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Q&A: Venture Fund Chief Investing in Human Capital

By Rachel Nielsen

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Agamirzyan sees compromise and calm as essential management skills. **Vladimir Filonov**

He has had long discussions with Microsoft founder Bill Gates, sits on the Skolkovo Foundation's board of trustees with Prime Minister Dmitry Medvedev and presidential aide Elvira Nabiullina and heads a company investing $1 billion of federal money into next-generation technology startups.

These weighty responsibilities are the most recent episodes in the extensive biography of Igor Agamirzyan, which began with his tinkering with Sputnik-era computing technology during grade school. This led to advanced degrees in physics and mathematics, founding a technology company and a career with Microsoft.

Igor Agamirzyan

Education

1986 — U.S.S.R. Academy of Science, Ph.D. in physics and mathematical sciences
1979 — Leningrad State University, undergraduate degree in applied mathematics

Work experience

2010-present — Skolkovo Foundation, member of the board of trustees
2009-present — Russian Venture Company, general director
2007-2009 — EMC Corporation, general manager for EMC software development in Russia
2005-2007 — Microsoft, national technology officer in the office of the Russia & CIS chairman
2003-2005 — Microsoft, director of government relations for Central & Eastern Europe
1999-2003 — Microsoft, director of university relations at Microsoft Research Cambridge (U.K.)
1997-1999 — Microsoft, head of corporate sales for Russia & Eastern Europe
1996-1997 — Microsoft, senior consultant and head of Microsoft Consulting in Eastern Europe
1995-1996 — Microsoft, consultant for Microsoft Consulting in Dubai
1991-1995 — AstroSoft, co-founder and technical director
1988-1992 — Leningrad Informatics Institute of the U.S.S.R. Academy of Science, senior scientific researcher
1984-1995 — Leningrad Polytechnical Institute, lecturer and associate professor in the computational mathematics department
1979-1988 — Theoretical Astronomy Institute of the U.S.S.R. Academy of Science, research trainee, junior scientist, scientist

Favorite book: "The Master and Margarita"

by Mikhail Bulgakov **Reading now**: Books by science fiction writer Lois McMaster Bujold
Movie pick: "Osenny Marafon" (1980), directed by Georgy Danelia, and "Kukushka" (2002), directed by Alexander Rogozhkin.
Favorite Moscow restaurant: None. "If I named a favorite, that would be untrue."
Weekend getaway destination: Golitsyno, Moscow region

It could be the varied path Agamirzyan has traveled that has helped him to achieve the tranquility he emanates. "I really don't like the authoritarian style of management. That said, in any management, there are certain limits that shouldn't be exceeded," he said in an interview with The Moscow Times at the office of the Russian Venture Company, or RVC, the state vehicle for large-scale startup funding.

As he leans in to listen, thinks over a question or blushes with laughter, you might think this man with the iridescent blue eyes and tuft of white hair standing straight up on the top of his head was someone's venerable family elder. That calm is valuable in carrying out his consequential mission, which happens to be a key part of a fundamental plan to ensure Russia's long-term economic viability.

Agamirzyan, 55, is RVC's general director, leading a vehicle wholly owned by the Federal Property Management Agency. RVC is endowed with 30 billion rubles ($1 billion) of charter capital and is a fund of funds, meaning that it co-invests state money with private venture capital funds.

As of January, the funds had put money into 131 startups in the information technology, biotech and other sectors.

Yet RVC's mission isn't just to reap big rewards from future technology giants. Instead, the fund, created by a government edict in 2006, is aimed at generating expertise and informal networks for early-stage investment into innovative businesses — an area of the Russian economy that is in its infancy.

"Our mission is the creation of an independent system of venture capital that supports technological entrepreneurship," Agamirzyan said.

Sometimes, less is more ⊠ as in less government interference in startups, he said. Agamirzyan has faith in the power of "human capital," a phrase that he uses often but earnestly.

The Skolkovo Foundation, which is the organization running the state initiative to form a Russian Silicon Valley in the town of Skolkovo at Moscow's western edge, is responsible for attracting, funding and advising startups that will form the nucleus of what the government hopes will be an innovation-based economy. The desired result is to wean the federal budget

from its dependence on natural resource-based revenues.

The construction of the sprawling technopark at the Skolkovo site is the responsibility of the foundation, which Agamirzyan advises. With just one modest office building erected so far, the physical Skolkovo has a long way to go. Yet Agamirzyan said the campus will be vital to the venture community.

His approach to business is based in part on the more than 10 years he spent working for Microsoft in Ireland, Dubai and Great Britain, all places where he found dynamic technology sectors. Ironically, the fact that the Soviet Union lagged in information technology helped give the sector a clean start in post-Soviet Russia. This helps to make it one of the most mature and professional sectors in the country today, he said.

Agamirzyan's career has come full circle: He started as a U.S.S.R. Academy of Sciences researcher in computing and mathematics in 1979 and, more than three decades later, is working for the government again in the technology sector. This time there are millions of dollars of capital available for financing technology in private-public partnerships.

Whether the effort will succeed is one of the biggest economic question marks today.

This interview has been edited for length and clarity.

Q: What type of technological evolution have you seen here?

A: In the Soviet Union, researchers didn't work in business — ever. From the time I finished university until the breakup of the Soviet Union, I was in research. In the 1980s, information technology was barely taking root in the industrial sector. It was never a priority.

The Soviet Union's successful technology projects of the 1950s — rocketry and nuclear power, which were world-class — were needed for military applications, which were the top priority for economic development.

The next global development trend didn't occur according to the classic industrialization model of the '20s, '30s and even '50s throughout the world. Instead, during the '60s and '70s, a radical shift occurred from industrial development toward information development. All major industrial projects around the world took place before the 1970s. Man flew to the moon, the Boeing 747 jetliner, the Concorde and the Soviet Tu-144 all took to the skies. The world's largest hydroelectric and nuclear power stations were built.

After the 1970s, everything suddenly changed, and all of the subsequent technological development wasn't centered around industry, but around "soft technology" — information technology. Today everyone understands that IT is the platform for all forms of tech development, and without IT, any form of new technology is basically impossible. In science, IT matters. In industry and manufacturing, it's things like digital manufacturing or smart systems. All of these are applications of information technology in the real world, in the physical world.

But up to the 1970s, the idea that things would head in this direction wasn't obvious, and the Soviet Union slept through it. There were people, including those at high levels of science and

government, who already believed in the 1960s that automation and automated systems were a top priority. The terms already fully existed in Russian: ASU, or automated systems of management, which today is called enterprise resource planning.

But a wide-scale introduction of automation in manufacturing didn't happen, since it wasn't defined as a national development priority by the Soviet leadership.

In the old days you had to give font samples from your typewriter to the KGB, which would register them. When I was just starting to work, after graduation, for access to technology like photocopiers, you had to get special permission — a security clearance.

All Soviet government systems were based on a totally closed and controlled information system. When means of doing away with this closed-off system began to appear — the VCR, the personal computer, the appearance of e-mail at the end of the '80s and start of the '90s — the existing Soviet system of government became completely inadequate.

Q: How would you evaluate Russia's progress in changing its mindset?

A: From my memories of the first half of the '90s, a substantial number of the people in science and high technology were very flexible learners. If you look at the top management of today's Russian IT companies, none of the founders or heads of these software and Internet companies have MBAs. They haven't formally studied business. Instead, during those years, they learned to completely rebuild the framework of their lives.

That said, the majority of those people worked in science during Soviet times. There's a commonly held view that all Russian companies were founded by people with doctorate training.

With a lot of speed and flexibility, they managed to adopt international ways of starting and doing business. The IT business in our country is relatively mature and well-integrated into global standards. I think that's because there was virtually no manufacturing in the Soviet IT sector, and that meant there were no consequences of Soviet heritage.

At the start of the 1990s, that IT sector was set up with a clean slate according to international practices. The multinationals that came to the Russian market in the early '90s had a very strong influence. They brought their own standards for how business should work.

But this step actually increased the gap here between those who live in the 21st century, in a global world, and those who have stayed in the distant past.

Author Alvin Toffler says there are people who live in the future, those who live in the present and those who live in the past, always and everywhere, in any society and in any country.

This gap, which is usually referred to as the "digital divide," can be large or small. In Russia, unfortunately, it has grown in recent years, even though there is an explicit trend toward shrinking that gap. In the last 10 years, the rate of growth for Internet use in Russia has been higher than in Europe in absolute terms.

But in countries that have undergone such a significant cultural transformation, I would call it

more of a “mental divide.”

It isn’t just new technology that is appearing. It introduces new value systems, new assessments of one’s life, and so I would call this more of a cultural issue than an economic one.

And there isn’t any place — and never has been in world history — that has had a uniform rate of development.

There are always “breakthrough zones,” defined by geography. In the United States, not all of the states are leaders in technology and business development. There are specific zones on the East Coast and West Coast where development happens. This is even more the case in Europe. In the world as a whole, growth points are few.

Q: A lot of technology companies work “virtually.” What importance will the physical location have to the Skolkovo project?

A: The appearance of the first building at the Skolkovo site, the Hypercube, already has substantially changed what is happening. When a space appears in which you can meet, hold events, and communicate with people, that drastically changes the environment. That said, in my opinion, the most important element of Skolkovo is the virtual environment spread out over various geographies.

I am sure that when Skolkovo is built and startups move in there, you won’t see 100 percent of all of the startups associated with Skolkovo relocate there.

All the same, a physical environment will be extremely important because, just like in a university, you need a place where you can mingle. What is the most important facility at any technopark? The cafeteria. It’s the place where you can socialize informally, not as part of a business process or for work. But you can have lunch, sit down and talk, have some coffee. The exchange of ideas occurs there.

Similarly, a university isn’t only professors and lectures. It is a space where communications, cooperation and socializing happen — networking — between students, professors and researchers.

Even though networking is becoming more and more virtual, it is important to have that physical interaction of people — top people from different groups.

Therefore, I think that the future of Skolkovo, including the actual physical center that will appear, is likely to be not just one center, but gradually will be a handful throughout Russia that really concentrate human capital in one place.

Q: Who inspires you?

A: I think it’s not important who my personal hero is, but rather, who the hero of our times is. The heroes of our generation have been the technology pioneers. In the previous generation, the heroes were the revolutionaries. Fifty years ago, the hero was Che Guevara. Today, the

hero is Steve Jobs. And that is an enormously radical change, even though they are equivalents. Both of them wanted to change the world. Che Guevara changed things with blood, while Steve Jobs did so with his head, with ideas.

I wasn't personally acquainted with Steve Jobs, but I have had several good conversations with Bill Gates. People who have carried out a revolution during my own generation inspire me.

Q: What are the key elements of your management style?

A: First of all, I will never work with a colleague who needs to be told, "Today you will do this, and tomorrow morning, please give me an account of what you did today." I can work only with people who show initiative, understand for themselves and motivate themselves in the area they are working in.

We can discuss the direction of their work, but in following that approach, he is going to come up with creative ideas and proposals by himself, and, in the ideal situation, clear it with me. On certain levels, I am totally willing to delegate.

I really don't like the authoritarian style of management. That said, in any management, there are certain limits that shouldn't be exceeded. Sooner or later, you have to display strictness that outlines your principal views.

Unfortunately, I encounter situations in which my mild, flexible approach to receiving feedback is taken as a weakness and unwillingness to take a firm position. There are occasions in which people are surprised to discover that I eventually take such a position.

The art of management is about establishing a compromise between what's acceptable and unacceptable. You establish a firm division between the two. But if you make that divide too rigid, building up the barrier too high, then everything becomes unacceptable, and that automatically means that you squeeze out any sort of initiative. That is really ineffective.

The leader's job is to set up a type of management in which you can and must use initiative.

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