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Global Business Practices

Results of the 2006 Global Business Practices Survey

Arle Lommel, Publications Manager, LISA

*There has been very little data available on global business practices – until now! For real data and insights into current global business practices, order LISA's newest survey report, **Global Business Practices**. LISA and the Monterey Institute of International Studies (MIIS), with input from the World Bank, teamed up to explore how companies run their global operations. Use the survey report to confirm where other companies are placing their global business priorities, and leverage this information as a baseline for comparison. Learn who is paying for what globalization services, and how much they are paying. Find out exactly what types of international business consulting services that companies require and the profiles of their preferred service providers for these services.*

Here is an excerpt from the report.

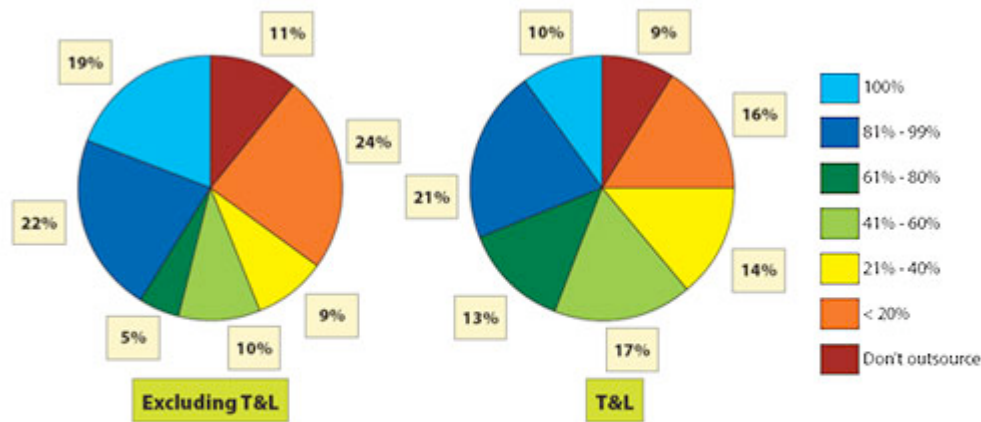


Figure 1. Percentage of translation output outsourced. Percentages are the number of companies at each level of outsourcing.

Executive Summary

Conducted on-line in early 2006 as a joint venture of the Localization Industry Standards Association (LISA) and Monterey Institute of International Studies (MIIS), with cooperation and feedback from the World Bank, the Global Business Practices Survey examined various issues related to how organizations run their global business operations (particularly with respect to translation and localization) as well as their needs for business services related to international business.

Two hundred fifty-five respondents participated in the survey, representing seventeen different vertical industries as well as translation and localization (T&L) companies. The two largest groups represented in the survey were T&L companies (34%) and software developers (24%). With such a high percentage of T&L companies represented in the data, it was possible to compare the responses of T&L companies to other organizations. The results show that many of the features of T&L companies are actually not specific to their business field, but instead result from the fact that they are generally at the smaller end of the size spectrum: over half of T&L respondents came from companies with less than \$1 million US in annual revenue, while 57% of non-T&L respondents came from organizations with at least \$10 million US in annual revenue. Such discrepancies in size mean that few T&L companies can directly extrapolate from their own business experience to that of their clients.

In most organizations localization is not a discreet business function, but rather lumped in with other business functions. Localization staff, in most cases, report to mid-level management or below, and the larger an organization, the less prominent localization tends to be. Corresponding to this finding, the individuals who responded to this survey (and who thus tended to be familiar with localization) from larger organizations were less likely to have a say in purchasing business consulting services than their counterparts in smaller organizations.

Taken together, these findings indicate that localization is still not a boardroom topic, despite industry efforts to raise its profile. Although over half of those who responded to the survey indicated that their organizations

do purchase business consulting services, smaller organizations were much less likely to purchase such services than larger ones. The discrepancy in purchasing means that localization service providers looking to provide additional business consulting face something of an uphill battle to connect with the individuals most likely to actually purchase such services.

Desired qualities for International Managers

At present, it seems that the most common routes to training managers for dealing with international business are to hire managers with previous experience and to provide internal training, yet roughly a third of organizations provide no formal training for their international managers. T&L companies tend to value the ability to build successful teams as the most important quality of international managers, while other organizations look for managerial experience with products and services similar to those offered by the organization. The general priorities for various qualities differ considerably between T&L companies and other organizations, regardless of organizational size: management training and skills represent one area where substantial differences can be attributed directly to the industry in which organizations operate.

Some good news for T&L providers

When specific business issues related to international business are examined, there is good news for T&L providers: reducing the cost of translation is one of the lowest-ranking issues for respondents. While the days of downward price pressure may not be over, other issues of a more strategic nature (such as opening new markets, implementing new technologies, expanding product lines internationally, and finding accurate information about new markets) are much more important issues for survey respondents. Inasmuch as T&L companies are positioned to assist with some of the more pressing concerns, they have an opportunity to move into more profitable business consulting services. Service providers, however, have image and credibility problems that hinder them from easily moving into consulting. (See below.)

Ranking of language pairs

The survey asked respondents about their current translation needs and provides recent data on the importance of various language pairs, as well as their costs. The most significant change over recent years is that the dominance of FIGS (French, Italian, German, and Spanish) within the localization industry has been broken. Japanese and Traditional Chinese have both displaced Italian in terms of overall importance and translation volume. English still serves as a source language for over 90% of those surveyed, but respondents listed twenty-six additional source languages that play a role for their organizations, with French and German both playing a major role.

Not surprisingly, T&L companies tend to translate more language pairs in-house than other organizations. English › Spanish is the most common language for in-house translation, followed by English › French, English › German, English › Japanese, English › Simplified Chinese, and English › Italian, showing that Italian has been definitively displaced by Japanese and Simplified Chinese. (However, when only in-house translators from non-T&L organizations are considered, English › Italian and English › Dutch both are more important than Japanese or Simplified Chinese.)

Who still uses the in-house model?

A major portion of the survey focused on the experience of individuals who work directly with translation and

localization services in their organizations. It found that non-T&L organizations tend to coalesce into two primary business models with respect to T&L services: they either outsource all or nearly all of their translation needs, or they carry out almost all of their translation in-house. T&L providers, on the other hand, tend to use a hybrid model, as shown below in Figure 1, which provides the percentage of translation that is outsourced by T&L companies and non-T&L organizations:

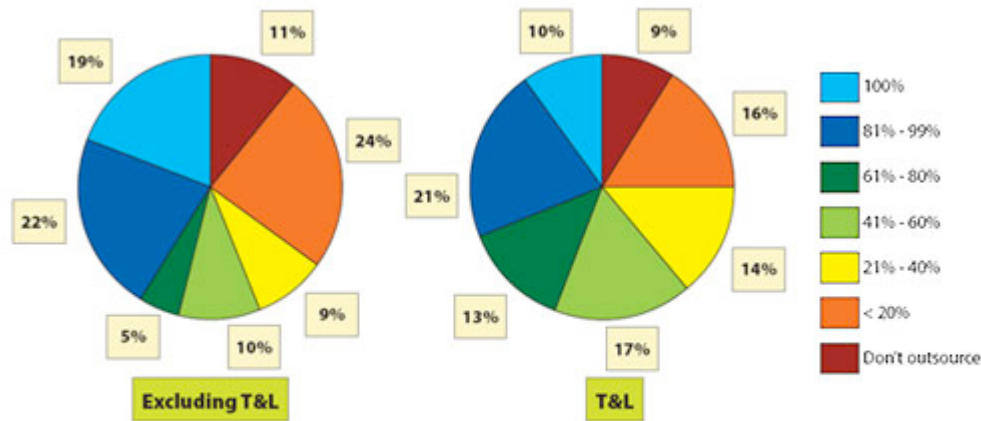


Figure 1. Percentage of translation output outsourced. Percentages are the number of companies at each level of outsourcing.

These results run counter to conventional wisdom that says that in-house translation by content creators is a thing of the past. In our results, it appears that in-house translation is still quite common, although most content creators do outsource at least some of their translation work.

T&L companies tend overwhelmingly to outsource to small translation vendors and freelance translators, while other organizations generally outsource to medium-sized translation providers. The larger the organization, the larger its partners tend to be: very few small companies partner with large localization providers. (Since larger organizations tend to partner with large T&L providers and are the most likely to purchase consulting services, large T&L vendors have a distinct advantage in moving into consulting.)

Prices paid to freelance translators

The survey examined the prices paid for translation to freelance translators for language pairs cited by survey respondents. While respondents gave prices for 114 language pairs, only thirteen pairs had sufficient responses to draw any conclusions. Of these pairs, English › Japanese was the most expensive and English › Arabic the least expensive. (It should be noted that the prices determined are valid only for direct payment to freelance translators. Prices paid to T&L providers will generally be quite a bit higher than the prices determined in the survey because they include management and overhead costs.)

Effective venues for recruiting freelance translators

The most important qualities for freelance translators are relevant experience, internet access and experience

with translation technologies. The best ways to find qualified translators vary between T&L companies and other organizations, but translators' networks, contact with universities, and internet newsgroups are particularly effective recruitment methods. In addition, submission of unsolicited CVs is quite important for T&L organizations, but not very effective for other organizations. Finding qualified translators is particularly problematic for Asian languages and for less common language pairs where there are few translators.

In general, T&L companies provide more translation resources to their freelance translators, but are less likely to provide access to content creators than other organizations, indicating that T&L companies provide a certain amount of "filtering" of contact between their clients and the actual translators. (This is not necessarily a bad thing since part of the job of T&L companies is to manage contact.) T&L companies are also more likely to provide translation-related and product-related training for their translators than other organizations, with the exception that non-T&L organizations do provide more access to development staff.

All organizations are likely to provide feedback to translators, with approximately half providing feedback for all jobs. T&L companies are much more likely to proof and revise translations than other organizations, presumably because such services are part of their overall offerings to their clients.

Customer satisfaction ratings for translation tools

TRADOS (now owned by SDL) products are still the overwhelming leaders in terms of translation tool use, followed by SDL offerings. The diversity of translation tools continues to grow, with respondents citing twenty-eight different translation memory tools and thirty different terminology management tools in use among their organizations. Many of the tools cited have emerged in recent years, indicating a healthy investment in basic technology development in the localization industry. T&L companies tend to invest more heavily in translation technology and use more tools than other organizations. They also tend to be less satisfied with the support provided by tools developers.

Technology implementation often faces resistance from staff members who are used to working with established methods. In implementing translation technologies, staff resistance to change is a factor in roughly half of projects.

International business consulting services

When asked about language service providers as potential providers of business services not directly related to translation and localization, the survey found that there is a disconnect between how T&L companies perceive their own abilities and how other organizations see them, with T&L companies estimating their abilities to be higher than others do. Two areas stand out as particularly viable areas for language service providers to branch into business services: cultural consulting, and consulting on local business needs. However, even the highest-ranking areas were not rated as topics for which language service providers would be very important as service providers. In general, language knowledge and cross-cultural expertise are seen as the strong points of T&L companies, while other business knowledge and skills are not seen to be strengths. Many respondents even seemed hostile to the notion of language service providers trying to move into additional business services. Despite recent changes, the localization industry still suffers from a perception problem.





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