**EMBA International Seminar: Tel Aviv Fall 2019**

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Professor Gur Huberman

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Next to Silicon Valley, Israel is the best place for an on-site study tour of technology entrepreneurship. Much of Israel’s technology community is concentrated in a small area populated by engineers, scientists and business people who are energetic, hospitable and happy to share their experience.

This study tour offers an intense exposure to technology and technology entrepreneurship in a unique environment that has been a fertile ground to multiple successful ventures, with many more in the pipeline. The study tour may well be the EMBA class with the strongest impact on your career.

The week in Tel Aviv will expose you to one of the world’s most vibrant tech communities which thrives although it is geographically distant from its main markets and funding sources.

At the end of the week you will be able to form your own views about the drivers of Israel’s tech success and its likely future curse. You will establish familiarity with that unusual culture with which you may find yourself doing business in the future. Moreover, you’ll take away invaluable general insights to guide you in your own career.

Competing for your attention will be Tel Aviv itself. The town’s sidewalks are lined with crowded cafes. It has a lively night scene with pubs, bars and clubs that keep their doors open until the early morning hours. It stretches along the Mediterranean’s sandy beaches where the water is pleasantly warm, swimmable year round. In short, Tel Aviv is a young person’s heaven.

**Background Material**:

1. The HBS case, [From Start-Up to Grown-Up Nation: The Future of the Israeli Innovation Ecosystem](https://cb.hbsp.harvard.edu/cbmp/pl/61196156/61196465/9b760b6cb5d44fd31d39d5d66ddb33ce) – Excellent, succinct material. Finish reading it before your flight touches down at Ben Gurion Airport.
2. A general book on Israel’s history and society: Ari Shavit, *My Promised Land: The Triumph and Tragedy of Israel*, 2015 Spiegel & Grau. The book has been widely reviewed, e.g., in the [NY Times](http://www.nytimes.com/2013/11/24/books/review/my-promised-land-by-ari-shavit.html), [The Guardian](http://www.theguardian.com/books/2014/may/14/idea-israel-ilan-pappe-promised-land-ari-shavit-review), [NY Review of Books](http://www.nybooks.com/articles/archives/2014/aug/14/liberal-zionists/),
3. On Israel’s technology sector: Dan Senor and Saul Singer, *Startup Nation, The Story of Israel's Economic Miracle,* 2011, Grand Central Publishing. [Wiki](http://en.wikipedia.org/wiki/Start-up_Nation) on the book, a Startup Nation-inspired piece in [Forbes](http://www.forbes.com/sites/ilyapozin/2014/09/26/the-ten-startup-nation-movers-shakers-you-need-to-know/)., a [WSJ review](http://www.wsj.com/articles/SB10001424052748704779704574553884271802474) of the book.
4. The organization Start-Up Nation Central offers an excellent [web site](http://www.startupnationcentral.org/) that covers the tech ecosystem in Israel.

**Additional Background Material:**

1. “Computer vision: how Israel’s secret soldiers drive its tech success,” Financial Times.

[https://www.ft.com/content/c16735e6-e9af-11e8-a34c-663b3f553b35](https://www.ft.com/content/c16735e6-e9af-11e8-a34c-663b3f553b35?shareType=nongift)

1. “Exporting the Technology of Occupation,” NYRDaily.

<https://www.nybooks.com/daily/2019/01/04/exporting-the-technology-of-occupation/>

1. “Israel looks to ultraorthodox to fill tech skills shortage,” Financial Times.

<https://www.ft.com/content/dae642aa-5601-11e9-a3db-1fe89bedc16e>

1. “Israel’s Best-Kept Secret: This Food City on the Mediterranean,” Wall Street Journal.

<https://www.wsj.com/articles/israels-best-kept-secret-this-food-city-on-the-mediterranean-11557850111>

1. “Israel’s tech expansion stokes glaring inequality in Tel Aviv,” Financial Times.

<https://www.ft.com/content/9836aa92-f235-11e8-ae55-df4bf40f9d0d>

1. “Can an Archaeological Dig Change the Future of Jerusalem?” New York Times.

<https://www.nytimes.com/interactive/2019/03/30/opinion/sunday/jerusalem-city-of-david-israel-dig.html>

1. “The Otherworldly Beauty of a Dying Sea,” New York Times.

<https://www.nytimes.com/2018/12/19/travel/the-otherworldly-beauty-of-a-dying-sea.html>

1. “What’s the Hot Device in Startup Nation? The Fax Machine,” Wall Street Journal.

<https://www.wsj.com/articles/whats-the-hot-device-in-startup-nation-the-fax-machine-11550765864>

For a recent update on technology developments from Israel, see the [Financial Times](https://next.ft.com/special-reports/N2FhODEyMDMtOTNkZS00ZTA5LWE4MmEtZTU1YTAyODY2YmI2-U3BlY2lhbFJlcG9ydHM=), Forbes [here](http://www.forbes.com/sites/zackmiller/2013/12/17/from-start-up-nation-to-scale-up-nation-israel-circa-2014/) and [here](http://www.forbes.com/sites/giovannirodriguez/2015/03/23/israel-unpacked-the-next-move-for-start-up-nation/) and Popular Science [here](http://www.popsci.com/article/technology/why-are-israeli-startups-leading-tech-world). For an evaluation of Tel Aviv’s start-up ecosystem, [here](http://blog.startupcompass.co/the-2015-global-startup-ecosystem-ranking-is-live). For a brief review of Israel’s business culture [here](https://globalvoicesonline.org/2015/07/22/israel-business-intel/). In September 2015 the BBC asked if this is the best beach city for expats, [here](http://www.bbc.com/capital/story/20150902-is-this-the-best-beach-city-for-expats-in-finance-and-tech). For the tourist in Tel Aviv, [here](https://www.dropbox.com/s/z4hjx5fheoc4voe/36%20Hours%20in%20Tel%20Aviv%20-%20The%20New%20York%20Times.pdf?dl=0). Recent NY Times articles on [anxieties of daily life in Jerusalem](https://www.nytimes.com/2017/12/09/world/middleeast/israel-jerusalem-light-rail.html?hp&action=click&pgtype=Homepage&clickSource=story-heading&module=first-column-region&region=top-news&WT.nav=top-news) and on [the political centrality of Jerusalem](https://www.nytimes.com/2017/12/09/world/middleeast/jerusalem-trump-capital.html?hp&action=click&pgtype=Homepage&clickSource=story-heading&module=first-column-region&region=top-news&WT.nav=top-news).

**Before we meet** in Tel Aviv look up the web sites of the companies we’ll see, try to understand them, prepare questions. Read the recent articles on tech in Israel. Prepare more questions.

**Overview on Tech Entrepreneurship**

Technology, and in recent decades especially the Internet has been and will be changing our lives.

Having thought of a product or a service, probably the next thing an entrepreneur needs to think about is fixed vs marginal cost of product. In tech, it’s usually relatively high fixed cost, low marginal cost. However, marginal cost can get higher if human involvement is required (sales, tech support) or bricks & mortar is involved. As the user community increases, the unit cost of sales and tech support decreases because users recommend the product to potential users and facilitate product adoption. This is a network effect.

The network effect can be even more pertinent on the user’s side. A single telephone is worthless. The telephone becomes valuable only if there are multiple users. Think of products for which the value of a membership in a user community increases with the community’s size. Sometimes the network benefits are hidden, e.g., Google’s search algorithm relies on choices made in earlier searches by other searchers. The more such searches have been, by more people, the better the algorithm. (The same principle is central to Netflix’s recommendation system.)

Dynamics: the possibility of entry and disruption. Attractive to the entrepreneur, a threat to the incumbent who may well be yesterday’s entrepreneur. The higher the product’s marginal cost the more costly is the entry. Ditto for the network effects – it’s difficult to dislodge an incumbent whose product entails network effects and enjoys a large user community.

A relevant, often central consideration: total addressable market (TAM) – with internet-facilitated products it may well be the whole world.

The rewards of product leadership are enormous, and the competition to be a product leader is fierce.

Initial cost to make a software product are often low, which allows many people with many ideas to do just that. Therefore many new prototypes and even products compete for the attention of financiers and product users. Due to scarcity of attention it may well be that the first to scale up rather than the first mover who has the big advantage.

What protects the incumbent? Network effects; high switching costs; high entry costs, e.g., through the involvement of brick-and-mortar.

Examples:

* Network effect: Google’s search engine which relies on its data base of past searches and resulting choices; Social media (e.g., Facebook) – the more users and the more uses the better the quality of the community.
* High Switching costs: Intuit’s tax preparation software, because one’s past returns and personal information are important and cumbersome and need not be re-entered again and again. Open Table, because restaurants adopt its system to manage their reservations and even some of the payments. Once adopted, it’s costly to replace the system.
* Involvement of brick-and-mortar: The establishment of Amazon’s warehouses was costly, but enabled low marginal cost of the products. Beepi (used car trading) with its big infrastructure of inspection, repair, polishing and delivery.

These themes will emerge time and again in our discussions.

**Final Project**

Self-organized groups of up to eight students each will deliver short essays on the companies we’ll visit. Each group will cover one company. The deadline to submit the reports is October 14. Possible questions the report can address are:

* Who are the leaders, what are their backgrounds, how did they get together?
* What was the original idea and how did it evolve into the present company?
* What does the company do? What is the history of the product development?
* What is the company’s business model?
* What is the competitive landscape in the company’s product space?
* Who are the customers and how does the company reach them? What is the history of the market’s penetration?
* What are the revenue sources?  
  What are the unit and overall costs?
* How and when does the company expect to make money?  
  What are the milestones in the business plan?  
  What are the long-term business goals, and how will the company reach them?
* How do you hire (and fire) employees?
* Did the company encounter a major business crisis? If so, how did it survive it?
* What are the pluses and minuses of being an Israeli tech enterprise?
* A major decision the company is currently facing?

The groups should be formed by lunchtime on Friday, September 27. The bus trip to the Dead Sea will offer an opportunity to **select** the company you want to cover. (~2 hours each way)

On Saturday morning (September 28) we’ll **review** the companies we will have seen and we’ll try to draw conclusions and general impressions. The groups should come prepared to discuss the companies they want to cover.

**Grading** will be based on class participation (20% during the trip, 10% during the Saturday morning review) and the final project (70%).