Germany and Israel face similar challenges and opportunities when it comes to globalization and digitalization. Which synergies could result from an innovation exchange? What would successful cooperation look like? As our study *German and Israeli Innovation – The Best of Two Worlds* shows: Networking is crucial for shaping German-Israeli partnerships. Innovative platforms, moreover, facilitate the interactions that can make those partnerships happen.

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Dr. Joachim Rother

Stephan Vopel

Germany will have to continue increasing its innovative capacity if it wants to stay competitive in a world undergoing rapid technological change. The companies that make up the country’s Mittelstand – midsized to large enterprises with sales of over €50 million and more than 250 employees – frequently have long histories, are often run by family owners and tend to focus
on international markets. They also have a great need for innovation. As of 2018, there were 3,394 such companies in North Rhine–Westphalia alone.

With over 6,000 startups, Israel is considered one of the globe’s leading startup hubs. It even has the highest number of startups per capita worldwide. In addition, it is home to many talented, highly educated individuals with innovative know-how and a pronounced entrepreneurial spirit. At the same time, the country is looking for partners that can help it become active in foreign markets. There are a number of areas in which Germany and Israel could cooperate to their mutual advantage: Industry 4.0, the Internet of Things, artificial intelligence and cyber applications, to name just a few.

It is currently a good time to identify new partners and deepen existing relationships. Israel’s startup ecosystem is changing, transforming the Startup Nation into the Scale-Up Nation. Israeli startups offer market-ready products in high-tech sectors – products that Germany’s Mittelstand needs. The startups are looking for access to markets in which they can scale up their operations – access that Germany’s Mittelstand can provide.

We asked ourselves: Why are both sides making so little use of the potential that partnerships offer?

One of our study’s core findings is that there is currently not enough a) transparency about potential partner companies and promising industries, b) access to both ecosystems and c) time and expertise available to search for partners – critical factors for taking advantage of the benefits resulting from cooperation.

Another core finding: Both sides must offer transparency on their motivations for collaborating and must fulfill certain key requirements:

```Motivations and requirements for successful collaboration
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As part of a comprehensive market analysis of networking instruments, we also found that although various analogue platforms exist (trade fairs, incubators, accelerators, meet-ups) that network midsized companies and startups, the market is still too fragmented and non-digital and, as a result, non-scalable. In addition, there are no instruments specifically designed to network German Mittelstand businesses and Israeli startups.

Germany’s Mittelstand and Israeli startups need opportunities to network with each other. Digital and analogue platforms must not only provide short-term information, they must also be designed to launch long-term partnerships and joint projects between Germany’s Mittelstand and Israel’s startups.

Dr. Markus Gick, Innovation Expert, Bertelsmann Stiftung

Our recommendation is therefore to create a platform for innovation exchange that contains digital and analogue elements, increases transparency, provides access to potential partners and offers targeted matchmaking through a curated process.

By analyzing existing platforms and interviewing potential customers, i.e. Mittelstand enterprises and Israeli startups, the basic steps for building such a platform were identified:
1. Create a digital database with publicly accessible corporate profiles, contact data and a curated area for members in order to facilitate scouting
2. Link the database to existing databases, thereby enabling data exchange
3. Connect to existing partner networks in the business community, policy arena, academia and civil society to generate reach and take advantage of networking synergies
4. Offer matchmaking opportunities such as innovation challenges to find the perfect partner based on specific needs
5. Build a digital information portal to publicize examples of successful partnerships

Many of the elements in an innovation platform of this type are generic and can be transferred and scaled to network midsized players in other countries, such as China and India, as well as other industries and services. A German-Israeli Innovation Platform could thus serve as the blueprint for other platforms.

Publication

German and Israeli Innovation – The Best of Two Worlds

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Annex

- Annex of the study “German and Israeli Innovation – The Best of Two Worlds”

Infographics

The Best of Two Worlds – Opportunities, requirements and a blueprint for connecting Germany’s Mittelstand with Israeli Startups using an innovation platform

- view

Background information

The study German and Israeli Innovation – The Best of Two Worlds is based on 62 interviews, in particular with representatives of German Mittelstand companies and multinational organizations, as well as ecosystem experts from both countries. The study includes a stand-alone annex which offers a comprehensive overview of private- and public-sector resources, including contact information for interested businesses in Germany and startups in Israel.
PROJECTS

German-Israeli Young Leaders Exchange

Fostering Innovation, Unlocking Potential

Reinhard Mohn Prize