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JANUARY 2005 FEATURE

Navigating the Crowded Highway of Service Providers

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navigating the crowded

By Serge Gladkoff of
Logrus International

highway of service providers

Samuel Butler once said, “Though analogy is often misleading, it is the least misleading thing we have.” So it is not entirely without merit to speculate on some similarities between things that are otherwise dissimilar as we consider the localization industry and the business strategy that Logrus International pursues.

Although translation is one of the oldest trades, localization only recently emerged as a business opportunity, due to globalization and the Internet. The isolating “feudal” business system of the recent past, with its moats and walls, has been destroyed by globalization.

The road to both clients and competitors is now very short, and everyone is on this road. Everyone now has the opportunity to take on a job. Imagine several caravans of very large trucks on this road. They carry extra heavy loads across vast distances. There are many smaller trucks as well, with a regional reach. Even greater is the number of small, local cars with sizeable projects in their trunks. And, of course, there are lots and lots of bicycles.

The traffic is so heavy on this road, and competition for project loads is so fierce that 43.8% of the suppliers on this road perceive competition as the most limiting factor for business.¹ The most recent business confidence survey shows that freight turnover is healthy and still increasing; but there are more vehicles on the road than needed. Careless driv-

ing is typical; smaller vehicles often get pushed off the road.

Sound familiar?

When I was gathering feedback on my plan for moderating an Operations Roundtable for an industry conference last November, one of the most comprehensive comments I heard on the challenges that our industry is facing was this:

“AS GLOBALIZATION EVOLVES AND OTHER NATIONS BECOME SIZEABLE MARKETS, THESE NEW OPPORTUNITIES ARE TOO SMALL FOR BIG VENDORS, BUT WE ARE MOBILE AND INNOVATIVE ENOUGH TO BE ON THE FOREFRONT AND PROVIDE NEW SERVICES IN MULTIPLE LANGUAGES.”

“A combination of factors including technology, better educated buyers, a large diversified vendor base, varying quality metrics, and low barriers to entry all conspire to put tremendous price pressure on localization.” (Michael Rosenblatt, Lionbridge).

When you look closer at the root of the issue affecting our industry, it is the mind-blowing speed of change. Deep down inside, we hope the following mantra, “In our industry the only constant is change,”

will end one day. But the truth is that clients will continue to press for lower prices and continue to withdraw from cozy relationships; innovation will continue to offer new technologies; competition will continue to increase; new challenges are going to emerge as soon as you handle

existing ones (or even sooner). Not only is the global information service market volatile, vulnerable, risky, unstable, stealthy, and full of surprises, peaks, valleys, and u-turns—the list of challenges will continue to update itself. It is not pragmatic to try to ease the pressure of change. What is practical is developing a strategy and a tactical approach to winning under the pressure.

“May you live in interesting times.” (Source unknown)

Such conditions are nothing new to Logrus. Logrus was founded eleven years ago among the ruins of the Soviet empire as it was trying to reform. Logrus was founded to serve the emerging localization industry and to assist the rapid globalization that was taking place. There have been few times more interesting and changing, both at home and abroad. Thus, it is only natural for the vehicle that Logrus puts on that busy road to have quite a number of factory-installed change-handling features.

First, our automobile has a great deal of versatility. We see it less as a car and more as a transformer vehicle—enabling us to take an off-road shortcut via uncharted territory to get from the multilingual translation highway to the software development highway, and then back to the authoring and content management highway. In fact, we are already traveling all of these roads, as well as some industry-specific routes, such as localization for games and software development for the .NET platform.

However, Logrus is not a jack-of-all-trades. Our business focuses clearly on offering innovative and complete solutions to enterprises for multilingual content, software, engineering, and testing. “Innovative” connotes the ability to handle an open list of challenges, from engineering or other technical challenges to time- and cost-savings requirements. Innovative also means handling very large multilingual

projects better and at lower cost than they are currently expected to be done.

Growth itself is not our main goal. On the contrary, we want our vehicle to be mid-size, because we cater not only to end clients, but also to the large caravans of trucks and their shipping companies. We are trying to be the “best choice” for customers by focusing on keeping and hiring the best people, by creating and deploying technology and processes, by nurturing and maintaining problem-solving and solution-designing capabilities, by focusing on consistent translation quality control, and by constant improvements in our production process. We serve companies large and small, clients and competitors alike. In the process, we have separate departments for large, small, and multilingual translation projects—all of them with different processes, supplier bases, and rate sets.

To stand out in a crowd, you need to do something better than the people in the lanes around you. This is why we have always nurtured the idea of attaining the highest qualified talent. This approach has proven to be a great benefit for our clients. Our software translators and engineers have the highest educa-

tional degrees in physics and other exact sciences. They have proven to be great problem solvers.

Our corporate structure is a matrix, not a firmly cast hierarchy. We form dynamic project groups based on resource and skills requirements for each project. This matrix structure requires a resourceful staff with multifaceted skill sets, and it results in better resource utilization. These groups are disbanded when the project is complete, but the expertise remains with the team as a whole.

Our strategy at Logrus is to not fight the traffic, but ride it. We watch for new opportunities as they develop throughout the industry, and offer new services that meet the demand. With this strategy, we have been able to equip our vehicle with all sorts of features. In the trunk, we carry our own multipurpose toolset. Our crew has a skill set to repair and handle just about any vehicle you may encounter on the road. As globalization evolves and other nations become sizeable markets, these new opportunities are too small for big vendors, but we are mobile and innovative enough to be on the forefront and provide new services in multiple languages. Most importantly, our costs are economi-

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cal enough for both clients and vendors to buy from us.

In the beginning, we were one of a few translation teams in Russia with computers. Due to our able translators, the fields of ERP, mechanical engineering, life sciences, process and management, legal, and oil and gas became our areas of translation expertise. We then added software engineering and testing. Then we added other languages of the world in all these activities, from translation and testing to multilingual DTP. We then added multimedia and software development, and then XML and authoring, web site localization, and .NET software and web application development.

Being proactive and perceptive when it comes to problem solving is the basis of our corporate culture. Our testers, translators, engineers, and managers have the explicit instruction to always ask senior

colleagues for resolution before contacting the client for help. More than that, when they do contact the client regarding an issue, they always offer solutions, rather than just ringing a bell. When it comes to technical assistance from the client, it usually is the other way around with us: we usually provide knowledge support to our clients on project setup, building, testing, and engineering.

Is this kind of service expensive? No more than any other company in the BRIC (Brazil, Russia, India and China) zone. BRIC outsourcing is a fashionable trend today, especially outsourcing to China and India, because they are perceived to be cheap. But it's a misperception. With Logrus—a localization company founded and staffed by former nuclear power scientists and laser physicists—the hourly rate is the same as in China and lower than in India. When you consider the extra time and costs of managing less qualified providers, you realize the true value of a company like Logrus.

MAKING THE MOST OF COMPETITION

Competitors will never cease to exist. The best you can do is to find new opportunities with them; try to turn competitors into partners, clients, or vendors. When some of our larger clients started to consolidate their supplier bases, we went to other single-language vendors with a proposal to band together and form an alliance, the Logrus Localization Alliance (LLA). This enabled us to offer the same factory-direct process to our clients while providing a single point of contact. Logrus has a reputation as a company that delivers, and our clients were purchasing because of this. As we have started to place jobs with LLA member companies, we are happy to see this continue. Out of this alliance, we have started to receive Russian-language translation projects from our partners (previous competitors), and they have become our clients, too. LLA continues to gain momentum with the brands of the LLA members helping each other to

get better recognition among their current and potential clients.

The LLA is not just an agreement between several vendors; it is a new business model. Do you need to ship a very large project load down that busy road, but want to talk to just one man? Okay. Here are professionals to move the project load. We will summon them ourselves, and they will cost you just about the same as if you were dealing with them directly. It's as simple as that.

Does this model compete with the caravan of trucks? Not at all: if clients want to reduce costs, they will turn to some other smaller scale solution, anyway. Additionally, these are not typically the clients of the large vendors. Logrus does not see itself as competing with these large vendors. We do not have a sales force as such; we do not charge this premium and do not waste time and money on building it. We are happy positioning ourselves as a production site for both client organizations and large MLVs.

CLOSING

Throughout this analogy with the road, did you wonder why we did not mention technology as the primary challenge of our trade? That's because at Logrus we don't see technology as a challenge. Technology is, of course, a very important driving force in respect to change, but it is only a stumbling block only for those lagging behind. We regard technology as a blessing: improving productivity, offering competitive advantage, and becoming a secret weapon of efficiency.

So what will happen next as new challenges reveal themselves? And what will happen if the traffic on the road becomes even heavier? By that time, I am sure we will be in an entirely new evolutionary stage—like growing wings to fly, for example.

¹*Common Sense Advisory, Global Business Confidence Survey: Supplier Q4-04, January 2005*