MOB 3540-01
Undergraduate International Elective Course, May 2019
Israel Start-up Strategy

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Course Description

The purpose of this course is to provide students with an opportunity to understand the entrepreneurial ecosystem (EE) of Israel – a country of about 8.4 million people with the highest rate of NASDAQ listings per capita of any nation.

Through direct interaction with entrepreneurs, capital providers, educators, and government officials in Israel, the students should come away with a new perspective on startup's opportunities and challenges and get experience consulting to local startups while applying concepts from three books

- *Capital Rising: How Capital Flows Are Changing Business Systems All Over the World*, co-authored by Peter S. Cohan and Srini Rangan,
- *Startup Cities: Why Only a Few Cities Dominate the Global Startup Scene and What the Rest Should Do About It* (March 2018) by Peter S. Cohan, and
- *Hungry Startup Strategy: Creating New Ventures with Limited Resources and Unlimited Vision (November 2012)* by Peter S. Cohan.

Israel's ability to spur entrepreneurial innovation vastly exceeds its size. Israel has 8.4 million people but the number of Israeli companies listed on the NASDAQ far exceeds its relative population. For example, India has three companies listed. Japan has six, Canada has 48, while Israel has 63. Israel has received as much foreign venture capital as the much larger Britain -- $2 billion in foreign venture capital invested there in 2008 alone. And Israel has the highest density of startups in the world 3,850 – the equivalent of one startup for every 1,844 Israelis. Moreover, during the last few decades, Israel's high-tech innovations have spread around the world.[i]

How did Israel accomplish this feat? Israel has historically been geo-politically isolated from its direct neighbors, limiting trade and cooperation. An Arab nation boycott made regional trade impossible and it has very few natural resources. In addition, it has borne the impact of multiple military conflicts, putting pressure on its economy. Therefore, Israel looks to the spirit of its people to overcome its many limitations. The way Israel has managed its human capital – a critical element of its EE – has allowed Israel to become an innovation hub.

Israel's entrepreneurial success depends on the people it attracts, and how it harnesses their skills. Since Israel remains under constant political threat, all its citizens serve in

the military which creates social networks and leadership training. Furthermore, Israel's culture of critique, fostered by centuries of Jewish tradition, encourages a spirit of relentless improvement. Moreover, the Right of Return immigration policy for Jews augments Israel's population with people motivated to build new lives and livelihoods. The result is a business climate that embraces risk and spurs the growth of good ideas.[ii]

Many examples of Israel's most successful start-ups spring from the application of its human capital to the gap between demand and supply. For example, drip irrigation was invented when a farmer in the Negev desert noticed one of his trees flourishing despite drought conditions. When he discovered a leaky underwater pipe, he had a moment of creative inspiration, developing a technology that spread around the world.[iii]

Many of Israel's greatest innovations were in the area of information technology. They include PC anti-virus software, to AOL Instant Messenger, and the Intel Pentium microprocessor chip. Israelis also created medical devices such as radiation-free breast cancer diagnostics and the "Gut Cam," an ingestible pill video camera that diagnoses abnormalities.[iv]

Hence one of the goals of the course is to explore how Israel has created such a vital EE and to give students a first-hand look at the Israelis who put the concept of entrepreneurship into practice.

The Israel Startup Strategy Elective Abroad is intended to provide students with the following benefits:

- To understand how Israel spurs startups
- To get a deeper understanding of Israel's business culture
- To meet entrepreneurs, business educators, government officials, and capital providers in Israel

Key Dates

- **Pre-Travel**
  Class Session 1
  Friday, March 29, 2019
  9:00 AM – 2:00 PM

  Class Session 2
  Friday, April 12, 2019
  9:00 AM – 4:00 PM

- **Travel**
  Course Travel: Saturday, May 11 - Sunday, May 19, 2019
  Class Dates: Sunday, May 12 - Saturday, May 18, 2019 (evening)

- **Post-Travel**

Consulting project due roughly six weeks following return from Israel

Babson Learning Goals

The Israel Start-up Strategy Elective Abroad will contribute in varying ways to each of Babson's learning goals, as follows:

- **Rhetoric**: Through class participation, group presentations, personal journals, and leading daily wrap-up sessions, the course will develop students' abilities to formulate, explore, reflect, analyze, and communicate critically and effectively.
- **Quantitative and Information Analysis**: By requiring students to analyze market trends, develop strategy, and possibly prepare financial forecasts to raise capital, the course will provide students with opportunities to think logically, reason quantitatively, develop and modify models inductively, use technology to access, synthesize, and analyze data, and communicate their conclusions accurately and effectively.
- **Entrepreneurial and Creative Thinking:** The course's consulting project will give students an opportunity to identify, assess, and shape opportunities in a variety of contexts and use creative and innovative approaches to develop and act on opportunities to create value for stakeholders and society.
- **Global and Multicultural Perspectives:** The course will broaden students' global and multicultural perspectives – giving them direct exposure to the historical and cultural context of Israel and helping them to live, operate, and meet the challenges presented by a world characterized by diverse cultures and ways of knowing.
- **Ethics and Social Responsibility:** By consulting with start-ups in Israel that work on issues of sustainability, the course will reinforce students' ability to make decisions based on an awareness of relevant stakeholders, ethical considerations, and an attempt to create and sustain social, environmental, and economic value..
- **Leadership and Teamwork:** In-class participation and consulting project work in the course will help make students more adept at leading and functioning effectively in teams.
- **Critical and Integrative Thinking:** The course's perspective on the firm's environment and strategy and the consulting project will help students take an integrated, holistic approach to learning and decision making while strengthening specific functional skills such as analyzing where to locate a start-up and strategy analysis.

Course Organization

The course is organized around three modules:

- The *on-campus pre-departure module* is the foundation of the course and focuses on three main elements: understanding the concept of the Entrepreneurial Ecosystem, from *Capital Rising*; exploring the specific elements of Israel's EE, and an overview of the course requirements; describing the concept of Start-up

Strategy; forming student teams that will partner with a startup in Israel on a consulting project. This module also presents the practical aspects of the trip to Israel.

   - ***o Students are required to attend both pre-departure classes for the allotted time frame. Students who miss one of these sessions will automatically receive a failing grade, will be withdrawn from the course, and will be subject to the Electives Abroad Cancellation Policy. Students who arrive over 30 minutes late or leave early without prior consent from the faculty, will lose one full point from their grade (e.g. from an A to a B) for that class.***

- The Israel *module* is organized around visits that give students an opportunity to listen to the startup stories of entrepreneurs, the investment decisions of capital providers, the policy choices of government leaders, and the human capital perspectives of educators. In addition to the visits, the trip to Israel also includes a chance to visit cultural sites, enjoy fine restaurants, and walk around these pedestrian-friendly cities. Teams will take charge of daily de-briefs and each student will complete a journal to connect the concepts presented in the pre-departure sessions with what they observe in Israel.

- The *on-campus post-visit module* wraps up and the *consulting project module* continues. In addition to a wrap-up discussion, students are asked, during this module, to work remotely with their group members and the startup client team to conduct research, communicate weekly on their progress with the client and professor Cohan, develop a final report, and present recommendations to startups they're paired with during the trip. The presentations are graded jointly by the instructor and the companies.

Overall, we will address some of the following topics during the course:

- The *Entrepreneurial Ecosystem* is the foundational concept of the course. Specifically, the EE consists of four elements:

   - o Corporate governance;
   - o Financial markets;
   - o Human Capital; and
   - o Intellectual Property Protection.

- The *Capital Receptivity Index (CRI)* is a measure – ranging from 0 to 100 – that quantifies the effectiveness of a country's EE by scoring the country on 24 specific factors. During the pre-trip module, we will calculate the CRI for selected countries using data from EE experts.

- The student teams working with Israeli startups will use the *Start-up Strategy Framework*. Team will use this framework based on issues identified during their

meetings with the startups, to advise the companies on key choices that might include how best to

- o Set goals;
- o Raise capital;
- o Pick markets;
- o Build the management team;
- o Gain market share; and
- o Adapt to change.

Course structure

The course is organized around three modules, which, together, provide the conceptual bases to understand the role of business in poverty alleviation, as well as knowledge of Israel's EE; visits illustrating the different concepts in Israel; and a consulting project for start-ups in Israel.

- *On-campus pre-departure module* (Two days)
    - o Day 1: Overall introduction
        - Introduction to the overall schedule of the program
    - o Day 1: The Entrepreneurial Ecosystem concept
    - o Day 1: Calculating the Capital Receptivity Index (CRI)
    - o Day 2: The Start-up Strategy Framework
        - Introduction to startup strategy framework
        - Team presentations that apply startup strategy framework
    - o Day 2: Introduction to the cultural background and logistics of the trip
        - Discussion of the logistics of the trip
        - Introduction to Israeli culture and history
        - Explanation of consulting projects and engagement contracts

- Israel *module. Visits with local start-ups, capital providers, and experts on entrepreneurship. Key graded activities:*
    - o Student teams will lead daily debrief sessions;
    - o Each student will complete a daily trip journal intended to encourage reflection on how the concepts introduced in the pre-departure session apply to the companies visited; and
    - o Student teams will meet with their client startup companies in Israel to identify business issues and draft engagement contracts.
- *Post-departure consulting projects*
    - o Students develop weekly work plan and communicate weekly with client and professor on progress completing the work-plan described in the engagement contracts
    - o Students deliver presentations – either via Skype, teleconference, or Brainshark -- providing strategic recommendations to local startups roughly six weeks after leaving Israel.

Required Reading

First Pre-Departure Session

Students must purchase *Capital Rising* and *Hungry Start-up Strategy* (it will be available in the Babson bookstore or online). Other readings are available at no charge online.

- *Capital Rising*, Introduction, Chapters One and Two
- Peter Cohan, "5 Steps That Turned Israel From Socialism To Startup Haven," *Forbe*s, March 23, 2013, http://www.forbes.com/sites/petercohan/2013/03/23/5-steps-that-turned-israel-from-socialism-to-start-up-haven/
- Isenberg, Dan, "How to Start an Entrepreneurial Revolution," *Harvard Business Review*, June 2010.
- Sawyer Research (*Capital Rising*, pages 191-196)
- Tutor Vista (*Capital Rising*, pages 178-182)
- Peter Cohan, "Critical Software Shows Portugal Can Grow," *Forbes*, June 6, 2011, http://www.forbes.com/sites/petercohan/2011/06/03/critical-software-shows-portugal-can-grow/
- Focus Media (*Capital Rising*, pages 199-202)
- Peter Cohan, "Cloudera Finds Insight In a Haystack of Data," *Forbes*, August 4, 2011, http://www.forbes.com/sites/petercohan/2011/08/04/cloudera-finds-insight-in-a-haystack-of-data/

Second Pre-Departure Session

- *Hungry Start-up Strategy*, Introduction, Chapters One through Six
- Noam Wasserman, "The Founder's Dilemmas: Anticipating and Avoiding the Pitfalls That Can Sink a Startup ," *Princeton University Press* (March 31, 2013)
- Peter Cohan, "Why Does Location Matter?" *MIT Entrepreneurship Review*, September 20, 2013, http://miter.mit.edu/why-does-location-matter/
- Peter Cohan, "ASSIA Creates Billions in Value for DSL Providers, Forbes, November 7, 2011, http://www.forbes.com/sites/petercohan/2011/11/07/assia-creates-billions-in-value-for-dsl-providers/
- Peter Cohan, "Rebtel Poised to Upend Global Communication," *Forbes*, October 10, 2011, http://www.forbes.com/sites/petercohan/2011/10/13/rebtel-poised-to-upend-global-communication/
- Peter Cohan, "iZettle Lets Europe's Mom-and-Pops Take Chip-Cards," Forbes, October 19, 2011, http://www.forbes.com/sites/petercohan/2011/10/19/izettle-lets-europes-mom-and-pops-take-chip-cards/
- Peter Cohan, "XL Hybrids Growing 10-Fold By Cutting Fleet Fuel Consumption," *Forbes*, September 25, 2013, http://www.forbes.com/sites/petercohan/2013/09/25/xl-hybrids-growing-10-fold-by-cutting-fleet-fuel-consumption
- Peter Cohan, "Pure Storage Targets EMC, Streaks To IPO With $150 Million Capital Infusion," *Forbes*, August 29, 2013,

http://www.forbes.com/sites/petercohan/2013/08/29/pure-storage-targets-emc-streaks-to-ipo-with-150-million-capital-infusion/

Grading and deliverables

There are three major grading points in this course:

- Presentations during pre-departure sessions (group)   20%
- On-campus participation and professionalism (individual)   10%
- On-site participation and professionalism (individual)   15%
- On-site daily journals (individual)   20%
- Post-trip presentations (group)*   30%
- Peer Evaluation   5%

Details of the major deliverables are as follows:

- **Presentations during pre-departure sessions (group).** Teams of students work together for two hours at each of the two pre-departure sessions. They prepare and present 15 minute presentations at each session on topics pertaining to the material covered in the reading and the interactive class discussion.
- **On-site daily journals (individual).** Every day in-country, each student must prepare at least one page of a journal that relates the day's visit to the concepts discussed in the pre-departure sessions. The professor will provide a series of questions that the students must address in the daily journal entries.
- **On-site participation and professionalism (individual)**. During the in-country visits, students will be judged on their professionalism and the quality of their questions in meetings with companies and others. In addition, each student will participate in daily post-visit wrap-ups in which they will summarize the key learning from the day and how it relates to the core concepts of the course.
- **Post-trip presentations (group).** The consulting projects with companies in Israel will include two key deliverables: the engagement contract that sets out the key objectives and deliverables of the project and the final presentation on which the team's work will be judged. Presentations are typically 30 to 45 minutes in length and either use Brainshark or are delivered through a video conference to the client. Clients review final presentations and provide their feedback to the professor who incorporates it into the final grade.

Accommodations/Disabilities

Any student who feels he or she may need an accommodation based on the impact of a disability should contact me privately and in a timely fashion to discuss his or her specific needs. Students must also contact the Director of Disability Services at 781-239-5509 or in Hollister Hall 122 to coordinate reasonable academic accommodations.

Religious Observances

Any student who faces a conflict between the requirements of a course and the observance of his or her religious faith should contact the instructor as early in the semester as possible. In such event, the instructor will provide reasonable accommodations that do not unduly disadvantage the student.

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[i] Dan Pine, ""'Start-Up Nation': Author spreads the word on Israel's advances," Jweekly.com. January 14, 2010, http://www.jweekly.com/article/full/41065/start-up-nation-author-spreads-the-word-on-israels-advances/

[ii] "Nonfiction Reviews: 9/7/2009," Publisher's Weekly, September 7, 2009, http://www.publishersweekly.com/article/CA6687582.html

[iii] Pine, Ibid.

[iv] Pine,, Ibid.