

Secure Connections and Communications

The Giants vs. the Geeks:

Win-Win

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The U.S. technological giants realized long ago that if they want to be leaders in world technology, they had to create a foothold in Israel. Motorola and IBM started operating in Israel some 60 years ago, followed first by Intel and National in the early '70s, and then by HP and Microsoft, changing the Israeli high-tech scene forever.

Andy Grove first met Dov Frohman in 1964, when Frohman was a master's student at UC Berkeley. Frohman joined Fairchild Semiconductor R&D labs in Palo Alto, and the two collaborated on a couple of scientific publications. This meeting of great minds also led to one of the more important global inventions when, in 1971, Frohman invented the EPROM (erasable programmable read-only memory).

Frohman was in his 11th year outside of Israel and it was definitely time to go back home. He approached Grove, and with typical Israeli hutzpa, suggested that Intel should open offices in Israel. That was the one of the crucial turning points and key accelerators in the process of the amazing emergence of Israeli high tech. Today, Intel employs 7,000 workers in Kiyat-Gat, Petah-Tikva, Yekum, Yoqneam and Haifa and is responsible to 14 percent of the total high-tech export from Israel.

Dan Vilenski worked for Kulick & Soffa and brought the company to Israel in 1969. Since then, he managed to create six more companies, chaired Applied Materials, lead the Bird Foundation and in between, he has traveled around the globe, persuading top managers that they are actually losing money not opening a business in Israel.

Giora Yaron spent four years in Silicon Valley in the semiconductor industry, and when he joined National

Semiconductor, he made it clear that he was going back home to Israel and planned to get National to open a plant there.

In all cases, and those to follow, it took two to tango: a daring, visionary American CEO, and a reliable, very talented and somewhat crazy Israeli entrepreneur.

"It's all about people," said Charlie Sporck, then CEO of National, to Yaron, when he agreed to Yaron's then-peculiar request. He entrusted this 32-year-old guy with a \$250 million dollar project. Twenty-five years later, Yaron looks back and comments: "I can easily count 10 Israeli CEOs that were sprung out of National Semi. The contribution of the American giants, both in technology and in gapping the culture, was crucial."

The small, provincial and remote Israeli tech society was suddenly exposed to the world of the big players. But no less important, the big players were suddenly introduced to the bursting talents and the innovative entrepreneurs in Israel.

HP started to operate in 1957 as a small department within Motorola, but in 1998, it became a full-scale company that realized the enormous potential in Israeli technology. In 2002, HP acquired Indigo. In 2005, it was time to buy Scitex Vision, and in 2006, in the largest M&A deal ever in Israel, HP acquired Mercury for \$4.5 billion, only to

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BELOW: Prime Minister Shimon Peres inserting a scroll into the cornerstone of the Intel factory in Kiryat Gat.



follow with the acquisition of Nur Macroprinters in 2007.

Cisco's love affair with Israeli high-tech began in 1998, when it acquired Class Data Systems, a maker of quality-control software, for \$50 million. Since then, it has invested nearly \$1 billion in seven Israeli startups. "[The Israelis] have a strong tradition of innovation in engineering and a strong technical tradition. It's similar to what we see in Silicon Valley," said Ned Hooper, senior Director for Corporate Development for Cisco in an interview with BusinessWeek.

The respect saved for pioneers should be given to IBM, which opened its offices in Tel Aviv 59 years ago with its first project: the first general census of the newborn State. Later, in the '60s, if you wished to learn what was then called "Electronic Computers," IBM Israel was the only place to go. There was no "computer science" in universities. Today, the IBM lab in Haifa is one of its most prestigious institutes, and IBM GTU, a section that was created uniquely for Israel, located in Petah-Tikva, matches hundreds of Israeli entrepreneurs and technologies with the needs of the American Big Blue giant.

Motorola opened its first plant in 1964, but its relationship with Israel started as early as 1948, when a visionary Israeli engineer realized that the future of electronics was in the new American venture, and became its first non-U.S. distributor. Sixteen years later, Moshe Bassin, the local Motorola agent, convinced Robert Galvin, then CEO of Motorola, son of legendary founder Paul, that they need to have a subsidiary, and in 1964, with active involvement of the Israeli government, Motorola opened its first non-U.S. plant.

It did not take long until most of the high-tech giants realized that Israel was the place to be and followed these examples.

It is hard to say whether the impressive representation of American tech giants in Israel is the main engine behind the unprecedented number of start-ups, but the fact that leading edge technology was coupled with the sudden presence of American corporate culture on this side of the ocean was certainly a major factor. The Israeli army was, and still is, an excellent incubator for hundreds and thousands of young minds. So, it is fair to say that the combination of state-of-the-art technology embedded in the army with the powerful presence of the American

technological giants, created an optimal platform.

Now, 60 years later, almost all of them are here: Google, Microsoft, Motorola, Intel, Cisco, HP, IBM, TI, Oracle, Dell, Sun Microsystems, Applied Materials and CA. Every week, we read of some new M&A deal and any analyst in New York who needs to know what's new, understands that part of his quarterly schedule is a regular flight to Israel.

We are proud that most of them are Members of our Chamber, assisting us in our mission to enhance the business and trade between the two countries. ♦



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BELOW RIGHT: The Intel high-tech factory in Jerusalem: employees in a sterile suits supervising the manufacturing of computer chips.

BOTTOM: Microsoft CEO Steve Ballmer delivers a speech at the inauguration ceremony for the new Research and Development Center in Herzliya.

