

Innovating a relationship

Clean-tech emerges as the new area of co-operation between India and Israel



PHOTOS: RAKESH JOSHI

Sarna at the Gyan Milan conference: the engagement will grow bigger

There are so many similarities between India and Israel. The hot subject of popular discussion in Tel Aviv and other Israeli cities these days is not the prospect of Palestinian unification by September but the rising prices of cottage cheese. It is a situation akin to the periodic outpouring to public anger in India against rising onion prices. The campaign surrounding cottage cheese was sparked by an article in *Globes*, an Israeli financial daily, which ran a story comparing food prices in Israel to basic food products in Germany. The Israeli prices often were twice as high. Besides, several Israeli-made products, like some brands of soup and tea, are sold in New York for half the price as they are in Israel.

Cottage cheese prices have jumped by nearly 40 per cent in the last three years. Dairy companies blame the hikes on rising production costs, including the price of raw materials and labour costs. But, overall too, prices for many items are rising in Israel, though the shekel has barely budged against the dollar and economists say inflation is mostly in check. Gas costs more than \$8 per gallon. Buying a home has become prohibitively expensive for most Israelis. For now, however, consumer anger is focussed on cottage cheese, fuelled by a campaign on Facebook.

But that isn't the only dominant

public discourse in Israel. Last fortnight, as a clutch of aspiring Indian businessmen landed in Tel Aviv to participate in a conference backed by the Israeli Consulate General in Mumbai, the Israeli Presidential Conference, an event that attracts star speakers from across the world to debate contemporary themes, was going on in Jerusalem. Saul Singer, co-author of the widely acclaimed *Start-up Nation*, an authoritative book on Israel's high-tech miracle, was one of the key speakers. Singer, according to media reports, had a simple recipe to sort out the dilemma facing Israel Inc. about its inability to establish big companies, like Finland did with Nokia. Rather than worry about establishing big companies, the key to the future of Israel's economic success lies in safeguarding its comparative advantage in start-ups and innovation.

After finding that business people in Finland looked to Israel for examples on how to innovate, Singer said he quickly realised that, "while Israelis have Nokia envy, in Finland, they have start-up envy. And it turns out that, in Korea, in Singapore, and all around the world, people are trying to figure out how to do start-ups, and they have been travelling here to find out." He said the Israeli economy would benefit by focussing on what it does best – innovation and start-

ups – while synergising those talents with the management and long-term planning skills of companies from abroad.

In fact, this was the theme of a two-day interactive conference titled Gyan Milan, in which Indian and Israeli businessmen and bankers explored opportunities of co-operation and discussed financing models in the field of clean technologies, water and desalination and renewable energy – areas in which Israelis have patented cutting edge technologies.

The Indian delegation included Vinod Mittal, vice-chairman & MD, Ispat Industries; Vishakha Mulye, MD & CEO, ICICI Venture; Mohit Batra, ED, ICICI Venture; B. Suresh, president and CEO, Mahindra Consulting; Ananthraju G.H., national business head, Eureka Forbes; and a host of less known but budding Indian clean-tech entrepreneurs engaged in water and energy sectors.

The Israelis lined up a number of eminent speakers to hardsell their high-tech success story and underline how seriously they are taking India. For starters, there were Einat Wilf, an Israeli Army intelligence officer, newspaper columnist, venture capitalist, policy planner, teacher, feminist, foreign policy adviser to Shimon Peres and currently one of the most articulate members of the Knesset (Israeli Parliament); Rafi Barak, director

general, ministry of foreign affairs; Gadi Arav, professor and head of the Maxi Periman Centre for Global Business in Tel Aviv University; and Ran Cohen, former minister of trade and labour and currently president of the Israel-Asia chamber of commerce.

Clean revolution

The Israeli businessmen are eyeing India at a time when it is poised to become one of the biggest markets for clean-tech in the world just like China, which recently joined hands with Germany to plan a big expansion of joint research and development in green technologies. According to a recent report from The Climate Group, India could rival the US, EU and even China in clean-tech, if it can capitalise on a market for sustainable products that could be worth up to \$135 billion by 2020. The report also predicts that India could support 10.5 million green jobs by the end of the decade, as investments in energy efficiency and renewable energy technologies soar.

The report India's Clean Revolution predicts that the country's private investment in clean energy will increase 736 per cent over the next 10 years – three times the rate expected in the US or China. It also predicts India's domestic energy efficiency market will treble to more than \$77 billion by the end of the decade, as communities embrace on-site renewable technologies such as solar panels and small-scale wind turbines.

All this has tickled the imagination of the Israelis, particularly the 200-odd clean-tech companies operating in the Jewish state. Orna Sagiv, consul general of Israel in Mumbai, says: "In Israel, almost 5 per cent of our GDP goes towards R&D. What I am trying to do is to get Israeli companies, which have developed cutting edge technologies but cannot scale up domestically, to come to India, tie up with the big Indian companies and make use of their vast manufacturing base." Cohen adds, "We believe you have the organisational skills and cheap labour, and we have the innovation to emerge stronger." In private conversation, Israelis point out that this holds true

of even American companies. Apart from Apple, the who's who of American technology – IBM, Cisco, Motorola, you name it – have all come to Israel to set up R&D centres. In fact, Israel now has the world's second most intensive high-tech cluster after the Silicon Valley.

Anat Bernstein-Reich, managing partner (Israel), A&G Partners and president, Israel-India Friendship Association, says that India is the springboard which Israel wants to use to reach the world. Trade experts say that, in the past, Israeli companies have been keen on India because



Anat: 'India is the springboard'

they could repackage their products and ship them off even to Arab countries from the Mumbai or Kochi ports. An Israeli passenger jet spends less fuel flying to Mumbai than to China. Some Israeli entrepreneurs are also not too sure whether their technology will be safe in China.

But is that the only reason? An evocative answer, indicative of an evolving trend in Indo-Israeli ties, came from Yuval Susskind, CEO, Dif-fusaire, a start-up that has developed a technology to ensure 50 per cent reduction in energy costs in wastewater plants. "We (Israel and India) were born about the same time. We both speak English. We are functioning

democracies. And we both have difficult neighbours."

Israel's high-tech co-operation with India began with agriculture, long before even the two countries had established diplomatic relations in 1992. It morphed into defence and homeland security. Today, there is a flourishing bilateral trade of \$5 billion, which promises to go up to \$15 billion in five years, once a free trade agreement between the two sides falls in place. The problem is half of this trade is in diamonds. "We have too many diamonds between us," quips Navtej Sarna, India's ambassador to Israel, lightly. "But, then, one doesn't tire of diamonds easily." On a serious note, he says that, given the frequency of official and business exchanges between the two sides, the economic engagement is bound to grow bigger and diversify. He points to the MoU signed last month between Israel's High-Tech Industry Association and CII to boost co-operation in advanced technology – a development that, according to Israeli industry executives, could lead to a convergence of "Israel's innovative prowess with India's huge and talented pool of human resources."

The Israeli government has launched a programme under the name of competitive advantage, which understands there is no short cut to success in the high-tech industry. But there are major areas where the government cannot plan the market, but only lay down the tracks for success. The focus is on two key areas – high-tech and advanced industry sectors. As high-tech industry constitutes 12 per cent of the GDP, it is important for Israel's future, which was one of the reasons the government had invested \$500 million in four 'excellence centres' that are currently in the works. Other sectors are also chipping in. Bank Hapoalim, Israel's largest bank, recently came out with the statement that technology is the only way to keep the country relevant in the future economy, the creation of know-how and a presence in growing emerging markets.

Innovation is the key to success in Israel and it is interesting to see how it works. The government funds the



Israeli and Indian CEOs: seeking opportunities of co-operation

incubation hubs set up by venture capitalists to the tune of 85 per cent, the VCs pick up the tab for the remaining 15 per cent. One such company is Kinrot Ventures, founded in 1993 as part of the Israeli Incubator Programme. Today, Kinrot is a leading seed investor in water and clean-tech related technologies worldwide and provides a solid platform for developing and commercialising water innovations. Water was once considered free, with limitless resources, but it is now regarded a precious commodity to be conserved, recycled, purified and carefully managed – not just in Israel. Globally, the water industry is burgeoning with global sales crossing \$500 billion in 2010 and growing annually at a rapid 7 per cent. Amit Shilony, business development manager, Kinrot Ventures, explains that it sometimes takes almost 10 years to incubate a start-up before it starts yielding commercial returns. It is also difficult to predict the strike rate. But the seed investor gets to pick up 30-50 per cent equity in the new company.

It is this culture of innovation that Israeli companies want to export to India in their search for capital. In fact, an Israeli company has even perfected the art of 'on demand' innovation. This is known as the systematic inventive thinking (SIT) method and is based on the insight that innovative solutions share common patterns and because they do, creativity can be generated through

a specific, structured process. Senior facilitators from SIT have been working across the globe to solve organisational problems that hinder in-house inventiveness, devise innovative ways of solving company-specific problems, as well as work on new product development, market communication and advertising. SIT is even known to proffer advice on conflict resolution. A 60-member privately-held company based in Tel Aviv, SIT has a diverse range of clients in India including Airtel and Reliance ADA group.

Investing in innovation

In January this year, SIT got an invitation from the prime minister's national innovation council, headed by Sam Pitroda. The council reports directly to the PM, and is preparing a roadmap for the current decade to make innovation the driver for the long-term growth. The council had earlier toyed with the idea of building a \$1 billion venture-capital-like fund to finance innovative projects that would bring fruits of development to "the bottom half of the pyramid" by zeroing in on 20 areas.

Members of the council heard examples of best practice from SIT's international, large-scale innovation campaigns around the world. It transpired that most council members had

visited Israel, and were encouraged by Israeli achievements in innovation. SIT was reportedly asked to distil some of its ideas into India-specific campaigns. Eraz Tsalik, director, Asia-Pacific, SIT, says the council wanted to figure out "what works and what does not work while doing innovation". SIT's advice to the council was: "There is a need to promote a culture of innovation. You need to invest in the process that creates innovation and not innovation itself. If you have five best innovations of the year you will celebrate it but that is the end of the story. You need to teach the stories about those five innova-

tions to the people at large.

It will set people thinking – if those five people could do it why can't we achieve the same."

SIT has offered to the council four proposals for fostering innovation, which involves setting up innovation centres and labs, communicating and promoting innovation across the country, creating a tool kit for innovators and a customised tool kit for artisans.

Tsalik said that India cannot bring about innovations based on an Israeli model. It will have to devise its own model. "Therefore, our suggestion to the council was to prepare an innovation model, which can perpetuate itself. Create 50 hubs each year, which can show quick financial and business results. Then each hub should create its own two hubs. Innovation should pay for innovation and not government subsidy."

Pitroda recently said that India needed to create its own model of innovation. "We cannot copy others. India has its own challenges." He also announced that the government intended to form 50 industrial councils. "There are clusters of various industries in the country, but they lack the innovative spirit. We need to make them aware of innovation."

Clearly, this is a cross-pollination of ideas in the making, with Israeli high-tech waiting to make a convenient fit in the Indian entrepreneurial landscape.

♦ RAKESH JOSHI