

Growing Deep: Vertical Specialization in the Translation Industry

A Veteran Tracks the Industry's Evolution
as a Basis to Explain Where It's Headed

Vertical specialization and quality systems expertise, the end result of working closely with medical device and life sciences clients, are reshaping the translation industry. The recent merger between Crimson Medical Translation and TransPerfect Translations provides one concrete example (see sidebar, "Let's Get Vertical: Anatomy of a Merger," on page 87). Resulting regulatory insights and specialized quality systems can help device companies meet ISO 13485:2003 risk management requirements and save substantial time and money through labeling translation efficiencies. Before you can truly appreciate the changes occurring in the translation industry today, though, following is a primer on its origins.

Brief History of Translation

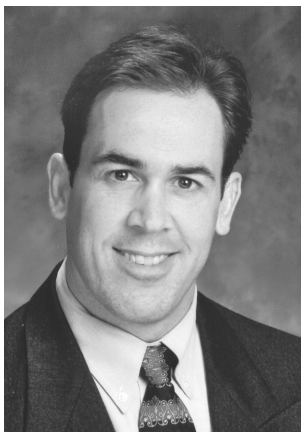
Translation is sometimes jokingly referred to as "the second oldest profession in the world." Although the profession is ancient (spanning as far back as language itself), the industry has remained relatively undeveloped and fragmented. By some estimates, nearly 3,000 translation companies, mostly sole proprietorships, operate in the United States. These are typically "mom and pop" service businesses with limited resources and brief operating existences.

Over the past 20 years, however, the United States has seen changes in its economic and technologic environments. Globalization has forced US manufacturers to market more aggressively overseas. In the past, domestic markets for these products and services were adequate for sustained growth. Now, faced with growing development costs and shortened product life cycles, companies have sought to maximize ROI through rapid deployment into overseas markets.

Advances in communications and information technology have simplified and reduced costs for processing text-based information. Moore's Law (the doubling of data density every 18 months) has had a deeply profound effect on the language services business.

The march of progress over the past 20+ years has not always been steady, though. For instance, the Internet bubble—and subsequent implosion—seriously affected the industry, leading to relatively few Web-focused success stories and several infamous flame-outs.

In all, the results have been startling. Prior to 1980, only one US company having translation revenue in excess of \$15 million. Now, seven translation vendors in the United States have reported such revenue (with four of them boasting more than \$50 million)—and two of them are publicly traded.



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Who Are Those Guys?

Today's leading translation firms can be evaluated as belonging to one of three "types"—each with a distinct origin and outlook:

Type I: Software Translation/Localization Companies.

Beginning in the mid-1980s, companies began focusing efforts on the emerging market for software localization (translation of software for overseas distribution). Due to high development costs, short product life cycles and ease of piracy, rapid access to international markets became imperative for software companies seeking to maximize ROI. This, in turn, drove the development of specialist translation companies looking to service a need. Several rounds of industry investment and consolidation have led to the emergence of large, sophisticated and publicly traded localization companies. These

businesses are characterized by an engineering focus, with technology as the organizing principle. Major service providers that also sell translation memory software generally fall into this category.

Type II: Corporate Translation Departments.

In the past, large companies such as Bowne Printing, Xerox or 3M developed in-house translation departments to support operations of the larger parent corporation. Bowne, for instance, acquired the translation operations of another corporate translation department (Berlitz) before selling the entire operation to localization provider Lionbridge. These companies are characterized by scale and, often, the inherited bureaucracy of the larger parent. Corporate translation departments are generally resource-rich. However, experience shows that abundant resources can sometimes lead to a lack of efficiency and bottom-line focus.

Forgiving capital markets (if the company is publicly traded) may further erode effective operations.

Type III: Entrepreneurial Start-Ups.

As a service business, the barriers to entry in the translation industry are relatively low. While this leads to overall industry fragmentation, it also means that talented entrepreneurial companies can succeed with innovative market approaches, hard work and little capital. For instance, TransPerfect Translations grew from a two-person start-up in 1992 to a top global firm. Because entrepreneurial firms are usually boot-strapped operations, they are characterized by an intense focus on customer satisfaction, effective operations and bottom-line results.

What use is a history of the translation industry and its participants? Simply put, a company's origins help to shape its culture—and its "character." This is a key determinant of success in a

Let's Get Vertical: Anatomy of a Merger

In mid-2005, TransPerfect and Crimson (which both have multiple locations) began to discuss the potential benefits of a business combination. Issues of organization, strategic vision and market approach were mentioned. During these conversations, an assessment of critical industry shortcomings, echoed in previous internal Crimson discussions, quickly emerged.

In the absence of an industry-wide quality systems requirement, non-specialized companies have been free to accept work in areas where they possessed neither resources nor qualifications. In fact, "all languages, all subject matters" has been an all-too-common translation sales pitch that emphasizes superficial breadth over depth of experience. The few instances of alleged vertical specialization are built on a handful of reference clients but little client-industry insight and even less production specialization.

Although these deficiencies are based on structural and historical causes, they still require a solution for maximum industry effectiveness. Crimson executives agreed that the ideal structure for a translation company would be a collection of distinct divisions, each with its own area of expertise, supported by a parent that could coordinate client intake and assignment, resources and know-how among the vertically focused daughter companies.

In speaking with TransPerfect's senior management, Crimson realized that both companies were aiming for a common goal. Having gone through similar experiences—managing translation risk for quality-conscious medical clients through a certified quality system—both parties had reached the same conclusion: the organizational benefits of specialization were undeniable.

The next question for TransPerfect was, "How can the company maintain the benefits of specialization at a size that best supports innovation?" Again, the answer was similar to Crimson's imagined solution: create a family of vertically oriented, specialized companies. The authenticity of this approach, arrived at through independent means, is making converts in the translation industry today.

After determining that the companies shared like-minded philosophies and structure, TransPerfect and Crimson merged their staffing, resources, equipment, technology and clientele to form a new "superstore" of translation services. TransPerfect now has 29 global offices (with 14 of them based in Europe) to fill global gaps in filling OEMs' translation needs.

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changing environment. Based on the best-available current evidence, translation is a good example of an industry on the brink of significant change.

Of the three company types, the “Entrepreneurial Start-Up,” is best equipped to adapt to changing market requirements. Customer focus and enlightened self-interest are entrepreneurial assets that are generally helpful in times of rapid change. However, an entrepreneurial spirit alone is not enough to guarantee success. Management guru Peter Drucker, in his classic *Innovation and Entrepreneurship*, observed that larger firms actually stood the best chance of achieving successful innovation. Provided they are willing to abandon outdated methods of operation, these firms have a clear advantage in terms of resources and qualified personnel.

Times Are A-Changin’

If you have ever been on a roller coaster, you know there is a moment at the start, after the long crawl to the top, when the cars are poised—almost motionless—before that first stomach-lurching plunge. This is a fair picture of the translation industry today.

Because of their market focus, Type I (Software Localization) firms have long thought of themselves as mainly technology companies, while other translation companies have adopted the traditional corporate model of departmentalized sales, production and finance.

Now, however, technical knowledge is more widespread and technology itself is less of an organizing principle. Also, there is a growing awareness that

high-risk translation applications (such as medical) require a much tighter integration of sales and production, combined with strategic management information from finance. The result is a shift in these areas to more of a “professional services” model, the kind of structure usually encountered in a law or consulting firm.

This new model for translation success is based on vertical specialization with deep expertise and broad service offerings, and we can expect to see larger firms restructure along the lines of vertically oriented “practice groups”—specialized teams of sales and production associates. Not surprisingly, it was an “entrepreneurial” type (TransPerfect) that was among the first to put these important insights into practice.

Entrepreneurial firms, as previously noted, are typically more focused on customer requirements than localization or corporate types. Equally important, TransPerfect was listening when fast-growing customers in the highly regulated medical sector began to talk about quality systems and third-party certification.

Leading Through Quality

It began in the new millennium. EU regulatory directives (AIMDD, MDD, and IVDD) forced US translation companies to seriously start investigating quality management systems. In the medical device and life sciences sectors, interest naturally settled on the well-known, European-based ISO 9001. This standard, revised in 2000 for ease of implementation and administration, was a good fit for translation companies looking to qualify as vendors to fast-growing device and life sciences clients. Forward-looking firms, such as TransPerfect and Crimson, quickly recognized the benefit of certification, and became accredited by third-party auditors.

The strategic implications of this decision—a device and life sciences focus combined with quality system certification—have been enormous. Although interest in quality management system (QMS) certification was originally sales driven, important operational benefits can be achieved when this strategy is effectively implemented. For example, TransPerfect's QMS provided the basis for the most comprehensive translator testing procedure in the industry. The company's Linguist Certification Program provides a reliable, consistent measure of translator qualification in more than 100 languages and 70 areas of specialization.

Specialist firm Crimson first certified a QMS that was based on a system in use at a major medical device company. Now, it is the only translation organization in the world to hold a certification to ISO 13485 and an official endorsement to ISO 14971. The Crimson QMS is in compliance with recent Global Harmonization Task Force (GHTF) guidelines for risk management and provides the basis for the industry's only patent-pending risk management process.

Further, exclusive focus in the device and IVD markets provided Crimson with several key regulatory insights. Combined with the company's proprietary QA methodology (BackEdit), this led to a process for eliminating distributor review (overseas review of translated labeling). Since then, clients such as Cook have realized hundreds of thousands of dollars in value by minimizing administrative effort and reducing time to market with a notified body approved process (an illustrative case study is available from the Crimson Web site, www.medical.crimsonlanguage.com).

Many Are Called

Not long after TransPerfect's localization unit, Translations.com, unveiled a new Web site highlighting

its vertical specialization, competitors quickly followed suit. For clients, the appeal of an industry specialist pitch is clearly understandable. But to be truly effective, specialization must be more than just lip service; it must be an article of faith—rigorously implemented in both sales and production. This is where quality management systems experience pays off.

An effective quality system for professional services manages risk at both the resource and process levels. Resources (the primary source of risk in a professional services firm) must be thoroughly screened, tested and continually audited to ensure service quality. Processes (the secondary source of risk) must be developed and customized to establish an appropriate quality/cost relationship. Annex E of ISO 14971:2000 calls this intersection of risk and cost “ALARP” (as low as reasonably practicable). This is the region on a standard risk chart where risks and costs have been reduced to their lowest practical point. Key risks and mitigations for translation services are discussed in Crimson's patent, *A Method for Analyzing and Managing Risk in the Translation Process*.

While any company can simply tailor its marketing message around vertical specialization, companies with real quality system experience are best positioned to implement vertical specialization at the production level. Systems to ensure resource reliability, combined with industry-specific processes, provide sales and marketing staff with a credible value proposition to deliver to clients. Success breeds success as sales and production gain more industry experience and develop deeper insights into client needs and requirements. This process describes a classic “virtuous cycle” and is the basis for true vertical market success.

And the Winner Is...

The changes affecting the translation industry today are largely based on growth and maturation. Success in the coming years will be determined by specific know-how and organizational strategy. Vertical specialization and quality systems expertise, the direct result of working hand-in-glove with the medical device and life sciences industries, provide the tools to achieve increased effectiveness and consistent client satisfaction. By any measure, these are winning assets in a competitive environment.

The other key determinant of success is scale. As Peter Drucker rightly pointed out, larger organizations possess the resources and qualified staff to devote to innovation. A large-scale, vertically structured organization has the added ability to share resources and technology—trading innovations among vertical teams—to the benefit of clients across all sectors.

Predicting the future is a difficult proposition, even under the best of circumstances. Sun Tzu, in his classic handbook on strategy, *The Art of War*, counsels us to, “Act after having made assessments. The one who first knows the measure of far and near wins.” A tangible “measure of far and near” is the client satisfaction produced by vertical specialization and a well-implemented quality system. ❖

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