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Israeli innovation system

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Abstract

Lately it has become popular to talk about the innovative development and innovations, but what country has become the epitome of the innovation economy. Many experts today agree with the fact that it is Israel. The Israeli accomplishment of the innovation system is fundamentally different from the world innovation systems. What enables the innovation system of Israel to be one of the most successful global practices? How have they achieved this? In this paper the historical background of innovative Israeli market development is described,the ways how Israeli technology greenhouses find funding for their work are explained, and, of course, the stages of business-incubators in Israel, which allow companies to be extremely profitable and to maintain high competition in the world market are examined.

Keywords: innovation system, business-incubator, start-ups, technological Teplice;
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1. Introduction

To overhaul a Europe by way of the economic development Russia should promptly implement the best world practices particularly related to the innovation system (system of implementations of innovations). The first attempts have already taken by Russia, nowadays almost every university in our country has a business-incubator, but their effectiveness is not high enough.

One of the unique phenomena in an innovative sphere is an Israeli technological greenhouse without effective foreign analogues. Studying western experiences help to develop Russian innovation systems.

2. Historical notes

Nowadays Israeli is one of the most developed states in terms of innovation. This is partly due to the fact that relatively few natural resources and complex technical production is undeveloped and the way to earn money can only be possible with brains usage. Today Israel is considered not only an ancestor of the first business incubators, but also a thought leader in the world of big businesses.

The Israeli business incubator accomplishment is fundamentally different from the world incubators, and it differs from Russian ones greatly. Today Israel has about 24 business-incubators with about 10 startups.

Business-incubators or, as they are called in Israel, «technological greenhouses» [5], began to appear in the 90's, because of the collapse of the Soviet Union hundreds of Soviet scientists immigrated to Israel. A pioneer of an innovative movement was Clara Oren (Fig. 1.), who served in air forces of the Israeli Defense Forces as a scientific officer for 17 years. In 1993, she founded an incubator, called *LN Innovative Technologies* in Haifa. Nowadays Clara Oren's business incubator is the youngest private incubator in Israel (it is only 20 years old) and during this time, 45% of companies «grown» in the Teplice have already adapted to the market and have become commercially successful [1].

Fig.1. Clara Oren, founder of LN Innovative Technologies

The main task of the incubator is to help startups with business organization, to package business, to make it economically attractive for investors. Startups are created on the bases of new technologies. Startups are based on new technologies which are innovative on global and domestic markets. In Israel the group of investors finances greenhouses that has already received a governmental license for this. It is very profitable, as having this license, after project verification by the Office of the Chief Scientist of Israel, a startup needs budget for implementing a project and 85% of the budget is allocated by the State and the rest 15% is given by a technological incubator. The standard project budget is about $500 for two years. Government money is given in the form of a loan for an approved project, thus, the State assumes the risk. For 6 years incubators pay the state money back repaying its financial debt. If the business project is unsuccessful, the debt is completely written off [3].

3. Selection of ideas

On of the important stages in a technological incubator activity is a selection of ideas for future startups. In the course of the year, a business incubator receives about 100-200 ideas and only 4-6 ideas are financed. The initial task is to test ideas. [2]

At the first stage, each idea is checked according to its technological innovation. Then it is examined in the market. Is it necessary for 5 million people? If the answer is "Yes", the idea goes to the third phase of testing: personality test. What is an inventor? Can he/she be able to become the General Manager of his/her company or to obey him/her? Each company needs a CEO.

When ideas are fully examined, the BI (Business incubator) team decides if a new company appears or not. After that, the business is funded. The technological incubator invests 500 million dollars and a team of inventors gives an idea. The company's shares are divided in different ratio due to the project and agreements.

Private companies are created in the way where there is no States shares in a start-up. The budget money is given to a BI but not to a new created company. However, the State wants to get assurances, for this reason 40% of the company does not belong to inventors for 6 years, while the debt is paid back. In addition, the State has no rights to interfere in stat-up running.

Foundation agreement is executed with a legal entity as the inventor always is connected with his/her workplace, lab, etc.

After signing an agreement for a company establishment, the project is tested. To do this, academicians, business and industry experts examine it very carefully.

Then the company gets a working place in the business incubator. From its foundation, the company has its own bank account, staff and budget. It receives financial and legal help [4].

3. Conclusion

As can be seen from the above, nowadays the Israeli innovative system is one of the most successful and effective and common points with our Russian economic reality should be found.

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