



Harnessing Israel's Entrepreneurial and Innovative Power to Overcome Crisis

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EXECUTIVE SUMMARY: Innovation and entrepreneurship are the cornerstones of contemporary economics. Recent history has shown that they are also among the most effective tools in overcoming disasters and crises. Post-WWII Japan, New Orleans after Hurricane Katrina, and the COVID-19 pandemic all demonstrated how entrepreneurship and innovation aid recovery and growth and strengthen communities and economies after disasters. The State of Israel has experienced one of the most devastating disasters in its short existence, a brutal terror attack on its southern region that took place on October 7, 2023. In order to support the nation's healing process and revive the affected region's economy and shattered communities, the Israeli government must enlist its considerable power of innovation and entrepreneurship.

Numerous testimonies clearly illustrate that crises and catastrophic events, and the period of uncertainty that often follows, are the most opportune times to abandon a "business as usual" approach that has lost its grip on the turbulent reality and to opt instead for innovation and entrepreneurship as a lever for renewal and growth. Recent crises such as global pandemics, financial crises, and wars demonstrate that the most effective way to navigate successfully in crisis situations is through entrepreneurial thinking, which stimulates creative solutions, the development of new products and the establishment of innovative processes.

What is entrepreneurship or entrepreneurial thinking? Some define it as the ability to identify or create high-potential opportunities to increase existing value through smart utilization of resources. Others call it the relentless pursuit of opportunities that require resources not readily available. Regardless how it is defined, entrepreneurship is clearly the driving force behind the tremendous growth of the economy and technology in recent decades.

In the rapidly changing landscape of the 21st century, economic growth and prosperity are propelled by the ability to innovate and foster entrepreneurship. In the contemporary business world, innovation serves as a means to create value. Over the past decades, entrepreneurial start-ups have emerged as major drivers of global markets.

A defining characteristic of these start-ups is their remarkable ability to grow rapidly and disruptively innovate. A brief glance at global statistics in the field of start-ups reveals that there are currently around 150 million worldwide, with approximately 50 million more added each year. This averages to about 137,000 new startups established every day. While only about 10% survive, the numbers speak for themselves.

In rare cases, a brilliant idea is enough to spark a process that will turn it into a genuine solution to a pressing problem. But without courage, perseverance, determination, and true belief in the goal, even the best ideas are unlikely to evolve into successful products or processes. These attributes are not only the most prominent characteristics of the successful entrepreneur but are also essential for overcoming and emerging strengthened from crises. The strong connection between crisis management and entrepreneurship has proven itself throughout history, particularly in recent decades.

Examples like the recovery of Japan and Tokyo from the devastation of WWII highlight the role of entrepreneurs in the revitalization process. Visionaries like Konosuke Matsushita, founder of Panasonic; and Soichiro Honda, founder of Honda, represent the entrepreneurial spirit that drove the recovery. Emphasis on innovative production methods, commitment to quality and revolutionary approaches to mobility and transportation contributed significantly to the revival of Tokyo's industrial base and laid the foundations for Japan's economic

resurgence after the war, illustrating how entrepreneurship can act as a powerful force for recovery and change.

Another example is the recovery of New Orleans after Hurricane Katrina in 2005, which turned large parts of the city into islands of devastation. Economic and social entrepreneurs were the driving forces behind the city's recovery, rebuilding social and community infrastructure. Social initiatives such as the Make It Right Foundation sought not only to provide housing options but also to address systemic issues and create sustainable solutions, focusing on the community's recovery. Initiatives that included unique business models, such as Community Land Trusts and public-private partnerships, highlighted the role of entrepreneurship not only in the reconstruction of buildings but also in the reconstruction of the community itself. The establishment of the Idea Village accelerator, which supported local entrepreneurs, also contributed to the city's recovery by fostering economic resilience and creating a sense of community capability in the rebuilding process.

The recent COVID-19 pandemic presented the world with new challenges that required revolutionary initiatives and rapid responses to the new situation. Many entrepreneurs worldwide, including in Israel, mobilized to address these challenges. Many companies redirected their planning and production capabilities to meet the growing demand for personal protective equipment. Numerous technological start-ups emerged and provided innovative solutions for remote work and online education. The pandemic emphasized the need for agility, adaptability, problem-solving skills, and the ability to innovate. Many governments recognized the potential of the entrepreneurial ecosystem and implemented measures such as grants, loans, and fast-track regulatory processes to encourage innovation and entrepreneurship in various fields, such as the rapid development and distribution of tests and vaccines. These efforts demonstrated how entrepreneurial initiatives serve as a significant catalyst for recovery and resilience in the face of unprecedented challenges.

These examples illustrate the critical role of entrepreneurship in crisis management and healing from disasters. Beyond the reconstruction of physical elements, business and social entrepreneurship contributes significantly to the recovery of social and community infrastructure. The key takeaway from these

cases is that nurturing an environment that encourages and supports entrepreneurship is crucial for building sustainable and resilient communities capable of adapting, recovering, and thriving after disasters.

On October 7, 2023, Israel experienced a catastrophe. The murderous attack by Palestinian terrorist organization Hamas on the southern communities left the region devastated and the communities shattered and scattered across the entire country. In response, the Israeli government declared the establishment of a “Resurrection Administration” that will focus on the recovery of the region. The administration will operate for a five-year period and will report directly to the Office of the Prime Minister. The initial budget allocated to it stands at one billion shekels. Its object is to restore residents to their homes and strengthen the social and economic infrastructure of the region.

The decision to establish the administration is undoubtedly a major step in the right direction towards revitalization. A statement by Brig. Gen. (ret.) Moshe Edri, who heads the administration, made clear that its mission will not end with the rehabilitation of all infrastructure and the return of the residents to their homes but will also include strengthening and developing the local economy, creating new job opportunities, and expanding growth into new dimensions.

To achieve this complex vision, the healing power of entrepreneurship and innovation must be enlisted. The administration should turn to entrepreneurship and innovation as a primary tool that will enable the rapid healing of the region. It should do so by putting mechanisms in place that will encourage entrepreneurs and capital owners to invest their time and money not only in reviving but also in further developing the infrastructure, economy, and local communities of the region. This will support the reconstruction process and attract visionaries and skilled workers to the region who can help transform the local economy, currently based mainly on agriculture, into a booming hub of hi-tech and innovation.

The State of Israel is unique in that it has maintained economic growth while remaining embroiled in a prolonged military conflict ever since its inception. Over the years, Israel's growth strategy was, and still is, directly tied to its level of investment in innovation and entrepreneurship. In the Global Competitiveness Report for 2018/19, which ranked 141 countries, Israel was ranked first in

entrepreneurial culture. Israel's risk capital-raising rate is among the highest in the world per capita and it is often referred to as the "Start-Up Nation". Israeli innovation and entrepreneurship is more than capable of rising to the challenge created by the October 7 catastrophe, but words alone will not suffice. The Israeli government must put its money where its mouth is and actively push towards turning the vision into reality.

Nir Reuven is a researcher at the BESA Center, an engineer, and a former officer in the Merkava development program (the main Israeli battle tank). He has held several management positions in the Israeli hi-tech industry and is an expert on technology. Currently he is co-manager of the Sapir College Innovation and Entrepreneurship Center. He is working on his Ph.D. and lectures at Bar-Ilan University.