

Wheels of Life

Israeli Innovation -- Bright Side & Dark Side

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Israel, Startup Nation, greatly benefits from its image as a creative entrepreneurial country, populated by innovative young people, bold enough to launch a thousand startups or more a year. And it is indeed true that in many dimensions, Israel as a nation is highly innovative, relative to other nations.

But like the moon, there is a dark side, as well as a bright side. In the previous two SNI Annual Reports, we used the “Wheels of Life” visualization to show how Israel excels in Innovation and in Science & Technology, but far less so in the Economy and Society dimensions. In this essay, we examine both the bright and the dark side of Israel’s innovation ‘moon’, in a visual manner.

To do this, we will make use of the Global Innovation Index, published annually by Cornell University, INSEAD and WiPO. The 2015 edition presents data on 81 innovation indicators for each of 141 countries.

Figure 1 below shows the bright side and the dark side of Israel’s innovation capabilities.

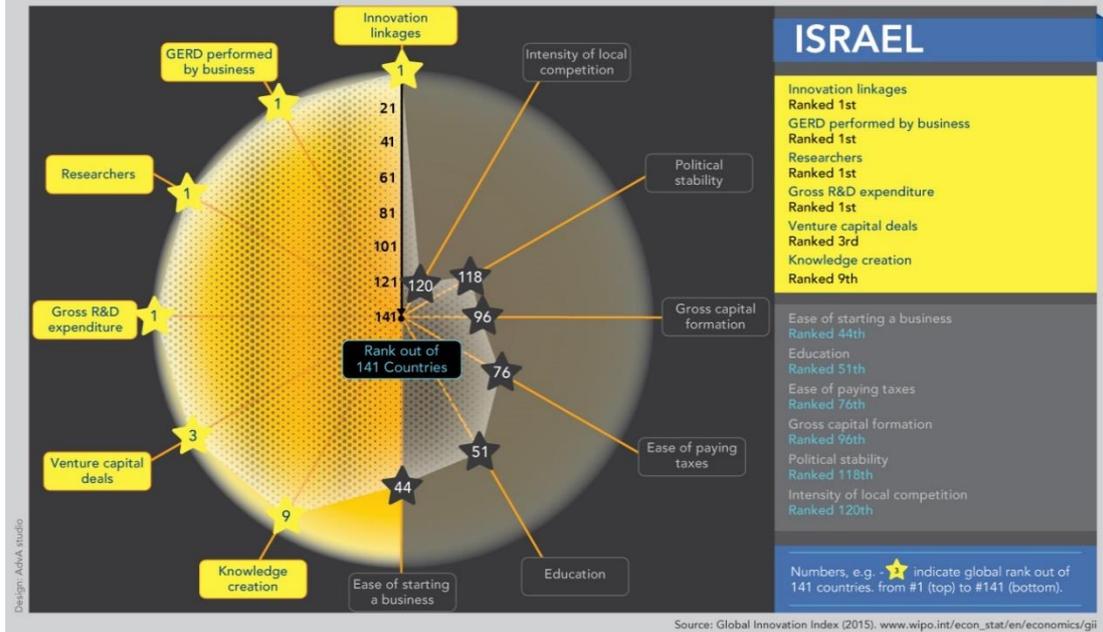
Bright Side of the Moon: There are six innovation variables in which Israel ranks at the top, or among the top nations in the world. They are: (with Israel’s rank out of 141 globally competitive nations): Innovation linkages: (Rank #1); Gross R&D financed by business/ GDP: (#1); R&D Researchers/million people (#1); Gross R&D spending/GDP: (#1); Venture capital deals/GdP (#3); Knowledge creation (#9).

But is there a dark side? If so, what is it? Fig. 1 also shows the dark right-hand side, the six areas of primary weakness in innovation measures in the Global Innovation Index. They are: Ease of starting a business (Rank #44); Ease of paying taxes: (#76); Education (#51); Gross capital formation as % of GDP: (#96); Political stability; Intensity of local competition (#120);

Figure 1. Israel’s Innovation Variables: Bright Side, Dark Side

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There is no room for complacency in Startup Nation. Increasingly, other nations are building their innovation capabilities, and competition is becoming fiercer.

The top five nations in the global innovation rankings are Switzerland, UK, Sweden, Netherlands and the U.S. Israel must improve its overall ranking, #22 in the world, and can do so, by focusing on the 'dark side' measures. The educational system, must be greatly improved, the resources devoted to capital formation must be increased, the bureaucracy that hampers starting a business and paying taxes must be slashed. And perhaps hardest of all, Israel's excessive democracy, that seems to generate elections almost every two years must somehow be stabilized.