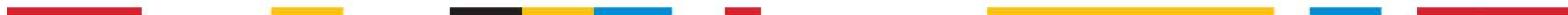


BUSINESS AS (UN)USUAL?

A way out of the “technology maze”

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Purpose of the presentation

- Explore growth opportunities for smaller and medium-sized LSPs
- Find a way out of the “technology maze”
- Share experiences on “ecosystem” collaboration and growing through carefully built partnerships

Business growth

Time to change

- The translation business is becoming more and more part of the “information business”
- The number of technology options to be supported is increasing despite of standardisation
- Shrinking growth opportunities in “comfortable” markets that require no major technology investment or new know-how

Market winds blowing

- Some are seeking a successful exit
- M&A can be a way to increase footprint and acquire new markets
- Alliances have been trying to tap into synergies with varying success
- More and more technology partnerships announced

Ways to grow

- **Expansion**
 - New languages/geographies/offices
 - More technology-intensive services
- **Acquisition**
 - Market share
 - Know-how
- **Partnerships**
 - To achieve all the above at a lower cost & risk, but also at a lower pace & degree of control

Risks

- **Unpredictability:** Some LSPs were expanding/acquiring just when recession hit
- **Scalability:** In a traditionally “lean” industry, hiring more PMs & technical staff to support growth represents a risk
- **Technology:** Growth requires technology investment, but it is easy to get lost in the “technology maze”

The \$100K question

If I have \$100K, do I invest into hiring

- **4 project managers** to handle more volume & languages, or
- **3 engineers** for increased capabilities (CAT/localization/DTP), or
- **2 salespeople** with a strong potential to grow my business – and buy services as needed (possibly from cheaper locations)?

Technology development

Any form of growth requires technology

- **Growing volumes, new offices:** Invest into business systems and TMS integration
- **Growing number of languages:** Automate repetitive processes from analysis to QA; TM/terminology server, online projects
- **Service diversification:** Invest into tools & know-how (software/content localization, MT, authoring integration)

Parallel transition at 3 levels

- CAT technology
 - Desktop-only ⇒ server-client ⇒ browser client
⇒ SaaS ⇒ cloud (+MT integration)
- TMS integration
 - From business/project management systems detached from production workflows to high-level workflow automation integrated with CAT
- XML-based source/target/interchange file formats
 - XLIFF, DITA XML, TMX; XML/CMS src/target

The “technology maze”

Customers may send us files in the latest file formats that require an immediate upgrade of our CAT or DTP tools, and expect us to use their preferred CAT/TMS environment or switch to other tools whenever convenient for them

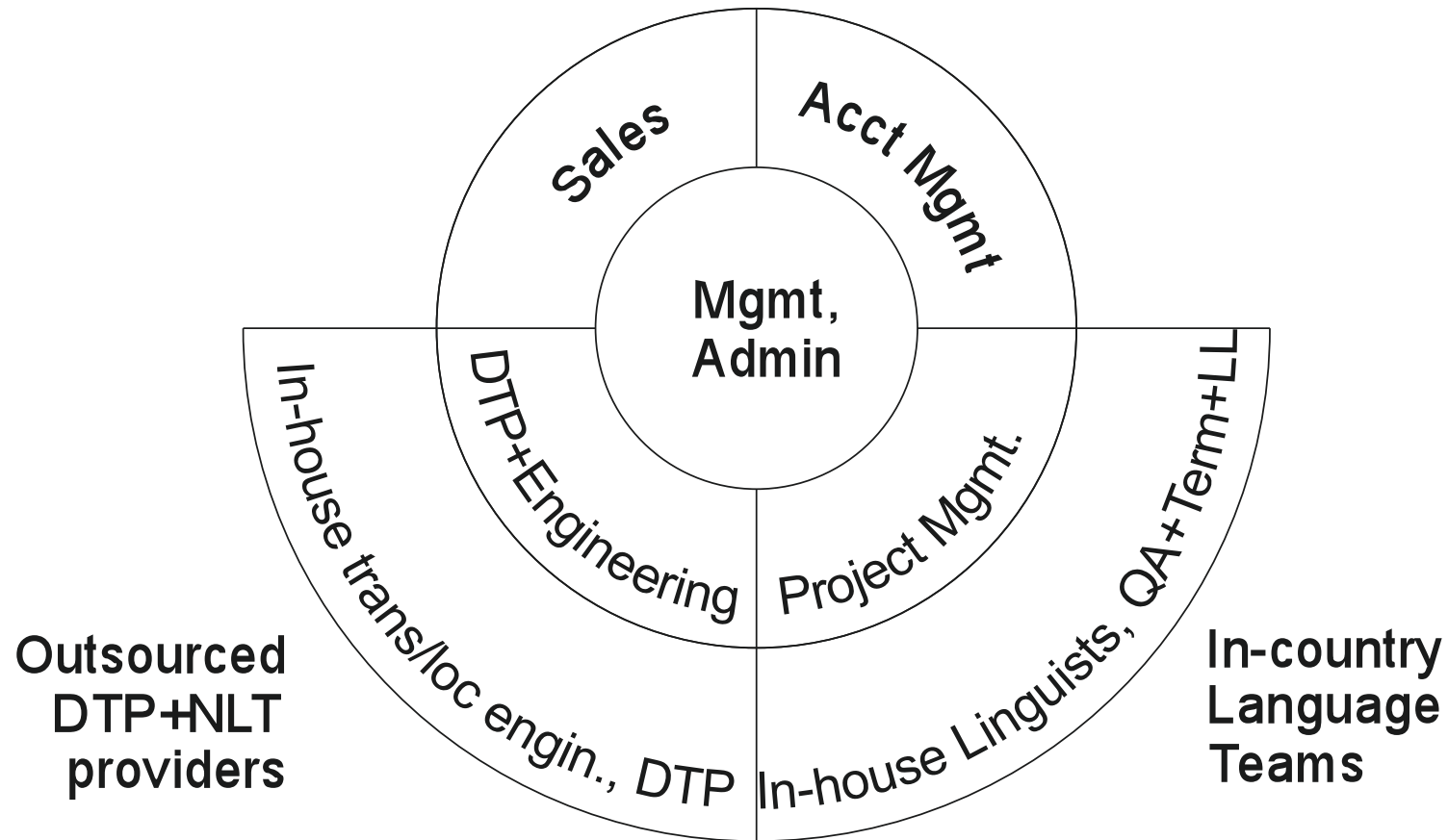
- Should we be prepared for anything that customers may throw at us, any time?
- Should we buy licenses for each and every CAT/ DTP/ localization/ CMS tool and upgrade each time there is a new version?
- Can we afford expert in-house staff for such a wide variety of technology options?
- Does the growing complexity of technology limit our growth? In short: can we afford “business as usual”?

The need for partnerships

- **CAT tools:** Technology partnerships for customisations, feature/integration requests and quick filter/bug fixes
- **Business systems:** Shared development/integration/customisations by a group of partnering LSPs sharing costs
- **DTP, engineering,** other non-linguistic tasks: Outsourcing partners

Organisation & processes

LSP organisation

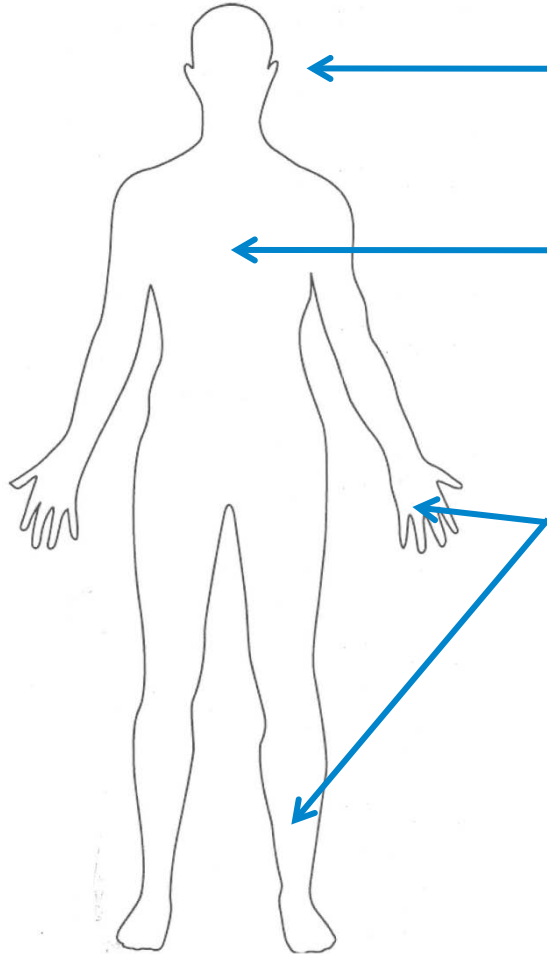


Technology concentration

Efficient technology requires the concentration of technology assets & know-how. Options include:

- Follow & adapt to technology of MLV/corporate clients, offer linguistic services mainly
- Use cloud/SaaS solutions and outsource tech-intensive processes whenever possible
- Build up sufficient in-house capacity & know-how, become a technologically sophisticated, major player
- Gradually build/maintain key know-how in-house and invest into relationship with potential tech-office partner (ecosystem integration, potential acquisition target)
- Build geographically distributed organisation with technology/production centres at the optimum locations

The problem with outsourcing



← Head functions: cannot be outsourced

← Internal organs: artificial heart/kidney possible but not viable in the long term

← Hands & legs: their functions can be easily outsourced

Technology: hand- & legwork that requires brains?

Changes in processes

Increasing tech input for quoting and developing workflows for new clients and new types of jobs:

- Complex file formats and content
- New CAT tools, TM migration, leveraging

Supporting structures:

- A “tech-sales” function to support Sales in acquiring customers with technology-intensive processes
- A “tech-office” with language tool experts, localization engineers, DTP specialists, and tech-savvy PMs who can interface with them

Tech-sales

- Supports Sales in acquiring customers with technology-intensive processes, e.g. MT, CMS, software localization, complex DTP, special tools
- Can take part in customer negotiations directly, projects a professional image
- Interfaces with customer technical experts when necessary
- Supports quoting, account management, workflow development, and problem escalation in the initial period and when processes change

Tech-office

As part of Production:

- Supports multiple CAT tools from analysis/quoting to final QA & TM maintenance
- Performs pre- and post-processing for all file formats, optimises filters, settings, parsing etc.
- Ensures optimum pre-translation, leveraging, MT integration, automated QA checks
- DTP & engineering (e.g. help/CMS compilation, localization engineering, scripts, testing)
- Builds & enforces customer/content-specific workflows

Tech outsourcing

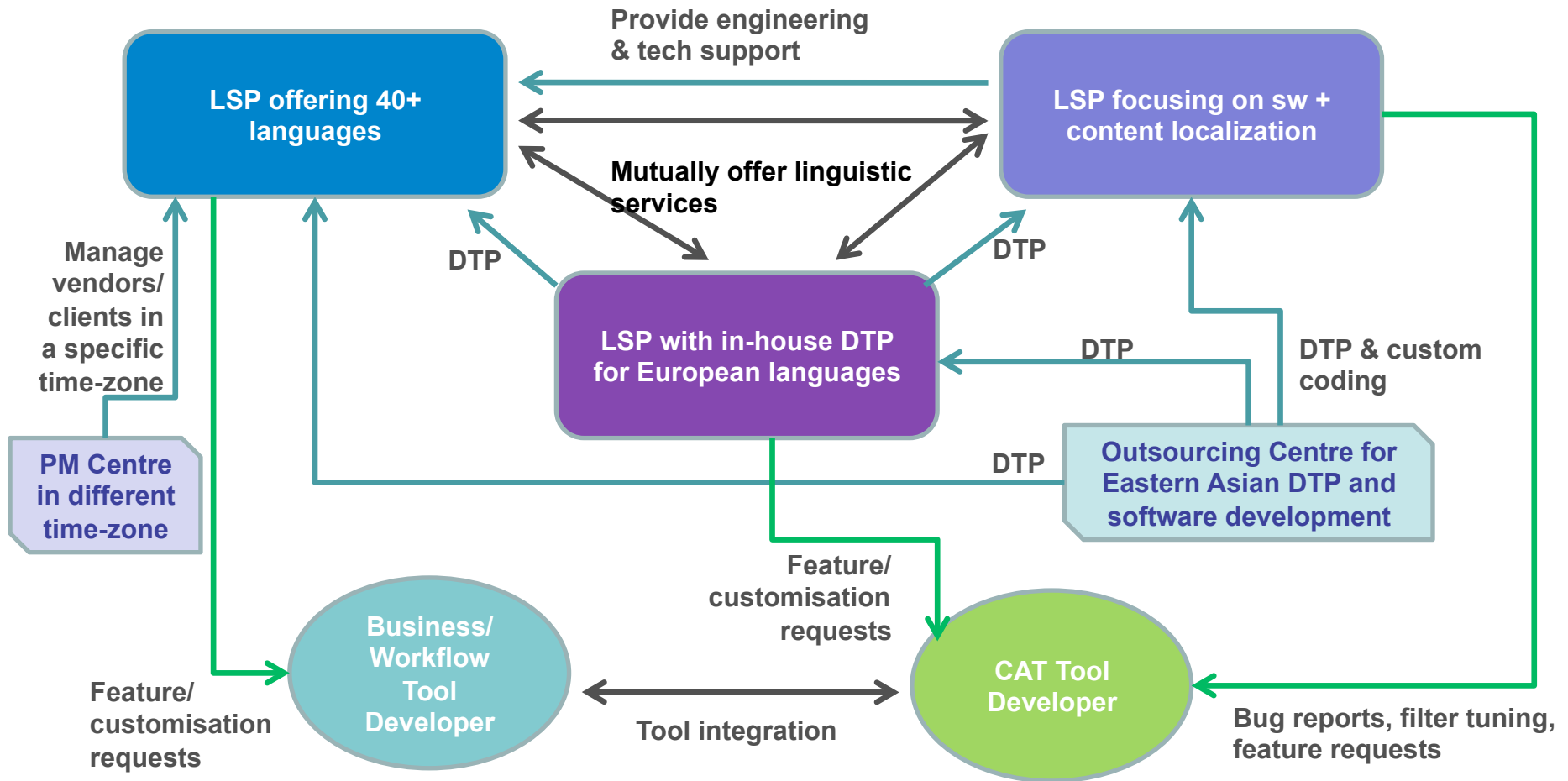
- Tech-sales cannot be outsourced, but a strategic partner can provide consultancy
- It is very difficult to outsource tech prep as it is closely interlinked with quoting & pricing (e.g. optimised leveraging)
- Prep & post-proc also closely interlinked, smart prep saves a lot of post-processing
- Easily outsourced: PDF prep, DTP/layout post-proc, graphics editing, testing, voice

Roadmap required

- Simple tech outsourcing offers no easy exit from the technology maze
- Large MLVs can capture an even bigger share of the market since they can afford diverse technology and know-how, including efficient MT
- SaaS & cloud-based systems simplify the equation but increase dependency
- More and more smart customers turn to easy-to-use, small footprint XLIFF/TMX-based CAT tools that do not fit in well with existing LSP workflows

Ecosystem partnerships

Ecosystem example



Finding an ecosystem partner

- **Diversity:** Sufficiently distant market geographies to avoid direct competition and to exploit price/cost differences
- **Trust:** Fellow alliance members, regularly meeting owners/managers at events
- **Reliability:** Try them out both as a vendor and a client for linguistic services to learn about their processes & quality approach
- **Specialisation:** Identify and test their specialty areas

Partners in different geographies

- **Western Europe:**
 - Proficient at sales, lucrative customers
 - Sound processes
 - Tech workforce expensive
 - PMs less proactive in tech-intensive projects
- **Central and Eastern Europe:**
 - Less sales experience, lot of work from MLVs
 - Very good price/value with tech services (but not cheap)
 - Proactive problem-solving, can be involved in tech discussions with client
 - Need initial education (compliance with processes and quality expectations)

Partners in different geographies

- **Russia:**
 - Sales focus on CIS languages
 - Different business culture & environment
 - Cheap and knowledgeable tech workforce
 - Strong programming skills, creative tool development
- **China:**
 - Rates at local market too low for doing business together
 - Cheap and knowledgeable tech workforce
 - Lack of proactivity (step-by-step instructions needed)
 - Offers good candidates for outsourcing but difficult to communicate with (avoid direct involvement with client)

Partners in different geographies

- **Japan:**
 - To have a partner in Japan is practically a must when offering Japanese translation/DTP (instead of regional MLVs offering Japanese)
 - Great professional culture, aesthetics very important
- **Latin America:**
 - Regional market interesting (pt-BR, es-LA, es-XX)
 - Good communication skills, e.g. for PM centre
 - Good tech professionals available but sometimes bottlenecks arise
 - Interesting for geographical & time-zone coverage

Building a partnership

- Meet at owner/CEO level first, find out strengths, competences, business potential
- Start to work together on actual jobs (if possible, both ways) to know and align processes
- Try to align strategies, cooperate on sales (e.g. sales workshop)
- Visits/exchanges for key PM & tech staff
- Let staff from the two partners meet & have some time together (party, recreation, workshops)
- Legal stuff: NDA, frame agreement, SLA, rates

Capacity management

- Start with outsourcing on a unit basis (pages, hours)
- Agree on stand-by capacity for peak loads, week-end & overnight work

Capacity management

- Virtual resource:
 - Flex-time
 - Monthly standby fee + hourly fee
 - Includes senior expert input
 - Allows dynamic capacity scaling
- Dedicated resource:
 - Full-time coverage incl. vacation & sick leave replacement
 - Trained in the processes of key clients
 - Dedicated, accountable, yet significantly cheaper

Technology cooperation

- CAT tool specialisation
 - Rationalise & save based on existing competences and investment
 - Concerted efforts to pull needed features/fixes from CAT tool providers
- Business systems, TMS
 - Identify potential TMS customisation/ development/ integration efforts
 - Promote joint development projects inside alliances/ ecosystem to share costs and speed up development

Technology cooperation

- DTP & localisation tools
 - Create inventory of available & needed licenses
 - Optimise tool specialisation (e.g. Partner 1 on DTP tools, Partner 2 on localisation tools)
 - Farm out tool-specific prep & post-proc to each other
- File/filter/DTD manipulation, scripts, automation
 - Identify where sharing know-how is safe and saves cost
 - Create knowledge repository (e.g. shared Wiki), train staff

Business integration

- Sharing know-how carries a high risk
- Strong legal & business framework needed (confidentiality, non-competition)
- Possibly geared at a joint venture or acquisition of the partner in the longer term
- Return to simple outsourcing if marriage does not work – the experience will still be valuable to grow your business

Conclusions

- Start with outsourcing non-linguistic tasks outside of core competence or for high volumes
- Identify & educate ecosystem partners
- Plan & implement business growth, joint ventures, expansion, M&A based on wide-scale partnering experience
- Involve technology providers in your ecosystem

Please also reconsider the \$100K question!

Thank You!



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