



A leap into languages

Some entrepreneurs are born into the role. Such was the case of Tom Adams who, at the age of 30, became CEO for a family business selling language-learning software. Rosetta Stone may not have been Adams' creation, but the company's phenomenal growth during his tenure is testimony to the role of the entrepreneur within a mature corporate structure. Armed with his passion for languages and skillful execution, Adams took Rosetta Stone to new heights, achieving 20-fold growth during his seven-year tenure.



when the company was earning about \$10 million in annual revenues and had 90 full-time employees. Today, the re-christened and publicly-traded Rosetta Stone Inc boasts some 1,700 employees and had second-quarter revenues of \$60.6 million, a seven per cent increase compared with the same period a year earlier. In 2009, the company recorded \$252.3 million in annual revenues. "What I was so excited about was that this was a company that was trying to change its industry or had the potential to," says Adams of his decision to join in 2003.

With a freshly-minted MBA, Adams ('01) was named CEO of Fairfield Language Technologies in 2003,

Visit **INSEAD Knowledge**
<http://knowledge.insead.edu>



Rosetta Stone's self-study language solutions include software packages and online services with speech recognition capabilities. Its signature yellow boxes at mall kiosks and airports present an alternative approach to traditional classroom teaching techniques. Memorising grammar rules and vocabulary lists are replaced with interactive experiences of reading, recognising and speaking. Its premium offering is TOTALe, a \$ 750 product that builds on the original course by integrating coached practice sessions, language games and live online access to native speakers.

The company's expansion did come with tremendous growing pains, Adams told INSEAD Knowledge, as it involved reconfiguring systems to handle the million-plus transactions a year -- an expensive but necessary initiative to manage a growing consumer-driven business. The company also had to structure its management team to build scalability as its products are currently available in 31 languages and clients include educational institutions, armed forces, government agencies and corporations.



Adams took the company public in April 2009, in the trough of the recession, becoming only the third company at the time to do so on the New York Stock Exchange. "There was that moment of 'are we doing something crazy here?'" , reflects Adams. Apart from the pressures of providing liquidity for private equity investors, the company was in the throes of international expansion and in need of the extra

Visit INSEAD Knowledge
<http://knowledge.insead.edu>

capital. "In the end, we felt so good about the business, we felt so good about our prospects of our company that we weren't deterred."

However, the stock that was dubbed among the hottest IPOs in 2009 has hit snags this year following disappointing US sales and the recent departures of two high-level executives. In the second quarter, US sales that made up 86 percent of revenues declined two per cent from the previous year. Since July 22, its stock price has dropped 25 per cent and trades below its opening day price. The company also lowered its 2010 sales bookings and revenue forecasts. Analysts are pinning the company's long-term recovery on the performance of a new product launch in September and continued international growth that saw a 155 per cent annual increase from the second quarter of last year.

With a noticeable air of uncertainty among analysts concerning the company's management woes and US sales performance, Adams' challenges are among his latest growing pains that come with being a publicly-owned company.

Visiting INSEAD earlier this year to address participants at an Entrepreneurship Bootcamp, Adams had this to say: "[MBA students have] got to be very sensitive to the window of opportunity when they come out of business school. Many of us put off starting a business or going entrepreneurial for a long time and we come to regret it. The opportunity to pursue your passion is the way to find true happiness."

This article was written by Mrinalini Reddy based on an interview for INSEAD Knowledge.

Find article at

<https://knowledge.insead.edu/strategy/a-leap-into-languages-668>

Download the Knowledge app for free

