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## Guest CEO Editorial



**Marc Granic**

President, CEO,  
MERA Networks Inc.

As the president of MERA Networks Canada and Member of Executive Board of MERA Group, Marc Granic is responsible for product marketing, technology outsourcing, business development and supervision of R&D activities.

Prior to joining MERA Group, Marc served as Managing Director, International R&D Operations for Nortel Networks, Canada and pioneered the company's technology and outsourcing activities from ground up to a highly qualified team of 2, 000 professionals. Under Marc's leadership, the outsourcing partnership projects geographically extended all the way from India to Russia, Romania and Vietnam, significantly reducing costs of product development. As an Assistant Vice President, Technology for Nortel Networks, Canada, Marc was responsible for planning and development of advanced technologies further used in creation of new products intended for future Telecommunication markets.

Today, apart from his management responsibilities at MERA, Marc runs his own outsourcing consulting business rendering assistance to outsourcing companies globally.

Marc earned his MSEE from Bucharest Polytechnic Institute, Romania and his MBA from Waterloo University, Ontario, Canada.

growth in the next few years, producing an estimated \$4.9 trillion in revenue in 2011. During this period of growth, TIA projects that VoIP will begin to overtake circuit-switched residential landline connections and experience substantial adoption in the enterprise. At the same time, the report estimates that internationally, wireless voice services will surpass landline in 2009. Due to IP, equipment sales are on the rebound, the

### **Tholons:**

**The growth in the telecom industry is now in Asia, S. America and Eastern Europe away from the mature markets of the Western world. How is this impacting your firm(s) and what is your strategy moving forward?**

### **Marc Granic:**

Despite the increasing likelihood of a recession, the Telecommunications Industry Association (TIA) is projecting steady U.S. and global telecom market

enterprises and carriers move from legacy services to IP-based next-generation networking technologies. Add to this the IPTV and other super connectivity broadband requirements and the picture around the globe becomes extremely dynamic. Our companies in Russia and Romania have seen steady growth of telecom software outsourcing services both from North American companies and from the local East European and Far Eastern ones. Moreover, the demand for our services expands over new technology projects and the growth of outsourced legacy ones, due to constant pressure to decrease the cost of product support.

**Tholons: The telecom space is moving at an extremely fast pace in terms of innovation - there is a lot of discussion on 4G networks now. Also, different countries have different standards and even regulations. How does your firm(s) copy with the fast paced innovations and also multiple standards/regulations?**

**Marc Granic:** There are 2 major competing technologies in the 4G space, WiMax and LTE. WiMax technology, in particular the new mobile variant currently under development, is viewed as a wireless Internet alternative to the cellular-based LTE (long term evolution) technology supported by numerous mobile phone operators -- including Vodafone.

As far as the development space of our Mera Networks (Russia) company, we are technology neutral. We're interested in both WiMax and LTE. Our decision is about being in a position to take advantage of future technology opportunities and support both 4G technologies.

Both WiMax and LTE offer excellent User Data Rates in the order of 10 – 160 Mbps.

LTE design seems to be superior especially concerning Mobility and Data Throughput. Choosing the right technology path will depend on each operator's individual situation. Mera Networks is a recognized world leader in the area of VoIP and will benefit from its further development path. Almost all cellular voice today leverages existing circuit switching from Nortel switching technologies of the 1980s. Being able to offer 50 Mbps speeds to subscribers going 70 MPH should generate opportunities on a 4G or IPTV for mobile TV applications. Out of the two technologies mentioned above, there can't be one technology which can be deemed as superior. In any case this field offers significant opportunities for technologically advanced development companies, to offer their services to telecom providers in urgent competitive situations.

**Tholons: What was the rationale behind choosing Russia and Romania as your delivery centers, when the India market was looking very lucrative?**

**Marc Granic:** The decision to choose Russia and Romania as our delivery centers was driven by a set of dramatically different market needs. The outsourcing industry was in its infancy in the late 80's. The main drivers for the projects being outsourced mainly to India, was low labour costs and the

abundant availability of university trained resources. Being employed at the time in Nortel, the company that prided itself as being one of the leaders in telecommunication technology in possession of a strong engineering backbone we were looking for collaborating with all potential places that could give us a competitive edge in product research and new product design. The main source of this external input were the Universities of the World and Nortel was taking full advantage of a University collaboration program. Post opening of the Soviet Union system, around 1993, an opportunity was created for the engineering development staff of the company to access resources of Russian institutes involved in a wide array of technologies among them Radio Transmission, Telecommunications, DSP (Digital Signal Processing), Core computing technologies etc. None of the Indian software development suppliers were able to come close to the knowledge depth of the Russian researchers. In fact, most of the Indian PhD's at that time, were educated at former Russian Universities. Taking advantage of the low cost and wide availability of the research personnel in Russia, the decision to open a outsourcing program with Russia was a natural one. As a result, our company program divided itself into two main branches. India took over the D (development) component and Russia provided the R (research) component of outsourcing. As time went by, the Russian outsourcing program grew to cover a series of the software development projects, with a 'twist', that is with significant components of system and advanced product design, at prices fully competitive with India.

Romania, on the other hand, was chosen for the same factors as India. Specifically, there was a wide availability of university trained resources combined with competitive prices compared to India supplied development. In addition to these components, the closeness to the cultural background of European countries gave Romanian developers an advantage in dealing with the companies based in EU. The entry of Romania into EU community has accentuated this advantage, although it exerts continuous upward pressure on the cost of operation.

Both Russia and Romania, are on a continuous growth trajectory for the last 10 years.

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## Tholons: What are the key challenges you have faced in running operations in these centers?

**Marc Granic:** The challenges running the operations in Russian and Romanian centers are fundamentally similar and are facing fundamentally the same challenges as Indian outsourcing industry. Before listing them however, there is one main difference between Indian and East European centers, namely that the turnover of professional staff is significantly lower in Eastern Europe, than in India. In general, there is an increasing global competition and a significant pressure on margins for both Russian and Romanian development centers. The economic growth creates a wealth of opportunities, causing salaries to increase at a much faster pace than the inflation. Talented developers are often presented with new offers to increase their salary, or to fast track up the ladder.

There are still significant cross cultural issues to deal with in both countries. Several programs to deal with making the operations fully transparent to their customers have been put in place. The industrial growth in both countries along with the significant increase of demand for outsourcing services makes it more difficult

to find highly qualified resources. A series of innovative University programs sponsored by our companies are active in dealing with this issue.

**Tholons: How easy or difficult is it to scale up operations in these locations? Is there sufficient scale to grow and how good is the quality of resources in comparison to other offshore locations like India? What initiatives have been taken by your organization to beat the market?**

**Marc Granic:** Both Romania and Russia are facing essentially the same type of challenges when it comes up to growing their operations. The main factors affecting the ability to grow are raising salary levels, internal competition for qualified resources and having access to a sufficient number of qualified university graduates to satisfy the demand for growth. Both our Russian and Romanian operations have implemented a number of creative initiatives to deal with each of these challenges. Company benefits such as full medical coverage, differentiated financial bonus packages, free lunch at work, free transportation to the place of work, day care for children etc differentiate our companies to the rest in the same field. Various university training, coop programs and opportunities to gainful work at the companies are offered to late study year students. A significant number of training programs were put in place to raise the level of management competency to the western standards. Finally, both Russian and Romanian operations are opening satellite labs in other regions of their respective countries to manage costs and take advantage of locations that are resource rich but not yet as solicited as the cities our main companies operate in.

**Tholons: Do you see an emergence of a "Center of Excellence" for Telecom in Europe? If yes, which location and why?**

**Marc Granic:** The emergence of "Centers of Excellence" in any of the industry segments including telecommunications is closely linked with major programs funded either by the industry giants, by governments or by large EU funded initiatives.

The government in Russia has funded the newly opened Technical Center of Excellence for Nanotechnology Development. The state-of-the-art center gives researchers and developers from across the Russian Federation access to advanced nanoscale imaging, analysis and manipulation capabilities. The main reason for such funding is the hope that the country will be able to take advantage of far reaching nascent technologies with potential to produce revolutionary changes in industry.

On the other hand, the Telecommunications industry is currently self financed in Russia and there is little probability that either the government or a consortium of large company will extend a similar investment any time in the future.

As far as Romania goes, the country does not have sufficient resources available for investments in 'Centers of Excellence'.

In Western Europe, there are several initiatives that have funded a number of Centers of Excellence in the Telecommunications area such as the Images & Reseaux, a telecommunications undertaking within the Brittany region and nearby cities of Rennes and Laval. France Telecom, Thomson, Alcatel, Thales and French TV network TF1 have marshalled 100,000 employees - half in top management posts - alongside 1,700 researchers, and 16 schools and universities to focus on the digital revolution and new technologies. Groundbreaking advances in HDTV, video on demand and third generation mobile video networks are being born, thanks to this €300-million scheme.



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