

# Israeli Ecosystem

– How has the Start-Up Nation been Transformed –

「イスラエル・エコシステムの今昔物語」

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# 樋原の紹介

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略歴：東京大学教養学部教養学科（国際関係論）卒業、東京銀行（現・三菱東京UFJ銀行）入行。世界銀行コンサルタント、通商産業省通商産業研究所（現・経済産業省経済産業研究所）客員研究員、米コロンビア大学ビジネススクール日本経済経営研究所助手、カナダ・サスカチュワン大学ビジネススクール助教授、立命館大学経営学部准教授を経て、2011年から現職。米コロンビア大学大学院でPh.D.(経済学)を取得。早稲田大学イノベーション・ファイナンス国際研究所所長。専門はイノベーションのためのファイナンス。

# 樋原の最近やっってること、関心事

大きく申し上げると、

## Innovation X Finance

より個別的には、以下

- 創薬, Medical Devices, Other Life Science Businesses
- AI, Data Analysis
- FinTech(ブロックチェーン技術、Bitcoinなどの仮想通貨)
- 注目している場所は、イスラエル、シリコンバレー、San Diego、ベルリン(独)等々
- CVC(Corporate Venture Capital)
- ハイブリッド・ファンドの政治経済学
- 社内政治

# Transformation Process

- 1. Existing conditions in Israel before 1980s**
- 2. Emergence of Entrepreneurship in Israel**
- 3. Financial Initiatives during the 1990s**
- 4. Right Now: “Bio-Convergence” Ecosystem Emerged**

## Existing conditions in Israel before 1980s

- Socialist Environment
- Strong Labor Union
- Only just more than half population paid tax
  
- Existing Big Company Group ("20 Tycoons") dominated the traditional business sector such as commercial banking, mass media, and infrastructure ones.
- Liquidity in labor markets was quite low.

## Israeli Generations in Transition

- 1<sup>st</sup> generation who had settled just after the WWII.
- 2<sup>nd</sup> generation (around the age of 80s)

Worked hard in the existing sectors.

- 3<sup>rd</sup> generation (around the age of 50s)

Changes started.

- 4<sup>th</sup> generation (under the age of 40s)

They started to enjoy the good part of the Western Economies' features. Everybody have "Backpackers!" experience before they got into college.

# Emergence of Entrepreneurship in Israel

## ***Personality Aspects***

- Mandatory military service (before college)  
→ networking and creativity
- Backpacking around the world and then entering undergraduate school around the middle 20s.
- Joining big corporations would NOT look so sexy to the young people.

# Emergence of Entrepreneurship in Israel

## ***Environmental Pillars***

- Geopolitical situation
- Constant perception of safety risks – ID no., gas masks, shelters, etc...
  - the value of spending a day may be more worth than in other countries.
- Diversity and Mixture in population (particularly in the 3<sup>rd</sup> and 4<sup>th</sup> generation)



# Emergence of Entrepreneurship in Israel

## ***Financial conditions***

- Very favorable in the 1990s.

-- Note that “*Start-up Nation*” by Dan Senor and Saul Singer (2009) emphasized the two things:

1) Mandatory military service

2) Immigration from the former Soviet Union countries.

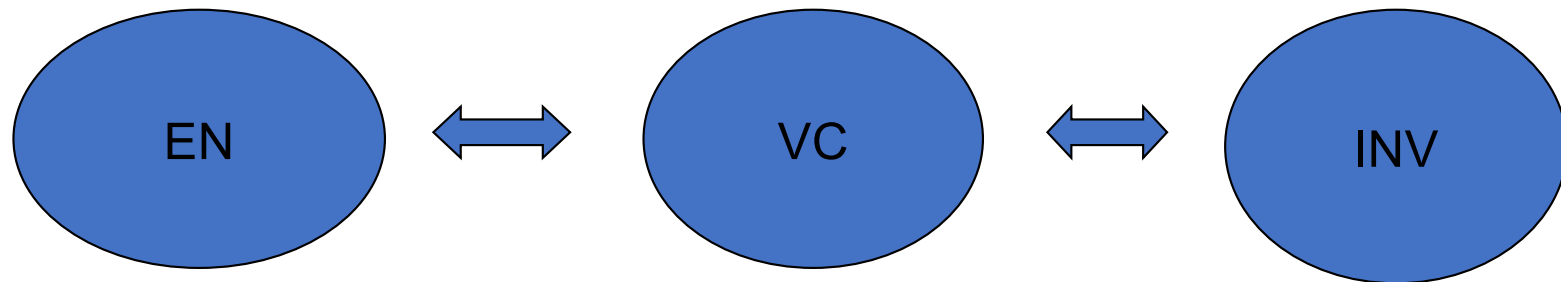
## Financial Initiatives during the 1990s



### Yozma funds

Yigal Erlich, a founder of Yozma funds:  
“I just did right things at right time.”

# VC Fund Basic Structure

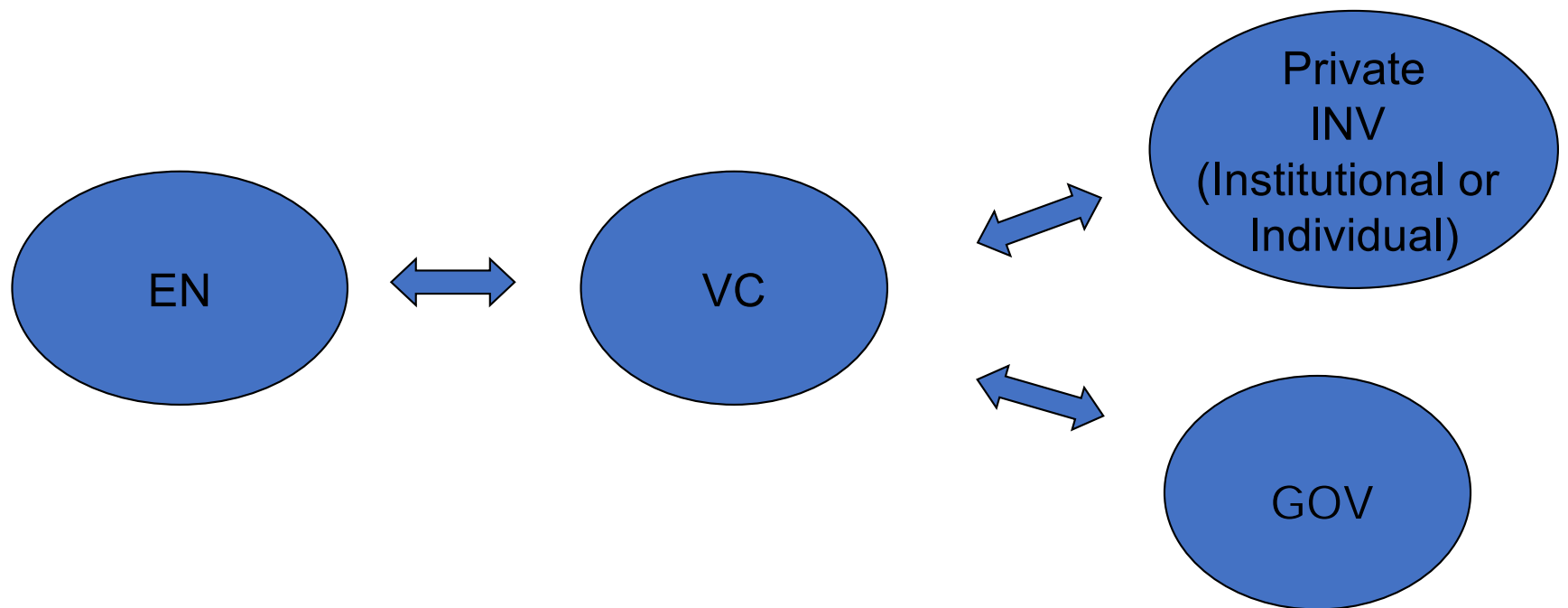


EN: Entrepreneur

VC: Venture Capital Fund

INV: Investors

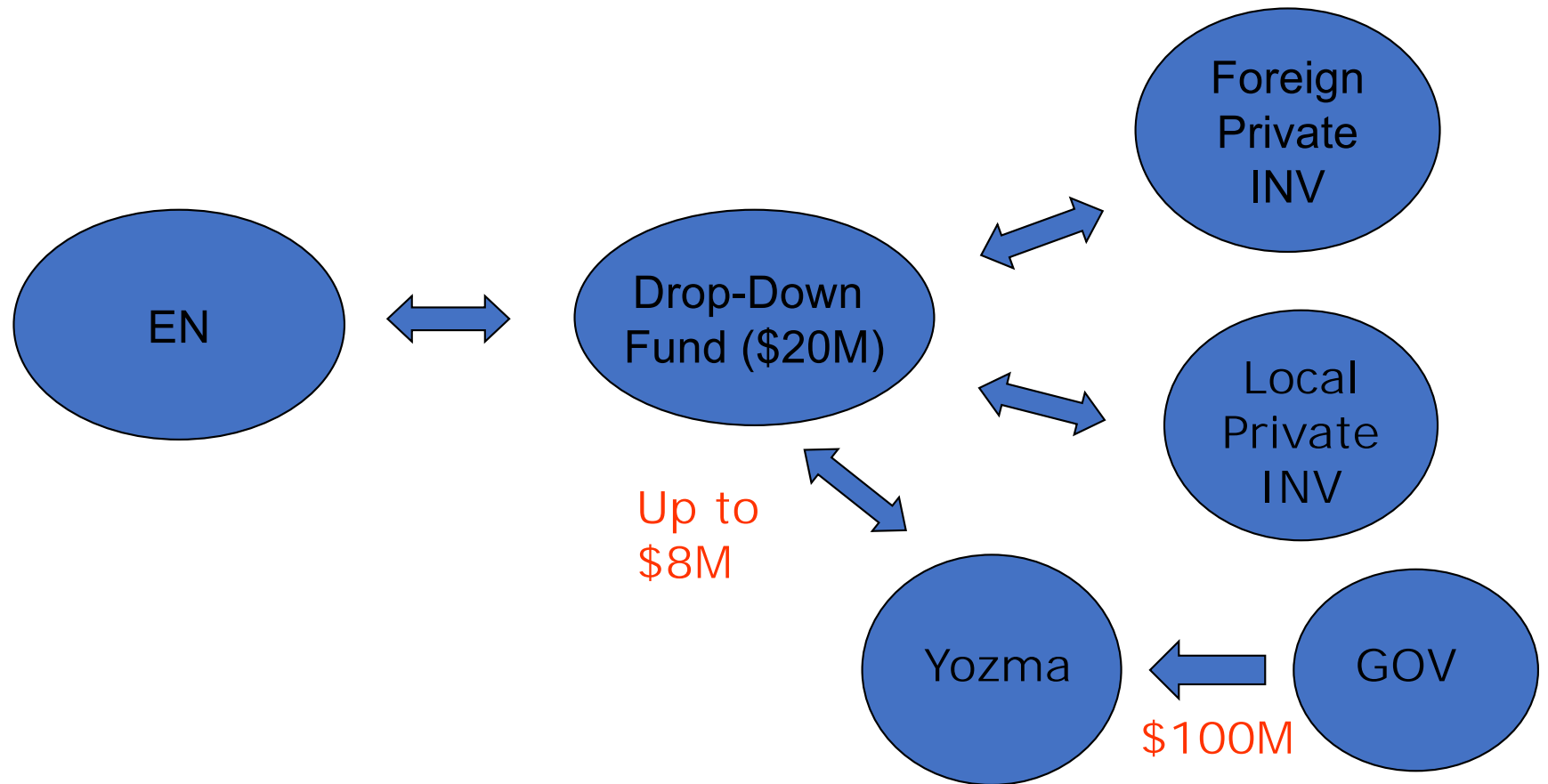
# Hybrid Fund



# Yozma

- In 1993 Israeli government established fund-of-funds Yozma (Hebrew for “Initiative”).
- Each drop-down fund got money from both foreign investors and local institutions.
- Each fund had to raise a minimum of \$12M from private investors. Government investment are not allowed to invest more than \$8M per fund.
- Each fund must provide private investors with a 5 year option to buy the government shares.

# Yozma - Israeli Experience



## Reasons for the Success

- “We did NOT have *any* thing. —> Foreign LPs did play the most important role.
- Right timing! (Established in the early 1990s.)
- Succeeded in convincing Government sector to activate right and flexible innovation policies.

## New Fund Initiatives in the Bio-Pharma sectors

- Background: VC investment in these sectors was not so good.....
- Government Backed Israeli Bio-Technology Fund
  - The Government prepared U\$220 million for its fund investment as LP.
  - Downside protection to private LPs was designed.



Right Now: “Bio-Convergence” Ecosystem Emerged

# ICT to Bio-Convergence

- AI
- Data Science
- Digital Health
- Medtech
- Dynamism

Hybrid fund (supported by  
Government policies)  
to Private fund (supported by  
Corporates)

- Serial Entrepreneurs
- Accumulated human resources
- Ample supply of money
- Government initiatives to private initiatives

# Capabilities of the Israeli Ecosystem

- Network capabilities

# Start-Up Nation Central



# Hebrew University of Jerusalem: New Tech Park Initiatives



# Capabilities of the Israeli Ecosystem

- Network capabilities
- Data accumulation and data analysis capabilities

# HMO: Big Data Usage

MaccabiTech, a subsidiary of Maccabi Health Services (HMO)





# Capabilities of the Israeli Ecosystem

- Network capabilities
- Data accumulation and data analysis capabilities
- Relatively longer-term perspectives on economic value creation

# Complementarities between Israel and Japan

- Zero to One
- One to 10 to 100
  
- Why vs. How