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Beer-Sheva: Israel's emerging high-tech hub



Beer-Sheva has seen its share of cornerstone ceremonies over the last two decades, but it is still tough to fathom that its miraculous growth materialized and yet the first of 23 buildings planned for the city's high-tech park were inaugurated only two and a half years ago.

Meanwhile, two buildings are operational and located close to the railway station at Ben-Gurion University, which led the effort to construct the Gav-Yam Advanced Technologies Park over the years together with the Beer-Sheva Municipality.

Far away from the crowded startup scene of Tel Aviv, a high-tech hub has been quietly growing in Beer-Sheva.

The new scene is still confined to a relatively small area and has yet to penetrate deep into the heart of the Negev city, but it has attained many of the sources and resources needed for a tech

ecosystem to succeed: a developed academic infrastructure, government policies that include benefits, incentives and tax-breaks, the presence of international companies, the intelligence and surveillance branches of the IDF, incubators and accelerators, a motivated local community, coworking spaces, and - last but not least - a conveniently-located railway station.

The scene even marked its first successful exit at the beginning of the year, when a two-year-old startup became the global cyber center for payment giant PayPal. However, outside of Jerusalem Venture Partners (JVP), the new hub is still lacking in financial institutions and bodies that can support and accelerate innovation and entrepreneurship in the city.

Six central foundations of the budding high-tech hub in Beer-Sheva.

The first exit CyActive

Any ecosystem that wants to thrive needs a success story of its own; it needs a story that will inspire and motivate future generations of entrepreneurs to start their own ventures. For Beer-Sheva, that company is CyActive, which started in JVP's accelerator, raised \$2 million, and within two years was sold to PayPal for \$60 million.

Even after the rapid and successful exit, PayPal pulled a surprise when it announced that CyActive would remain in Beer-Sheva and would serve as the foundation for the company's cyber center which will serve its 170 million global clients.

“We thought the conditions here allowed for growth. It's not like we came here to make the desert bloom,” said Shlomi Boutnaru and Liran Tancman, who co-founded the company. CyActive now employs 25 workers 70% of them from Beer-Sheva and its surroundings.

When asked how Beer-Sheva's first exit influenced them and their environment, Tancman said, “People in high-tech park felt like everyone won not just us. After the exit, entrepreneurs turned to ask with questions and for help”.

The first company EMC

Long before the first building in the high-tech park was completed, EMC had already decided to turn southwards and shifted its cyber solutions division to the city. “Our goal was to bring significant technological activities to EMC on a global scale and to have an impact, not to be another branch of the company,” said Maya Hofman Levy, the Beer-Sheva site leader.

The information storage giant, sold to Dell for \$67 billion two months ago, runs its cyber solutions operations for the entire world from Beer-Sheva. “Conditions here are similar to those in our other centers in Israel. We employ some 150 workers, which is our commitment to the government under an incentive plan but we don't look at that figure as an end goal,” said Hofman Levy. “More than 80% of the employees are Negev residents and more than 60% are university graduates. We want to foster an environment that makes staying in the city a more attractive prospect for graduates”.

When asked why EMC picked Beer-Sheva of all places to open its center, Hofman Levy a southern resident was quick to explain, “We did it because of the opportunity. There are sustainable ties here to academia, which has proven for the past ten years that Ben-Gurion (University) has expertise in the cyber sector”.

The investor JVP

The Jerusalem fund became one of the foundation stones of the tech ecosystem in the Israeli capital and eventually decided to replicate its successful model with a slight adaptation to the developing cyber sector to Beer-Sheva, after looking at alternatives across the world.

The decision to add a center in Beer-Sheva was guided by the fund’s efforts to invest in the cyber sector. “We believed that something significant would happen here in terms of the opportunities a university that leads in creating engineers combined with professional courses in the field and military units that were supposed to transfer to the south in 2016-17,” said Yoav Tzruya, a partner and CEO of JVP Cyber Labs, which also includes another partner, Dr. Nimrod Kozlovski.

Kozlovski said, “The relative advantage of Beer-Sheva in the cyber sector is its proximity to a university that provides research opportunities that turn into startups and a steady flow of talent for the companies that work in the park”.

He added: “I travel the world with a presentation on the Beer-Sheva ecosystem, and many people are excited by the notion that all these pieces sit in one place the university, the talent, the investors, and the government. All of a sudden, in the cyber sector, in one hub, there is a place that has the potential to become a truly specialized ecosystem. The story pulls in international companies who are exploring Beer-Sheva as a potential location for the creation of a development center”.

Ecosystem founders Tech7

The cooperation between international and local companies working in the high-tech park, with the support of Ben-Gurion University and the Beer-Sheva Municipality, could manage to maintain a tech ecosystem on its own; but, the ties to the budding entrepreneurs must be made through people who talk to them on their level and are close to their age group. Which is why in the summer of 2014, four local youths Etai Coles, Yotam Tzucker, Aviv Avital, and Dan Inbar joined up to found Tech7, a community for tech entrepreneurs which is gaining momentum in the southern city.

“Two years ago we felt, as Beer-Sheva residents, the shortage of lectures, events, hackathons, and meetups in the city,” said Coles. “The idea was to host events that expose the crowd to technology in order to familiarize them with the modern lingo which passed over Beer-Sheva”.

Meanwhile, several notable names have been hosted by the community, including Uri Levin, a Waze co-founder and major investor; Moshe Hogueg, Singulariteam founder and local resident; and Nir Zohar, the president of Wix, which operates in Beer-Sheva.

The academic component Ben-Gurion University

The Beer-Sheva high-tech park was launched two years ago, but the vision at its core was laid down more than 15 years ago by the heads of Ben-Gurion University in the Negev, which is one of the partners in the venture, alongside the Beer-Sheva municipality, the property developer Gav-Yam, and Japanese-American company KUD.

“This situation allows the university to be involved in the development process of the park and in the creation and promotion of its ecosystem,” explained Netta Cohen, the CEO of the university’s technology transfer company BGN Technologies.

“We need to look at the long-term vision and account for the human capital that will be here. Within a decade, the hi-tech and intelligence divisions of the military will be in a 5-km radius from the university. Add to that the fact that Beer-Sheva already produces the most engineers in the country with the university and the Sami Shamoon College of Engineering, and you have here human capital of an exceptionally high standard,” said Cohen, “We are talking about 25,000 professionals that will be here in a decade”.

Cohen emphasized that the role of the university is not only to train students but that “our agenda is regional development. The university encourages students to stay in the city. It is an important aspect, right along with creating more employment opportunities”.

The accelerator Inno-Negev

In October, the city launched its first accelerator named Inno-Negev led by the Bengis Center for Entrepreneurship & Innovation at Ben-Gurion University. The accelerator provides a platform to local early-stage ventures and entrepreneurs using its cooperation with the university’s commercial arm, Lockheed Martin, Deloitte, Plus Ventures, and others.

“After we spawned a number of activities through the Bengis Center including hackathons, innovation events, and bar meetups for entrepreneurs the accelerator was the natural next step for providing a solution needed by the community, by the students and by the faculty at Ben-Gurion which is taking an interest in entrepreneurship,” said Yossi Shavit, Inno-Negev project manager and Bengis business consultant.

According to Shavit, the first accelerator’s inaugural class counted 130 teams, of which 12 were selected with 65% of them residing in Beer-Sheva and the surrounding areas. “There were many startups that started to show promise in Beer-Sheva, but we knew there was no mechanism for support and assistance the knowledge, the contacts, and the money and decided to give up or to leave here,” explained Shavit, who said he hoped the accelerator and the other components of the ecosystem halt the exodus.