



Photo by Cideon Lewin

# EITAN WERTHEIMER

## the tools to succeed

BY ALIZA DAVIDOVIT

There are many ways to measure a man and evaluate his worth. *Forbes* magazine has ranked Eitan Wertheimer as the richest man in Israel with a net worth of \$4.4 billion. But does money make a man? Martin Luther King, Jr. once said, “The ultimate measure of a man is not where he stands in moments of comfort and convenience, but where he stands at times of challenge and controversy.” And it is only when measured by those standards that Wertheimer’s net worth becomes evermore priceless and he ranks number one as a *mensch* among men.

His family is famous, he’s friends with prime ministers, and he’s been interviewed hundreds of times, but when Wertheimer sits down with *Lifestyles*, his confidence and stature are outpowered by his humility. With a wry smile, he comments on famous people who have come his way and says, “If they would fall from their egos to their IQs, they would certainly break their necks.”

It was only five minutes into the interview, but with those words alone he made the *Lifestyles* crew laugh—and we liked him already, in spite of his money. In fact, money seems to be a dirty word to this man who, for the past 20 years, has been the president of Iscar Metalworking, the leading manufacturer of advanced machine tools in the world. His company has always been privately held and has never publicly disclosed its finances, though Israeli financial sources estimate that the company’s net income last year was \$440 million on revenues of \$1.4 billion. But Wertheimer remains silent on the issue. He believes in modesty. “The beautiful olive tree is God’s favorite,” Wertheimer points out. It is one of the most enduring trees and yet, “when its branches are rich and filled with fruit they bend forward in humility,” as if to hide their treasures. And indeed Iscar itself is sequestered on a rocky, remote hillside in the northern Galilee and symbolically surrounded by olive trees.

"Being on *Forbes'* list is a minus," he says. "It makes it much harder to educate kids and keep them normal." He and his beautiful blonde wife, Ariella, believe that the greatest bequest they can give their children is not excess, but the ability to appreciate. Wertheimer reflects on the wise words of his first grade school teacher, Rivkah, who asked him to imagine someone falling into a big barrel of honey and how horribly difficult it would be to climb out of it. His kids may be sweet, smart, and talented, but they are hardly honey dipped. It took serious persuading and negotiating for their son to extract \$10,000 from them to start a company. Quoting the words Warren Buffet had recently told him, "I give my children enough money to do something, but not enough money to do nothing."

The 54-year-old father of five realizes that there are many things that

shop. Both the company and the country grew up together. The lack of local resources and opportunities in those early days led Wertheimer to develop his own technological solutions and to set up a manufacturing company. Limited local markets drove him to seek opportunities overseas. Today, 98% of Iscar's production is shipped abroad.

From the beginning, the factory met with quick success and attracted the interest of Discount Investments, one of the largest and most prominent holding companies in Israel. (Discount eventually became a minority investor.) In addition, Israel's technological needs also created new opportunities. In 1968, as a result of the French embargo placed on Israel after the Six-Day War, Wertheimer established Iscar Blades, later renamed Blades Technology, to service the country's aerotech requirements. Today it is one

ailing part of Iscar. But then, the following year, he suffered a severe concussion in a car accident and Eitan had to take over the company. Eitan now serves as chairman of the board.

Wertheimer says he loves working with such smart people and places much confidence in their ability, talent, and judgment. He has said that when Iscar's president, Jacob Harpaz, raises an issue, his standard response to him is, "Do whatever you like; it seems to be working." He hasn't held a board meeting in 15 years, the last one was in the cafeteria over coffee. "My main job is not to disturb anybody," he says.

Wertheimer unabashedly admits that he has made mistakes along the way. "I like my mistakes," he says. "They are the biggest assets I have. If you have no mistakes, it means you're busy doing nothing and have no experience." He jokingly adds, "I'm just

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money can't buy, such as time, true friends, health, or the ability for him to sing on key. Nor can it bring back his beloved mother, Miriam, nor her *Shabbat* dinners and the comforting smells of roast and delicious chicken soup wafting through the house. And in the early 1950s in Nahariya, Israel, while his mother busied herself in the kitchen (she founded Lachmi Bakery), his father Stef was out on the kitchen porch making tools and building a dream that would one day become Iscar.

Stef Wertheimer was 10 years old when his family fled Nazi Germany and moved to Palestine in 1936. He quit school at 14 and helped to make weapons for a Jewish underground militia before Israel's independence. Israel was but a fledgling state, battle bruised and surrounded by hostile countries bent on its destruction, at the time he started making tools in his tiny work-

of the largest manufacturers of blades for turbofan engines. Among its customers are Pratt & Whitney, Rolls-Royce, Snecma (one of the world's leading aerospace corporations), and General Electric.

But the success of Iscar lay not only in Stef Wertheimer's hands alone. As a manufacturer, he knew better than anyone that a winning product is made up of winning parts. His own success was assembled from the smart, creative, and talented team of people with whom he worked. His son, Eitan, is one of those contributing components. Eitan has exponentially advanced the company with innovative manufacturing and marketing techniques. He has held several key positions within the family company and has also been successful in turning other companies around. In 1982, Wertheimer senior asked his son to help him restructure an

grateful I didn't make them all in the same day or I'd have broken my neck."

Perhaps he avoided that calamity by heeding his father's advice in regard to decision-making, "Always go with your gut feelings." Nonetheless, Wertheimer values the lessons learned from his mistakes. "I'm fascinated by learning," he tells. "I have this disease called curiosity, and nothing gives me more joy than learning something new."

But even with his appreciation for making mistakes, the affable billionaire says that although he is daring, he doesn't take risks. "If you sleep on the floor, you can't fall off the bed," he philosophizes. He always has a fall-back position and feels the discipline of work dictates that you cannot run as fast you'd like, regardless of passionate ambitions. His father taught him "a family you run from your heart, but a business you run from your head."

Today the business he runs is a full-line supplier of precision carbide metal working tools. Their constant innovations keep them a world leader in the automotive, aerospace, and die and mold production industries. Over half of the company's sales are from products developed within the last five years. Iscar devotes approximately 10% of its total resources to R&D, yet doesn't even have an R&D department. It is much more practical than that. Innovations come from personnel within the company. When an engineer has an idea, he enters the image into a special computer program and then a prototype is produced. Only after extensive development and testing does a new idea move from prototype to product.

From there the product moves on to Iscar's marketing network, which has offices and representatives in virtually every major manufacturing center in the world. With such a global audience, Wertheimer regards Iscar's tools as "ambassadors." They not only internationally represent the ingenuity and integrity of his company, but also that of the Jewish State.

In an isolated region, eight miles from the Lebanese border, in a country that was mired in swamps and was an arid desert just 59 years ago, the Iscar factory is a highly automated technological miracle that could serve as the set for a *Star Wars* movie. The factory has robots on its staff that quietly move about the factory. (We omitted to ask Wertheimer whether they speak

Hebrew or not and whether they tend to be members of the Labor or Likud Party.) Nonetheless, pallets of trays are ferried between facilities by Automatic Guided Vehicles that travel on magnetically marked pathways, all remotely-controlled by a central production computer. It has a complete automated storage and retrieval system and the most highly advanced tool design computer programs and quality con-



Photo by Gideon Lewin

trol in the world. The factory also has something that probably no other factory in the world has: a shiny, bright yellow floor.

A few years back Wertheimer had the colorful idea of changing all the floors to that luminous shade. It was hardly a "yellow" decision. The cheery color served to brighten up the working environment and also contributed to its efficiency as the workers became evermore careful. The floor is kept spotlessly clean. At Iscar, even if one looks down, the factory's sunny dis-

position always keeps everyone looking up. The complex has been designed with one basic idea in mind: to kindle creativity. Aligned with that philosophy, the area surrounding Iscar is landscaped with statues and art work and also houses an industrial and art museum.

But it was Wertheimer's next idea that would make headlines around the world and would change the perception of his country forever: his decision

to sell the company. Despite the company's financial success, he was concerned about the future. "As an Israeli company in the global market, it was not easy to make acquisitions abroad," he admits. He needed a strategic partner and he found one. In May 2006, the Wertheimers sold 80% of Iscar Metalworking to Berkshire Hathaway's Warren Buffet for \$4 billion, incurring \$1 billion in capital gains taxes for the Wertheimer family. Buffet himself is ranked by *Forbes* as the third-richest person in the world with an estimated net worth of \$52 billion. The acquisition was his first investment outside the United States and the deal made major headlines across the world. It received so much attention that Buffet jokingly

told Wertheimer, "I was a nobody until I met you."

Among the barrage of questions Buffet was asked about his unprecedented purchase was why he would invest in a place as dangerous as Israel. Buffet was unequivocal in his reply, "We live in a dangerous world. It was dangerous to be in Oklahoma City, it was dangerous to be in Oklahoma City, it was dangerous to be in Madrid, it was dangerous to be in London, and it was dangerous to be in downtown Manhattan."

Wertheimer is looking forward to the day when Buffet will also say that

he made a big mistake thinking Iscar was a good company when he bought it and that it is actually a great company. But as per Buffet's own words, that day may have already dawned. Buffet was markedly impressed with Iscar, which he visited only after buying the company. "You can eat off of the floors," he remarked at the time. "It is a real showcase." He had never seen anything like it. In an interview with the Israeli daily *Ha'aretz* he said, "It's an amazing company run by amazing people."

Prime Minister Ehud Olmert praised the deal as being a validating statement about the Israeli economy. "There is no other investor in the world who can say, 'What's good for Warren Buffet isn't good for me.'" Wertheimer equates the deal to the Balfour Declaration, saying that the Balfour Declaration of 1917 put the State of

rest is corporate history, albeit one with a very promising future. Wertheimer and his team will continue to run the company with Buffet emulating Wertheimer's leadership skills—he will try not get in the way.

Yet, soon after the deal was done, new headlines took its place. Hezbollah fired Katyusha rockets and mortars at Israeli border villages and the Second Lebanon War broke out in July 2006, just a few miles away from Iscar. But Iscar's owners were not deterred. "We kept open but made sure not to take an unnecessary risk. We had a kindergarten in the bomb shelters," Wertheimer recounts. "We wanted to show we could win the situation and do even better than usual, and we did."

In his recent address at the AIPAC convention in Washington D.C., Wertheimer stressed that a strong Israeli

on the conviction that economic prosperity and independence will lead to Arab-Jewish coexistence and bring an end to decades of Middle East conflict. The Wertheimers believe that industry is the key for creating jobs and stability in the region. "Democracy doesn't start under \$6,000 per capita," Wertheimer says. Indeed the Palestinians are mired in a financial crisis while Israel's economy is galloping ahead. "You want less religious fanaticism, get higher income." He believes that vibrant industry can temper ideology. "Ideology is a tool you use when conditions are horrible, so you have to find a dream and purpose to overcome what you don't have today," he feels. "If you have *it*, then you don't need a dream."

Iscar is now just one of Tefen's 60 companies that employ some 4,000 workers, many of them Druze and

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—Warren Buffet

Israel on the map and the 2006 Buffet Declaration put the Israeli economy on the map as a destination for offshore investments. It "told the world we are good and normal to work with and part of the world." Subsequently, the Israeli stock market hit an all-time high. Buffet himself had his own special words for the Promised Land: "If you are going to the Middle East for oil, then don't stop in Israel. But if you are going for brains, energy, and integrity, then it is the only place to stop."

The deal with Buffett began last October when Wertheimer sent him a letter with a brief description of Iscar (Blades Technologies was not part of the sale.) Buffet said the character of Eitan and the quality of the company jumped off the page. He got back to Wertheimer within a few days and the

economy is the backbone to the country's success politically and militarily. "Success is the only tool for a long-term story," he says and emphasizes the importance of Israel having international partners. He believes Israel should make a serious effort to double its GDP. He hopes Iscar will serve as a role model for future foreign investment by entrepreneurs from other democratic countries.



But Wertheimer's story extends beyond Iscar. The Wertheimers have also been focusing on their chain of industrial parks in Israel and the region. The Tefen Industrial Park, the first of such ventures, was established in the mid-1980s and set up as a model for opportunity. The parks are philanthropic ventures based

Arab. The Wertheimers say that they made their money in Iscar but spend it on the industrial parks. Today, Tefen accounts for over 10% of Israel's industrial exports.

Wertheimer's father drew up plans in the '90s for another industrial park in Rafah, in the Gaza Strip. Though the Palestinian and the Israeli governments both offered support, that initiative has become a victim of the regional violence. "These industrial parks could work for the Palestinians," Stef Wertheimer has said, "but perhaps the time is not right."

But the time is always right to fortify and develop the next generation of Jews and Israel itself. Wertheimer does just that with his Atidim and the Daroma Company, projects dedicated to the development of young minds, as well as

the Negev and the Galilee region.

Atidim is a joint program of the Atidim Association, the Israel Defense Forces, the Jewish Agency for Israel, local authorities, and the government of Israel. Its goal is to advance educational excellence in Israel's geographic and social peripheries. The word *Atid* is Hebrew for future, and Atidim helps build the "future" of high-potential adolescents, army conscripts, and young adults from underprivileged communities living mostly in the outlying areas and periphery of mainstream Israel, a segment which constitutes about 50% of that age group in the Israeli population. This program not only gives the youngsters the tools to succeed, but Iscar gives them the jobs. "The worst thing is to be educated, have ability, and then have nothing to do," Wertheimer says.

Daroma and Tsafona are private, nonprofit companies who aim to lead the national strategic planning process for the Negev and Galilee regions. Wertheimer serves as chairman of the board of both companies. Developing these regions will provide a vast array of opportunities.

Wertheimer is also a major supporter of the Rambam Medical Center and the head of the board of trustees. He and his wife, Ariella, became involved with the Center a few years ago and have greatly assisted in its evolution. Today, it is the major academic medical center of Northern Israel. It is highly involved in education, science, and engineering, with an emphatic focus on the future of medicine and industry in Israel. Rambam is a 1,000-bed hospital, has over 50 departments, a large outpatient clinic, and is the major trauma center of

Northern Israel. It is also home to the Rappaport Faculty of Medicine and the Rappaport Research Institute.

From building hybrid cars to building another Weizmann Institute, Wertheimer's own creative opportunities, juices, and ambitions never cease. He entertained the enormous AIPAC audience by saying he wants to invent an interactive mezuzah, one that actually kisses back. But when it comes to the enormity and brilliance of Israel's



Photo by Gideon Lewin

innovations, future possibilities, and the need for serious partners, Wertheimer is very serious.

His wisdom and insight have gone beyond his educational background. Although he did finish high school, he says that he was thrown out from every elementary school. "I had more character than patience and those two traits don't get along well." To this day he admits that lack of patience is his biggest fault (although others might say it's his out-of-tune singing voice, an enjoyment he refuses to forsake.) But

despite his impatience for formal studies, Wertheimer says he began reading very complicated material at age 4, including *Popular Mechanics* from the World War II era. "I learned them by heart, and that's how I learned about technology." He also took several courses at Harvard and has a quick-witted way with words that can't be learned in a classroom.

His hidden dream, however, was to be an architect and to build factories

for cars and bicycles. In some measure his dream has come true. He was the architect of the biggest corporate transaction in Israel's history. Even so, Wertheimer says that if he could be anyone else on earth for a day, he'd like to be Stephen Hawkins. "I think he understands things better than most people. Some people see less with their eyes but see more with their brain. Some people have weaknesses that give them huge strengths in other fields." And though his name Eitan means strong and handsome, he self-effacingly says that his name doesn't fit him and that his parents were very optimistic at the

time.

As for his own children, he encourages them to live their dreams and not to be prisoners of opinion. "Go by your nature and don't fight yourself," he advises them. "Don't do what other people think is right for you, and don't be trapped by social games. When you do what you love, things go very well." And until they pick their course in life, Wertheimer, the true measure of a man, will do what he has excelled at for 20 years, he will give them the "tools" to succeed! lifestyles