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Woodpecker at work

Israel's start-up scene offers inspiration and opportunity for China's own innovators



Editor's note:

ISRAEL is a powerhouse of innovation, one which has captured the attention of Chinese investors and business owners.

Many are amazed at the number of start-ups operating in the country, as well as the vibrancy of its entrepreneurial community.

The country's emergence as a leader in the global technology industry has been chronicled by Saul Singer, co-author of "Start-Up Nation," a tome which Shanghai Daily profiled back in 2011.

Singer recently sat down again with Shanghai Daily at Fudan University's School of Management to discuss the strides China has made in building up its own capacity to innovate.

Q: China is trying to move up the value chain. Can the Israeli experience help guide this process?

A: It is possible. There is so much interest in innovation in China now.

Actually there is a great opportunity for partnership between China and Israel.

We've got a lot of technology in Israel and are good at certain things, but we certainly don't know what problems are worth solving in China.

I keep telling Israelis not to invent something in Israel and try to sell it in China. It doesn't work because when you invent something in Israel, you are solving a problem that you see as Israeli.

But the problems in China cannot be the same as problems in Israel. You need to solve Chinese problems, and the only way to do that is cooperate with Chinese entrepreneurs or companies that understand China.

Q: Chinese investors are flocking to Israel, hoping to get something out of its success stories. What has been the Israeli response to this sudden interest from Chinese investors?

A: A lot of Chinese funds now invest in Israeli funds and there are a number of Chinese companies already operating in Israel.

Alibaba just recently invested in an Israeli company. Huawei is there and is growing quickly. We will see most of the big Chinese Internet companies investing or buying companies in Israel, like their US counterparts did years ago.

The Israelis are excited about this Chinese interest.

But they don't know where to begin. China is a country they don't know nearly so well as the US or Europe.

Q: To what extent is the Israeli culture of innovation meaningful for Chinese start-ups?

A: Israel is a very unusual place in the sense that the dominant culture is relatively friendly to entrepreneurship and risk-taking.

The more typical case is, say, the US, where you have Silicon Valley, which is a cultural bubble within the US. The attitude towards risk and failure and hierarchy, all these things, is different in Silicon Valley than in the rest of America.

We create cultural bubbles within a city or country where it's okay to try and fail, where the culture is less hierarchical.

There will always be people who are naturally part of these sub-cultures. They come up on their own. And it's just a matter of encouraging them, helping them and making space for them.



It's almost unheard of — if not impossible — to succeed on the first attempt. You have to keep trying, and the idea is to fail as quickly and cheaply as possible, so you can try many things until you hit the thing that succeeds.

Saul Singer
co-author of "Start-Up Nation"

FOREIGN VIEWS

Q: What are some examples of quality start-ups in China?

A: China is a special case. In Israel in the early 1990s, basically we had startups but no venture capital. Many countries are going through this process. They have startups but are not known as places for startups, so there isn't too much investment.

China is in a very special position because you have both sides. On the one hand, you have startups; on the other, you have big success stories like the big Internet companies — Alibaba, Baidu, Xiaomi — very innovative companies that have gotten the attention of the world.

Those three are good examples of Chinese innovation. A lot of people say China makes copies. I disagree, because something like WeChat is not a copy, Xiaomi is not a copy. WeChat is a combination of WhatsApp, Skype, Facebook and Twitter, all in one.

The thing with Xiaomi is that it is innovative in terms of its hardware, software and business model. It's growing like crazy. And that particular model is already spreading to India and is going to spread to more countries outside of China. So is the WeChat model.

Q: What's next for them?

A: I think we are just seeing the beginning. In many countries, there are startups but it will take them a long time to get attention, or go global.

China is different because everyone is interested in it and it has one of the largest Internet networks.

And another important thing about China is that it is a mobile-first country.

Think about how you live in China in terms of day-to-day life: where you buy things, how you spend money, how you communicate. This happens much more

on mobile than on desktop.

China is doing more with e-commerce and mobile payments than in Israel or the US. That's because basically Western countries have had to learn mobile. They didn't start with mobile, but with desktops.

In China, many people get online first on their phones; so the whole system is built around mobile. And that is going to drive a lot of innovation coming out of China.

Q: Can Chinese start-ups take on established rivals in the West?

A: It'll be interesting to watch whether something like WeChat can succeed in the US or Europe or Israel. I like WeChat better than WhatsApp.

Everybody in Israel is on WhatsApp. I think WeChat is better, but most people in Israel don't know about WeChat. Apparently there is a lot to do in terms of branding and marketing.

Take the US, where Twitter, Facebook and Skype are very big. Would it be hard to take over that market with all those dominant players? I don't know the answer to that. But I do think a large Internet network and a mobile-first environment are big assets to innovators in China.

Q: What would you say to Chinese start-ups, some of which are likely to fail?

A: Part of the whole start-up system is failure. It's almost unheard of — if not impossible — to succeed on the first attempt.

You have to keep trying, and the idea is to fail as quickly and cheaply as possible, so you can try many things until you hit the thing that succeeds.

That's how start-ups work and that's true in Silicon Valley, in Israel and anywhere you have start-ups.

When you develop a culture of innovation, a big part of it is understanding the importance of failure as a way to succeed.