

# The Start-up Nation takes on the SUSTAINABILITY CHALLENGE



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In late 2011, Sha Zukang, the head of the UN's Department of Economic and Social Affairs, made a short visit to Israel. Zukang, who recently served as secretary-general of the Rio+20 conference, visited the country as an official guest of Israel's Minister for Environmental Protection, Gilad Erdan.

In a series of meetings, held in closed forums, Zukang praised Israel's technological ingenuity. "Israel has proven to be a leader in agricultural technology for development, practicing innovation and implementing sustainable solutions for agricultural development, food security, and climate change adaptation and mitigation," he said, noting in particular Israeli advances on water management, desert agriculture and sustainable crop production. "We have much to learn from the Israeli agricultural experience," he concluded.

Zukang was referring to companies like Netafim, a firm that has led innovation in the field of drip irrigation for decades. Developed out of

necessity for Israel's agricultural producers back in the 1960's when the country was less developed, Netafim's water technologies set the standard for conservation in the water economy long before sustainability became a watchword. More recently, the company made a strategic decision to take its water-saving technology to the developing world. In order to do this, it realized it must develop irrigation systems that match the needs of the millions of small producers in developing countries who are expected to become the world's primary agricultural producers in the coming decades.

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However, visits by high-ranking officials such as Zukang, with his exhortations that Israeli companies



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take their technological expertise global, also indicate a new direction for Israel's sustainable business community. Among this community there is a feeling that current sustainability efforts have reached a kind of glass ceiling - the local market for green and sustainable technologies in Israel is limited (the country's entire population numbers less than 8 million people), and the country is too small to be a big player in the market for cutting carbon emissions.

Meanwhile, during the summer of 2011, something happened in Israel which appeared to change all the rules. An unprecedented movement for social justice erupted on the streets, in cities and towns across the country. While the immediate spark was the high cost of living in Israel, the protest movement that emerged last summer (and is in the process of regrouping ahead of the coming summer) shared many characteristics with similar protest and Occupy movements that appeared last year in cities across the globe.

A new generation of angry and articulate young people, tech-savvy and intuitively comfortable expressing itself via social media, had begun to feel that, on a very fundamental level, the country's economic and political systems had somehow betrayed them, and that the opportunities which they were raised to believe would be waiting for them when they reached

adulthood might never actually materialize.

When the protest erupted, we at Maala debated our response. As an organization that promotes corporate social and environmental responsibility, certain aspects of the protest movement's message caught our ear in particular. The protesters did not view Israeli business as being particularly socially responsible, and they expressed what they saw as a profound lack of fairness in their interactions with the large corporations that define so many aspects of Israelis' lives.

The protest also came just as Maala had begun working with a small Tel Aviv-based strategic consultancy, Praxis, which specializes in re-framing issues and organizations, and disruptive change (In Israel, the idea of reframing emerged after Israel's near-death experience during the Yom Kippur War of 1973, when groupthink and doctrinal blind spots among the country's society and leadership prevented them from perceiving the obvious: that a number of neighbouring Arab armies were preparing to launch a surprise attack against the country).

As American economist Paul Romer has said, a good crisis is a terrible thing to waste. Israel's CSR community was clearly in the midst of a crisis, faced with a pressing need to reframe the entire concept of CSR in Israel. This

difficult and painful realization, combined with the sense of emerging opportunity described so persuasively by Mr. Zukang, was the first trigger pushing us in a new direction. Others were soon to follow.

## Changing direction

In light of the potential for innovation in Israel (the country has garnered a reputation for itself in recent years as the "Start-up Nation" – after being labelled as such in a 2009 book by Dan Senor and Saul Singer) and its urgent need to focus on the global marketplace, a possible new direction emerged: reorienting Israeli innovation toward providing sustainable solutions in developing markets.

A signal that the business community was beginning to adopt this new way of thinking came during a visit by Israeli President Shimon Peres to Vietnam in November 2011. In a statement released to the media following the visit, Shraga Brosh, the president of Israel's Manufacturers' Association, said: "Economic developments and the world economic crisis have taught us that economic cooperation with the West is not enough, and that we must allocate resources toward creating collaborations with Asian countries, South America and Africa. Asian economies are expanding and Israel must direct its efforts toward expanding economic relations and strengthening political relations with these states. Israel can and must integrate into Vietnam's booming economy. We are always happy to prove that Israel is a source of innovation, knowledge and growth, and fertile ground for investments and collaborations."

Indeed, trade between Israel and Asia has increased tremendously in recent decades, and the relative weight of

Asia in Israel's foreign trade has grown steadily. Over 20% of Israel's exports today go to Asia.

The early adapters in the Israeli business community, however, understand that these trends did not happen by themselves. Most investments in Israel today are spent on encouraging innovation in the fields of information and communications technology (ICT), defence and cyberspace. They also realize that the Israeli economy must seek out new channels for development.

A special report on Israel, released by The Economist in 2008, supports this thinking. Referring to Israel's economy, The Economist wrote: "The engines of growth are punier than they look. Israel excels at creating start-ups, but is less good at turning them into big companies... And beneath its gleaming high-tech skin, the body of Israel's economy is slightly worn. True, the country has some successful industrial giants and does well in a few export niches such as generic drugs, weapons systems and agricultural and water-treatment technology. However, much of the country's traditional industry (eg, machinery, chemicals, clothing and food)... is lacklustre. Israel leads the world in R&D spending as a proportion of GDP, but this is heavily concentrated in high-tech. In more traditional industries the rate is just a quarter of America's."

## Reframing the environmental issue in Israel

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organizations that are active in environmental thinking and activism. As in other places, Israel's environmental community is extremely concerned with the negative consequences of business activities, and focuses largely on mitigating these externalities, in ways that largely drive the public and media discourse on these subjects.

Elsewhere in the world, an increasing number of voices have called for a basic reframing of, and a new approach to dealing with, the climate crisis. The Hartwell Paper is one of the clearest statements yet of this school of thought.

Published by a number of leading voices in the wake of the failure of the 2009 global climate talks in Copenhagen, the document makes the case that climate change policy, as perceived and carried out by governments around the world under the Kyoto framework, has failed to meet its primary objective: a significant reduction in the amount of greenhouse gases emitted worldwide.

"The crash of 2009 presents an immense opportunity to set climate policy free to fly at last," they write. "To

do so involves understanding and accepting a startling proposition. It is now plain that it is not possible to have a 'climate policy' that has emissions reductions as the all encompassing goal. However, there are many other reasons why the decarbonization of the global economy is highly desirable. Therefore, the Paper advocates a radical reframing – an inverting – of approach: accepting that decarbonization will only be achieved successfully as a benefit contingent upon other goals which are politically attractive and relentlessly pragmatic."

In light of the questionable achievements of the "Kyoto paradigm," the paper's authors write that the world should refocus its efforts – instead of annual or bi-annual global climate talks focused on the single goal of reducing carbon emissions, a large variety of policies and initiatives should be pursued. They suggest focusing on three main objectives: expanding access to energy, finding forms of development that do not undermine the functioning of the natural systems on which humanity depends, and beginning to think about how human societies can adapt to withstand the risks and dangers of climate change.

"To reframe the climate issue around matters of human dignity is not just noble or necessary. It is also likely to be more effective than the approach of framing around human sinfulness – which has failed and will continue to fail," they conclude.

In the Israeli context, Dr. Orly Ronen of the Tel Aviv-based Heschel Centre for Environmental Learning and Leadership has made major efforts to reframe the narrative of the local environmental movement. In her work, she refers to the idea of the "green modernist" as opposed to the green traditionalist.

Described by NY-based writer Keith Kloor as "pro-technology, pro-city, pro-growth," the green modernist eschews the idyllic vision of country living that was embraced by the green traditionalist for a more forward-looking environmentalism that embraces and even celebrates the realities of modern life, while harnessing their potential for greener living.

While virtually everyone would like to live on a planet where nature in its raw, primeval state, with thriving flora and fauna and a stable climate still existed, he notes that at this point, only modern technological innovation can make this possible – mainly through achieving greater urban sustainability.

## The Appropriate Growth Initiative

The Appropriate Growth Initiative was launched in January 2012 with the intention of capturing these trends in a coherent value proposition for Israel's business community. It is based on the belief that Israel has a unique opportunity to take a leadership role in the climate arena by becoming a beta site for appropriate, simple and sustainable innovations, designed and developed to address the specific needs of developing countries.

The initiative's premise is that harnessing the entrepreneurial nature of the Israeli businesses to provide sustainable growth solutions in developing countries can improve living conditions in the form of products, technologies, solutions and services. Moreover, the initiative sees itself as an opportunity to test a new paradigm, in which businesses are part of the solution for reaching sustainable growth, and not just the problem.

The initiative is a partnership between three organizations: Maala, which brings its close ties with over 140 of Israel's largest businesses and its emphasis on harnessing business entrepreneurship to create shared value; Praxis, which specializes in creating cross-industry clusters on both the regional and national level and brings its wide network of creative entrepreneurs from various domains of sustainable technologies; and the Heschel Centre, an environmental organization that offers businesses a vision and strategy as partners in the global fight against climate change.

Similar initiatives led by international organizations like the UNDP and the World Bank were analyzed. However, given our intimate understanding of the character traits of the Israeli business community – its desire to arrive at the bottom line as quickly as possible and the tendency toward cooperation and collaborations – we decided to adapt the processes developed by these bodies to better suit our own local context.

To do this, we utilized the unique methodology developed by Praxis.



**Boaz Israeli**  
CEO, Praxis

This methodological approach, called "Creative Glue™," emphasizes business partnerships through unexpected collaborations between creative entrepreneurs from different companies, organizations and even independent actors from different fields, who often have the skills to complement the work done by companies. One example of such a body is Israel's regional agricultural R&D centres, which are acutely aware of local needs, but also capable of serving as a bridge between local farmers and national organizations.

Hence, we began by attempting to map the elements within the business community – in every relevant business and corporation – who see the potential for future business growth in entering developing markets. We discovered that these people were often to be found in the business development and R&D departments, and we began to generate a dialogue with them. Then, we presented the challenges which require collaborative brainstorming and gave them the opportunity to tackle the issues together.

In most cases, companies will not take steps in this direction by themselves. Thus, our initiative actively sought out change agents within Israeli companies with a reputation for agile decision-making, integrated hierarchies and fast implementation.

Through these change agents we introduced the ApGrowth narrative to the Israeli business community and civil society, and created awareness among government bodies and large corporations about the potential of ApGrowth in Israel.

During the initial phase of the project, we focused on bringing together innovators from different sectors and fields, in order to try to gauge key actors' interest and willingness to explore this new direction. Initially, we focused on two central themes:

1. Exploring the real potential for Israeli businesses to grow through the initiative, and figuring out how to convince them to invest in the field and integrate it into their plans for future business development.
2. Gauging interest in joint, collaborative efforts for developing ApGrowth solutions.

In the second stage of the initiative – after dozens of companies from diverse sectors such as agriculture, water, energy, health care, defence and engineering expressed interest in the idea, convinced that added value could be created from working collaboratively – the question arose: What added value could Israeli companies contribute, and how could they bridge the geographical gap between Israel and the places where their services were needed?

Here too, circumstances came together serendipitously, when Israel's Foreign Ministry contacted us offering to hold a meeting with Robert C. Orr, the UN's Assistant Secretary-General for Policy Coordination and Strategic Planning, who had just been put in charge of the subject of public-private partnerships. In the fascinating conversation that followed, Mr. Orr wondered why so few Israeli companies were involved in international development work, when they clearly

had so much knowledge and so many solutions to offer.

When we took a closer look at the large Israeli companies that are active in the field, we discovered a hybrid approach – a business approach coupled with a corresponding emphasis on capacity-building. In other words, Israeli businesses had developed an active and adaptive development approach. Israeli companies are no longer simply installing technological innovations, such as drip irrigation or dairy farming facilities. These days, mindful of the differences between how Israelis and other cultures use their technologies, they send specialized staff to train local farmers and producers to continue getting the most of these technologies after they leave. Company specialists can stick around for several months, training local farmers, families, communities and even entire regions. This approach demands a much broader and more involved approach than simply installing technologies, and Israeli companies today have developed the skills to do this.

This led us to the rationale behind the project's second phase, in which we asked how we could overcome this paradox, where the abilities and interest existed, but the actual involvement of Israeli companies in the field was minimal.

In order to compete in this growing market, we realized that we must develop not just frugal innovation but also a frugal innovation process. Western, multinational corporations are enormous, cumbersome ships which can take months or even years to steer in new directions, while the developing world needs immediate, outside-the-box solutions. Israeli companies, on the other hand, are capable of pivoting quickly in order to respond to opportunities – giving them a competitive advantage.

Working with these change agents, we can now identify existing technologies that, with a certain amount of tweaking, can become accessible solutions to real problems in developing countries. What we are doing is essentially creating sector-wide partnerships capable of gathering up technological elements from a number of different companies in order to create a single technological innovation, or establishing partnerships in order to create a solution for the entire value chain.

## What lies ahead?

The next step for the initiative is to establish links with companies in developing countries themselves. While Israeli companies have established international reputations and networks in fields like defense, such networks have yet to be established in the fields that ApGrowth is focused on.

For this reason, we are seeking out partnerships with local actors in developing countries who are familiar with the technological innovation going on in Israel and possess an intimate understanding of needs in their countries. Together, we believe we can adapt Israeli technologies and create the public-private and business partnerships to help bring them to where they are needed and establish capacity-building programs. By doing this, we intend to connect the dots.

By establishing these local partnerships abroad, the initiative will be able to increase awareness in Israel of these opportunities and continue to expand. Assuming this happens, we believe the field can become a central part of Israel's national agenda within two years, positioning Israel on the forefront of this new, dynamic and exciting field while generating the kind of disruptive change needed to challenge the current climate paradigm. [ST](#)