

Mechanisms of selection and diffusion of organizational innovations in Russia (theme C or theme D)

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BACKGROUND

In Russia, there is no shortage of good concepts, plans and well-meaning attempts to establish good organizations. Yet due to rudimentary organizational capabilities and incentives for pervasive rent-seeking, many of them tend to fail. The larger the project, the more visible is the failure.

Evolutionary mechanism of selection and diffusion of organizational innovations appears to be the following:

- Typical outcome: rent seeking and looting of public money
- Exceptions: champions create a functional fit between objectives and the rent-seeking environment. Organization in question functions well for a while;
- The champion become sick and tired of the rent-seeking environment and leaves the organizations – we are back to rent-seeking/ looting scenario
- If the champion stays and graduates into a success story, this very success story becomes a problem in itself: it generates a lot of jealousy which precludes scaling up. To increase chances of success, the support organization better to remain small and less visible.

The established selection mechanism does not preclude successful support organizations. On the contrary there are many successful first movers (in innovation area, and in Moscow, for instance, Moscow University Science Park, Bortnik Fund), yet it greatly increases the costs of scaling up and diffusion of organizational innovation. Critical mass effect remains the major issue.

OBJECTIVE

The objective of this paper is to analyze and design institutional mechanisms to expand and scale up successful pilot projects, be it is successful investment projects or successful private sector development organizations. In recent years, Russia has accumulated a fair amount of experience of designing contests to elicit local creativity and innovation. There are also more traditional ‘first come,

first served mechanisms' of resource allocation based on transparent eligibility criteria such as matching grant schemes.

LEARNING FROM EXPERIENCE

This paper will summarize lessons learned from World Bank experience in Russia with regional contests (Russia Housing Project, Russia Fiscal Reform Project), experience to date in the Ministry of the Economy (investment contests, which were largely a failure), experience of grant competition organized by Russian Foundation for Basic Research and Russian Foundation for Human Research and financed by Russian government. The paper will analyze also the current proposal of contests: within the context of Electronic Russia program and others.

MECHANISMS OF DIFFUSION

The paper will provide an outline of a contest between regions which would facilitate replication of some successful (or almost successful) pilots that were implemented by now. This should be facilitated by a direct effort to remove some of the existing constraints for expansion of such pilots.

Similar outline will be provided for simpler institutional mechanism based on eligibility criteria (once a region or other contestants satisfies transparent eligibility criteria it receives the award in terms of co-financing of the program the contestant proposes).

The paper will consider also 'pro' and 'contra' between "institutionally light" mechanisms (eligibility criteria) and "institutionally" demanding mechanisms (contests).