

Globe Talk: ECI looks to India's engineers

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China has become de facto the factory to the world, while multinational corporations ignore India as a country to base their customer service operations at their peril. But while cutting costs may be the single biggest driving force for companies to have a foothold in the two countries, an increasing number of businesses are looking to both China and India for highly skilled and well-educated workers.

Indeed, only days after European telecommunications giant France Telecom announced that it would establish a research and development center in China, Israel's ECI Telecom announced last week that it had opened an R&D unit in India, less than a year after it bought out a research facility in China as well.

The company, which specializes in providing advanced telecommunications systems to major carriers including Deutsche Telecom, AT&T, Vodafone, and BT as well as France Telecom, said that the Mumbai-based center will allow it to develop a strong technical talent pool in the region and reduce the time to market for new products to clients worldwide. Indeed, some of the most lucrative markets for the company are in India, as well Western Europe, Russia, Ukraine and the Philippines.

"India is an optimal location ... based on the region's superb talent in software development and ability to work with companies like us that are focused on telecom and high-tech initiatives," said Rafi Maor, chief operating officer at ECI. "As a result of our well-established customer relationships, we believe that it is the right time to expand our

commitment in this region by adding this new center," he added.

Granted, its vice president for strategy and business development, Dror Nahumi, pointed out that cheaper cost was a key factor driving the launch of the research facility that extends ECI's research facilities beyond the United States and Israel.

Efforts to keep costs down "is what drives everyone else too" to open up research centers in India and China, Nahumi said, but he added that "you also get quality for what you pay ... and so you get significant value."

In the case of ECI, its Chinese center has been focusing solely on developing the optical networks division, one of the three key areas the company provides to improve telecommunications infrastructure and allow clients to cut telecom expenditure. The optical networks division is also ECI's most profitable section, which saw its revenue increase by 23 percent from a year ago to \$85 million in the latest quarter, with operating income rising 43 percent on year to \$12.7 million. About 40 percent of the company's optical networks sales come from a strong presence in the cellular market.

The Indian operation, meanwhile, will be directly involved in developing all three divisions, namely broadband access and data networking, as well as optical networks, Nahumi said.

There is no doubt that India in particular has a plethora of well-educated engineers, many of whom are U.S.-trained and yet are willing to work for a fraction of the price of their counterparts in industrialized countries.

But when questioned whether ECI's researchers in Israel would feel threatened by the founding of a facility in Mumbai, Nahumi argued otherwise, stating that "in order to grow as an organization, we need to

deliver more products, and increase capabilities. ... With more engineers, we can move faster."

He also added that while cheaper costs will allow the company to hire more engineers based in India who will be "able to deliver more for the same price," they will not be replacing any Israeli engineers who will focus more on more sophisticated, technologically complex projects.

So while there appears to be no overlap in what researchers in higher-cost regions and those in India and China will be doing, at least for now, some analysts are skeptical about ECI's declaration that engineering jobs in wealthier countries will remain unaffected even in the longer term.

After all, even if the Nasdaq-listed company itself is willing to keep research jobs secure on the home front, its shareholders might start thinking otherwise.

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