

The Role of Language in International Business: English as a Lingua Franca

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## ABSTRACT

As a result of globalization, multinational corporations are struggling to combat the issue of language in international business communication. This paper analyzes the role of language and language barriers in international business communication, with a particular focus on English as an emerging lingua franca and its effects on multinational management. After analyzing the language strategy of two multinational corporations where English was made the official corporate language, KONE in Finland and Rakuten in Japan, the results of this study suggest that implementing “English-only” corporate language policies is ineffective at improving transnational communication and makes recommendations for alternative strategic language planning methods.

## **Introduction**

News outlets such as CNN and Reuters have been lining up as of late to declare English as the “language of international business.” Even the Harvard Business Review recently published a paper entitled “Global Business Speaks English,” proclaiming boldly in its first sentence that, “Ready or not, English is now the global language of business.”

Although the trend towards English as a global lingua franca has been ongoing for some time, it seems to be only now that the world is taking notice. For native English-speaking businessmen and women, it is important now more than ever to critically examine what the predominance of the English language implies in the context of international business.

This paper will first give a brief overview of the history of the rise of English as the lingua franca of international business. Then it will analyze two case studies concerning the adoption of English as a corporate language, and the management implications of English as a lingua franca in an international business context. Finally, the author will make recommendations for effective language strategy.

## **The Rise of English as a Lingua Franca**

The English language has been constantly on the move ever since the first Englishmen sailed the Atlantic and landed on the shores of America at Jamestown in 1607. Since then, the English language has grown to include speakers on every continent and on islands in all three of the major oceans. At the height of the British Empire, Crystal (2003).estimates its subjects included roughly one quarter of the worlds’ total population. Naturally, the British brought their language with them as their empire spread to all corners of the globe. The British have left a

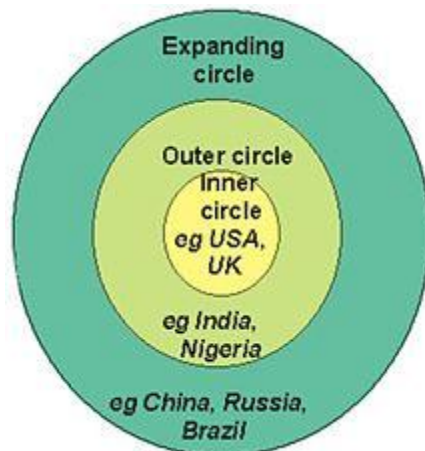
lasting linguistic impact on the Americas, the Caribbean, Africa, Oceania, and South and Southeast Asia. Following the decline of the British Empire, many of the institutions the British had established in their former colonies remained long after the British had left, encouraging the continued use of English even through the post-colonial period.

The present status of English can be attributed to two main factors: First, British imperialism that lasted to the end of the nineteenth century, and second, the American economic juggernaut of the twentieth century (Crystal, 2003, p. 59). American hegemony in the post-Cold War and Internet eras have also no doubt been a key factor in the rise of English as a global language.

### **World Englishes.**

There is no universal “English.” Rather, there are a large number of “Englishes” used by different groups across the world. The most commonly accepted framework to explain the phenomena of multiple World Englishes is Braj Kachru’s Three Circles of English Model, where concentric circles describe the nature and use of English in countries across the world.

*Figure 1.* The Three Circles of English. This figure illustrates Kachru’s Circles of English concept, naming the three circles and sample member countries.



In the inner circle are countries where English is spoken as a first language (L1). These countries were introduced to English in the first diaspora, including the US, Canada, Australia, South Africa and others along with the UK itself. The outer circle represents countries that speak English as an unofficial language (L2), usually that adopted English as a result of 19<sup>th</sup> century colonialism, such as Nigeria, India, Malaysia and Kenya. The expanding circle (L3) represents all other countries today where English is commonly taught and learned, but has no historical or governmental role, such as China, South Korea, Brazil and Russia.

The combination of these World Englishes means that English is rapidly becoming a global lingua franca unprecedented in size or scope. English is the fastest spreading language in human history and now includes over 1.75 billion speakers in some capacity (Neely, 2012a, p. 118).

### **The Importance of Language to International Business**

Language permeates nearly every aspect of a multinational business. It is indeed “the essence of international business” (Welch, Welch, & Piekkari, 2005) When businesses span national borders, the issue of language is bound to arise. These language differences can have a profound impact on the successful operation of a multinational business, and adapting successfully to a new language can make or break a MNCs’ entry into a country.

However, the study of language as it relates to international business successes and failures is often overlooked. Despite the universal notion that language is important to conducting international business, there is relatively little research focused specifically on the role of language in multinational management. Differences in language are largely taken for

granted, even though everyone realizes its importance (Marschan, Welch, & Welch, 1997). In 2005, Welch et al. admit that although the study of language in international business is no longer “overlooked,” the authors reaffirm that still not enough research is being conducted in this area, despite its incredible importance and relevance to international business success.

### **Language in the MNC: A Framework**

Language in the multinational corporation can be viewed from three perspectives: a barrier, a facilitator, or a source of power (Marschan-Piekkari, Welch, & Welch, 1999).

Language can be a barrier on a day-to-day basis when subsidiaries that speak different languages must communicate with each other, as well as when corporate language communications from headquarters use the standard company language rather than the local language. In a less literal way, limited language skills can also prevent employees from building relationships that could have been fostered with increased skill in the company language.

However, language can also be a facilitator of communication flows. Individuals with more language skills have more opportunities for cross-unit communication, and foster relationships with other subsidiaries more easily.

Lastly, language can be a source of power for those that possess the desired linguistic skill set. Middle managers with the desired language skills act as “gatekeepers,” or language intermediaries for superiors, and are given access to sensitive information not typical of his or her position and have the power to report information at their discretion to those along the chain of communication.

### **Case Studies: Adoption of English as a Corporate Language**

#### **KONE**

In their 1997 paper, Marschan et al. argued that language has a direct impact on the multinational's ability to manage its global subsidiary network, as highlighted in the case of the Finnish company KONE.

KONE is a Finnish elevator company that was an early adopter of English as its corporate language in the 1970s. Since Finnish is a language seldom spoken outside Finland, the company was forced early on to adapt their corporate language policies to suit an international business mindset. The "dual language structure" (wherein the home country language is not the same as the selected corporate language) as well as its early adoption of a corporate language policy makes KONE an ideal company within which to study the effects of language on international business.

Some actions that seem like they ought to remove barriers, such as implementing a company language, can affect different groups in different ways. At KONE, many top managers felt that the language standardization had been successful because they themselves spoke English well and were unaware of the problems it caused for employees who did not. This shows that a language policy that is a facilitator for those at the top can be a barrier for those farther down the corporate totem pole. For example, a Spanish speaking middle manager at KONE said that the company directives didn't mean that much to him since they were in English, a language which he does not speak. Thus, he is reliant on intermediaries to transmit the company values, which leaves a large margin of error for message distortion. Additionally, lack of English skills prevented Spanish staff from participating in and benefitting from training programs. Based on

the contradictory observations in the case, the authors suggest that the universal company language only unites top management, while those lower down the management chain with lower proficiency in the corporate language do not appear to benefit as much (Marschan et al., 1997).

The natural solution that presents itself is to employ expatriates as “language mediators” that act as interpreters between headquarters and subsidiaries. These expatriates not only serve as interpreters, but also provide local managers with connections to important people in the home country and a means to gain influence.

Shared languages besides the company language facilitate exchanges across subsidiaries, as seen with an example from KONE where Spanish and Italian subsidiaries found it easier to communicate in Italy because the Spaniards perceived learning Italian to be easier than learning English. In this case, the language barrier between Italian and Spanish actually acted as a facilitator of communication because it was perceived as less high than the barrier between Spanish and English.

In some KONE subsidiaries, there was only one manager in each office that possessed the necessary language skills to maintain important contacts, and thus the importance of the manager with language skills was disproportionately large compared to other managers of similar status but lacking in language skills.

### **Employee reactions to corporate language exclusion.**

The authors pinpointed four reactions of KONE staff that were not fluent in the company language. The first is simply that they did nothing. Staff who did not speak the company

language ignored any documents they could not understand, and hid the fact that the information was not being conveyed.

In the case that there was one person who can speak the company language in an office or department of non-speakers, that person became what the authors call the “language node” of the communication network. They became the person in the network that communication passed through so that it could be understood by all. However, there are a limited number of people who can serve “language nodes,” so bottlenecks occur and problems arise when this “node” is so consumed with translating that they no longer have time for their steering tasks as managers.

The third reaction to inability to speak the company language was that employees formed informal links outside of their specific subsidiary. Managers begin to work with employees in other subsidiaries, departments or offices that could provide them with the translation services that they needed to function.

Lastly, employees pursued “formal language alliances” with other colleagues within the organization. Managers purposefully sought out employees in other areas who could speak a common language to serve as a small network of personal contacts regarding language issues.

### **Lessons from KONE.**

Marschan et al. (1997) argue that based on the experiences of KONE employees, learning the company language is the “most appropriate and obvious” long-term response. They acknowledge that even with time and effort, this may not be possible and offer “buying-in” multilingual staff as a temporary fix.

One of the main tasks of upper management is to unify the MNC and help employees view themselves as part of a greater entity. Implementing a standard corporate language is a tactic to enhance a sense of unity. However, simply standardizing a “company language” isn’t enough. Mandating a standardized language amongst subsidiaries does not necessarily equal effective communication across language barriers. The effort put into transmitting company values through establishing a corporate language is lost on those who do not personally speak the language.

A proposed solution to the unification problem is to change the organizational structure of the multinational from hierarchical to a flatter, horizontal structure. By flattening the organizational structure, a greater sense of unity can be created by reducing the number of levels between employees and management. However, the challenge with horizontal organizational structures is just the same: communication. The ability to use a flatter organizational structure to promote unity hinges on interpersonal relationships and communication, both of which are primarily language dependent. Obviously, those who speak a common language are far more likely to develop relationships and have clear communication than those who do not, regardless of what language it is.

The authors conclude that multinationals need to place a more strategic value on language, as it is a key element for successful management. For example, language is inexorably linked with human resource management processes such as recruitment, selection and training. One way that the authors suggest to assess the impact of language is to do what they call a “language audit,” or an assessment of language proficiency of staff at various subsidiaries, in order to more clearly determine a suitable language strategy.

What the authors fail to take into consideration is that MNCs must not only think globally, from the perspective of its own internal communications, but that they must also think and act locally for their business to be viable across countries and cultures. Creating a standard company language may ease the burden on internal managers when disseminating information, but losing local language abilities and thus sensibilities is detrimental to the health of the firm.

## **Rakuten**

Rakuten, Inc. (Japanese for “optimism”) is a Japanese electronic commerce and Internet company with a host of businesses and subsidiaries. Among them is Rakuten Ichiba, Japan’s largest online retailer and major competitor with Amazon. Rakuten ranks among the top 10 Internet companies in the world by market cap.

### **“Englishnization.”**

In 2010, CEO Hiroshi Mikitani declared out of the blue that the entire company would be switching their corporate language to English. All employees were given two years to pass an English proficiency test or risk being demoted. At the time, only 10 percent of Rakuten’s 7,000 or so employees spoke English. (Neeley 2012a). When Mikitani announced his “Englishnization” plan, Takanobu Ito, CEO of Honda, called the plan “stupid” considering the majority of employees were Japanese (Harlan 2012).

Initially, the company provided no extra resources and employees were expected to study English on their own time and money. When test scores were not rising as fast as Mikitani hoped, the company began to hold after-work classes (Harlan 2012). According to Mikitani, just before the 2 year deadline was about to come to a close, test scores had improved sharply, over 80 percent of meetings were being held in English. Only July 1, 2012, he announced that the

standard language of communication within the company would be English from that date forward.

The objective of the Englishnization program was to increase Rakuten's international competitiveness by increasing the level of English of its employees (Matsutani 2012). Due to the fact that employees switch departments relatively often, Mikitani felt it would be more beneficial for all employees to learn English, not just executives and employees in functions that need to use English more often.

Mikitani holds the Englishnization program accountable for several of the company's successful international acquisitions, such as in one case when it was able to send engineers directly to Toronto to begin integration immediately after acquisition (Hoare, 2012). Rakuten hopes to operate in 27 countries with a "few years" and have overseas business account for 70 percent of sales (Haran, 2012).

### **Lessons from Rakuten.**

Although English is required for all official communications, employees still prefer to speak Japanese amongst themselves, and do so. And an interview with a Rakuten employee that had supposedly scored "above average" on his English exam proved that the employees did not all completely grasp spoken English, as the employee could not express complex ideas and instead resorted to Japanese to express himself (Haran, 2012).

As of May 2012, only 50 percent of Rakuten's Japanese employees could "adequately engage in internal communication in English" and only 25 percent "communicate in English with partners and coworkers in foreign subsidiaries on a regular basis" (Neeley, 2012, p. 118). However, on the other hand, no one has yet been demoted for not meeting the English

requirement and the company has been able to attract international talent; one in three new hires are non-Japanese (Haran, 2012).

Neeley calls these benefits of “Englishnization” “significant” but she fails to offer any concrete data backing this claim, other than the sad statistic that only half of the workforce at Rakuten is capable of operating in the official company language.

Although the threats worked to increase Rakuten’s English-speaking employees, such drastic measures caused employees a great deal of duress for over two years. According to Neeley, Hinds, & Cramton (2012) almost two-thirds of Japanese employees surveyed at Rakuten reported feeling “afraid” when thinking about the language mandate, and some employees took the mandate so seriously that they stopped eating lunch and devoted their daily commute to studying English (Haran, 2012).

### **Effect of Language on Multinational Management**

Language has a direct effect on management processes; it is not a passive means by which information is disseminated. Language in international business is a true example of a situation where “The medium is the message,” meaning here that the language used to convey a message can significantly alter the intended content of the message. Not only can language differences result in semantic mix-ups,<sup>1</sup> but what information gets passed to whom can be directly affected by the language skills of employees.

It seems almost redundant to restate the importance of a carefully considered language strategy in international business, but in reality managers do need to take the issue of language

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<sup>1</sup> “When I was over in Germany at our workshop, I was using the word “leverage,” and they had more of a meaning of, like, “balance;” I don’t know why...But sometimes, it takes a while to discover that stuff, because you’re sitting there arguing about a point, and it’s like, “Why don’t they understand it?”” As quoted in Neeley et al., 2012, p. 238

more seriously. Periodic language audits are necessary to assess and manage linguistic talents already present within the organization, and can help human resources departments better allocate talent where linguistic bottlenecks occur.

Translation remains an important part of the language problem given the sheer volumes of materials that need to be translated just for the organization to run smoothly on a daily basis. However, it is important that managers do not lose sight of what they should be looking for – not just translators, but also effective interpreters and communicators (Welch et al., 2005).

Because individuals that find themselves function as language nodes are often granted access to more information than others at a similar level of seniority, great care needs to be placed on the selection and placement of these individuals, particularly expatriates, as they can simultaneously build a web of important contacts yet alienate locals.

Language audits and translation should be part of a comprehensive approach to addressing the language issue, including staff selection, training and placement (Welch et al., 2005).

### **Recommendations for Multinational Management**

Of course, the ideal solution to the language problem is to have everyone in the company fluent in the selected corporate language as well as their local language. However, this is unrealistic for a number of reasons. Not only do not all individuals in a given corporation possess the skill or desire to become fluent in the corporate language, but as multinationals continue to increase their scope into new markets with new languages, the burden of language diversity is also increased and full integration with the corporate language at any one time cannot be expected.

## **The English-Only Solution**

In her article for the Harvard Business Review, “Global Business Speaks English: Why You Need a Language Strategy Now,” Neeley advocates an “English-only” corporate language policy based on three reasons: competitive pressure, globalized tasks and resources; and M&A integration across national boundaries. She argues that in order to respond to competitive pressure in the marketplace, it is important to be able to communicate with the largest group of potential customers and thus English is the best option. In a world where Belgium might need information from Mexico or Beirut, using English should be the obvious common denominator and in transnational M&A deals, companies would be on more equal footing if they ditched their native languages and chose to do business solely in English instead.

### **Limitations.**

So should companies implement Neeley’s strict “English-only” policy? In one regard, yes. Companies absolutely need to integrate language into their strategic planning and start doing so as soon as possible.

But to say that “there’s no question” that “multilingualism is inefficient and can...get in the way of achieving key goals” is taking things too far. According to her calculation, only 1.75 billion out of some 7 billion people on this Earth speak English to some degree of fluency.

While the other three-quarters of the world is learning English, messages must still be broadcast to non-English-speakers in a meaningful way if an international business is to survive.

Excessive multilingualism to the point of mutual unintelligibility in inter-organizational communications would be unwise, but that doesn’t necessarily mean that all multilingualism is bad. The heart of doing international business is responding to local customers’ needs and

without multilingualism and local employees, these needs could not possibly be met or even understood by an MNC headquarters.

Also, managers need to keep in mind that what they are pursuing with an English-only policy is not the supremacy of English, but rather ease of transnational communication. We can see clearly from the friendship of the Spanish and Italian subsidiaries of KONE that English is not always the common denominator in transnational communication, even if English has been selected as the corporate language.

At Rakuten, some technically top-notch but linguistically lagging employees were so disillusioned with “Englishnization” that they had to be persuaded to stay with the lure of extra company-sponsored English classes. It doesn’t make sense to penalize good employees for failing to learn one skill, such as speaking English. It is common sense that some people are good at learning foreign languages and some aren’t. Language skills and communication skills are not the same thing and should not be confused. Simply because a person becomes educated in English doesn’t mean that suddenly they are transformed from a poor communicator to an excellent communicator. A poor communicator in Japanese is likely to be a poor communicator in English, too.

### **An Alternate Approach**

Instead of the radical “learn English or fail” approach endorsed by Neeley and Mikitani, a more nuanced version of the KONE corporate language policy would be a better fit for most MNCs. Because many of the world’s most successful MNCs originate from L1 English-speaking countries, the home country language and corporate language would be aligned so that employees would not face the “Finnish mafia” problem of elitism in upper management based on

language nearly as often as in KONE. MNCs from L1 English-speaking countries should instead work with subsidiaries to integrate different languages into a communication patchwork underneath the cover of English as the unofficial corporate language.

Language is a somewhat isolating factor across subsidiaries of different language groups, and it should stay this way. The purpose of this isolation is to allow flexibility to adapt to rapid market changes in a geography that speaks a certain language, rather than going through hoops to make sure the proverbial i's are dotted and t's are crossed in English communications.

Subsidiaries should be given the authority to react to these types of situations in real time, in their own language. It is at this point that language nodes should be utilized for rapid communication with headquarters. Also, marketing and sales efforts require local knowledge of culture, customs and especially language in a specific market. By forcing these creative efforts and people into the mold of standardized corporate English, much of the local appeal of a product may be lost.

On the other hand, in routine situations where emergency or expedited action is not necessary, subsidiaries should prepare all subsidiary-headquarters and subsidiary-subsidiary communications in the selected company language to promote effective cross-language communication.

### **Limitations.**

The problem with this alternate solution is the isolation amongst subsidiaries, and also the bottleneck created during periods of high stress when there are not enough language nodes. The solution for these problems, though, is to invest more time, effort and money in strategic

language planning in order to enable more local employees in all subsidiaries to learn the company language and thus act as language nodes.

### **Opportunities for Further Research**

The English-only policy at Rakuten is still less than a year old. As the employees have more time to adjust, it would be interesting to follow up on their English language progress in future years vis-à-vis 2012 levels, and also how (and if) the company continues to expand internationally.

In general, research highlighting the role of language in strategic planning is still sparse, especially in companies where L1 English is not the original language of the MNC. For example, comparative studies of how Chinese, Indian or Malaysian MNCs implement strategic language planning both in their respective countries (each of which host a multitude of official and unofficial languages) and abroad would illuminate more clearly the role of English in these types of companies as well as their trials and triumphs with specific language strategies.

### **Conclusion**

English has rapidly become the lingua franca of international business in the last fifty years, and multinational corporations are struggling to keep up with the pace of globalization. In order to contain the chaos caused by multiple languages within one MNC, organizations have tried and failed to implement across-the-board corporate language policies that dictate a selected corporate language (generally English) as the corporate lingua franca.

The case studies of KONE and Rakuten showed how ineffectual and confusing an “English-only” corporate language policy can be, and underscored the importance of careful and prudent strategic language planning.

In the end, organizations don’t speak languages, people do. The MNC is ultimately dependent on its people to keep it operating successfully, showing that language clearly plays a critical role in shaping business decisions.

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