Why Is Israel A Startup Nation?

Posted on September 30, 2019

Abstract

As per international standards, the Israeli economy is technologically advanced and is ranked among the top 20 countries in terms of *the United Nations Human Development Index.* The central hub of technology in Israel is known as *"Silicon Wadi"* and is considered the second most high-tech hub in the world after its California counterpart. The population of Israel is around 9 million, and it is still emerging as a startup house and a country that is empowering people with a maximum number of opportunities to take a step forward and become an entrepreneur. There is a splendid future ahead for the Israelis as their advancement in technology and the policies they are making for a business-friendly environment are leading Israel towards a nation that, despite its smaller population, is becoming so successful that it has already left behind many of the developed European countries.

Introduction

The Israeli economy is considered to be the top-ranked economy in the world. As per international standards, Israel's economy is technologically advanced. According to the *United Nations's Human Development Index,* the Israeli economy is ranked among the top 20 economies in the world, which makes Israel one of the very highly developed countries, thus giving the Israeli nation a high standard of living and ranking this country above many of the western countries like Finland, Austria and France (Steven, 2018). The well-being of Israel's economy has made this country a revolutionary welfare state, providing this country with a very modern infrastructure that is equal to many of the countries that are far bigger than Israel, not only in terms of area but also in terms of population. The prosperity in the economy of Israel has provided this nation with a very strong military structure that also holds nuclear weapon capacity and a sky-high technological sector backed by most of the US operational companies.

Major sectors of the Israeli economy are industrial manufacturing and high technology. The diamond industry of Israel is considered to be one of the best diamond industries in the world, not only in terms of diamond cutting but also in terms of diamond polishing. The country lacks natural resources, but the major share of the economy depends on imports like wheat, petroleum, motor vehicles, production inputs, and the diamond industry (Plessner, 2012). Israel's dependence on imports of energy products for power generation might be reduced or totally vanish due to the discovery of natural gas resources recently at one of its coastlines and, secondly, Israel's dependence on solar power generation.

Discussion

To better understand the Israeli economy and the reasons why it has become a start-up nation, first, we have to know how Israel came into existence and what the reason behind its creation was. There is a common misinterpretation that the United States was behind the creation of Israel, and the world was favouring this move of the US, and the establishment of the United States was also supporting this.

But the reality is that the United Nations General Assembly gave the order for the creation of a country where the Jews could live freely without any inconvenience. This country was to be created in a particular place in Palestine. However, the UN Security Council never implemented this move. Secondly, this move was recommended by the UN when Israeli officials bribed many of the countries that were a part of the UN in order to gain a majority so that they could move with a two-thirds majority. Thirdly, despite many objections from the Pentagon, CIA, and the State Department of the United States, the US administration favoured the recommendation of the United Nations (Alison, 2011).

The recommendation given by the General Assembly in favour of the Zionist state sparked violence in many regions of Palestine. A pro-Israel movement started in the plastine and ignited the ferocity in the region. Over the period of time, many armed wings arises in the support of the movement and performed a series a expulsions and massacares in the Palestine thus causing instability in the entire region. These acts by the armed wings of the movement paved the path for the creation of a Jewish-majority country.

This aggression by the armed wings of the movement led to the foundation of a Zionist state in that area where more than 95% of the population was not Jewish prior to immigration, and even after many years of immigration, the country that was made purely for the Jews had only 30% Jewish population of the total (Jonathan, 2002).

Economy Of Israel

As per international standards, the Israeli economy is well advanced and technologically advanced and is ranked among the top 20 countries. It successfully secured its position in the "*United Nations Human Development Index"* and is called a very highly developed country that provides a very high standard of living to the people of its country just because of a very well-acknowledged economy.

The quality education system in Israel and the creation of a highly educated and highly motivated society are working at their best to make Israel a better economy and are responsible for the rapid development of the country, not only in the industrial sector but also in the technological field. The strong educational system in the country and high quality and well-equipped incubation centres in the country that are creating cutting edge ideas to give the economy a boom by making extraordinary goods and services have given the country an opportunity to create such companies that are advanced in the technology not only by the big guns in the industry but also to innovate small startups that would be financially backed by venture capitalists and will help the economy to take a high flight.

The central hub of technology in Israel is known as *"Silicon Wadi"* and is considered the second most high-tech hub in the world after its California counterpart (Rafael, 2017). Israeli companies are providing high-quality and reliable corporate personnel to the industry, which is why many international corporations are acquiring Israeli companies. Big technology giants like Apple, Microsoft, Berkshire Hathaway, and Intel opened their research and development centres and invested outside of the United States for the very first time, and the investment is being made in Israel (De Fontenay, 2004).

Having such a marvellous record for generating the most profitable technologies, many of the big investors, leading entrepreneurs, and leading giants are making Israel their first choice for their investment, as investing in Israel gives them maximum profit. The dynamics of the Israeli economy are attracting international business leaders like the big investor *Warren Buffett*, founder of Microsoft, *Bill Gates,* a big gain in the telecommunications industry *Carlos Slim* and the President of the United States and the giant in the real estate business in the United States *Donald Trump* (Steven, 2018). Due to the favourable dynamics of the economy in Israel, investors are heavily investing in the country despite the origins of their businesses. Many investors have started a totally new business due to the conditions of the economy in Israel despite the fact that their business was in their home country. Tourism is also adding a lot of profit to Israel's economy. It is becoming a famous tourist spot, with 3.6 million tourists visiting Israel in 2017 (Steven, 2018).

How Israel Became A Startup Nation?

The population of Israel is around 9 million, and it is still emerging as a startup house and a country that is empowering people with a maximum number of opportunities to take a step forward and become an entrepreneur (Steven, 2018). It attracts the majority of Chinese and Japanese investors who are on the hunt for innovation. To understand how Israel is working as a big giant magnet that is attracting all the investors in power housing the startups that are highly advanced in the tech field, we have to understand the statement of a famous Israeli entrepreneur, *Eynat Guezi,* who says that while working in Israel you did not think about whether your venture becomes successful or not nut, you say that I can do this. In Israel, you execute your plan first, then you think about your plan and how you will make this project successful.

In Israel, if you have failed in your startup, it is not a thing that you should hide. If your 4 to 5 startups have failed, a big investor will still be willing to invest in your 6th start-up as they think that we always learn from our experiences, whether they are good or not. They don't look toward you as a man who has failed in 5 of his projects; instead, they look at you as a man who has a lot of experience in the field of business.

The Startup Formula In Israel

The startup formula is working for this nation. Although the total population of Israel is just around 9 million, and it is a country that was a few years back known for a country that is totally dependent on agriculture, has developed too many startups that are highly advanced in technology, and if we compare the total number of start-ups in Israel, that is far more than the startups that started in all the countries of Europe. On the account of startups, Israel is ranked second in the world, while America is at the top of the table (Steven, 2018).

Silicon Wadi in Israel is located in the coastal plain of the country, i.e., Tel Aviv and is surrounded by venture capitalists, military and start-up communities. Giants in the tech field like Facebook, IBM, Oracle, HP and Google have started their operations in Israel and are currently employing 8,000 Israeli employees in their companies. They have opened their research and development units in the region and are working to bring innovation to their products by working with highly trained and professional Israeli employees.

Things To Learn From Silicon Wadi

Companies do not become a story of success overnight. The same is the case with silicon wadi. The economy of Israel was underdeveloped at a certain point in time. However, the reforms introduced by the government gave a boost to a lifeless economy. The software boom that started in the late 1980s helped the Israeli economy a lot, and it emerged as a tech innovator in the world (Aharoni,1997). For the grooming of the silicon wadi, the government made a lot of policies and introduced many schemes that offered a lot of incentives to the entrepreneurs and to the investors.

Besides governmental policies and the spirit of the people to become entrepreneurs, there is another thing that is working positively for the economy of Israel (Aharoni,1997). The businesspeople in Israel do not like working with authority and always sit and listen to the workers. The population of the country has not become a liability for the country; instead, it has become an asset for the nation. According to a recent research study conducted in the IVC Research Center, high-tech companies in Israel generated a revenue of $4.8 billion in 2016, while the investment made was $7.2 million for the same period (Steven, 2018).

Although China is a very big market and still to gain more excellence, it is seeking more technology. The search for technology has led China to Israel, which is known as the second main hub of technology in the world.

What Are The Strengths Of Startup Innovation?

Military experience is considered to be one of the biggest strengths in startup innovation. According to the tradition of Israeli culture, it is compulsory for everyone to serve in the military. For every person of age 18 or above, it is mandatory to join military services. It is obligatory for every man to serve at least three years in the military, while for women, the restriction is two years (Aharoni,1997). Rather than seeing this compulsory service as a burden, most of the people see it as an opportunity. Most of the startups in Israel, especially in the field of technology, are being driven by the people who have served in the military. Serving in the military has made people aware of technology. Most of the tech specialists in Israel have served in the military.

People who are serving in the Israeli military see it as an opportunity to become entrepreneurs rather than the rest of us who think that serving in the military discourages us from thinking openly. Just imagine a young person of the age of 20 leading a whole unit on different exercises and different missions. This will increase the ability of that person to think openly and can change his life.

CEO of a famous tech company in Israel, *FortyTwo,* who has once served in the military as a captain, says the basic difference between all the other countries and Israel is that service in the military is obligatory, and it polishes everyone in such a way that everyone starts thinking openly (De Fontenay, 2004). Through military service, we find the brightest talent in the world, whereas, in the rest of the world, military service is considered to be an occupation when there is no possibility of any other job.

Limits To The Islareli Approach

Although silicon wadi has grown impressively, there are still many factors that hinder its further success. The majority of the startups in Israel do not have the ability to work on a big scale. Instead, for the growth of the startups, they are dependent on American or international investors. *Eynat Guez*, a local businesswoman in Israel, said that achieving the goal of a company that is earning a net revenue of $100 million is a holy grail (Steven, 2018). Due to this, she is thinking of coming to the US permanently. According to *Guez*, most people in Israel start their new venture and take it to a level where it is considered to be a successful venture, and then they sell their startup to another investor against a handsome amount of money and then start working on a new project (Steven, 2018). The lack of interest in taking their own startup to an international level is just because of the lack of resources for working on a big scale.

Reasons Why Israeli Startups Are A Success

According to the Israeli prime minister, "*might be there are not a lot of benefits of being a small nation or a small country, but if you have successfully created an ecosystem, there is no other benefit that can compete with it (Steven, 2018)".*

Culture*:* Israeli culture is very friendly. As people in the business field don't like hierarchical systems, there is no difference between a boss and a worker. You can easily catch up with the CEO of any company while walking on the street and talk to him about the business. You can get tips from him if you want to start your own business, and they will be happy to help you. Most of them won't refuse to help you because the culture of Israel is of such a nature that if he doesn't know you directly, her mother would definitely be a friend of your mother. But imagine you are doing this in India or China, where there are clear boundaries between the managerial level and the employees, you wont get any help. In fact, you won't be able to catch the CEO of any company because it would be impossible for you.

Failure: Another approach that is making the Israeli startups a big success is the way they see towards failure. According to them, failure is not a big deal. Let's suppose you have faced failure three times while working on a start-up company, and now you are out of money; go to a big investor and ask him to invest in your fourth venture. The majority of the time, he will be willing to invest in your venture. He won't see your three failures, but he will see your experience that you are in a great position to start a new venture rather than a child who is working on his first project.

Military Experience: In Israel, It is obligatory for every citizen to join the military when he/she reaches the age of 18. For men, the requirement for obligatory service in the military is three years, whereas for women, it is two years. The military of Israel is very well organized, and when you leave the military after the obligatory service, you are still a young boy or girl, most probably at the age of 21 or 22 (Aharoni,1997). That means that there are still no obligations on you, but on the other hand, serving in the military has made you a mature guy because you have made a very big decision while serving in the military. You have done your duties against the bad boys while carrying a gun in your hand. This helps you to take a strong cover on your nerves and to work in every type of situation.

Similarity Between Silicon Wadi And Silicon Valley: Silicon Wadi and Silicon Valley have a lot of things in common, but the most important thing is the ecosystem (Steven, 2018). Both Silicon Wadi and Silicon Valley have an ecosystem whose main purpose is to work in an environment where you can create and innovate things. Where you can work in an innovative environment and enhance your productivity. Working with Israelis gives you very fast results, but the meaning of those results is not very clear. According to Israeli entrepreneurs, we do the things first and plan how to make it a success.

Lack Of Natural Resources: If your country has an abundance of natural resources, then it will hinder both economic growth and political modernization. Recently, Israel discovered natural gas resources. Before that, it was dependent on the exported gas to generate other means of energy (Steven, 2018). Since its creation, Israel has been struggling with drought. However, due to the latest technologies, Israel became successful in solving one of its most persistent headaches. Today, Israel is water-independent, and due to extraordinary advancements in the tech field, it is leading the world in water desalination. In the coming years, Israel is going to be the leading exporter of water technology. Recently, during a visit to the United States, the Israeli Prime Minister signed an agreement to provide

Israeli water technology to the state of California in order to help the state fight the drought problem (Steven, 2018).

Self Reliance: A Basic Necessity: Israel is in such a region that it could be called rumbustious as it has very few friends in that region. It cannot rely on regularizing with its neighbours nor on trading across the border (Rafael, 2017). This is the reason Israelis have advanced in the safekeeping mechanism of self-reliance. This attribute penetrates most of the Israelis, including CEOs and startup founders. Self-reliance is indeed very necessary for survival. We must keep trying to innovate more and more things. Israel is positioned in such a region where it is surrounded by enemies while they don't have an abundance of natural resources. This means that for survival, they are dependent on their brains and on technology to keep innovating more and more things, which will help them in their survival. Israelis have understood that they will not be served with success on a silver or gold platter, but to achieve success, they have to work hard, and they will only succeed if they try to achieve more and more things and keep trying to get better.

A Glorious Future Ahead

The current climate of Israel is visualized by the father of present-day Israel, Theodor Herzl (Aharoni,1997). Although most of the predictions of Herzl came true, there is still a splendid future ahead for the Israelis as their advancement in technology and the policies they are making for a business-friendly environment are leading Israel towards a nation that, despite its smaller population, becoming so successful that it has already left behind many of the developed European countries.

Conclusions

Today, Israel is considered to be one of the most advanced countries in terms of technology. It is considered an industrial country whose production is dependent on extensive research and the use of all the means of technology. The development Israel has made is very rapid, and now it ranks among the top 20 countries of the world that are considered to be providing very high means of living standards to its citizens. Technological advancements and the economic friendly policies that the Israeli government has made attracted many of the big international giants towards Israel and made them realize that Israel is a very good opportunity for them to invest in terms of investment against high profits. The culture of Israel and the military experience that is obligatory for everyone has nurtured the citizens in such a way that they are becoming more inclined towards entrepreneurship. More and more citizens are working on their own projects and becoming entrepreneurs, thus leading Israel toward becoming a startup nation.

End Notes

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