



ADVANCED SUBSIDIARY GCE
BUSINESS STUDIES
Business Behaviour

2873/CS

CASE STUDY

To be opened on receipt

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- The business described in this Case Study is entirely fictitious.
- This document consists of **8** pages. Any blank pages are indicated.

LANGUAGE & TRANSLATION SERVICES Ltd (LTSL)

Russell Gardner admits that he is not a natural linguist. He can just about order a coffee in Spanish. However, this has not stopped him from being Chief Executive and majority shareholder of an online language translation service, LTSL, which made a 12% net profit before tax on sales of £4.3 million in the financial year 2007/2008. The secret, according to Russell, is getting the right people – top translators, web design experts and premier project managers. 5

The company can translate anything into over 135 languages. LTSL's website also offers a number of free tools, such as instant e-mail translations and language identifiers, currency converters and country guides. These tools account for over 90% of the 1.7 million website hits each month. The revenue earning part of the business comes from its work translating letters, brochures, websites, contracts, marketing materials and technical journals for small and large organisations around the world. 10

Set up by Russell in 2004 with no loans, LTSL is currently debt free. It now employs 115 staff in seven offices. The head office is in Cardiff, which is home to senior management, HRM, administrative support and sales & marketing. The IT department is based in Hungary and another sales team is based in California. There are also offices in Valencia, Brussels and just this year, LTSL has expanded in Asia, with the opening of offices in Hong Kong and India. The actual translation services are provided by over 6,500 freelance translators based around the world, mostly working from their homes. 15

One of the 52 employees based in Cardiff is Company Accountant, Sarah Adams. She controls the finances for the whole business and is currently working on streamlining its financial systems. As the company has expanded rapidly in size, the amount of financial data has grown to a worrying degree. Sarah is concerned that more thought should be given to the financial implications associated with expansion. In addition to the usual sets of financial accounts which have to be produced for a limited company, Sarah is always sure to maintain cash flow forecasts and budget statements. She sees these as being vital aids to decision-making. However, she is unhappy that the other managers do not give these documents enough attention. At the Senior Team meeting held at the start of October, Sarah had raised her concerns. 20
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“Once again, the budget figures for the last quarter have been missed by a significant degree. What is the point of the time we spend on the forecast budgets, if nobody then gives them a passing glance during the period in question? We sit at these meetings and talk about the plus and minus points but nothing changes in the next period. I really would like to see greater recognition of the benefits of budgeting.” 30

They spent the next 30 minutes in the meeting comparing budgeted and actual figures for Quarter 2 and analysing the implications of the Quarter 3 forecasts (see Table 1).

Table 1 – Summary Budget Statement for Quarters 1, 2 & 3 of 2008-09

	Quarter 1	Quarter 2	Quarter 3
	(April–June)	(July–September)	(October–December)
Budgeted revenue	£1,100,000	£1,500,000	£1,600,000
Budgeted total costs	£950,000	£1,300,000	£1,350,000
Budgeted net profit	£150,000	£200,000	£250,000
Actual revenue	£1,241,823	£1,356,297	
Actual total costs	£1,050,401	£1,234,004	
Actual net profit	£191,422	£122,293	

Sarah did feel that maybe her fellow managers were more open to the issues she was raising. 35

However, within an hour of returning to her work area after the meeting, she received information which meant the figures she had presented at the meeting for Quarter 2 were wrong and would need correcting. LTSL's costs are grouped into fixed and variable components. It had been discovered that a computer error meant incorrect data had been used when calculating the actual total costs for Quarter 2. That is really going to reduce the credibility of the budget process now, thought Sarah. 40

Although LTSL is currently spending much time and effort focusing on a major global expansion, one of the biggest challenges facing Russell Gardner is closer to home. Finding the right staff for the Cardiff head office is proving to have a restricting influence on LTSL's ability to grow.

LTSL advertises on general recruitment websites and in local newspapers but has had limited success. It is a growing concern for the HR Manager, Phil Skaro, who raised the problem again at a recent meeting with Russell. 45

“Unless we can find a solution to recruitment here in Cardiff, we are going to have to slow down our growth plans to a large extent. I am running out of innovative ideas to attract more applicants”, said Phil. 50

“What about the stunt you tried at the train station? I thought handing out leaflets outside such a busy place might attract some interest.” said Russell.

“Well, we did have some interest”, replied Phil, “but the applicants were nowhere near the calibre we are looking for. We currently have six vacancies for posts such as contract writers, web managers, sales and finance jobs, which are all important posts. Yet we have had people turning up for interview not wearing a tie. I know we have a relaxed dress code, but applicants do not know that and if they can't be bothered to make an effort for the interview, I don't see why we should offer them a job. We have much more success recruiting in Hungary than we do here.” 55

In fact, the Cardiff office is a very pleasant place to work. Staff turnover is almost zero and benefits include free healthy lunches, an on-site masseuse, a bonus scheme and profit sharing. Duvet days have also been recently introduced, where staff can have one day a month when they can wake up and simply decide not to go into work. “If the staff are happy they work better, which leads to greater customer satisfaction”, says Russell. LTSL's customer satisfaction rate currently stands at 94%. 60

Russell's plans for further expansion include more offices around the world, but especially in mainland China, to take advantage of the huge growth in industry there. The enormous increase 65

in demand for translations into and out of Chinese is already creating much more work for LTSL and the need for a base in mainland China is growing. LTSL's HRM department recruits senior staff in each country who then find their own supervisors of the freelance translators. It is company policy to have as many technical and project staff as possible in low-cost countries to help keep costs and prices down. LTSL is very price competitive, with its prices 30% lower than anyone else in the industry. However, price is only one component of any marketing plan. LTSL focuses on the product itself, with the level of quality being most important. There is a quality statement included on the website, and in all printed materials, in each language offered by LTSL. 70

To ensure that all translations are as accurate as possible, quality checks are built in at every point in the translation process. LTSL is a registered ISO9001 firm, as well as being a holder of the Investors in People award. On average, 80 new applications from freelance translators are received each week, although now less than 25% of the translators make it onto LTSL's books. Every translator will: 75

- have translated at least 100,000 words; 80
- have at least two references from previous projects;
- translate only into their native language;
- be appropriately qualified in their technical areas;
- have relevant industry experience for the material they translate.

LTSL only uses translators who live in-country, where this is appropriate. This is because language is an evolving entity, and any translator who has been out of the country for a length of time will be unsuitable to translate material for that target audience. The exception to this rule is where the material is aimed at communities living outside their own country. In these circumstances a translator from the target country will be used wherever possible. For example, a translation carried out for the Russian community in London would be done by a London-based ethnic Russian person, rather than a Russian translator living in Russia. 85 90

Russell and his management team are keen to work towards high ethical standards. As most translators are 'in-country' and have differing standards of living, LTSL tries to ensure that all translators are paid the going rate for their skills in whichever country they are based.

The growing numbers of translators who can also work as interpreters has led Russell to begin thinking about a new product to add to LTSL's current portfolio; interpreting services. These are now becoming crucial to the day-to-day running of a whole host of government bodies, local authorities and businesses, both large and small. 95

Russell has asked the marketing department in Cardiff to carry out the necessary research and planning before the new interpreting services are offered to customers, starting in the summer of 2009. He is particularly keen to develop an appropriate business-to-business promotional strategy for the new interpreting service. 100

As the five-year anniversary of LTSL's birth approaches, Russell has been looking back on what has already been a very successful venture. Back in 2004, he never believed that just five years later he would be in charge of a multi-million pound international business. He remembers sceptical friends and worried family arguing that he would never succeed. Even the few who encouraged him remarked that it would take many years of hard work to set the business up and be in a situation where it could start to benefit from its position and size in the market. Russell's thoughts are now turning to the next five years. 105

"I have not ruled out giving up part of my equity in the business to raise cash", Russell was quoted as saying in a recent article in the business pages of a local newspaper. "This would be the first step to a possible full flotation of the business in 2015. I want this business to grow, but I don't want the focus to be only on profit and shareholder returns. I want the staff to be happy but the two sometimes conflict, as staff benefits come straight off the bottom line." 110

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