

Language Drives Economic Growth, Creates Jobs, and Fosters Competitiveness for U.S. Businesses

by

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Why Language Matters to U.S. Business

Every sector of the U.S. economy depends on language services for revenue, profit growth, job creation, product innovation, and research and development. There are no exceptions. All U.S. industry sectors produce content to sell and market their products or services to audiences whose native language is not English. American companies are competing in the global economy for market share, customers, and resources. Meanwhile, U.S. corporations are investing in reaching Latinos in the U.S. and other domestic language populations. Whether it is a multinational enterprise selling software, a governmental agency monitoring chatter, or an NGO helping disperse information about water sanitation, the end user must understand the language of the message, service or product. News, political statements, websites, movies, product literature, software, safety information, labeling, digital games and customer support are all translated every day in over 500 major language pairs worldwide. As U.S. companies target multilingual populations at home and abroad, there is a growing need for language services and a strong linguistically trained workforce.

Languages are not just a prerequisite for international commerce; they are business drivers for the U.S. economy in three key areas:

1. Languages Drive Economic Growth

U.S. businesses derive significant percentages of their revenue from markets outside the United States. The U.S. Census Bureau reports that total U.S. exports resulted in about \$1.5 trillion of total U.S. goods traded in 2011.¹ For example:

- Apple generated over 60% of its \$108 billion of last year's revenue abroad.²
- Facebook's international revenue grew from 33% in 2010 to 44% last year.³

1 Source: U.S. Census Bureau News, U.S. Goods Trade: Imports & Exports by Related-Parties 2011.

http://www.census.gov/foreign-trade/Press-Release/2011pr/aip/related_party/rp11.pdf

2 Source: <http://www.apple.com/pr/library/2011/10/18Apple-Reports-Fourth-Quarter-Results.html>

3 Source: <http://traderanalysis.com/49/s1-filing-facebooks-revenue-generation-sources>

- Wal-Mart's international business comprised 26% of total sales, or \$28 billion. Wal-Mart's profits and its international business remains its growth engine and it expects growth in emerging markets to accelerate.⁴ International sales rose almost 9% for its 4th quarter, while Wal-Mart's U.S. business slipped 0.5% during the same period.

Not surprisingly, foreign sales for U.S. companies correlate closely with the scope of their language (or “localization”) programs. Multilingual versions of products and services significantly drive revenues gained from abroad. Industry research shows that companies spend an average of 0.5% - 2.5% of gross revenues on localization, often contributing to more than half of their total income.⁵ In other words, a small investment in languages produces a huge return on investment for U.S. businesses.

Major world markets like Europe, Japan, and China are already well-known areas for economic expansion. But new markets are also emerging. Places like India, Latin America, the Middle East, and Africa have some of the fastest growing economies in the world. The World Bank reports that economic growth in Sub-Saharan Africa remains strong and is poised for lift-off after growing at 4.9 percent in 2011.⁶ The language requirements for entering those markets are new and significant – Africa alone has some 2,000 languages!

Simply put, languages are the enabler that helps U.S. businesses expand and the U.S. economy grow.

2. Languages Create Jobs

Companies in North America (U.S. and Canada) produced approximately \$15.5 billion in outsourced language services in 2011. Those services were provided by thousands of small- to medium-sized enterprises, with the vast majority in the United States. With average revenue per full-time employee of \$81,500, this means that the outsourced language industry in North America was responsible for about

4 Source: http://www.usatoday.com/money/companies/earnings/2011-02-22-walmart_N.htm

5 Source: Common Sense Advisory.

6 Source: World Bank, Press Release No:2012/401/AFR,

<http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/AFRICAEXT/GAMBIAEXTN/0,,contentMDK:23174058~menuPK:50003484~pagePK:2865066~piPK:2865079~theSitePK:351626,00.html>

190,000 full-time jobs in 2011, most of them in the U.S. This does not even account for the vastly larger pool of part-time and freelance U.S. linguists or language-program-related staff that U.S. businesses also maintain. Nor does it account for jobs the language industry has indirectly created, such as the people who help market, sell, deliver and support U.S.-made products to consumers worldwide.

Languages – and the business that they enable – may be the most powerful force in job creation in the United States. Without languages, there would be \$1.5 trillion missing in total goods sold in the U.S. today.⁷

3. Languages Foster Global Competitiveness

Operating on a global scale is one of the biggest challenges companies face. Competition from abroad is fierce, whether you are a tiny start-up or a multi-billion-dollar corporation. English was long considered the global language for doing business, but it is losing that status. Less than 27% of the Internet is now in English, and growth in other languages – especially Chinese – is much faster.⁸

Social media and on-line communities are creating an explosion of non-English content. Collectively, they constitute a whole new category of information that barely existed five years ago, called “user-generated content” (UGC). For example, every single day:

- 60,000 new websites are added to the Web.
- Over 140 million tweets are created on Twitter.
- 1.5 billion pieces of Facebook content are created.
- 1.6 million blog posts are written.
- 2 million videos are added on YouTube⁹

UGC is the new frontier of business interaction with customers and markets. And the critical point here is that the majority of user-generated content is ***not in English***.

7 Source: U.S. Census Bureau News, U.S. Goods Trade: Imports & Exports by Related-Parties 2011. http://www.census.gov/foreign-trade/Press-Release/2011pr/aip/related_party/rp11.pdf

8 Source: <http://www.internetworldstats.com/stats7.htm>

9 Sources: Pingdom, Technorati, TechCrunch, Contently, Facebook, Twitter

If U.S. companies wish to stay relevant and compete in the global marketplace – they must adopt more comprehensive language strategies. If you sell products in Germany, your customers will tweet back at you in German, and your customer support team needs to be ready.



President John F Kennedy sitting with Berlin Mayor Willy Brandt, White House, March 13, 1961: "If I'm selling to you, then I'll speak English. If you're selling to me.....dann müssen Sie Deutsch sprechen."

Apple provides an excellent example of languages as a driver for growth and international competitiveness. In their latest product release, on March 16, 2012, Apple launched the new-generation iPad in 9 countries simultaneously. One week later, the iPad launched in 25 more countries. This is a massive feat of localization, engineering, sales, marketing, and distribution. Apple's product platform (iOS) was immediately available in 34 languages. Sales of the iPad topped 3 million units – over \$1 billion in new revenues – in the first three days. International sales of the iPhone 4 S accounted for 64% of Apple's revenue in its last quarter.¹⁰ Apple's comprehensive and globally oriented localization program is, without a doubt, one

¹⁰ Source: USA Today, Apple trumps earnings expectations: <http://www.usatoday.com/tech/news/story/2012-04-24/apple-earnings/54510014/1>

of the key drivers that has helped Apple become the most valuable company in the world.

Overview of the Language Industry

It is the localization and language industry that helps organizations reach their targets in the right language and cultural context. Language industry research shows that the worldwide language services market is growing at an annual rate of 7.4%.¹¹ Estimates for 2014 put the world market at some \$39 billion, with nearly \$20 billion in North America, most of which is in the U.S.

The language industry consists of many different types of entities providing both outsourced language technology and services and in-house support within multinational companies. The major components of the industry are:

1. **Localization service providers (LSPs) and translation companies.** With more than 6,700 languages spoken in 230 countries worldwide, these providers adapt products and services so they are accessible to a region's residents. This process involves adaptation to the language, culture, customs, and other characteristics of the target locale. Among the U.S. companies providing language services, the vast majority are small businesses.
2. **Technology developers.** Technology companies are a key element of the language industry. From machine translation (like the well-known Google Translate), to terminology, content mining, analytics and many other technologies, we are seeing innovation and start-up companies create solutions to accelerate time-to-market for customers going global.
3. **In-house localization and translation departments.** Many multi-national companies have in-house teams that coordinate translation strategy and implementation internally, and most work with outsourced LSPs.
4. **Translators & Interpreters.** Individual translators and interpreters are at the core of the corporate language sector, often working as independent contractors and freelancers or as full-time staff.

¹¹ Source: www.common senseadvisory.com

Currently nearly 20% of the world's language services companies are located in North America, with the great majority in the U.S. North American language services companies hold nearly 50% of the global language services market, and 6 of the top 10 ranked of these companies were U.S. companies in 2011.

Addressing the Gaps in U.S. Language Capabilities

No official language exists at the federal level in the U.S., and the latest U.S. Census Report on *Language Use in the United States* illustrates evidence of the continuing and growing role of non-English languages as part of the national fabric.¹² Because American English is the primary language used for legislation, regulations, executive orders, treaties, federal court rulings, and all other official pronouncements, it has also been the global language of business for the last decades. But there were two events in the last decade that brought a ten-fold change, bringing other languages to the forefront:

- The explosion of the Internet (sometimes called Internet 2.0), and
- The terror attacks on 9/11

The issue of language competency has become one of homeland security and national economic security.

U.S. business and government agencies are addressing their need for language competence, but with little cooperation between private sector, government and academia, even though they have almost identical needs. Linguistic and language-management skills cross over from one sector to the other with considerable ease; technology requirements are almost identical; language pairs for the most part overlap. There is great potential for addressing gaps in language capabilities through close collaboration.

¹² Source: U.S. Census Bureau, *Language Use in the United States: 2007 (ACS)*
<http://www.census.gov/hhes/socdemo/language/data/acs/ACS-12.pdf>

Language and Professional Training

Language skills take time, repeated exposure, and practice to develop. The U.S. needs programs that incentivize deep language learning, including in-country experiences and training. Words are only one part of communicating; culture is the other, and experience on how to perform before the background of a foreign culture can't be acquired in a classroom or textbook. But this skill is equally critical in all settings, whether it is gathering intelligence, fighting corporate espionage, or creating an international marketing campaign.

Additional training is required to develop key competencies in disciplines, such as translation, localization, terminology, localization technology, engineering, and multimedia. All of these come into play in order to communicate information between languages. For example, it does little good for an intelligence analyst to understand Arabic radio chatter if he or she cannot first filter out which piece of information is relevant to homeland security and then transmit its meaning in English to those who immediately need it. Such skill is in high demand and will continue to be sought after.¹³

Needed: A Government-Industry-Academia Partnership

New technologies provide government, industry, and academia with a unique opportunity to partner in addressing today's gaps in language capabilities, such as:

- Exploiting opportunities for research and development that require scope, scale, funding, duration, resources, and testing
- Promoting connections and links between the three sectors and international collaborators
- Engaging talent in the U.S. to conduct language research and education
- Fostering research, especially in areas that promise to create or enhance technologies

¹³ Source: Readers Digest, <http://www.rd.com/money/9-recessionproof-careers>

Such a three-pronged partnership can produce concrete outcomes that benefit the language needs of U.S. businesses and government, for example, by:

- Developing, funding and supporting new and existing language technology companies (through spinoffs, joint ventures, and the like)
- Promoting language-related research and development that is aimed at strengthening competitiveness and capabilities in key areas (emerging markets, homeland security, cyber-crime, etc.)
- Expanding the educational and career opportunities for U.S. workers in language-related fields
- Training specialized workers, law enforcement officers, intelligence community, etc., in targeted skills

What GALA Can Do to Help

As the largest non-profit language trade association in the world, GALA is in a unique position to facilitate the collaboration between the three sectors. We cordially invite public-sector, academia and for-profit organizations to collaborate in exchanging and disseminating best practices within the language community. GALA plays a pivotal role in warehousing, exchanging, and disseminating best practices within the corporate language community; for example, GALA is a key body in the area of language standards for business, serving as a neutral player interfacing with such global standards organizations as ISO, ASTM, OASIS, ETSI, and others.

GALA already drives and fosters such collaboration with the European Union in several programs aimed at increasing the visibility of languages, promoting language standards in international business, and training the next generation of linguists. One current example is the Horizon 2020¹⁴ program that provides research and development to ensure that by 2020 the information of European government will be delivered to all the citizens of Europe in their native language.

¹⁴ Source: The EU Framework Programme for Research and Innovation
http://ec.europa.eu/research/horizon2020/index_en.cfm

Individual countries are also making their own investments in domestic language capabilities, even during these tough economic times. For instance, Science Foundation Ireland, created by the Irish government, has been funding the Center for Next-Generation Localization (CNGL)¹⁵ – in partnership with industry and academia – with 4-5 million euros per year to research and develop language technologies, processes, and resources.

Not acting on the challenges may have dire consequences on the US private sector to compete in the near future. We are already seeing a chronic shortfall of qualified language specialists and stagnant translator productivity. As a result, corporations increasingly rely on less qualified translators and unrefined machine translations, rendering their products less competitive in the global market place.¹⁶

GALA pro-actively informs and educates its members to intelligently apply machine translation and other translation automation solutions to alleviate the looming crisis. But we cannot do it on our own. We will need the close collaboration between translation services/technology providers, the buyer community from government and private sector as well as academia.

GALA would welcome the opportunity to expand on this testimony and the recommendations included herein in more detail.

¹⁵ For information visit: <http://www.cngl.ie>

¹⁶ In its recent report, Future Shock, Common Sense Advisory predicts ‘major structural and technological changes in a short timeframe – for which [localization] providers are simply unable to address market demand without changing how they operate.

What is GALA?

The Globalization and Localization Association (GALA) is the largest non-profit association for the language industry in the world. We provide resources, education, knowledge and research for thousands of global companies. GALA members are primarily companies who specialize in language services or technologies, including translation vendors, localization service providers, interpretation companies, globalization consultants, and language technology developers. A growing portion of the GALA members are multinational corporations who buy language services and technologies. GALA is comprised of over 320 member companies from 50 countries. The largest group of members by country within GALA is from the United States (64 member companies).

GALA is a go-to source for objective information about the language business. We regularly interact with tens of thousands of companies – over 1,600 in the U.S. alone – through our outreach programs, newsletters, *Language of Business* conference series, webinars, global standards initiatives and partnerships with national and international organizations.

GALA actively promotes translation as a key component of global business strategy. In addition to educating businesses worldwide on the benefits of translation and localization, GALA offers localization companies and teams a global, non-biased corporate language and translation community. We provide communities for the global language industry to share knowledge and collaborate, giving professionals within our member companies the tools, knowledge and ideas to do their jobs better. GALA disseminates information and facilitates discussion about best practices in the corporate language sector, from working with translators to selecting service providers and technology vendors.

GALA is headquartered in the United States and is a registered 506(c) trade association. The organization is run by a permanent executive staff and an all-volunteer Board of Directors, elected annually from among the membership.

For more information, visit www.gala-global.org.

Background of Hans Fenstermacher

Hans was Vice President of TransPerfect, a U.S. language services and technology firm, until 2012 and is now a consultant in the language industry. Before that, Hans founded and managed his own U.S.-based language services company, ArchiText Inc., for 12 years, which he sold to TransPerfect in 2006. Born in Germany, Hans speaks seven languages and holds degrees from Princeton University and the Fletcher School of Law and Diplomacy. Over his 30+ years in the language business, Hans was a translator, interpreter, project manager, desktop publisher, product developer, designer, marketer, and writer. Hans is also the inventor of the ABREVE® process, a content globalization system designed to reduce content volume, enhance content usability, and maximize content efficiency.

Hans was elected Associate Fellow of the Society for Technical Communication (STC) in 2006 and is a former president of the STC's largest chapter (Boston). In 2002 Hans founded the Globalization and Localization Association (GALA) and served as its first Chairman. In 2009, he was re-elected to the GALA Board of Directors and currently again serves as its Chairman.

Hans speaks and writes frequently about language, content, and other topics. For more information, contact hansfenstermacher@gmail.com.

Background of Andrew Lawless

Andrew Lawless is a globally renowned expert and thought leader in global content management and content localization. He is founder and president of Dig-IT! Andrew also manages the Globalization Series of the Web Managers Roundtable in Washington, DC, the thought exchange platform for the web industry's leaders and authorities that draws participants from the D.C. area's most prominent corporations, associations, non-profits and government agencies. Andrew has active top secret security clearance.

Before founding Dig-IT!, Andrew completed the implementation of five localization hubs in developing countries as manager for translation & localization at the World Bank. He has also served as Managing Director for Central & Eastern Europe for Berlitz (now Lionbridge) and Managing Director of HEP, the electronic publishing arm of the Georg von Holtzbrinck Publishing Group that includes Scientific American, Henry Holt, St. Martin's Press, Farrar Straus and Giroux, as well as Handelsblatt.

Andrew's list of clients includes: Agilent Technologies, FBI Academy, Laureate International Universities, Mimio/Rubbermaid, The Nature Conservancy, OCLC Online Computer Library Center, VeriSign, Waters Corporation, The World Bank, and others.

Andrew speaks and writes frequently about language, content, and other topics. For more information, contact andrew.lawless@dig-it.us.