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ENTREPRENEURIAL EDGE

Israeli Companies Seek Global Profile

By JAMES FLANIGAN, New York Times



Sharona Justman, managing director of STEP Strategy Advisors, and Eran Wagner, head of North American operations for cVidya Networks. Both are focusing on making their companies world brands.

ISRAEL has long been successful in combining government and private money to promote small-business innovation. Now, it wants to build larger companies to compete better in a global economy.

Some of the country's business leaders will take that message to the Israel Conference on June 4 in Los Angeles. "We have to enhance the Israel brand by creating big, long-term companies," said Eran Wagner, president of North American operations for cVidya Networks, an Israeli company that helps telecommunications companies improve their efficiency. "And not be seen as just a bunch of people with great ideas."

He cited three global Israeli companies as examples of what smaller companies were aspiring to: Teva Pharmaceuticals; Check Point Software Technologies, a provider of Internet security options; and Amdocs, which offers software and services to improve customer experience.

"For Israelis to operate on a world-company level, they must learn and apply the skills of communicating with many other kinds of people," said Mr. Wagner, who was born of Israeli parents in Los Angeles, but grew up in Israel and founded two companies there in the 1990s.

Erel N. Margalit, the founder of Jerusalem Venture Partners, spoke, too, about a global imperative. "Israelis have a great tradition as storytellers, movie makers, educators," he said. "We have to create new ways to bring those skills" to video games and personal communications.

Mr. Margalit said his company had nurtured numerous media and information companies that were sold to large corporations in the United States and Europe or went on to be publicly listed on Nasdaq or the New York Stock Exchange. But now, he said, his ambitions go beyond Wall Street.

Two years ago, Mr. Margalit said, his venture firm opened Animation Lab in Jerusalem, which creates animated characters and stories for films, video games and cellphone applications. The company also has offices in Santa Monica, Calif. And Jerusalem Ventures is backing half a dozen start-ups in California, including Double Fusion, which embeds ads in video games.

Mr. Margalit said he was also looking to the emergence of Asia in global media and information industries. "America is the queen of content," Mr. Margalit said, "but it is still in the broadcast era, while China and Korea are in the interactive age." He said Israel's "creative hub" would focus on participation in those new markets.

In the 1980s, Mr. Margalit, as an aide to Jerusalem's former longtime mayor, Teddy Kollek, helped bring research and development investment to Israel from I.B.M., Intel and other technology companies. Then in the 1990s, Israel's government disbursed seed money to help entrepreneurs start companies to create products and jobs. Private venture capital followed that lead and spurred the country's innovations in medical devices, bioscience and information technology.

Glenn Yago, director of capital studies at the Milken Institute in Santa Monica and head of the institute's center in Israel, said that "Israeli scientists own 7,000 patents in the United States, a remarkable statistic for a country of only 7 million people" and a gross domestic product that is only 1 percent that of the United States.

Israel has been especially prominent in the development of arterial stents and processes in bioscience. One company, MacroCure, for example, has developed a white blood-cell therapy that spurs healing of chronic wounds, like those occurring in diabetics, in the aftermath of open-heart operations and among the bedridden and wheelchair-bound.

The company is now entering the process of trials in the United States for approval by the Food and Drug Administration, which Mitchell Shirvan, MacroCure's chief executive, estimated would take two years. Small companies often take on partners to help pay the cost of such trials, but "we are going to go through the trials on our own," said Ran Nussbaum, managing director of Pontifax, an Israeli venture capital fund that is backing MacroCure. If the company receives approval from the F.D.A., Mr. Shirvan said, it may then seek an alliance with an American company.

Even with the country's success in medical fields, the government and leading business people in Israel are concerned about a shortfall in the long-term financing support for bioscience projects. "That is why we are creating new vehicles to fund life-science start-ups," Mr. Nussbaum said. And major efforts are under way, Mr. Yago said, to expand the Tel Aviv stock exchange and other capital markets for equity and debt investments.

The aim of the Israel Conference is to bring together American companies looking for sources of technological innovation and Israeli companies looking for partnerships and greater knowledge of global markets.

"We want to establish the proposition that for innovation and development on a global scale, Israel is a safe bet," said Sharona Justman, managing director of STEP Strategy Advisors, an advisory group with offices in Los Angeles and Tel Aviv, and a chief organizer of the conference. Ms. Justman noted that through years of regional tension, the economy has grown and venture capital has continued to flow to Israel.

Sharon Rechter, an Israeli entrepreneur who founded a successful company in Los Angeles, sees different business strengths in the two countries. "Israeli companies are great at innovation, while American managers understand strategy and scale, the kind of knowledge you need in a big market like this," Ms. Rechter said.

She is co-founder and executive vice president of BabyFirstTV, a cable and satellite television channel devoted to programs for parents of children 6 months to 3 years old. Ms. Rechter said she came to the United States in 2003 to start a Hebrew language channel, which operates from New York, before coming to Los Angeles to start BabyFirstTV with her partner, Guy Oranim, who headed major advertising agencies in Israel.

For programming, Ms. Rechter relies on child development experts in the United States as well as Hollywood writing talent while animation and postproduction work is done in Israel. Now four years old, BabyFirstTV is in 35 countries, in 13 languages and, Ms. Rechter estimated, "has 120 million viewers worldwide."

Yet, she said, "the United States remains the dominant market. It might change, but in my business, media, there is the United States, and all the other markets follow. That's why I'm here."

All the people / companies interviewed for this article are speakers at The Israel Conference™.

Over 600 executives attended to meet and hear from 50 speakers on June 4, 2009.

The next date for The Israel Conference™ is June 3, 2010.



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