R&D's ABCs

By [Alexander Panin](#)

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Executives say that one of the biggest obstacles to R&D is the massive gap between science and business. **Valery Volkov**

While local companies need to spend more money on research, close cooperation of science and business in Russia is required to transform new ideas and discoveries into products, executives at a Skolkovo conference said.

A common theme that emerged from the Future Dialog conference, which took place at Skolkovo last week, was that companies working in emerging markets should spend more than their Western peers. "In order to compete, Russian companies should put about 10 percent of their revenue into R&D," said Igor Belousov, an executive responsible for R&D and innovation at HP Russia. "Cutting spending on research now would be the biggest mistake any company could make," he added.

Gazprom was the only Russian company to make the list of world corporations that spend

considerable amounts of money on research and development, according to a report by global management and strategy consulting firm Booz & Co. In 2011, the monopoly spent a little over \$1 billion, or 0.64 percent of its revenue, on R&D. By comparison, Siemens last year channeled around 4.2 billion euros into research and development, which amounts to 5.4 percent of its total revenue. HP, with an annual turnover of \$125 billion spends, about \$3.5 billion on research a year.

"With our annual investment of more than 4 billion euros, we are among the top 25 R&D companies of the world, said Klaus Helmrich, chief technology officer at Siemens. "But looking at the emerging markets, we still

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have to speed up to keep our technology edge."

Not spending enough money on research brings expected consequences. "If we take all of the patents the leading Russian high-tech companies registered during a year, it will equal what Siemens alone did," said Viktor Vekselberg, the president of the Skolkovo Foundation.

Another issue is the status of intellectual property rights protection in Russia. "The situation with intellectual property in the country is catastrophic. We have lost that culture; we do not have effective means to protect it. Engineers and inventors are not even thinking like this. Protection of intellectual property would give us an instrument to transfer science to business," Vekselberg said.

But money spent on research does not automatically guarantee success. The grossly overused term "innovation" basically means translating today's ideas into goods and products which will meet the customers' demand tomorrow, attendees at the Skolkovo conference said.

This requires knowing the "ABCs" of putting research into practice.

"The 'a' is to give the best researchers the ability to follow their thoughts, ideas and perceptions. If you tell them what to do, it will not work out. The 'b' is the brains. The best brains are internationally competitive. And we are talking about a very small number of people who belong to that group. So you need an adequate framework to make them happy. It is a setting that is financially stable. So the 'c' is for capital. You need long-term funding in order to encourage high-risk research," said Peter Gruss, president of the Max Planck Society.

One of the biggest obstacles to this in Russia is the massive gap between science and business, both Gruss and Vekselberg said. "Scientists are not businessmen and there needs to be a bridge between them. Also, you need political and legal frameworks that will allow you to do

research in a proper setting," Gruss said.

One idea that Gruss highlighted would be to set up publicly or privately financed startups in places like Skolkovo for the entrepreneurs and let them work for 2-3 years on favorable terms to see if their ideas can be transformed into what is expected by the industry.

Combining this approach with the experience of leading global companies investing in R&D is a model that could produce results, Siemens president and CEO Peter Loscher said.

"We are the first German company to sign a strategic agreement with Skolkovo to set up our research and development center here and to invest 40 million euros. The center will be up and running in 2015 and host about 150 researchers and will add to our global research network of 190 such centers. It will be done by the model of open cooperation fostering a relationship with scientific institutes across Russia, and there will be plenty of them," Loscher said.

The Siemens chief said Russia already had high-end scientists, and the trick was to get them to go global. "This is not about bringing high-tech to Russia, it is also how we use Russian expertise to develop products which are relevant and important not just for the local market," Loscher added.

Contact the author at a.panin@imedia.ru

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