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How German SMEs can benefit from the Startup Nation Israel

Our new study shows far-reaching potential in the close cooperation between German and Israeli businesses – efforts which, to date, have been underutilized. Highlighting Israel's innovative dynamism, the study also offers German businesses engagement strategies facilitative in securing potential Israeli partners.

As a tech-driven, cost-efficient "Startup Nation" that embraces innovation, Israel bears considerable innovation potential – all within near proximity to Germany. Yet Germany and its SMEs – which form the backbone of the German economy – have not yet leveraged this potential.

As a Startup Nation of eight million residents, Israel features 7,000 businesses in the hi-tech sector with more than 356,000 highly educated workers and a dynamic startup and entrepreneurial culture. These developments are underscored by the \$10 billion in Israeli high-tech exits through mergers, acquisitions or initial public offerings for 2016.

A new study conducted by the Bertelsmann Stiftung explores the current state of exchange between German SMEs and the Israeli startup scene. The study identifies those high-potential sectors that have yet to be fully leveraged and offers five practical strategies for German businesses.

)) *"Cooperation between German SMEs and the Startup Nation Israel is still in its infancy, but the potential benefits of such cooperation are vast, and if you're looking to remain innovative, Israel is a good place to explore – Silicon Wadi is an attractive alternative to Silicon Valley."*

Stephan Vopel, Israel expert at the Bertelsmann Stiftung

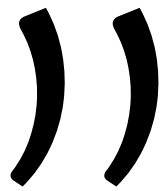
Leveraging untapped potential

German SMEs stand out for their expertise and innovativeness. However, German SMEs are traditionally reticent to engage with non-German innovation offerings and do not participate in the international exchange of knowledge. Major German and international companies have acknowledged the need for international R&D and have already established centers in Israel in order to leverage its innovation potential. "While looking for potential business partners and technologies in Israel over an 18 month period, I was introduced to more innovation opportunities for the pharmaceutical industry there than I have in two years in Germany," reports Dr. John-Edward Butler-Ransohoff from Global External Innovation & Alliances Group at Bayer.

As the study shows, German SMEs are beginning to acknowledge this potential as well. Indeed, the findings point to a strong interest in forming business partnerships with Israeli firms, although only a handful of these SMEs have actually taken steps to do so.

Networking with Israeli businesses is very cost-effective. The country supports innovation processes in businesses through centralized R&D support that is offered by the Innovation Authority and features a deep pool of STEM talent. Israel also offers an engaged network of government and non-government innovation stakeholders on the ground, which helps in navigating and reducing the time and money invested in bureaucratic procedures.

A large number of startups in Israel's automotive, electronics, Industry 4.0, Internet of Things, renewable energies and cyber sectors in particular are interested in cooperating with German SMEs. In addition, attitudes among stakeholders in both countries complement each other:



"Israeli entrepreneurial spirit and German long-term thinking complement each other in a unique way when it comes to developing successful innovative products and ensuring the competitiveness of both countries now and in the future."

Markus Gick, Innovation expert at the Bertelsmann Stiftung

Five recommended actions for German SMEs

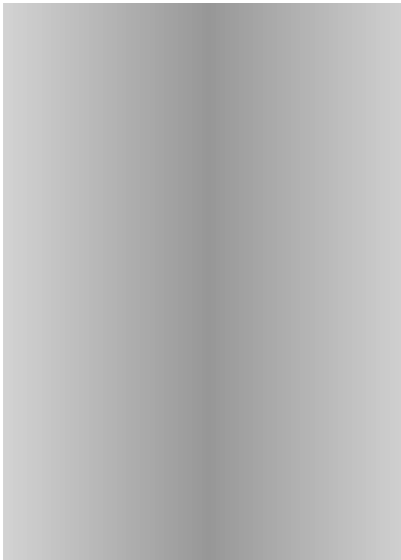
Drawing on best-practice examples, the authors outline various strategies for German companies seeking to enter the Israeli market that include outsourcing R&D, establishing a cooperation with business partners, or acquiring an Israeli startup. In the future, establishing accelerators and incubators will prove important, as will the presence of tech scouts.

The study also provides a comprehensive overview of extant government and private resources that is designed to orient interested companies as they enter Israel's innovation

ecosystem.

Please find the complete study here.

Publication



STUDY

The German Mittelstand and the Israeli Startup Ecosystem

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- [Executive summary of the study](#)
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Further information

"The German Mittelstand and the Israeli Startup Ecosystem" draws on 60 qualitative interviews with high-ranking representatives of German SMEs and multinational companies. The study also draws on the expertise of stakeholders such as international businesses with links to the Israeli high-tech business sector, key figures in Israeli startups, as well as leading experts in Universities and NGOs. The interviews were conducted by a team comprised of representatives from the Hebrew University of Jerusalem, the Israeli company Pinpoint, the German company Eclareon and T-Base Consulting.

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