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## ABLE TRANSLATIONS: INTERNATIONAL STRATEGY AT THE CROSSROADS

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*Anthony Goerzen wrote this case solely to provide material for class discussion. The author does not intend to illustrate either effective or ineffective handling of a managerial situation. The author may have disguised certain names and other identifying information to protect confidentiality.*

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*Version: 2016-07-15*

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From a single-man operation in 1990 that did on-site interpreting in Portuguese, Wilson Teixeira, president of Able Translations (Able), had grown his business by 2014 to a Toronto-based firm of 100 staff with CAD10 million in revenue that provided a range of interpreting and translation services on three continents by more than 3,500 qualified language professionals in more than 100 languages. Able had become an industry leader in interpreting and translation services, yet it had become less clear that the company's future should remain focused on providing language services. The translation business had undergone rapid change through technology and also had become increasingly crowded with strong global competitors as well as a myriad of microbusinesses. Thus, the strategic choice facing Able was whether to pursue international growth of its established translation and interpreting businesses (on-site and telephone) or to focus on its emerging capabilities in technology/software development in the North American market — a strategic choice that would have a profound effect on the future of the firm.

### THE ORIGINS OF ABLE TRANSLATIONS LTD.

In 1990, Wilson Teixeira needed to supplement his income in order to put himself through university. Initially, he provided Portuguese interpreting services but soon realized “there was an opportunity to grow the business.” Teixeira realized that there was a demand for interpreting services in Baltic languages due to an influx of immigration to Ontario in the late 1980s.

Initially, Able focused on providing interpreting services, using a fairly simple scheduling service to provide on-site language experts. Teixeira soon discovered that there was “a huge disparity between what our competitors were charging their customers (up to CAD125 per hour) and what they were paying their suppliers. We realized that we could pay our suppliers more, charge our clients much less and still make a profit. Both customers and suppliers embraced us.”

Able's entry strategy emphasized not only a more competitive price but also high quality as “We aggressively embraced the quality aspect by adhering to a number of international quality and language industry standards such as ISO 9001, EN 15038 and CGSB-131.10. In fact, we were the first interpreting company in Canada to become ISO certified” (see Exhibit 1).

Subsequently, Able targeted specific market segments where it felt it could make significant inroads. Teixeira believed that “we did not want to be a jack-of-all-trades and master of none. So we focused on the legal and medical sectors with the intention of becoming aces in those areas.”

## THE LANGUAGE SERVICES INDUSTRY

Whereas interpreting surely took place at the dawn of civilization, translation began only after the appearance of written literature. The earliest example of translation appears to be the Sumerian Epic of Gilgamesh (*ca.* 2000 BCE) which was translated into several Southwest Asian languages in the second millennium BCE. Over time, the desire to communicate across language divides increased, leading to an ongoing demand for translation and interpretation. As of 2014, there were an estimated 6,900 spoken languages in the world (although one of them disappears about every two weeks). Of these languages, there were an estimated 1,300 languages with 100,000 speakers or more, 750 with 300,000 or more, around 400 with more than a million, 200 languages with at least three million, 80 with 10 million and 40 with 30 million or more speakers.<sup>1</sup>

Considered both an art and a science, people who provided translation/interpretation most often had an in-depth knowledge of just two languages and their work typically was only in one direction, from one particular language to another and not the other way. The reason for the single direction of translation and interpretation was that, in English, for example, there are an estimated one to two million words; although some highly educated and/or well-read people can recognize up to 75,000 words, the average person uses only about 4,000 to 5,000 words regularly.<sup>2</sup> Since some professions required a detailed knowledge of idioms and the nuances of upwards of 30,000 words (e.g., law) and others substantially more than that (e.g., the pharmaceutical industry), industry specific needs encouraged language service providers (LSPs) to specialize on particular industries to serve their client base better.

While the origins of the LSP industry were in simple translation and interpretation — and the majority of firms were still in this market space — the larger, more capable LSP firms were increasingly becoming recipients of outsourced business processes (see Exhibit 2). In this capacity, they were becoming involved not only in translations but also in various interrelated tasks, including content creation. As globalization continued to advance, demand for LSPs grew as more private companies and public institutions needed to communicate with a diverse global audience. In this way, German or Chinese firms that were creating new content (e.g., advertising and promotion, owner’s manuals, Internet FAQs, etc.) had an increasing need to connect with consumers who communicated in other languages. According to Don DePalma of Common Sense Advisory, an LSP research firm, “If customers can’t read it, they won’t buy it.”<sup>3</sup>

Common Sense Advisory estimated the total estimated LSP market was worth almost USD34 billion in 2013 and would continue to grow at an annual rate of 12 per cent (see Exhibit 3). Europe made up the largest market segment (49 per cent), followed by North America (35 per cent) and then Asia (13 per cent). Industry watchers expected that the North American market would begin to shrink due to reduced military involvement in Afghanistan and Iraq while the Asian segment would gain significant ground, fueled largely by Chinese economic growth (see Exhibit 4). Not contained in these estimates were the language services that many organizations provided for themselves in-house; many government bodies did not contract out their translation needs, and similarly many multinational corporations with extensive language requirements (e.g., Hewlett Packard, Microsoft, IBM, Adobe, etc.) maintained their own language departments for reasons of confidentiality and/or volume. The over-the-phone interpreting market was

<sup>1</sup> [www.aboutworldlanguages.com](http://www.aboutworldlanguages.com), accessed October 7, 2012.

<sup>2</sup> [www.languagemonitor.com](http://www.languagemonitor.com), accessed October 7, 2012.

<sup>3</sup> Interview with Don DePalma.

estimated at around USD1 billion while the video-remote interpreting market (more on this sector below) was estimated at only USD30 million although it was growing fast at around 40 per cent annually.<sup>4</sup>

The LSP industry was also experiencing a significant increase in the supply of translators and interpreters. The American Translation Association membership, for example, had doubled in the last 10 years. In the United States alone, there would be an estimated 83,000 jobs for interpreters and translators by 2020, a growth rate of 42 per cent from 2010.<sup>5</sup> While growth in demand was expected to absorb much of this additional labour supply, more start-ups were expected to enter the market, leading to continued erosion of translation rates and LSP profits, given that the industry competed primarily on price. In Teixeira's view, "It's hard for clients to assess quality because they don't see the mechanisms behind it — they just see that an interpreter shows up. We have found most clients to be more price than quality conscious."

The LSP industry was fragmented with many small agencies (i.e., often one- to two-person companies) and a large number of freelancers (see Exhibit 5). One estimate was that there were almost 26,000 suppliers of translation and interpreting services across 149 countries. Yet, there were a smaller number of very large providers also. In fact, the top 40 LSP firms, which had between 80 and 2,000 employees each, represented about USD3.8 billion of the total market revenue.<sup>6</sup> These large providers derived most of their revenue from contracts with the various departments of the U.S. government. Global Linguist Solutions, for instance, a private company with estimated revenue of USD691 million, won a five-year USD4.6 billion contract with the U.S. military. Lionbridge Technologies Inc. (Lionbridge), another top company with expertise in the technology, manufacturing, financial, science, health care, consumer and public sectors with estimated revenue of USD461 million, had secured a USD100 million contract with the U.S. Department of Justice. Another big player was L-3 Communications Linguists Operations and Technical Support Division, which specialized in military translation with estimated revenue of USD435 million.<sup>7</sup>

In Teixeira's view, Able's main competitors were significant organizations, although relatively few in number, including Language Line Services (Language Line), Transperfect, Lionbridge, CLS Lexitech, Multilingual Community Interpreter Services (MCIS), International Language Services Inc, Hewlett-Packard Applications and Content Globalization (HP ACG), and All Languages Ltd. (see Exhibit 6). However, according to Teixeira, "We actually see Language Line as being our key competitor. While others are on our radar, getting into our market sphere, they are not price competitive and I believe that price is going to remain the key differentiator."

Among the fastest growing language services were translation, website globalization, software localization and on-site interpretation (see Exhibit 7) with most LSPs being active in the technology and medical sectors (see Exhibit 8). While the majority of the market continued to be in on-site translation and interpretation, online translation services were becoming increasingly important. Online translation was generally performed by human translators assisted by software. Thus, new technology that had led to recent innovations such as chat rooms, video conferencing, Skype, etc., was beginning to enable accessibility to translation services without incurring the expense of an LSP's physical presence on-site. In addition, the industry was also undergoing transformation through automation via machine translation (e.g., Google Translation) as well as through new cell phone applications that translated voice from and to any language (e.g., iTranslate). According to Common Sense Advisory, the size of the "machine translation" market was around USD1.5 billion.<sup>8</sup> Yet, according to Teixeira,

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<sup>4</sup> Common Sense Advisory, "Language Services Market: 2012," May 2012.

<sup>5</sup> *Ibid.*

<sup>6</sup> *Ibid.*

<sup>7</sup> [www.languageline.com](http://www.languageline.com), [www.transperfect.com](http://www.transperfect.com), [www.lionbridge.com](http://www.lionbridge.com), [www.cls-lexitech.com](http://www.cls-lexitech.com), <http://mcislanguages.com>, [www.ilstranslations.com](http://www.ilstranslations.com), [www8.hp.com/ca/en/business-services](http://www8.hp.com/ca/en/business-services), <https://www.alllanguages.com>, accessed October 7 and 8, 2012.

<sup>8</sup> Common Sense Advisory, *op. cit.*

Companies wouldn't depend on a marketing message that was translated on Google. A marketing message has to go beyond just a written translation that is word for word. It has to embrace the meaning and it has to send that meaningful message to one or more target groups within your market. And if you have three or four senior executives in a business meeting, you don't want them to be relying on a machine that may not give them a full understanding — their time is valuable and mistakes can be costly.

## **EVOLUTION OF ABLE'S BUSINESS**

By 2000, the Able brand had grown, and so management looked to expand its market beyond the initial area of focus on Canada. By 2014, with close to 100 employees and CAD10 million in revenues, Able was among the 10 largest full-language service providers in Canada and among the top 100 internationally, with approximately 85 per cent of its revenue derived in North America, 10 per cent in Europe and 5 per cent in Asia. Able had established offices in Germany in 2005 and Portugal in 2009 as well as a representative in Hong Kong in 2007. In terms of profitability, North America remained the most profitable with margins of around 20 to 30 per cent versus 15 to 20 per cent in Europe and 10 to 20 per cent in Asia, a result of the latter two markets being somewhat more saturated by competition (see Exhibits 9 and 10).

Able derived 50 per cent of its revenues from on-site interpreting. Its highly trained and experienced interpreters were billed at CAD1 per minute and had expertise in a variety of sectors (see Exhibit 11), bringing a thorough understanding of industry jargon and vernacular to facilitate communication. The company served various sectors including health care (e.g., medical appointments), insurance (e.g., arbitration hearings, negotiations and mediations), legal (e.g., court hearings) and government services (e.g., immigration proceedings), as well as special events such as conferences and conventions (see Exhibit 12).

The second most significant area of Able's business (approximately 40 per cent) had to do with document translation. These services included translation of documents and web pages to ensure that communications were consistent with cultural language nuances, terms and phrases; creating advertising and promotional design, including visual aids, graphics, images, packaging and brochures that reflected cultural standards while maintaining the client's corporate brand messaging and identity; and desktop publishing, including typesetting and document management. Able handled printed, visual and multimedia projects in health care, occupational health and safety, legal, insurance, financial, government, oil and gas, pharmaceutical, mining, marketing, manufacturing, sports and entertainment.

The other significant area of Able's business (around 10 per cent) was over-the-phone interpretation. This activity was facilitated through Able's advanced telecommunication systems technology that tracked exact connection times to ensure billing accuracy, with call recording available upon request. Over-the-phone interpreting was available as a pre-booked (CAD1 per minute) or on-demand (CAD2.99 per minute) service and was used by clients in various ways, including business meetings and negotiations. In addition, this service was used by various call centres as well as 911 services when language expertise was required to handle a particular incoming call.

In the initial years, decisions at Able were often impulsive. As Teixeira said, "If it seemed the right time, and we had the funds, then we reinvested it in the company. As the company grew, we were trying to make sure that we maintained our core competencies while expanding into different markets. We were becoming specialists in these new markets and bringing more people onto our team."

It was the development of Able's technological capabilities that began to make Teixeira aware of new business opportunities and that led to the current question of which strategic direction to pursue. Years earlier, Able had retained a software start-up company to develop computer code to track on-site and telephone interpreting data and to assemble various other statistics to create summary documents that could be modified to respond to customer needs. Various internal problems caused the start-up company to fail; Able hired the lead programmer and inherited the source code. Over time, a number of other software developers were brought on board to support Able's document and web-based translation businesses, including experts in graphic design and layout, html and other software codes. With programming expertise in-house, new opportunities became clear for incorporating technology that went beyond off-the-shelf solutions to tailored customer solutions.

Teixeira became increasingly enamoured with the opportunities presented by video-remote interpreting. The concept provided for face-to-face interpreting services (i.e., through a video link similar to Skype) on demand 24 hours a day, seven days a week (i.e., no scheduling required) with qualified interpreters in any combination of languages. Able made an early move to invest in video conferencing technology developed by Cisco Systems Inc. Yet, early on, Teixeira realized that "Cisco's technology was not only expensive for our clients but also for our suppliers. Cisco required everyone to buy a licence to enable them to connect with us, and this created a significant market growth barrier."

Able's in-house team of software developers convinced Teixeira that they could produce a system that would be tailored to the interpreting business (e.g., with specific assessment, monitoring and reporting needs) and would have no barriers for either customers or suppliers. Teixeira agreed to this project, and ultimately, over a period of three years, the software team produced vicki™ (Video Interpreting Centralized Knowledge Interface) at a cost of approximately CDN\$1.5 million. Teixeira believed that vicki was state of the art: "It will change the world of interpreting services because it provides greater accessibility. It removes the communication barrier. It will change the concept of distance. As long as customers and interpreters have a high-speed Internet connection between them, they can be located anywhere."

Yet, while video remote interpreting was growing rapidly (around 40 per cent per year), it was still a tiny fraction of the current LSP market, perhaps less than 1 per cent in 2014. Yet, Teixeira believed that "This video conferencing technology can be applied in so many different areas. We can apply it to training or to video conferencing for businesses. There are so many different applications in the business world."

It was at this juncture that Teixeira paused to consider Able's future, stating that the company's strategic choice was "whether to consider ourselves a language company with technical capabilities or a software company with language capabilities. It might be possible to pursue both strategies [i.e., global growth of existing business or pursuit of new markets and applications for our software] at the same time, but our challenge is people and time. Management time, in my opinion, is the main barrier."

**EXHIBIT 1: INTERPRETATION CERTIFICATIONS**

	ISO 9001:2008 (International)	EN 15038:2006 (Europe)
Able Translations	✓	✓
Language Line Services	✓	
Transperfect	✓	✓
Lionbridge Technologies	✓	
CLS Communications	✓	✓
MCIS	✓	✓
International Language Services	✓	
All Languages	✓	✓
HP ACG		

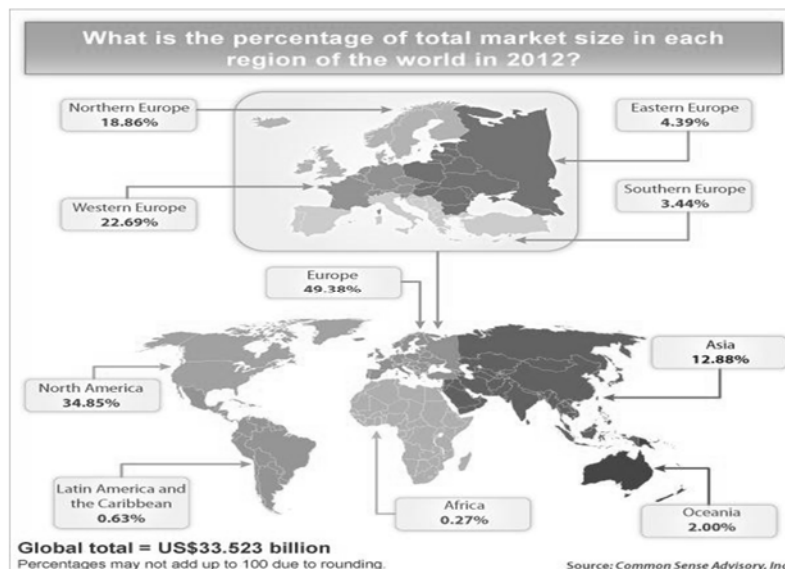
Source: Created by case authors.

**EXHIBIT 2: DEFINITIONS OF LANGUAGE SERVICES TYPICALLY PROVIDED**

Translation	• is a written communication in a second language, which has the same meaning as the written communication in a first language.
Interpretation	• the facilitation of oral or sign-language communication from one spoken language into another, either simultaneously or consecutively
Localization	• adapting a product or service to a different language, or to a specific region or country that may have different cultural and linguistic characteristics
Internationalization	• preparing a product or service so that it can eventually be localized
Supporting technologies	• Google Translator, spell checks, bilingual dictionaries, terminology databases, glossaries, video conferencing software programs, etc.

Source: Created by case authors.

**EXHIBIT 3: MARKET SIZE OF TRANSLATION AND INTERPRETATION SERVICES IN 2012 BY WORLDWIDE REGIONS**



Source: Common Sense Advisory, "Language Services Market: 2012," May 2012, reproduced with permission.

**EXHIBIT 4: HISTORICAL CHANGE IN MARKET SHARE BY REGIONS**

Region	Market Share 2010	Market Share 2011	Market Share 2012
Africa	0.13%	0.26%	0.27%
Asia	8.59%	7.43%	12.88%
Europe	42.26%	42.07%	49.38%
Europe - Eastern	4.49%	2.84%	4.39%
Europe - Northern	11.10%	12.71%	18.86%
Europe - Southern	7.67%	5.39%	3.44%
Europe - Western	19.00%	21.13%	22.69%
North America	48.50%	49.25%	34.85%
Oceania	0.35%	0.66%	2.00%
Latin America	0.18%	0.32%	0.63%
Totals	100.00%	100.00%	100.00%

Source: Common Sense Advisory, "Language Services Market: 2012," May 2012, reproduced with permission.

**EXHIBIT 5: DISTRIBUTION OF LANGUAGE SERVICE PROVIDERS (LSPS) BY NUMBER OF EMPLOYEES**

Number of employees	Percentage of LSPs
2 to 5	65.36
6 to 10	13.50
11 to 20	12.02
21 to 50	6.55
51 or more	1.57

Source: Common Sense Advisory, "Language Services Market: 2012," May 2012, reproduced with permission.

## EXHIBIT 6: A SUMMARY OF ABLE'S KEY COMPETITORS

	Founded	Revenues	Headquarters	Type	Employees	ISO 9001:2008 (International) Certified	EN 15038:2006 (Europe) Certified	Parent/Notable Subsidiaries	Major Service Areas
Language Line Services Holdings, Inc.	1982	US\$300 million (2010)	Monterey, Calif.	Private (Pending listing)	5,000	✓	X	Parent: LL Services	Telephone interpretation; works with public services
TransPerfect	1992	US\$300 million (2011)	New York, New York	Private	1,763	✓	✓		Sector-based division (health, law, science, etc.)
Lionbridge Technologies Inc.	1996	US\$428 million (2011)	Waltham, Massachusetts	Public	4,500	✓	X	Virtual Solutions (Crowdsourcing provider)	Globalization services
CLS Communications	1997	US\$82 million (2011)	Zurich, Switzerland	Private	550	✓	✓	Recently acquired Scandinavian Translators	Document translation
Multilingual Community Interpreter Services (MCIS)	1989	CDN\$1.4 million (estimated)	Toronto, Ontario	Non-profit	31	✓	✓		Works with disadvantaged people
International Language Services Inc.	1982	Unknown	Minnetonka, Minnesota	Private	Unknown	✓	X		
All Languages Ltd.	1971	CDN\$5 to \$10 million (2011)	Toronto, Ontario	Private	1,000	✓	✓		Desktop publishing
Hewlett-Packard Applications and Content	1939 Refers to founding of HP, not HP-ACG	US\$418 million	Palo Alto, California	Public	4,200	X	X	Parent: Hewlett-Packard Company	Website and software management

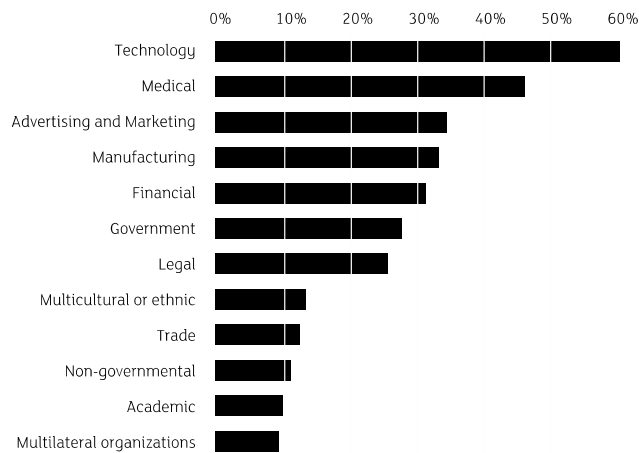
Source: [www.languageinc.com](http://www.languageinc.com), [www.transperfect.com](http://www.transperfect.com), [www.lionbridge.com](http://www.lionbridge.com), [www.cls-lexitech.com](http://www.cls-lexitech.com), <http://mclslanguages.com>, [www.isitranslations.com](http://www.isitranslations.com), [www8.hp.com/ca/en/business-services](http://www8.hp.com/ca/en/business-services), <https://www.alllanguages.com>, accessed October 7 and 8, 2012.



**EXHIBIT 7: FASTEST GROWING SERVICES IN TRANSLATION INDUSTRY, 2010 TO 2012**

Fastest-Growing Services	Percent 2010	Percent 2011	Percent 2012
Translation	60.16	59.32	57.70
Website globalization	19.64	18.31	14.64
Software localization	18.27	16.56	13.45
On-site interpreting	12.36	13.71	10.47
Multimedia localization	9.48	10.20	7.40
Technology / software	8.65	6.91	7.49
Telephone interpreting	7.42	7.79	4.09
Voice-over / dubbing / narration	7.42	6.47	5.11
Internationalization services	6.32	4.06	4.00
International testing / QA	6.18	5.81	4.51
Subtitling	5.49	5.59	4.00
Transcreation	4.53	4.61	6.38
Business process outsourcing	3.85	2.74	2.55
Video interpreting	2.47	3.62	2.49

Source: Common Sense Advisory, "Language Services Market: 2012," May 2012, reproduced with permission.

**EXHIBIT 8: THE TOP SECTORS FOR LANGUAGE SERVICES****What are the top sectors for language services?<sup>1</sup>**

Source: Common Sense Advisory, "Language Services Market: 2012," May 2012, reproduced with permission.

**EXHIBIT 9: GLOBAL MARKET FOR OVER-THE-PHONE INTERPRETING**

<b>Sector</b>	<b>Sector Total %</b>	<b>Profitability %</b>	<b>Estimated 5-year Growth %</b>
Health Care	20	30	15
Insurance	20	30	20
Financial Services	15	25	15
Government	8	20	10
Police/911	8	30	18
Telecom	5	30	10
Utilities	3	20	10
Transport	1	25	15
Other (including retail)	20	25	18

Source: Able Translations.

**EXHIBIT 10: GLOBAL MARKET FOR VIDEO REMOTE INTERPRETING**

<b>Sector</b>	<b>Sector Total %</b>	<b>Profitability %</b>	<b>Estimated 5-year Growth %</b>
Health Care	20	25	150
Insurance	20	30	70
Financial Services	20	30	110
Government	15	25	60
Police/911	8	20	60
Telecom	8	30	30
Utilities	5	30	30
Transport	3	20	15
Other (including retail)	1	25	110

Source: Able Translations.

**EXHIBIT 11: ABLE TRANSLATIONS FINANCIAL STATISTICS IN SELECTED SECTORS**

<b>Sector</b>	<b>Profitability %</b>	<b>5-year Growth %</b>
Health Care	15	10
Insurance	25	15
Legal	35	30
Government	20	15
Mining	35	20
Health & Safety	25	20
Special Events	20	15

Source: Able Translations.

**EXHIBIT 12: COMPARISON OF ABLE TRANSLATIONS MARKET SECTORS**

<b>Sector</b>	<b>% of company revenue</b>	<b>Profitability %</b>	<b>5-year Growth %</b>
Onsite interpreting	50	25	15
Document Translation	40	30	15
Over-the-phone Interpreting	10	15	35

Source: Able Translations.