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The Persistent Impact of Language on Global Operations

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ABSTRACT *In studies of firms' internationalisation, language has tended to be bundled into 'cultural and psychic distance boxes'. In this article, an attempt is made to unbundle the impact of language through (a) an examination of the way in which language influences the pattern of foreign market expansion; and (b) an analysis of how a firm may try to cope with language diversity by adopting a common corporate language. We conclude that attempts to impose a common corporate language may hinder or alter information flows, knowledge transfer, and communication.*

Keywords: language, internationalisation, common corporate language, Internet, information.

Introduction

As an issue in international business, language has received considerable treatment in a wide range of sub-areas, such as international marketing and international management. To some extent, though, it could be argued that the impact of language has been trivialised. International marketing texts are replete with examples of inappropriate literal translation of product names and slogans. Some of the most commonly cited are: General Motors naming one of its models 'Nova', which some Spanish pronounce 'no va', meaning 'does not go'; the 'Body by Fisher', mistranslated as 'Corpse by Fisher'; and Kentucky Fried Chicken's slogan of 'finger-licking good', translated into Farsi as 'It's so good, you will eat your fingers'. In fact, one author has compiled enough such marketing and other international business blunders to fill a book.[1]

Similarly, the influence of language on management processes has received scant attention. Much of the international management and strategy literature reflects a common view that language is the embodiment of culture, which leads to the bundling of language within the broad term 'culture'. Where considered as a separate factor, language is often limited to cross-cultural communication issues. Some of the problems of language in cross-cultural communication form a subplot in the popular British television comedy series *Fawlty Towers* in the confrontations

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between the hotel owner Basil Fawlty and the Spanish waiter Manuel. Their language exchanges and misunderstandings were used in publicity by the UK Department of Trade and Industry to encourage exporting firms to recognise the need to learn foreign languages.[2]

Language has featured in theorising about internationalisation processes. The term 'psychic distance'—roughly equivalent to 'cultural distance'—was used by early researchers as an explanatory factor for the bias of internationalising companies towards foreign markets that were culturally similar.[3] Psychic distance was seen to generate uncertainty about international expansion: the more distant the market, the greater the perceived risk and uncertainty. In early work on internationalisation theory, foreign market activities, information flows, and communication were deemed to proceed more readily between markets that were close in psychic distance terms. To this extent, psychic distance was defined as factors preventing or disturbing the flow of information between the firm's home country and its target foreign market.[4] These factors included differences in language, culture, political systems, level of education, and level of development between the two countries. Language, therefore, was bundled into the psychic distance package. Further, most of the empirical work on psychic distance has been at the national level, looking at trade and investment trends to identify the impact of cultural difference.[5]

In the international marketing field, language appears in a variety of exporting studies, although few focus solely on its impact. Those that do, not surprisingly, show that personal unfamiliarity with foreign language constrains a person's ability and preparedness to initiate exchanges with those in foreign markets using the foreign language. This contrasts with the relative ease of going into foreign markets where a familiar language, own or acquired, is used.[6] For example, recent work by Crick supports a finding from earlier research that some UK exporting firms recruit overseas agents as much on the basis of fluency in English as on their selling ability.[7] Research also indicates that language familiarity is particularly important for smaller companies in the early stages of internationalisation, including the stage preceding the first foreign sale, wherein the background, including language, of key decision makers, is critical.[8] Such individuals tend not only to drive decisions, but also to act as key implementers, undertaking foreign visits, negotiating, and maintaining pivotal relationships with foreign actors, thereby reinforcing the impact of their personal language competence (or lack of it). Exporting studies also reveal the role of migrants in operating as language bridges back to their countries of origin, although this aspect is not specifically explored.[9] The migrant effect can operate at two levels: as key decision maker, a migrant may select markets on the basis of former country familiarity; or the migrant as employee may trigger or confirm the attractiveness of a selected market, and language may be a major factor here. Further, the effect of migrants may well run counter to the general national pattern of psychic distance. This aspect is perhaps illustrative of the way in which language has emerged almost tangentially from the broader focus of exporting and internationalisation studies.

The bundling of language into culture and psychic distance boxes has masked its independent and influential role in various aspects of international business operations. Of course, one of the problems in seeking to operationalise the impact of language on internationalisation is that language skills are competencies possessed by individuals, not by organisations. Thus, the foreign language ability of a firm is essentially the sum of the language ability of its employees. Few firms conduct regular audits of their employees' language competencies, making it hard to obtain relevant data.[10] This difficulty is compounded by the fact that audits would not necessarily reveal whether those with foreign language fluency are in fact using these skills in relevant international market operations. In their study of UK exporters, Wright and Wright report that companies found difficulty in effectively utilising those managers with language skills in their European operations: 41% of those with French language competence never used it, and 55% of those with German competence never used that.[11]

We seek to unbundle language from the confines of the concepts of 'psychic distance' and 'culture', and to explore its impact on the ability of a firm to develop and maintain its international operations. We take the company perspective to explore how a firm encounters and deals with the demands of multiple language environments as it grows internationally. Increasingly complex operations present the managerial challenge of how to tie together dispersed activities so that the large organisation can operate internationally as a single entity. Inevitably, more firms are adopting a corporate language to facilitate the transfer of information and internal communication between headquarters and subsidiaries, and among subsidiaries.[12] English has evolved as the most commonly used corporate language, reflecting its more general position as a type of *lingua franca* of international business. We explore whether such an adoption of a corporate language facilitates internal communication, or whether it simply creates more problems, merely shifting the focus of cross-language issues from headquarters to subsidiary level, pushing the language 'problem' further down—out of sight of top management. Our analysis reveals just how persistent language is as an important factor for companies developing and maintaining international operations.

Language and the Pattern of Internationalisation

Language is important, either implicitly or explicitly, from the earliest stages of international operations. There is a strong tendency for companies to stay within the same language group in their initial international forays as a way of minimising the perceived demands and risks involved. Coping with a different language is thereby avoided, although implicitly a language decision has been made. This is shown by the pattern of international expansion of firms from various countries. For example, Finnish firms come from a country with a language shared by very few others (Estonia and Hungary to some extent).[13] Nevertheless, Finnish firms can minimise the language factor by moving first into nearby Nordic countries, using Swedish (which is taught in Finnish schools) as part of a dual language policy. In a similar way, Norwegian firms tend to expand first into Sweden and Denmark, using a blended language referred to as 'Scandinaviska'. These examples indicate a desire, in a sense, to go as far as possible with one's language heritage. However, if a firm wishes to spread globally, at some point it must cross the language frontier.

Given this tendency to expand consciously or unconsciously via the home-language path, one can expect patterns of geographical spread to vary. There is clearly a major difference between firms from English-speaking countries and those from countries in which such minor languages as Japanese, Finnish, and Norwegian are spoken. While there is a wide range of possible language groups and related internationalisation paths, in Figure 1 we map four hypothetical paths that represent four language bases, as a way of demonstrating how language can induce

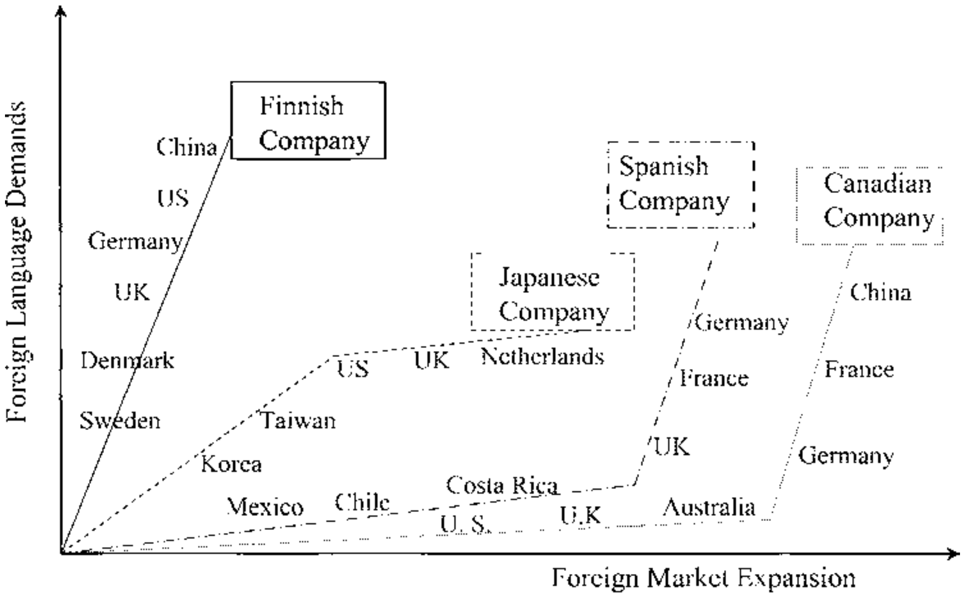

Figure 1. Foreign market expansion and language paths: hypothetical company patterns.

different patterns. Language Group 1 represents a small country in terms of population and economic size and a relatively little used language, with Finnish used as an example of this group. Language Group 2 (Japanese) represents a large country in population and economic size, with a language little used outside its own borders. Spanish represents Language Group 3, a large European country that, because of its colonial past, has a language that is used as either a first or second language in many other countries, particularly in Latin America. Language Group 4 (English) represents a language that has not only spread worldwide as a result of colonial expansion, but is also the most widely spoken second language in international business.

As shown in Figure 1, a Finnish firm quickly crosses language frontiers as it internationalises. Firms from Language Group 2, while being able to undertake significant expansion domestically because of a large home market, are immediately forced to cross the language frontier when operating internationally. This is shown in Figure 1, as Japanese firms spread into their own region and beyond. The path may plateau in terms of language as Japanese firms can reap economies of scale in a language sense when operating in such English-speaking countries as the US, UK and Australia. Once they have acquired competence in English language-based operations in the United States, Japanese firms have shown a preference for extending their operations into other English-speaking countries, particularly the UK, but also countries with strong English-speaking capabilities, such as the Netherlands.[14] Spanish firms (Group 3) can expand extensively within their language domain, although the options are more limited because of the low level of economic development in many of the countries where Spanish is spoken. Firms from Group 4, in contrast, may undertake extensive internationalisation yet remain within the English-speaking world. In Figure 1, the path of the Canadian firm illustrated takes it through various English-speaking, large and developed markets. The firm crosses the language frontier at a far later stage in its internationalisation than firms from Groups 1 and 2.

It would appear that pursuing these different paths has an effect on the firm's approach to language. US firms in Fixman's study tended to view language as separate from its cultural context, and regarded the ability to speak foreign languages as a mechanical skill that could be readily acquired on an *ad hoc* basis.[15] In other words, there was a general downgrading of the importance of other languages in international operations. Firms from English-speaking countries following the English language path of internationalisation forego the learning challenge associated with having to cope with the effects of operating in multiple language environments. The dominance of English as an international business language may be a further reinforcing factor. In contrast, firms from Japan and Finland have to deal with language difference from the earliest stages of internationalisation. Thus, there is an early development of consciousness of, and responsiveness to, language-related issues in international operations (such as document translation and language training).

Naturally, there are various ways in which firms can seek to avoid or minimise the impact of language differences as they internationalise. For example, many Japanese firms have traditionally used trading companies to handle their international operations, thus effectively outsourcing the language issue. These large trading companies still play a significant role in Japan's international activities, accounting for more than half of Japan's total foreign trade.[16] As noted above, Japanese firms have also used their acquired expertise in operating in English in a range of English-speaking countries, thereby minimising the language demands of continuing international expansion. The extent to which firms from other non-English-speaking countries take a similar approach is not clear, though it would appear that, in one form or another, firms are trying simultaneously to utilise acquired language skills for further expansion, and to minimise the language requirements of such expansion.

Firms from English-speaking countries face the danger that taking the English-language path may obscure the extent of differences between countries that are hidden by a shared language. Based on their empirical study of Canadian firms in the US, O'Grady and Lane argue that familiarity may breed false confidence and carelessness, and have a negative impact on company performance. This has been the experience of Canadian firms in the US.[17] O'Grady and Lane term this false confidence the 'psychic distance paradox'. Cultural differences beyond language may be so great that they overwhelm the advantage of common language, India being a case in point from a North American perspective.

Coping with a Growing Language Challenge

Firms that have reached a substantial level of international operation in multiple language contexts face major management challenges in terms of communication and information flow among their diverse operations, locations and languages. These challenges are confronted at both the individual and the organisational level, affecting internal interaction among sections, departments and divisions; and between headquarters and subsidiaries. In this section, we analyse ways in which firms attempt to cope with the various demands that multiple languages pose.

Language as Power

A study of communication flows within Kone Elevators, the Finnish multinational (see the Appendix), revealed many examples of the problems posed by the need to move information through numerous languages. One of the key findings was that language competence gave some individuals increased power, particularly at the subsidiary level, beyond their formal position. For example, in Kone's Mexican subsidiary there was only one person, a Finnish expatriate, who possessed the three languages used for internal communication processes: the designated company language, English; the language of Kone's country of origin and the source of most of the key executives, Finnish; and the language of the host nation, Spanish. This person was a middle manager who not only performed key translation tasks on sensitive documents, but also was elevated to a position of considerable power on the basis of his language competence. While it is not possible from the available interview data to say how this gatekeeper power was used, the example does highlight the potential for conflict of interest.[18]

The Role of Expatriates

Continued growth presents the management of internationalising firms with increasing coordination and control demands. One of the means of satisfying these demands is to transfer staff between headquarters and subsidiaries. Expatriates placed at the subsidiary level typically are expected to implement procedures and processes that assist compliance and coordination. They are also used as conduits between the local subsidiary and headquarters. Expatriates often become 'language nodes', as cross-language communication is frequently funnelled through them. For example, in the Kone study, a Finnish expatriate who had worked in Latin America and learnt Spanish, upon repatriation became known throughout the Spanish-speaking parts of Kone as 'the man in headquarters who speaks Spanish'. His reputation built up over a period of 20 years. When interviewed, this person explained how much of his time was occupied handling telephone calls and other forms of communication in Spanish, even though these usually concerned matters outside his official responsibilities. Another case was that of an Austrian who had spent some time at the Finnish headquarters. His expatriate experience, and his ability to speak Finnish, has meant his colleagues use him as their conduit to Finland. One Austrian manager commented:

> When we have problems with the Finnish people, we go to [Mr X] and it takes only one telephone call and everything is running [well]. He speaks some Finnish and make[s] all things very clear for them.

Conversely, expatriates may impede the flow of information between headquarters and the subsidiary. It may be that the expatriate lacks sufficient fluency in the local language, which inhibits his/her ability to transfer information or communicate effectively. Language training is often a neglected aspect of expatriate management.[19] Given the power of language fluency discussed above, expatriates can act as gatekeepers, filtering information to and from headquarters. A study of the Finnish company Wärtsilä NSD (making diesel engines) and its Italian subsidiary illustrates how expatriates can limit information flow. For example, a Finnish expatriate remarked in an interview:

> When things get channelled through the expatriate and he keeps the channel to himself and won't try to expand it, [it] can be a negative thing.[20]

In addition, expatriates who lack fluency in the local language, yet have to interact with local employees who lack a sufficient level of fluency in the corporate language, may become an important blockage to communication flows. In the Wärtsilä study, one interviewee provided an example of the problem created by a lack of fluency in the corporate language at the subsidiary level:

> They [headquarters] chose at random three guys from the [Finnish] factory who are helping to build the first production motor and they all speak English. They work in three or even four shifts and each of them have six to seven Italians. [Of the four shifts] only one [Italian] speaks English. The others don't. They keep this one guy with them to [be able] to turn to him.

Thus, expatriates may be excluded, either deliberately or otherwise, from vital subsidiary information because they lack language skills. Italian interviewees in the Wärtsilä study related how their lack of English skills prevented them from raising important issues in meetings conducted in English when expatriates without Italian competence were present.

Use of Translators

Where a common language is not shared by individuals in different subsidiary units that need to communicate, some form of language intermediary is required to perform the translation function when expatriates cannot be used. These language intermediaries can be internal or external to the organisation. Working through a translator, however, has quality and time implications for effective communication and information flow. As an employee in Kone's German subsidiary commented:

> Once I phoned [the Italian unit] and the call took 30 minutes because [the Italian chief designer] was not able to speak English and I am not able to speak Italian. So the secretary had to translate what I said to him and backwards again.

An operative in the Austrian subsidiary explained his experiences with translation:

> We here [in Austria] provide instructions . . . In English, which is the company's language, and sometimes in German too, but not in all cases. I think the speed of translation to the other languages [e.g. French, German] should be faster. It can take half a year or more and we need these papers.

Fixman's study of the foreign language needs of US-based corporations contains several illustrations of problems caused by delays in translation of critical documents.[21] For example, in the telecommunications industry, 'The English translations of regulatory schemes from Spain lagged behind the original text one year'. In another case, an interviewee recounted 'attending a meeting of the Organization for Economic Cooperation and Development in Paris at which documents were distributed *ad hoc*. She could not understand them, nor could the interpreter accompanying her deal with them quickly enough to be of use to her.'[22] It is difficult to use translators in many business exchange situations. In his study of 1261 SMEs in the UK, France, Germany and Spain, Hagen found that the key tasks requiring foreign language usage were mainly oral—telephoning, negotiating, and participating in various types of meetings—situations where introducing an interpreter or translator may pose significant practical difficulties.[23] Problems also arise when external translators must be given access to sensitive or confidential material. Further, technical information may be inaccurately translated.[24] A recent study shows that UK translators were frequently not told the intended readership and use of a document. One translator said that he had been given a list of machine parts to translate, but not told what the machine was.[25]

Inter-unit Linkages

Perhaps less recognised is the way in which language affects informal and formal linkages among international units. Co-ordination of international operations is a constant management concern as the complexity of operating in diverse countries and markets grows, and the firm endeavours to align its organizational structure to assist in maintaining effective coordination and control. In the Kone study, it was evident that language had an impact on the informal linkages. Subsidiary units grouped themselves in part on the basis of shared languages. For example, the German and Austrian units were able to conduct joint training programmes and a range of other activities, thus avoiding the Kone training facility in Finland, where training was conducted in English. Another group was formed by the Italian, Spanish and Mexican units. In effect, a 'shadow structure', based on language, lay behind the formal organisational chart.[26]

Official Company Language: A Panacea?

One approach to minimising the effect of language diversity within large international firms has been to adopt a company language—usually English—for formal reporting, internal communication and information flow. Kone is a case in point. At the time of the study, it had been using English as its company language for more than 25 years. However, it was still struggling to come to terms with language-related inter-unit, internal communication effects, demonstrating that adoption of a common corporate language may not be the solution that companies expect.[27] Forcing thousands of employees worldwide to operate in a second language (65% in Kone) simply adds to existing cross-cultural communication problems. As one Kone employee from the Austrian subsidiary explained:

> The problem with Finland [headquarters] is that they speak English, but not as their mother language. And we speak English, but not as a mother language. There are many errors in translation and there may be some problems.

Difficulties also arise in exchanges between native and non-native speakers of English, as a Kone middle manager in Finland observed:

> In terms of inter-unit communication, the British are the worst. One issue that may contribute to this is language; they speak that language of theirs. It is much more difficult to understand the English than the other nationalities. That is, when we . . . non-native speakers of English discuss, it is much easier to understand. We have the same limited vocabulary which is available and common.

Case studies of two other Finnish multinationals reveal a similar picture of the challenges of an imposed company language. The first study examined inter-unit communication between the Finnish headquarters of the metals group, Outokumpu, and its Spanish subsidiary.[28] The reality of a common corporate language at the subsidiary level is exemplified in the comment of one Spanish manager:

> If necessary . . . I write it in English and this is the most difficult for me because I do not write English good . . . and sometimes you cannot translate . . . the things as you like . . . If they put other people to translate, maybe the people translate exactly, but the idea of the customer or the other problem they don't know. But the problem is that I cannot translate actually [accurately] in English.

The second study examined Wärtsilä, the mechanical engineering group.[29] Like Kone, this Finnish company adopted English as its company language as it expanded through a series of international acquisitions starting in the 1970s. By 2000, all written material was required to be in English, including minutes of subsidiary meetings conducted in the local language (such as Italian), and all oral communication between units, such as telephone calls, was supposed to take place in English. The language node and language intermediary aspects discussed earlier placed additional stress on those with competence in the corporate language, and imposed a variety of organisational costs. These aspects are best illustrated by the comment made by a Finnish expatriate in Wärtsilä's Italian subsidiary:

> I went with one of my colleagues to make a presentation abroad because he was [an] expert in his field but his [English] language was not sufficient to make a good presentation.

Thus, the Finnish studies suggest a common language does not alter the fact that many employees in the different subsidiaries will not be able to speak the imposed language. The potential for translation errors and miscommunication remains. For instance, the Swedish multinational, LM Ericsson, uses an employee survey (called Dialog) as part of its international feedback system. The survey instrument is translated from Swedish into English and then sent to all subsidiary operations. According to an interviewee at Ericsson's Australian subsidiary, the instrument required re-translation so that it made sense to the Australian staff.[30] Further, there is evidence that prescribing a company language does not ensure its use. The experience of Outokumpu illustrates this reality. Interview data indicated that whether English was used depended on the manager concerned, even in situations where company policy dictated its use. In addition, according to the study's author:[31]

> In reporting, English is the main language but e.g. in Spain most of the reports are still written in Spanish. Sales reports are mainly in English but other reports concerning production and alike [sic] are usually in Spanish. Only in cases when the reports are to be presented to a wider audience they are prepared in English. All internal reporting is in Spanish.

Despite the fact that the company language of LM Ericsson is English, all top meetings are held in Swedish—all the top managers are Swedes.

As a common corporate language is generally imposed from the top, there may be a tendency for top management to regard the language issue as having been addressed and handled. The belief that all is well is reinforced by the fact that reports arrive as requested, documents are exchanged, and information is disseminated throughout the global operations in a common language. Training programmes and group meetings are conducted in the common language. Consequently, it is difficult for top management to see the imposed common language as anything but a solution. While we have little idea of the degree to which this managerial perception reflects reality, the Finnish studies indicate the possibility that a common language may actually push problems of communication and information flow down the hierarchy to subsidiary level, out of sight of top management. If these Finnish cases are indicative of the ways in which a common language actually impacts upon the internal workings of international firms, one can argue that the vertical and horizontal barriers thus created have important consequences for international firms. First, there is the issue of the accuracy of the information that flows between units and headquarters upon which important strategic decisions are made, if it flows at all. Two Finnish expatriates in Wärtsilä's Italian subsidiary highlight this issue:

> They [Italian co-workers] do not ask me to [write reports for them] but I have to, they don't get done otherwise . . . I have to do what they can't.
>
> It's so difficult that [some locals] speak such bad English and write even worse so that I have to write everything and [information] passes through me.[32]

Second, there is the issue of the extent to which information is disseminated, and in what form. Apart from written means, international firms use regional and corporate meetings and training programmes as one way of informing employees from different subsidiaries about company issues (for example, strategic direction, technical and product information, marketing objectives and advertising campaigns). These are conducted mainly in the company language, thereby ensuring that language competence is critical in terms of comprehension and knowledge transfer, and frequently attendance will be determined by language competence. Of course, the same issues arise when training is conducted at a subsidiary by headquarters staff in the corporate language, as the following interviewee in the Italian subsidiary of Wärtsilä related:[33]

> When we have courses, Finns come and hold [them]. [After the course] I hear [from] people [who] have not understood anything [at the course]. For instance, now there was this quality course . . . I wasn't in the course, but . . . one of the course participants asked me to do one task. And I said, 'I haven't even been on the course!' And he said, 'You probably still understand more than many others.'

Mother Tongue and Corporate Language

For small countries with a language little used outside the country (Group1 in Figure 1), such as Finland, there is almost an inevitability about the decision to use another language for internal communication at a relatively early stage of internationalisation, although this may not be a formal step. In Kone, it seems that there was never an official declaration that English would be the corporate language.[34] Similarly, as Outokumpu increased its international operations during the 1980s and encountered the associated demands of multiple languages, English became the semi-official corporate language. It did not become the official corporate language until the early 1990s.[35]

Where internationalising companies retain a large domestic base, there can be conflict between responding to the language requirement of foreign markets and remaining responsive to the important domestic market. This is particularly apparent where the home language is little used in foreign markets (Group 2, in Figure 1). For instance, the German multinational Mannesmann employed 66% of its workforce in Germany in 1997. While German is the company language for global operations, the company has adopted a practical approach by not insisting that German be used. Frequently, English is used for inter-unit communication. A company spokesperson observed that if the decision were being made now, English would be the language chosen for international operations.[36] A similarly flexible approach to languages has been adopted by Nestlé, the Swiss multinational. While French and English are the official company languages, 'executives are permitted to talk and write e-mail messages in Spanish or German if that suits both parties'.[37]

In the case of another German multinational, Siemens, German and English are used for internal company communication, although in one of its divisions, Siemens Business Services, German is used for communication within its German operations, whereas cross-border communication is officially conducted in English. In 1998, Siemens had 47% of its workforce in Germany. For some Europe-wide projects, German was used as the language of meetings, but this was reported to exclude some participants. Although associated documentation and instructions were provided in English, these were often received later than the German text, and the translations were of mixed quality.[38] A German expatriate manager in the Australian subsidiary of Hella, the German automobile parts firm, commented in an interview that he always requested the German version of company documents sent in English, the company language. He personally checked the accuracy of the translation before forwarding it to subsidiary employees.[39] Yoshihara's study of Japanese firms indicated that while English was extensively used in Japanese subsidiaries, it could not be called a common language as information was transferred in written and oral form mainly in Japanese.[40] The preponderance of Japanese expatriates in key subsidiary positions was an important element of the Japanese language link between headquarters and the subsidiaries.

For companies in Group 3 (Figure 1), the fact that the home language is spoken more widely than in companies from Group 2 may enable them to operate in, say, Spanish or French in a wide range of countries before facing the need to find an alternative language for cross-border exchanges. Realistically, though, the larger markets for them are outside their own language group, so that global expansion requires a move into the wider language domain. It is clear that, when confronted by diverse language environments, a variety of solutions may be attempted in the search for some type of standardisation. The retention of a strong home language component would appear to require a greater degree of flexibility. Nevertheless, the case of Alstom illustrates how difficult it is to operate with more than one official language. Alstom is the product of a merger of the engineering operations of GEC of Britain, and Alcatel of France. The group initially adopted both English and French as its official languages, but after only 6 months the problems of attempting to operate in two languages were such that Alstom standardised English as the corporate language. Headquarters remained in Paris, with 38% of employees in France, as against only 17% in Britain.[41]

In contrast, companies from English-speaking countries (Group 4 in Figure 1) face a different set of challenges. Choice of common corporate language is not an issue; by default it is English.[42] Surprisingly, there has been little research on when and how the language issue is faced by firms in this group. The experience of multinationals in Group 1 provides an indication of the type of challenges and responses that Group 4 firms are likely to encounter in their non-English-speaking subsidiary operations. The key difference between these groups, though, is that Group 4 firms do not have the added complication of what language should be chosen as the common corporate language. As Fixman noted in her study of US firms, the issue can be glossed over or not recognised simply because Group 4 companies do not have consciously to confront language difference in the way that other groups must.[43] In Crick's study of 185 UK SMEs, there was a strong perception among smaller firms that the widespread use of English reduced the need for foreign language competence.[44]

Global Information Technology Developments and the Role of English

On the surface, developments in information technology and communications are removing many of the boundaries that previously inhibited the spread of international business activities, minimising the impact of culture and language in their train, particularly when combined with the dominance of English as a *lingua franca* in international business. In fact, a recent study shows that the ability to speak and understand English is among the most important factors explaining the trading volume of a country.[45] The growing importance of English is being fuelled by a number of developments, such as:

1. wider use of English as a global business language;
2. greater training in English and in more countries;
3. English as the dominant language of the Internet[46];
4. the spread of English through the entertainment industries of film, television and music; and
5. increased numbers of international students (especially business students) whose dominant language of instruction tends to be English.

While the Internet is undoubtedly influencing communication patterns and the spread of English use globally, it is unlikely to remove the language barrier inherent in the need to use a local language for most local operations. In addition, the spread of English through the Internet may contribute to the psychic distance paradox by reinforcing a perception that language is not an issue. We suggest that, rather than reducing psychic distance, the Internet may be a means of introducing language difference. The demand for own-language Internet services appears to be growing. For example, a Russian-language Internet search engine has been established in Moscow.[47] Therefore, while English may dominate the Internet at the moment, not all foreign market information will be accessible in English.

Given the early stages of this information and communication revolution, it is difficult to be certain about how the interplay of language and the Internet will ultimately affect the ability of firms to develop and manage international operations. Translation machines and software are now available to help firms cope with language differences. Translation software is becoming increasingly sophisticated but, as with the adoption of a common corporate language, may not be a panacea. Developers of translation software admit that the translation is not perfect, and at this stage is aimed at general language usage rather than for technical documents and the like.[48] Information dissemination is also dependent on employee access to, and literacy in, computers, and access to Internet/intranet connections. As a middle-level manager in Wärtsilä's Italian subsidiary remarked:

> Information is distributed at high management level through e-mail and Internet . . . Those who have e-mail have access to it. If you don't have it, you can't get [this information] . . . This information does not come down [to lower organization levels].[49]

Likewise, information gatekeeping behaviour is not eliminated as managers may not wish all their employees to have access to a wider range of information from headquarters. Rather than removing the impact of language, IT developments may simply delay or shift the language hurdle to a different part or stage of international activity. As well, initial contact with potential customers may be facilitated, but some parts of international operations will normally have to occur in foreign markets, thereby involving a foreign language. Increasingly, e-commerce companies are finding it necessary to establish a presence in foreign markets. Such local operations still require the use of foreign languages. Ultimately, too, in spite of the impact of the Internet, much cross-border, inter-unit and external communication will still depend on person-to-person exchanges, which will remain language dependent.

Concluding Remarks

Our exploration of the issues posed by language differences has revealed just how persistent they are for companies; from the earliest stages of internationalisation through to more mature, large-scale operations. Some companies are able to avoid the need to cope with language differences for some time because they are able to operate in a widely used mother tongue, such as English or Spanish. However, even in such cases, global expansion eventually exposes all companies to the demands of dealing with multiple language environments. The research examined in this article demonstrates that crossing the language frontier has important ramifications for internal company information flows, knowledge transfer, and formal and informal communication. A problem is that the full significance of these language effects is not always apparent to top management. A common solution is to impose language standardisation in the form of a common corporate language. This can create more problems than it solves. As our analysis indicates, a common corporate language may merely push the burden of handling the language adjustment process further down the hierarchy at the subsidiary level. In addition, the experience of a number of companies outlined in this article indicates that even when there has been early adoption of a common corporate language, the demands of having to deal with multiple languages do not diminish over time, in no small measure because of moves into additional markets, and often more linguistically distant domains. For example, Kone's movement into such new market areas as China has continually renewed and extended its language challenge.

Nevertheless, many gaps remain in our understanding of the role of language in the evolution of companies' international operations, particularly in terms of the use of a common corporate language and its impact on communication within multinationals. Extended empirical research is needed to answer many questions. When are companies adopting a common language? Is this a conscious managerial decision, or does a common language merely evolve? Are many companies trying to use more than one company language? If so, are the information and communication issues the same as those encountered by companies that adopt one common language? A broader issue is the extent to which developments in information technology will facilitate the ability of multinational companies to deal effectively with multiple languages. Perhaps the most difficult aspect of empirical studies addressing this area is the ability of researchers to explore in depth these language issues in firms from different countries, at different stages of internationalisation, and including subsidiary operations in diverse global locations. Such research would necessarily stretch the language competence of the researchers involved.

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Appendix

The interviews reported here are part of a wider case study of Kone Elevators, a Finnish multinational. The study focused on internal communication flows between headquarters and subsidiaries in different countries. Kone is one of the leading companies in the global elevator and escalator business. In 1999, Kone's net sales totaled $US2.4 billion. The company had more than 150 foreign subsidiaries operating in 40 countries. It had approximately 22,600 employees worldwide of whom 93% worked outside Finland. Because of Kone's pattern of internationalisation and geographical spread of operations, English is a second-language for a large majority of its staff.

For the purpose of the study, 110 Kone staff were interviewed in 1994–95 at the levels of top management (24–22%), middle management (57–52%), and the operating level (29–26%). The interviewees represented 25 units located in 10 countries in Europe, Mexico and the Far East, and the interviews were conducted in English, Finnish, Spanish and Swedish during visits to local units. Quotations from non-English interviews were translated into English with care taken to maintain the character of the original.

The importance of language became evident in the process of fieldwork. Language considerations affected the researcher's access to potential interviewees. The language challenge was particularly evident when interviewing staff below top management. It was decided not to use an interpreter because of concern that the interpreter might influence the interview process and data. Language emerged from the interview data as a facilitator of, and barrier to, inter-unit communication. This finding subsequently triggered an iterative process in which the language theme was developed. During autumn 1997, additional interviews were conducted with key persons from Kone. Through several rounds of data analysis and re-interpretation we have sought to separate language from related concepts and to explore its impact on Kone's global operations.