

## Finding Disruptive Ideas

An Interview with  
Tal Barnoach, General Partner, Disruptive

**EDITORS' NOTE** *Tal Barnoach has been an entrepreneur since 1993, and has acted as Founder and Executive of companies such as Orca Interactive, Beinsync, and Dotomi, and was a seed investor in companies such as Quomranet (acquired by Red Hat) and Crossrider (acquired by The Markets). He is also invested as a seed investor in Fixya, Qwilt, Fusic, Beamr, and Younow, among others.*



Tal Barnoach

**COMPANY BRIEF** *Disruptive is a privately held Tel Aviv/New York based venture fund run by investment professionals equipped with extensive global technology and media relationships. The company's focus is on disruptive technologies that can improve traction and accelerate market acceptance when showcased globally. The firm targets companies at their "seed plus" stage (in between seed and first round). Renowned for its hands-on approach to investing – active management of companies, strategy, product refinement, funding etc. – the fund has been actively investing in Israeli-related companies since September 2013 and has over one dozen start-ups in their portfolio to date.*

### What did you see in the market that made you feel the opportunity was there for Disruptive?

It starts with the name I chose. If we look at innovation in the high-tech industry, what we're looking at is disruption and disruptive ideas.

All the things we see that have succeeded are ideas that came from the entrepreneur, who felt that the way people interact with different products at a certain level is not what it should be. That is how we came up with the new idea, new vision, and new disruption, and that's why I started Disruptive.

### How do you define the difference between innovation and disruption?

Innovation is when one comes up with a new idea and disruption is when one turns it into a big opportunity that changes the way people interact with and use the product/innovation around the world.

Finding a different way of doing a search online like Google did is innovation but making it different than the other search engines that already existed is disruption.

There were social companies out there before Facebook. The way they changed how people consume, behave, and interact with each other is the disruption.

The disruption is more on how one does it and the model that is being taken more so than the idea itself, or the innovation and technology.

### How challenging is it to find opportunities to invest in?

The challenge is to find the disruptive ideas that are coming out of innovation as opposed to ideas that haven't been developed.

There are a lot of neat ideas but they are almost always the same – they're just coming with another feature or the product is being used in a different way, or they're doing it in a different market. They might become big companies but this is not real disruption.

What I'm trying to find are those that are exceptions both in the way they build a product but also the way they're bringing a new paradigm shift to the market.

In terms of the high-tech industry in Israel, there are more entrepreneurs here per capita than any other country in the world, so the number of ideas that are coming in is unbelievable.

It's really about finding who can execute and build a big company out of their idea. This is the biggest challenge I face.

We have very little information and data but we already have the knack for identifying something where I can envision how it's going to react and whether there will be a market for it. This is the sweet spot that I created.

### What is it about Israel that puts it at the forefront of the tech industry?

At 18, our people go to the Army, not to college. In the Army, a lot of people, especially those who are becoming entrepreneurs, are serving in elite military units in the technology space or in intelligence. Eight out of 10 entrepreneurs coming my way are coming from those units, or are even fighter pilots or combat fighters, or Navy Seals. The amount of experience they gain in those jobs is incredible compared to what other people are getting in other countries.

Also, Israel is a country of eight million people with a very small market, surrounded by Arab countries that we don't have relationships with, so we have to think globally.

Third, people here feel like we are survivors and we have to succeed because we don't have any choice, as opposed to other places. In France, 80 percent of the people in university want to work for companies like France Telecom. In Israel, 90 percent of the people want to be entrepreneurs – they don't want to work for anyone; they want to create it themselves.

### Can traditional large companies compete today?

There is no way that innovation will start in big companies. The reason is that in big companies, people want employees to think in a specific order, whereas at a start-up, we have to be so flexible and so creative because we know that when our product is out, we're competing against huge companies, and will face a lot of challenges. We have to be amazingly creative to come up with something that will dramatically change the system.

### Is your priority in looking at the product, the technology, and how it will disrupt or is it more about the management and the people?

It's all of the above, especially in the early stage.

We have to be very flexible to be able to change direction. If we are not sharp and flexible and see what is further ahead, we'll have a lot of difficulties. This is the nature of those doing these start-ups.

### At what point do you look at long-term relationships? Are you looking to help more in the beginning?

We believe in staying with a company for a long time. I'm always telling the entrepreneurs that it's a marathon, not a 100-meter run. We need to think about each project seven to 10 years out. If we don't feel that we have the energy to do it for that long, we don't start.

### Do you feel you can teach much of what is necessary to be an entrepreneur or does one need to have something inside of them to be successful?

One needs to have something inside. It's like a kind of virus. I can't teach that.

### Is it important for you that the entrepreneurial talent stays in Israel?

The R&D should be in Israel because the talent is here and it is cheaper than in the U.S.

It makes sense to have a local team in Israel that will deal with technology products and to have a team there to deal with the specific issues in the market. ●