



Rebecca Piekkari
Denice E. Welch
Lawrence S. Welch

LANGUAGE IN INTERNATIONAL BUSINESS

The Multilingual Reality of
Global Business Expansion



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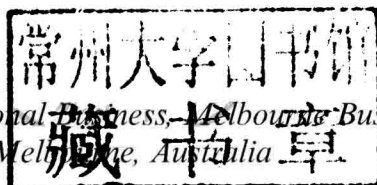
The Multilingual Reality of Global Business
Expansion

Rebecca Piekkari

*Professor of International Business, Aalto University, School
of Business, Finland*

Denice E. Welch

*Professor of International Business, Melbourne Business
School, University of Melbourne, Australia*



Lawrence S. Welch

*Professor of International Marketing and International
Business, Melbourne Business School, University of
Melbourne, Australia*

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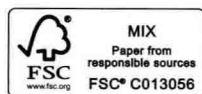
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Language in International Business

Foreword

KONE is a century-old elevator and escalator company with over 43 000 employees in more than 50 countries. For the first half of its existence, KONE was a domestic Finnish company, conducting almost all its business within Finland's borders. Starting in 1967, the company began expanding internationally until today Finland accounts for only 3 per cent of KONE's global business and less than 5 per cent of its personnel.

It has always been quite obvious to KONE's leaders, as it must be to this book's readers, that we could not function as a global company if we conducted business only in Finnish, a language spoken by barely five million (0.07 per cent) of the world's seven billion people. Coming from such a tiny population base, we have been forced throughout our company's history to confront the language issue, and the decisions we made have had a significant impact on our growth and success.

When KONE opened for business in 1910, the management and workforce were Swedish-speaking and remained so through the Second World War. The number of Finnish-speakers slowly increased as the company expanded after the war, but the changeover to Finnish as KONE's primary language was necessitated in 1967 when the company closed its old factory and headquarters in Helsinki and moved to a new facility 50 kilometers away. Many of the Swedish-speaking old-timers chose not to make the daily commute of more than an hour each way and were replaced by Finnish-speaking recruits from the countryside.

The construction of the new factory coincided with a determined push to expand business activity beyond Finland's borders. The domestic elevator market was too small to defend against attacks by large and aggressive multinationals. To survive, KONE had to gain footholds in new markets. By 1972, KONE had acquired subsidiaries in Sweden, Norway, Denmark, Austria, Canada and France, and was already publishing its annual report in English.

That same year in Copenhagen, KONE held its first international 'Top Management Meeting'. Simultaneous interpreters were brought in to facilitate the meeting, but at the end the participants were warned: 'Next year there will be no interpreters.' The meeting would be held in English, and everyone would be expected to function in that environment. Later

that year, the first international management training courses were held in Finland, and the courses were exclusively in English. From that time on, English has been the official language of our company.

KONE's growth and internationalization took place primarily through the acquisition of existing companies. Each company brought its own language, culture, labour agreements, personnel practices and so forth to the growing KONE organization. To deal with this diversity, KONE followed a practice of 'local excellence & global support'. The global support functions naturally had to work in English, and mid-level managers in local companies were expected to be able to work in English when the situation called for it.

From the 1970s, all monthly, quarterly and year-end reports have been submitted to headquarters in English. Language classes were offered at the local company level. An English-language in-house magazine for all mid- and high-level managers was launched in 1982. By that time, KONE had added companies in Australia, Belgium, Brazil, Egypt, Germany, Great Britain, Hong Kong, Japan, Malaysia, Mexico, the Netherlands, the Philippines, Saudi Arabia, Singapore, the Soviet Union, Switzerland, the United Arab Emirates, the USA and Venezuela. For 'local excellence & global support' to succeed across such a wide spectrum, clear and accurate communication was needed.

KONE was an early adopter of computers (1964) and Internet technology (early 1990s), both of which called for a precise common language to describe everything from components and installation methods to business practices and the company's goals. The implementation of Enterprise Resources Planning (1996) further increased the pressure for working at almost all levels in a common language with common terminology.

The changes in operational practice were also reflected in the workings of the board of directors. Early board meetings were held in Swedish, followed by Finnish in the 1960s. Since the appointment of the first non-Finnish board member in 1996, board meetings have been held in English.

During the past decade, KONE has developed into a truly global company. We could not have made this difficult transition without a clear language strategy. Harmonized thinking and acting require a basis in harmonized language, which, in turn, helps determine our agility, productivity and responsiveness to market developments.

Antti Herlin
Board Chairman
KONE Corporation

Preface

This book arose from a meeting with Edward Elgar himself at Melbourne Business School on one of his many visits to Australia. When hearing about our work on language and international business, he immediately said: ‘That’s an interesting topic. Why don’t you write a book about it?’ After demurring and discussing this suggestion among ourselves, we decided to embark on a project that has taken far longer than anticipated. Now that the project has been finalized, we have to agree with Edward. There was a book to be written about how global expansion brings language into focus. We thank Edward for his encouragement and support.

Our interest in language arose from Rebecca’s doctorate on organizational structural changes and inter-unit communication within a single multinational, the Finnish firm KONE. One of the results was the way in which the use of English kept being mentioned by interviewees, at all levels and in various subsidiaries of KONE. As a monolingual supervisor, Denise was struck by this emergent theme. When drawing this to Rebecca’s attention, she was dismissive. How could language be an important issue? For someone fluent in multiple languages (Finnish, Swedish, Russian, English, Spanish and French), she took a little convincing that language was an issue worthy of pursuing. When Lawrence joined our discussion, we started to map out the various implications that arose from the thesis work. These early ideas, published in the *European Management Journal* in 1997, formed the basis of a research agenda that has continued, and remains an important part of our ongoing academic work. Reflecting on how the area of language research covered in this book has developed, we can no longer say that language is the forgotten factor in international business research. It has been gratifying to see the way in which language is now taken so seriously. No longer does language reside in the cultural ‘black box’, or as a peripheral area of cross-cultural management. The growing number of articles, conference papers and panel sessions, and special issues, has raised the profile of language as a topic in its own right.

International business scholars have come surprisingly late to the issue of language. After all, once a firm crosses national boundaries, at some point it tends to be confronted by the multilingual reality. Indeed, we have argued elsewhere that language is the essence of international business.

Scholars in other disciplines with a basic interest in language, such as linguistics and communication studies, have also become involved, placing their work into the context of international business. This is a natural fit for language specialists, reinforcing the value of foreign language research and teaching. As more firms confront the multilingual reality of global expansion, the demand for language-skilled individuals continues to rise.

While the audience for this book is likely to be mainly those working in international business, we recognize that colleagues outside the field may find some of the topics covered of relevance to their work, and it may appeal to a wide range of disciplines and functional specialists. We therefore explicate the core concepts and basics of topics coming under the international business umbrella to provide the setting for the treatment of language issues.

The scope of the book reveals that the issue of language is more than an area of scholarly research. There are practical considerations and consequences for those managing in a global context, and we show that many firms are taking account of language in their operations in creative ways, even developing explicit language strategies. We explore language at various organizational levels, and in areas including marketing, human resource management, and foreign operation modes. Thus we do not treat the internationalizing firm as a monolith. The role of the individual, both as a manager and as an employee, is highlighted throughout the book, recognizing that organizations do not have languages; people do. Our emphasis is on understanding and appreciating the complexity that the multilingual reality presents, rather than seeking to measure factors that magnify or reduce language distance.

This book could not have been accomplished without the support and encouragement of a range of institutions and individuals. First, we would like to thank the managers and staff of the various companies who have contributed time, availability for interviews and many insights that have contributed so much to our work on language. In many respects, this book is for and about them. Special thanks go to KONE, where Rebecca's research began. We appreciate their openness and their permission to use their name in our various publications. This openness is reflected in the attitude of top management. As an example, at the time of the doctoral defence in Helsinki, the foreign opponent, Professor Stuart Macdonald, asked the then KONE chairman: 'Rebecca's thesis contains some criticism of your management processes. How did you feel having this exposed in such a public forum?' The chairman replied: 'This is science. We support the work of the Finnish scientific community.'

We acknowledge the support of our home institutions, Aalto University, School of Business, and Melbourne Business School, University of

Melbourne. We are very grateful for the financial support provided by the Foundation for Economic Education and the HSE (Helsinki School of Economics) Foundation for this book. We wish to thank Catherine Welch for her insights and comments throughout this work; and to Ingmar Björkman and Douglas Dow for their support. Our thanks also go to our co-authors on the various journal articles and book chapters on aspects of language. We also acknowledge the many MSc students upon whose theses on the topic of language we draw.

The contribution of Bea Alanko to this endeavour has been invaluable. She handled our many demands and the numerous practical challenges with characteristic cheerful efficiency and patience. The presentation of the figures and tables as well as the referencing and formatting in this book owe much to her expertise and dedication on this front. We would also like to thank Ludmila Velikodnaya for assisting in the formatting of the book. As well as Edward Elgar, we would like to thank Francine O'Sullivan and Ben Booth at Edward Elgar Publishing for their patience and resigned acceptance of the many moving deadlines. Of course, long-suffering family members, Lauri, Johanna and Tommi Piekkari, and Marina and Alexander Marschan are more pleased than most to see the book finished.

Rebecca Piekkari
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1. Language and global business expansion

We were exposed to five languages every day . . . The official language of the authorities was Latvian, and 273 of the workforce and the local managing director spoke Russian only. English was so to speak our working tool . . . With some of the older employees and with our German suppliers we communicated in German . . . and amongst ourselves [the Danish expatriates], we obviously spoke Danish . . . the constant need for translation is of course very time consuming. I was very fortunate, however, my secretary and interpreter, a young Latvian girl, was simply a linguistic talent. (Danish businessman's comment on his company's Latvian operation, in Jacobsen and Meyer, 1998, 11)

INTRODUCTION

To say that language permeates every facet of international business would meet with little argument, especially from those involved in global activities in any form. In the twenty-first century, as the globalization of business proceeds, it is exposing companies to a wider and wider array of the world's different languages. Despite the rise of technologies that are ameliorating some of the demands of communicating across languages, communication in the global village is becoming a more complex activity. Much of business still relies on social exchange, on person-to-person interaction, which is difficult to sustain through automated translation or through the use of professional translators. It has been estimated that if two countries have a common language, trade between them will be 42 per cent greater than between two countries that do not (*The Economist*, 2012a).

Ready acceptance of the importance of language, however, is not the same as understanding its role: where and how it is important; and what is the range of its effects? As Maclean (2006, 1377) comments, 'Companies deal with language issues every day, they cope, the world continues to turn. How they do so, however, remains largely absent from the literature.' The emerging work that attempts to redress this neglect is showing how an organization can be rendered partially deaf, mute and blind because of

language effects, ultimately creating the silent organization (Lauring and Tange, 2010).

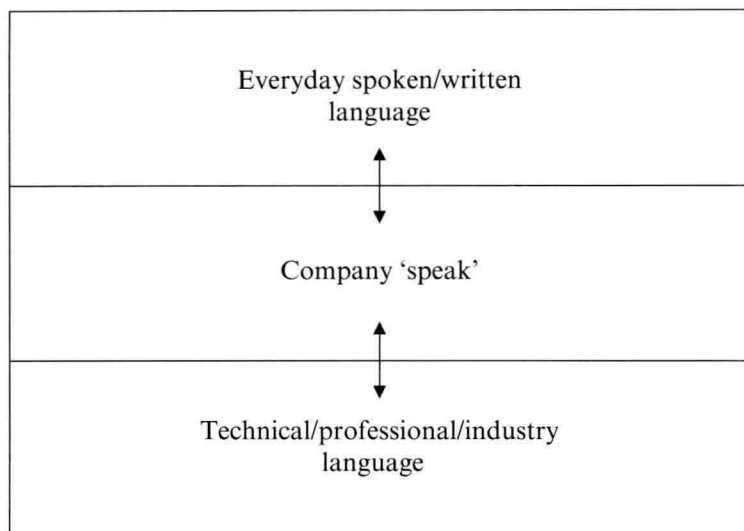
In this book, we delve into what goes on inside the internationalizing firm to reveal how language effects permeate activities across all levels of operation. We also explore the impact of language within and beyond firms and other institutions that are engaged in or impact upon international business activity. Thus we go beyond the obvious cross-cultural communication context. Instead, the book deals with language matters, or issues, that play an important role in furthering, or impeding, global expansion. By so doing, we aim to demonstrate how language matters in international business.

It should be noted that, throughout the book chapters, we use the generic term ‘internationalizing firm’ (rather than multinational corporation – MNC – or other such labels) to indicate that the language issue confronts all firms – small, medium and large. We also use the terms ‘company’ and ‘firm’ interchangeably, reflecting common use.

WHAT IS MEANT BY LANGUAGE?

Language is a term that would seem not to need a definition. As McCrum et al. (1986, 14) comment, ‘There is almost no aspect of our lives that is not touched by language. We live in and by language.’ However, in discussions about the role of language at conferences and seminars, a common question posed is ‘What do you mean by the term language? Surely it means more than foreign languages?’ As a response to such questioning, Figure 1.1 was developed to exemplify the various sides, or layers, of language used in the workplace:

1. *Everyday spoken/written language.* Normal social language, that is, everyday spoken and written language employed for interpersonal, inter-unit and external communication.¹
2. *Company jargon.* So-called ‘company speak’, replete with acronyms, special terms and management process terminology specific to the company, which evolves over time. For example, a new employee from the Hungarian subsidiary of Eastman Kodak reportedly asked if there was an Eastman Kodak to English standard dictionary to help her deal with the specialized internal language she was encountering (Welch et al., 2005; see also Tietze et al., 2003).
3. *Technical/professional language.* As with company jargon, there is a coded language that is common within and between groups, and can be used to include or exclude others from a specific group – what



Source: Welch et al. (2005, 13).

Figure 1.1 Layers of language

Argote et al. (2003), term ‘short-hand’ and ‘home-made’ language (Nahapiet and Ghoshal, 1998; see also Hedlund, 1999). The intermingling of company terms with professional jargon can create barriers and compound miscommunication.

These layers of language are interconnected, as shown in Figure 1.1. In this book, we focus on everyday spoken and written language used within the workplace, though language is used more as an umbrella term. This reflects practice. For example, when an internationalizing firm transfers knowledge and information around its various global operations, there will be a mix of everyday language intermingled with company jargon and technical terminology.

Language, of course, is a key aspect of culture: it is inherent in a specific culture and also an embodiment of it: ‘If language influences the way we behave and how we perceive things, it means that culture is also inherent in the language itself’ (Claes, 1995, 99). But we deliberately take language out of what we have referred to elsewhere as the culture box. As Welch and Welch (2008, 341) argue, ‘Language has an importance above and beyond the “embeddedness-in-culture” perspective.’ This is not to underrate the importance of the cultural context. But we argue that there is a need to deal

with language as a separate element in order to better understand its importance and role in international business. The organizational, social and national cultural contexts, however, remain a backdrop to our exploration.

DOES LANGUAGE REALLY MATTER? THE RISE OF ENGLISH AS A *LINGUA FRANCA*

A living language is like a man suffering incessantly from small haemorrhages, and what it needs above all else is constant transactions of new blood from other tongues. The day the gates go up, that day it begins to die. (Mencken, 1919, cited by McCrum et al., 1986, 47)

The English language is the sea which receives tributaries from every region under heaven. (McCrumb et al., 1986, 11)

In presentations regarding language, we are often confronted with comments such as: ‘Given the current IT context – the Internet and translation software – and the spread of English as the dominant business language, surely language is a disappearing problem?’ Indeed, Tietze (2004, 176) notes that ‘English is undisputedly the global lingua franca and serves as the communication tool of many intercultural encounters. This dominant position is also firmly established in the context of international trade and business.’ It is telling that the Japanese e-commerce firm, Rakuten, has embraced English as its corporate language, to the extent of implementing an English-only policy in the Japanese headquarters. This was part of its efforts to become a truly global firm (*The Economist*, 2013c, 83).

There is ample evidence of the rise of English. *The Economist* has periodically commented on the role of English in international business. For example, in an article in the 22 December 2001 issue, it was estimated that ‘over 85 per cent of all international organisations use English as one of their official languages’ (p. 64). Earlier, in the 18 November, 2000 issue, *The Economist* reported ‘Swiss multinationals, such as Swissair and UBS, conduct international business in English to save time and trouble’ (p. 69). *The Economist* later commented on the results of a survey reinforcing the seeming dominance of English: in 1992, 44 per cent of UK executives surveyed indicated they were prepared to negotiate in a foreign language. Ten years later, only 28 per cent were prepared to do this (7 August 2004, 47). Perhaps an extreme example comes from a more recent article in *The Economist* (2013d, 12) about the interest in learning English in South Korea. Some parents have reportedly taken their children to an English-speaking country, or use the cheaper option of spending a summer in a specially created mock English village – called Gyeonggi English Village – where only English is spoken.

An article in the *International Herald Tribune* on Mongolia reports that the Mongolian prime minister at the time outlined the importance of English in a bilingual future for the country. 'We see English not only as a way of communicating, but as a way of opening windows on the wider world . . . With the English language, we can do outsourcing here, just like Bangalore' (Brooke, 2005, 2). It is not only the printed media that have been tracking the role of English. The *BBC News* reported that 'a recent survey showed that seven per cent of French firms used English as their main language' (8 February 2007).

It is pertinent therefore to look at the development of English as a *lingua franca* in international business. According to Mann (2004), the term was originally coined in the Middle Ages by traders operating from Mediterranean ports as a way of coping with the differing languages: 'In order to carry on the business of trade, they spoke a common "patchwork" language consisting of bits of Italian mixed with Greek, French, Spanish, and Arabic words.' Mann notes that modern English retains some of this original mixed vocabulary. Seidlhofer (2005, 339) views English as having become a 'contact language'; that is, used as a means of communicating with others from different first-language backgrounds. We can find evidence of this within modern multinationals. For example, Sørensen's (2005) survey of 70 corporations operating in Denmark shows that the companies did not use English as an overruling language, but more generally as a 'transit language' between various parallel local languages. Once documents in English arrived at subsidiaries, they were translated into the respective local languages.

As the above example illustrates, while English is widely used in international business encounters, it has not rendered the world of international business monolingual. On the contrary, language diversity remains an issue. Indeed, *The Economist* has stressed that language remains a major barrier to the achievement of true integration of the European Union, commenting that 'language has replaced work visas as the main barrier to mobility' (2013b, 49). Louhiala-Salminen et al. (2005) launched a new area of study in the field of international business communication called Business English as a Lingua Franca (BELF), which underscores the multilingual reality of today's business contexts (Ehrenreich, 2010; Kankaanranta and Planken, 2010; Louhiala-Salminen and Kankaanranta, 2012). Some of this research has examined the role of English in the internal communication of globally operating firms (Louhiala-Salminen et al., 2005), while other studies have investigated language use in external relationships such as sales negotiations (Planken, 2005) or distributor meetings (Poncini, 2003). As Nickerson (2005) points out, 'the communication event is often considerably more complex than the label of English

as *lingua franca* would suggest'. She explains that, in multinational settings, communication often takes place between non-native speakers of English who may also use one or more other languages alongside English (Marschan-Piekkari et al., 1999; see also Barner-Rasmussen, 2003). The impact that non-native speakers of English are having on the use of the English language is now an established stream of research in applied linguistics called English as a Lingua Franca (ELF), with its own dedicated journal.

For many, language salvation has come in the form of the rise of English as the global business language. Particularly for those from English-speaking backgrounds, this can be offered as a justification for regarding language as a peripheral management issue. But this is a sanguine view of the evolution of language in international discourse. Further, the rise of China as a global economic power means an inevitable rise in the importance and use of the Chinese language (or languages) as more firms enter China and Chinese firms internationalize. It has been estimated that 'there are currently 30 million people around the world learning Chinese as a second language' (Erard, 2006, 2). This process is being reinforced by a deliberate, funded government project to support the teaching of Chinese across a wide range of developed and developing countries.

The rise of Mandarin will increase the diverse language demands of international operations. For those drawing comfort from the role of English as the language of international business, there is a troubling future in store. A pertinent question to pose is: how would companies cope if Mandarin overtakes English as a world language? The rise of China as a twenty-first-century economic power will ensure that the English solution will be only partial. Of course, the rise of India will have some effect in cementing the place of English. Inevitably though, other languages, and even different versions of English, will have to be dealt with in the language mix that goes with international business. Readers may be aware of the efforts of nations such as France to protect their native languages from the vocabulary inroads made by English, particularly as a result of the global spread of information through films, music and the Internet. In contrast, one of the strengths of English is its dynamism; it is a living language that happily incorporates words from everywhere, continuing the tradition of the polyglot *lingua franca* of the Middle Ages. As Mann (2004) relates, 'before English infiltrated the world, many of the world's languages infiltrated English'. They continue to do so. According to McCrum et al. (1986), about 80 per cent of the English vocabulary is foreign born.

Another factor is the rise of social media, particularly the rapid adoption of Twitter. For some languages, such as Chinese, the number of characters needed to send a message via Twitter may be substantially reduced

compared to English. On a global basis, tweets written in English have fallen from about 67 per cent of the global total in 2009 to 39 per cent in 2012 (*The Economist*, 2012b).

LANGUAGE, COMMUNICATION AND INTERNATIONALIZATION

Moving across language boundaries brings additional communication challenges for internationalizing firms. How these are handled is an important part of the ability to operate as a global entity. In a sense, communication is at the heart of any organization, even more so as language groups are added. Increasingly, managers face the decision as to which language will form the basis of the everyday spoken or written layer of Figure 1.1.

In considering the impact of language, it is useful to set it in the context of the basic communication model depicted in Figure 1.2. This demonstrates how a sender transmits a message to a receiver through a chosen medium: such as face to face, via email or text message, or over the telephone. The effectiveness of the communication depends on the ability of the sender to accurately encode a meaningful, complete message; the selection of the correct medium or channel of transfer; and the ability of the receiver to decode and understand the message as it was intended. Despite the communication process's seeming simplicity, communication scholars have long recognized that it is fraught with impediments referred

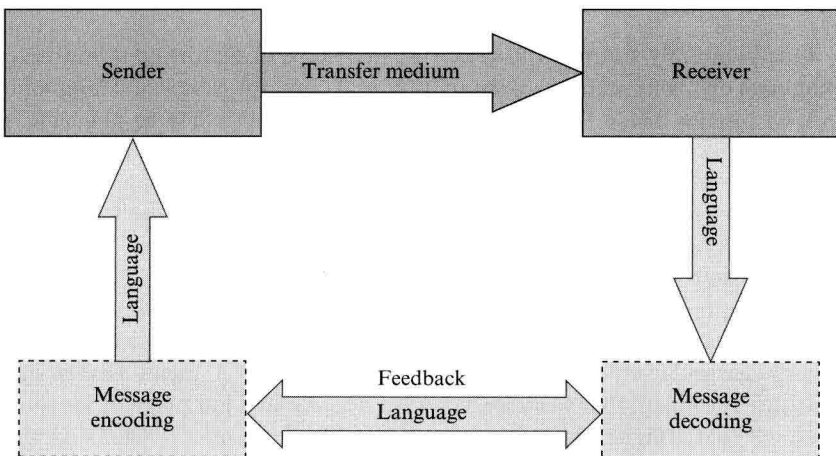


Figure 1.2 The basic communication model