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Perspectives

Arturo Quintero

Weathering the economic downturn



Whether the weather be fine
Or whether the weather be not
Whether the weather be cold
Or whether the weather be hot
We'll weather the weather
Whatever the weather
Whether we like it or not

– Anonymous

I was pleasantly surprised that despite the current economic weather, the recent Localization World conference in Berlin (June 8-10, 2009) attracted more than 450 attendees. Somehow, I felt the rainy weather outside the conference center was similar to the atmosphere inside. The weather those days in Berlin had the same level of unpredictability and above all the same sense of mugginess as many industries today. And as the event has shown, our language services industry is certainly being affected by the weather as well.

I would like to share my personal observations, some of my personal takeaways, and, if you'll allow me, perhaps some recommendations. The vendor-client panel in which I participated at Localization World Berlin, "When the Going

Gets Tough – The Localization Industry in Times of Economic Downturn," was a good experience for me. Being an entrepreneur in our industry for the past 20 years helps me to compare the current state of the industry from a wider perspective, giving me a good vantage point to contribute in the hope that we all benefit.

The positive

Let me start with my positive observations. Doom and gloom are around us everywhere these days, yet the downturn also brings a number of positive aspects and changes, which may not be immediately visible.

For one, I feel that the current economic downturn has pushed buyers and sellers of localization services into a more open environment – one where both parties share their real constraints as well as expectations from a much more open position than in the past. For so long, we were afraid or sometimes resistant to show all our cards, for various reasons. Today, we're much more open, and this newfound openness is good.

I see the recent development as positive, since today we have an opportunity for both suppliers and vendors – really, everyone in the supply chain – to identify and work toward a common objective. Essentially, this objective is how to deliver our products to target markets at a minimum cost. Shifting our effort from that of constant negotiations to a position where it is understood by all parties that the common intent

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is to reduce the total cost of shipping localized products can help achieve a more productive result for us all.

The second positive I see is that in the current economic downturn, companies, regardless of how long they have been in the business, need to verify their rationale and fundamentals, such as cash, profitability and return on investment. We essentially need to ask if we have the right business model in place. This means that acquisitions, deployments of innovative technologies or even new alliances will all be challenged to the test to see if added value will truly be generated.

The third positive that I see is in our level of engagement, and by this I am using the definition of engagement used by human resource (HR) professionals, the assumption being that essentially an engaged team provides a higher value to its clients and so will also achieve better business performance.

I think the presentation delivered by Fiona Mullan (HR director of Microsoft Dublin) on Day 1 at Localization World was very illuminating. She said that people understand why their company needs to take particular steps, and thus it is about executing these steps so as to protect the engagement of the team.

Overall, at Moravia we are fortunate to continue to see growth in our business and we haven't had to resort to personnel layoffs, but we clearly see signs similar to what Mullan observed. Working with the HR consulting services company Hewitt Associates, we regularly measure the engagement of our staff, and we see that engagement is increasing. The increase is the result of specific actions we have taken, but we are also aware the current external environment is helping increase engagement.

Happy families

"All happy families are alike; every unhappy family is unhappy in its own way." This famous opening line from Leo Tolstoy's *Anna Karenina* has much to say about how companies may be influenced, or not, by the current downturn. In our industry, we observe our clients fall into one of three major groups, which in turn affect their current mindsets, expectations and the actions they are taking.

The first group shows no visible impact, and it's "business as usual." This is especially the case in industries or situations where translation or localization need

is not a direct function of the economic situation, but rather a must, often driven by regulatory requirements or in other cases by the competitive situation in the given sector.

The second group takes a more cautious approach and reassesses the current situation. This approach is in line with the frequent corporate guidance today, where the focus is on the immediate and near-term, still managing the everyday activities while looking for maximum efficiencies.

Lastly, a company may be in an extremely cautious or emergency mode. In some cases, we see a comprehensive reevaluation of the approach used so far, and reorganization of how translation, localization or testing activities are conducted. On one hand, projects and volumes are reduced; on the other, more activities get outsourced and more autonomy is given to language service providers (LSPs).

Whatever category your clients fall into – and I'm thinking of all of us, not just my LSP colleagues – it is important that your teams understand their motivations and respond to their needs accordingly.

On competition and innovation

We have long admired our colleagues at Lionbridge, not least for their brave strategies as they became industry leaders. Today, it is certainly inspiring to see how the largest player in the industry is addressing the challenges of recession. If Lionbridge can demonstrate sustained growth and profitability and get through its current financial struggles, this will be the best news possible to us all, from freelancers to language vendors, from clients to tools providers.

Innovation in our industry is not at the speed that our clients would like to see. Old processes and approaches, the lack of truly multiyear approaches to investment in the client-vendor relationship, and no clear technology breakthrough innovation are all factors.

So here in the midst of the current economic downturn, as we scan the horizon, we don't see the next innovation that will visibly shake up our production approaches and productivity – and I say this even given the rising interest in machine translation.

One important takeaway I got from Localization World was that I could see many single language vendors (SLVs) are seriously considering selling their

business. This desire to sell was more visible than ever before, at least to my eyes. Back home, I am asking myself, is there a fatigue among the entrepreneurs in our industry, particularly SLVs? Are we so afraid of the future as a community that we'd chance a tangible but possibly too-soon exit now rather than face an uncertain future?

OK, finally, and since no one asked me, here's what I would put forward as a few recommendations, for what they are worth.

Recommendations

- Focus on existing relationships. This is our priority. How can we enhance our offerings and provide better services to our clients? Also, how can we be better clients to our suppliers? I think in these current times, reliability and dependability are more important than ever before.

- Open the kimono. We need to be prepared to share details with clients, identifying our current and targeted key numbers. Clients are especially wary today and not interested in companies that may disappear soon. Mature buyers understand this, which may help us achieve our objectives when they see that our investment plans will turn into a benefit for them.

- Cash is oxygen. Firms go out of business when they essentially run out of cash. We have to make sure we have enough cash during a crisis and make sure our activities are generating it.

- It is about people, not technology. Only people will make the true difference. No matter how tough the decisions we need to make with our teams, we have to make sure they are compassionate and transparent and take organizational engagement into consideration.

- Stay relevant. This is perhaps the most important advice that I heard from one of our clients, though at the same time it is one of the simplest. It is easy to say we all need to stay relevant, but we all respond in different ways to this simple advice. I consider it every morning when I go to my office. How to stay relevant – this applies to my company all the way down to me and my job.

Whatever the weather outside, you can always thrive if you have the right equipment and the right foul weather gear. In bad times, think about the good times to come. After all, who said you should never trust the weatherman? Me, I'm already looking forward to the next Localization World conference, this October in sunny Silicon Valley. **M**