

Summary of the JIIS' Study of Israeli Incubation Program

Dan Kaufmann, Oz Gore

The Israeli Technological Incubators Program was established as part of the immigrant absorption from the Soviet Union at the 90th. It was a common perception that a large portion of the immigrants included engineers and other professionals with scientific knowledge and initiative abilities, which due to a variety of difficulties concerning the absorption in the new country, could be unutilized. Language barriers and unfamiliar business environment are two examples of imperfections which impede the implementation of their abilities in order to establish an effective business project (Frankel and others' 2005). During the following years, the incubator program was seen as a significant player in supporting and encouraging young entrepreneurs who wish to build an initiative technology-based firm. In addition, today they are conceived as an important instrument in promoting and developing of the Israeli periphery. The incubators had achieved a central role in particular fields, such as Biotechnology, and today 30% of the Israeli companies received financial aid through the Technological incubator Program.

In the current literature, The technological incubators' impact on the business activity is highly controversial. In addition, the Israeli case includes particular characteristics such as unique supportive mechanisms and singular incubator model which harden the assessment of the program's affect. The research's objective was first to evaluate the Incubator's impact on different business aspects. As part of the globalization of R&D and innovation efforts, the second aim was to examine whether the relevant companies (who were taking part in the program) were aware of the different international R &D programs and the EU policies and legislation.

The research was composed of quantitative and qualitative aspects based on the database of the Incubators administration and on the IVC database (Israel Venture Capital). The quantitative aspect was based on in-depth interviews with entrepreneurs and incubators' directors.

Diagram 1: Incubators graduate firms distribution according to fields

(Firms created during 2001-2005, n=314)

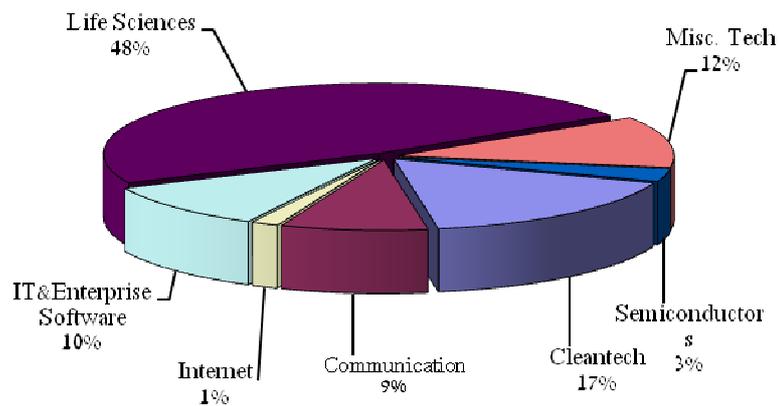


Diagram 2 : % of incubators graduates from total high-tech firms in Israel

(Firms created during 2001-2005, n=314)

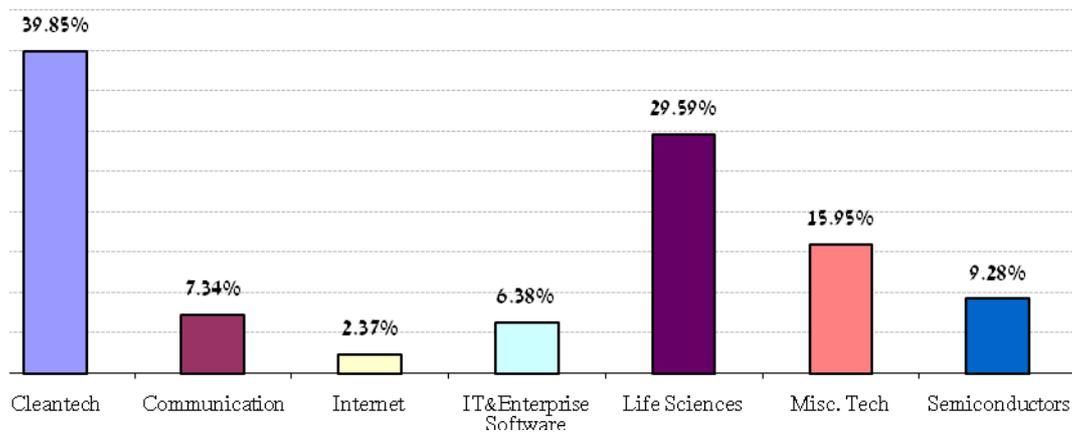
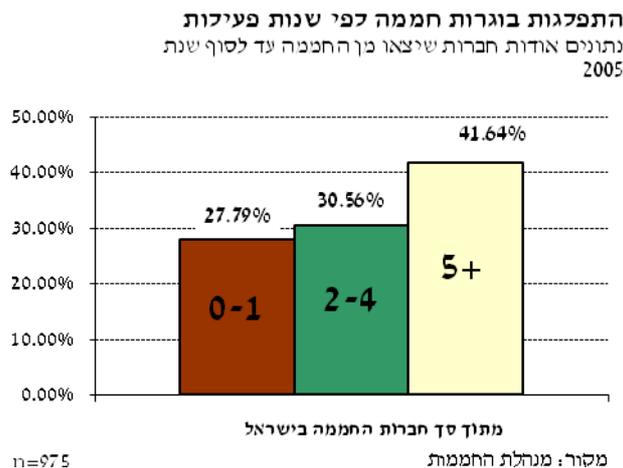


Diagram 3: Firms' distribution by years

(Firms created during 1992-2005)



During the research, personal in-depth interviews with firms' directors were conducted. The directors indicated the following: First, there were numerous difficulties regarding bureaucracy aspects and there were certain limitations which complicated their work. Secondly, the incubators were successful in supporting the technological aspects, but they failed in providing business support, and consequently, the ability to create an effective business networking was based solely on the directors' personal relationships. Thirdly, they were relatively familiar with Israeli support mechanisms, but were unfamiliar with the bilateral and European supportive projects. Additionally, The most salient finding was their lack of recognition of the EEN (only 4 directors out of 24 knew about the EEN). None of them was a participant in the EEN Portal.

On the incubator directors' panel, the incubators' directors emphasized again the difficulties regarding the bureaucracy. Furthermore, they claimed that the lack of evaluation leads to several problems such as particular incubators which don't hold to the standards. Regarding the EEN, they claimed there was no demand from the government to use the EEN or participate in its portal.

Summary of Policy Recommendations

Based on the above discussions and the evaluation of the quantitative data, several policy recommendations were formulated. These recommendations are only preliminary and further research needs to be carried out. In light of the importance of the Technological Incubators Program to the Israeli economy and the potential of Israeli-European cooperation in advancing the program, we believe that a follow up study will be greatly contributive.

1. **The Israeli Technological Incubators Program should include a specific function that carries periodical in-house evaluations.** This will ensure that enterprises receive the best of care and that public funds are used efficiently. The study has found that constant review of the incubators hamper their ability to use their experience as they see fit and the professional advantage that incubators have over policy-maker is weakened in the process. Quarterly evaluations or other forms of periodical inspections would better serve both the incubatees and the public budget.
2. **Incubators' CEO should be able to use their funds in a more flexible manner.** An agreed amount (20 percent of the overall grant, for instance) can remain under the CEO's personal discretion. Such budgetary flexibility would assist the incubators to support enterprises in a way they see fit, based on their personal expertise in the field. The evaluation process that was recommended above will ensure that funds are used for professional ends alone.

- 3. The termination of enterprises that do not perform satisfactorily should be possible.** The study showed that the number of enterprises that are closed before leaving the incubators is extremely low. Incubators' CEOs should be able to terminate support before the completion of the incubation phase in case of unsatisfactory performance. The current situation leads to scenarios where public funds support enterprises that are unsound economically, for any number of reasons.
- 4. The integration of enterprises with-in the European framework should be strengthened.** Currently, enterprises are not using the available tools sufficiently. Cooperation with other European projects is lacking and enterprises do not fully utilize available support schemes offer by the Chief Scientist. An effort should be made to include participation structurally; meaning that enterprises that receive grants should be made to fill Technology Request forms and that any graduate enterprise will fill Technology Offer forms for a mandatory period.
- 5. The link between Incubators' CEOs and European support schemes should be enhanced.** The Technological Incubators Program offers technological oriented support. As a consequence, business support does not receive proper care. Local NPCs and the EBS can highly contribute in this regard. All enterprises within incubators and those that graduated should have access to the internal EEN network. Additionally, access should be mandatory as oppose to optional.
- 6. The Technological Incubators Program can and should be used as a channel for distribution of the EEN in Israel.** First, the program is highly important for the Israeli economy, with a profound number of Clean-Tech and Bio-Tech companies originated in the program. This central scheme should be used to publicize the EEN's potential for Israeli enterprises. Secondly, the fact that the program is supervised by public bodies makes it easy and cost-effective to use it as a channel for the distribution of such information.

