

G.HO.ST

Photo by RINA CASTELNUOVO

Take a Risk or Play It Safe?

AN ISRAELI/PALESTINIAN START-UP gives new meaning to the term “business division.” Is encouraging peace, while building a successful enterprise at the same time, too much to hope for?

In July 2009, Zvi Schreiber escaped the heat of yet another steaming Israeli summer day in the comfort of his office and gazed at the framed picture of himself with Israeli President Shimon Peres. The entrepreneur had good reason to feel proud: having sold his previous two ventures for substantial sums, his new tech start-up, G.ho.st, looked set for success.

G.ho.st, short for Global Hosted Operating System, was riding the wave of a new technology trend made possible by the rise of services like Google Docs, Zoho and Facebook. It all began in 2006 when Schreiber noticed his daughter was always sending documents to herself so she could access them at school. That gave him his “eureka” moment. Schreiber decided to develop a Web-based virtual computer (VC), making it possible for any user to log in via an Internet connection and manage documents or run applications from any computer anywhere.

But it’s not just his creative use of technology that makes Schreiber’s company so special. In true “ghostly” nature of being able to pass through walls, Schreiber’s workforce is based in the Palestinian West bank while he manages operations from Israel.

New Opportunities for Old Enemies

Since Israel became a state in 1948, separate from the Palestinian West Bank, neither side has known peace. When Schreiber started G.ho.st, he wanted to do something to help resolve “the complete mess that we’ve all made of this part of the world.”

Israel, with the world’s highest rate of engineers and scientists per person, was no stranger to technological innovation. Meanwhile, the economy of the West Bank was struggling with high unemployment, and road blockades prevented Palestinians from holding down jobs across the border in Israel. All too aware of the huge costs involved in starting up a new venture, Schreiber eyed this well of untapped talent across the border, who cost a fraction of their Israeli counterparts.

Luckily, Schreiber found a likeminded counterpart in the form of Murad Tahboub, the Palestinian owner of a leading IT outsourcing firm in Ramallah called ASAL Technologies. Tahboub swapped office space and a team of developers on the West Bank for equity in the venture.

And so G.ho.st was born as a unique collaboration between two traditional enemies. Of course, Israelis and Palestinians had always been forced to work together to a certain extent, but the majority of such collaboration was in industries needing cheap labor, such as agricultu-

re and construction. Schreiber, on the other hand, insists that his is a joint venture. Indeed, the IT sector was ripe for collaboration, given that physical barriers don’t pose a problem for product development.

Meeting Halfway

The team meets for daily video conferences, since Schreiber isn’t actually allowed to go to his headquarters in Ramallah, and travelling to Israel is too difficult for staff due to road checkpoints. Despite these odds, company members do all try to make it in person to a weekly meeting at a gas station on the road to the Red Sea. The pastoral setting, with Bedouin shepherds tending their flocks nearby, isn’t the most apt for a high-tech business meeting, but it’s the only option with minimum hassle.

Although the historical divide between Israelis and Palestinians unavoidably affects operations, G.ho.st is adamant that it doesn’t influence working relationships. This can’t be easy, particularly when faced with an incident such as Schreiber attending the funeral of an Israeli soldier on the same day that his marketing and communications manager lost a friend in Gaza.

G.ho.st had gotten along fine with its peculiar arrangement, and had attracted international acclaim for its efforts to build cross-border ties. But on that day in his office, Schreiber wondered whether G.ho.st could continue this way.

He was fresh from a meeting with potential investors, one of whom had expressed concern about the company’s intellectual property being located in an area of such political unrest. Why not move operations to somewhere safer, like India? At the time, Schreiber had stood by his operational model and social mission. But he couldn’t just dismiss this concern out of hand. As he sat mulling it over, he wondered whether others, particularly in such challenging economic times, might think the same.

Certainly, G.ho.st wasn’t short of competition; other companies were also vying to deliver the first VC, capitalizing on the trend for more cloud computing. Would investors opt for a safer bet? Schreiber had to convince them that they could count on G.ho.st and the peace process, but how? Should he just give in and move operations outside the West Bank? Or should he stick by his dream of a successful Israeli/Palestinian business collaboration? □

The case study “A G.ho.st Story: The Challenges of an Israeli/Palestinian Business” by research assistant Assaf Ezov and IESE Prof. Alberto Ribera is available from www.iesep.com.

New economic times call for new measures. Don't wait around for investors, and don't be swayed by their fears.

Stand Firm and Tall



by **Thomas F. Anglero**
Founder and CEO,
WiHood

G.HO.ST'S FUTURE SUCCESS is not based on its location or the nationality differences of its staff, and investors who would make an issue about this are not worth considering. As a Puerto Rican/American living in Oslo, Norway, and working to provide virtual desktop and Internet services to anyone and everyone, I cannot recall ever being told via e-mail or during a conference call that someone refused to work with me or my company because of our different nationalities.

The Internet and the services that define the Internet thrive on diversity. Most developers work on open-source projects during their free time, for the betterment of a solution they believe in. Developers actually prefer to work with others who are not of the same ethnic background because they have an opportunity to learn a few new tricks and insights along the way. This mentality is the basis of the Internet generation.

G.ho.st is in an early growth phase. In March 2010, G.ho.st shut down its free public service that had initially brought the company a lot of global attention. No explanation as to why it did this, but the obvious reason is that every time a free user logs in to the G.ho.st virtual desktop, G.ho.st is charged for it by its infrastructure partner. A free user casually checking his or her desktop over the course of a month adds up to a few cents, and this, multiplied by several thousand users, adds up to a running cost that has no return on investment. G.ho.st must have realized that it was time to grow up, refocus and leave "free" behind.

Zvi Schreiber's previous two start-up exits were financially successful, but that was when the market for buying companies was in style. Today, a start-up does not have the luxury of a three-to-five-year outlook to be acquired by a larger company. Those days are gone.

Investors follow trends. The cloud computing trend, which has received a lot of hype, is still not

completely understood, partly because it changes many of the fundamental financial variables of the typical investor spreadsheet. This makes investors uncomfortable and puts G.ho.st in a situation where for every extra minute it spends explaining, it is one more minute investors have to think of new ways to reject an opportunity. G.ho.st seems to have accepted that its future is in its own hands and, as money from an investor may never come, it must stand on its own. Therefore, I recommend that G.ho.st proceed with the following strategy:

GLOBAL MARKETING CAMPAIGN. Take the effort and content presented to investors and convert that into a global marketing campaign. I'm sure it's that good!

BE THE LEADER IN THE NEW CLOUD COMPUTING SPACE. There are many players but no clear leader as of yet.

LEVERAGE THE AMAZING HISTORY OF ISRAELI START-UPS TO YOUR ADVANTAGE. The Internet bloodline of Israeli companies is very strong – from ICQ, the inventors of instant communication and chat technology, to VocalTec Communication, which invented Voice over IP technologies. Tell the world: "Here is the next great idea from Israel – and now Palestine!"

DEVELOP A VIDEO STRATEGY. Having a name as great as G.ho.st is a gift. Invite users to make videos that play off the company name, and through these videos, drive attention, new customers and fame on YouTube or any number of other popular video streaming networks. This is a "must" action item that is fun to do, both internally and externally. Make this a global competition.

Despite the problems it faces, I believe there's still plenty of life to be found in this G.ho.st.

ON THE AGENDA

- Ignore any and all discussion about difference in race and ethnicity. It's a waste of time and insulting.
- Live in light of new economic realities. Investors may not be forthcoming. Better to stand on your own and leverage your amazing story to your advantage, through global marketing, viral campaigns and the strength of the open-source community.

Don't shy away from the duality of this mission. Embrace it in everything you do to see lasting change.

Stick to Your Vision



by Shainoor Khoja
Director, Corporate
Affairs, Roshan

IN MY EXPERIENCE, it is possible to bridge differences when there is a common goal that benefits all – namely jobs and connectivity. Our telecom company entered Afghanistan with the same premise – that business can be the catalyst for socioeconomic growth while bringing hope to those who have known nothing but war, pain, loss and destruction. Rather than shy away from the duality of this mission, we embraced it. As a result, we overcame ethnic divides in the recruitment of our staff, creating jobs for more than 1,200 people, as well as indirectly employing 30,000 others. Most tellingly of all, when we asked the people in focus groups what we should call the company, they came up with Roshan, which means “light” in both of the national languages. This demonstrates that, besides being one of the largest employers in Afghanistan, we also represent what the majority of Afghans want: a chance in life, a brighter future, peace, stability, hope.

The situation facing G.ho.st is similar. A borderless, virtual technology has the ability to make a real difference to the lives of many Palestinians, not just its partners. Schreiber's successful track record can be used to attract more investment, tax revenue, jobs and opportunity for Palestine. As the opportunities increase, light and hope break through. People find they have something to live for. This eventually makes people more willing to build bridges, to find synergy amid the differences.

The foundations for G.ho.st to grow successfully are present. The joint venture with a capable and likeminded partner adds value and is an important first step. The equity share is critical, since it demonstrates the value that the Palestinian team brings. The profit-sharing arrangement signals that this is not simply a cheap outsourcing exercise, but a mutually beneficial, strategic rela-

tionship. These are fundamental building blocks for a safe and successful investment, because it shows that all the stakeholders have something to protect and make work.

The owners also need to ensure that the passion that underpins their business philosophy permeates every aspect of the company culture. Everything the business touches – employees, customers, the community, the media – must deliver the message of common purpose, working together and collective success. Making this a deliberate strategy will allow scalability, because instead of just one or two extraordinary individuals, there will be many communicating the values of the enterprise.

Despite the obstacles, the partners have already found imaginative ways to work together and overcome barriers. In time, G.ho.st will stimulate the creation of other services and products, thereby attracting more jobs and investment. Gradually, a transformation will take place, much like that experienced by Roshan. In Afghanistan, nothing has had a more galvanizing effect than unbanked populations suddenly able to make mobile money transfers or people receiving better health care thanks to telemedicine or remote villages simply able to make a phone call. Ethnic divides, tribalism and extremism stand less of a chance when entire communities are prepared to come together in defense of their local mobile phone mast. Such a business model is not easy, but it can, in fact, succeed.

ON THE AGENDA

- Use your past success and the strength of your dedicated team in Ramallah to find the right investor interested in this unique value proposition.
- Do not compromise on your pursuit of peaceful collaboration. Instead, let it permeate everything you do in the core business to contribute to lasting change.
- This results in significant returns for investors, which lends credibility to this dual agenda.

In an unstable environment, physical security and data protection are crucial to ensure investor support.

A Bridge Between the Clouds



by **Ricard Pons**
Executive Consultant,
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IN RECENT YEARS, businesses have broken down numerous barriers, thanks to two important phenomena: the Internet and greater labor mobility. Given this, the fact that G.ho.st has devised a service able to operate from remote locations is, by itself, nothing extraordinary; however, its need to build bridges between two traditionally opposed communities puts it in a different league.

As contradictory as it may seem, G.ho.st's lofty goal to bring a measure of peace and prosperity to a region beset by nearly a century of conflict could be its primary asset. World governments, not to mention the people of these territories themselves, are increasingly desirous of a solution that will bring lasting peace to this region. Hence, any initiative that already carries the weight of international public opinion on its side is a boon, and G.ho.st should not squander the opportunities this presents to build a convincing case for potential investment. Moreover, the company can take the best of both sides: the hard work ethic of the Palestinians and the technological know-how of the Israelis.

Capital is skittish and calls for minimizing the risks. Security should be a top priority. This should start with the physical integrity of the firm itself. While it is standard for any project of this nature to have systems that prevent data loss, G.ho.st must have duplicate servers located somewhere away from any conflict zone. Such security measures are vital when luring new customers and convincing investors of the project's viability.

Certainly, offshore-outsourcing part of the operation to a vendor located beyond the Israeli and Palestinian territories may be one way of achieving this desired level of security. If going this route, the company must avoid undercapitalizing in terms of technical knowledge; instead, it should outsource only processes that create less added value and make every effort to maintain

those that demand higher qualifications.

In addition to ensuring the availability and continuity of its data resources, G.ho.st must safeguard the privacy of its customers, from banking organizations to hospitals and others whose work involves proprietary and confidential information. In this regard, cloud computing is currently at a point of considerable maturity. Nonetheless, in order to fully capitalize on its advantages, G.ho.st must find a way to achieve maximum standardization for its applications and processes. This will allow it to be more flexible and adapt to changes.

Another way to achieve greater flexibility, especially for small start-ups like G.ho.st, is to assemble a versatile team, one capable of performing various functions and, if necessary, swapping positions. This also helps foster team unity.

Finally, telecommuting is increasingly more common and beneficial across all industries, and markedly so in the IT realm. My own experience tells me that the Israelis have a certain advantage from the start, due to their Anglo-Saxon influence, compared with other cultures, such as those of Latin countries, and even that of the Palestinians, who are defined more by immediate, personal contact. For this reason, a partnership involving Israelis and Palestinians cannot dodge the cross-cultural dynamics involved but must find creative ways to deal with them, as they are doing. Because even though technology builds bridges, there will always be a need to meet face to face, to ensure that everyone is speaking the same language in every sense.

ON THE AGENDA

- Guarantee physical security and data protection.
- Standardize the company's processes and know-how.
- Promote versatility to help employees adapt to change.
- Consider offshoring carefully, mainly for those activities that generate less added value.