Journal of World Business 46 (2011) 288–295

Contents lists available at ScienceDirect

Journal of World Business

journal homepage: www.elsevier.com/locate/jwb

Shifting the faultlines of language: A quantitative functional-level exploration of language use in MNC subsidiaries☆

Wilhelm Barner-Rasmussen *, Christoffer Aarnio

Hanken School of Economics, Department of Management and Organisation, P.O. Box 479, FI-00101 Helsinki, Finland

ARTICLE INFO

Article history:
Available online 21 August 2010

Keywords:
Language
Multinational corporation
Multilingualism
Language strategies

ABSTRACT

The body of case study-based research on language in multinational corporations (MNCs) is growing, but its findings have as yet been subjected to limited statistical validation. In this paper we use quantitative functional-level data to chart language use in subsidiaries' communication with other MNC units and local partner firms, and to analyze some consequences of these patterns against the background of previous qualitative work in the area. Our findings confirm that MNCs are indeed multilingual, but that language fluency varies significantly across functions and organizational levels. This has important implications for communication, knowledge sharing and the viability of formal language strategies.

1. Introduction

It is by now widely accepted that language in multinational corporations (MNCs) merits study as a stand-alone topic rather than simply a component of cultural distance, and that the vast majority of multinationals are in fact multilingual (Barner-Rasmussen & Björkman, 2005; Luo & Shenkar, 2006; Piekkari, 2006). These developments are welcome because they help us understand some key day-to-day realities of MNC management and help bring MNC research closer to reality. Specifically, these findings mark a shift away from treating the MNC as a 'monolithic' and unified, raising instead important questions related to internal fragmentation (e.g., Kristensen & Zeitlin, 2001, 2005; Morgan & Kristensen, 2006), the limits of top management agency, and the central planning ability of corporate centres.

We nevertheless argue that the full implications of these new insights have yet to be fully digested. Specifically, we question whether top management can meaningfully 'design' a 'language system' for the MNC and 'align' it with organizational strategy, as suggested by Luo and Shenkar (2006). Such ideas can be seen as typical of what Janssens, Lambert and Steyaert (2004) term the 'mechanistic' perspective on language in international management, with the limitations and potential pitfalls that this perspective entails. It can be argued that taking a mechanistic perspective on MNC management is unrealistic, and as such unproductive – perhaps even dangerous. Again there are parallels to the discussion on the limits of top management agency, as voiced by e.g., Kristensen and Zeitlin (2001, 2005).

These dangers of language research in the MNC context may be accentuated by the fact that the bulk of empirical work in the area thus far is case study-based (Tietze, 2007). Case studies are commonly considered useful to grasp emerging research areas and generate hypotheses that can subsequently be tested by other means (see e.g., Eisenhardt, 1989). They have undoubtedly yielded extremely valuable insights into MNC language dynamics. It is nevertheless difficult to refute the argument that large-scale quantitative studies would at this point provide useful descriptive information that has not been available before, and confer empirical stability upon the diverse claims that are being made.

Against this background, our aim with this paper is to provide an empirical exploration of language diversity and the variation in language skills inside multinationals. We also contrast our results with previous work in the area (particularly the theoretical propositions presented by Luo & Shenkar, 2006) and discuss the outcome in terms of how MNCs can realistically be understood and managed as multilingual organizations. We fulfill this aim by conducting a quantitative hypothesis-testing study based on survey data from 61 Finnish subsidiaries of foreign MNCs. By

☆ This study builds on and extends ideas from the second author's MSc thesis, which was conducted under the supervision of the corresponding author. We are grateful for the insightful comments of JWB special issue editors Rebecca Piekkari and Susanne Tietze, two anonymous reviewers, and Marika Tandefelt. The corresponding author would like to thank the Academy of Finland (the project 'Managing Knowledge Creation and Transfer in Multinational Corporations: A Finnish Perspective', project number 53030), the Foundation for Economic Education, the Marcus Wallenberg Foundation, and the Foundation of the Hanken School of Economics for financial support. The data were collected by the corresponding author together with Anette Björkman, Ingmar Björkman, Fredrik Grahn, Riikka Sarala, and Jennie Sumelius, whose contributions are gratefully acknowledged.

* Corresponding author. Tel.: +358 (0) 50 5973794; fax: +358 (0) 9 43133275.
E-mail addresses: wilhelm.barner-rasmussen@hanken.fi (W. Barner-Rasmussen), christofferaarnio@googlemail.com (C. Aarnio).

1090-9516/$ – see front matter © 2010 Elsevier Inc. All rights reserved.
doi:10.1016/j.jwb.2010.07.006

focusing on the functional level of analysis, we provide a more fine-grained study than any previous quantitative piece.

2. Literature review

Language in MNCs has been studied by international management scholars as a topic in its own right only since the late 1990s (Marschan, Welch & Welch, 1997; Marschan-Piekkari, Welch, & Welch, 1999a, 1999b). Earlier contributions in the area are limited to occasional mentions of language in other contexts, such as Johanson and Wiedersheim-Paul (1975) who include language as one component of their 'psychic distance' perspective on internationalization. Similarly Hedlund (1986) mentions language barriers as one of the issues that could hinder or prevent the introduction of 'heterarchy' as an organizational form in MNCs. Other early contributions touching the realm of MNC management include those of Holden (1987) on language constraints on the international behavior of firms, San Antonio (1987) on social mobility and language use in an MNC, and Reeves and Wright (1996) on language audits.

Most academic work on language in MNCs has however been published in the 2000s. Some milestones are the contributions of Griffiths on relationship building (2002); the extensive body of work by Piekkari and different colleagues (e.g. Fredriksson, Barner-Rasmussen & Piekkari, 2006; Piekkari & Zander, 2005; Piekkari, Vaara, Tienari & Säntti, 2005; Piekkari, 2006; Vaara, Tienari, Marschan-Piekkari & Säntti, 2005; Welch, Welch & Marschan-Piekkari, 2001; Welch, Welch & Piekkari, 2005); the contributions by Feely and Harzing from a cross-cultural management perspective (Feely, 2003; Feely & Harzing, 2003; Harzing & Feely, 2008); and the quantitative pieces by Barner-Rasmussen and Björkman (2005, 2007).

Among the findings of this recent research is that language skills are positively related to both interunit communication intensity (Barner-Rasmussen & Björkman, 2005), and to shared vision and perceived trustworthiness between units – a relationship which appears to hold across cultural boundaries (Barner-Rasmussen & Björkman, 2007). Given that trust, shared vision and similar concepts have since the late 1980s been emphasized as central to the knowledge sharing that sustains the 'transnational' MNC (Bartlett & Ghoshal, 1987, 1989), this suggests that language skills of key individuals at the subsidiary level are indeed a crucial enabling factor of the transnational.

Piekkari and colleagues, taking a more critical approach, focus on the close relationship between language and power as a central theme. This interest in language-based power has yielded findings on the manifold individual-level implications of language decisions (e.g., Piekkari et al., 2005; Piekkari, 2006; Vaara et al., 2005), and the development of a fairly critical attitude to the way in which the lack of 'appropriate' skills in a language can negatively influence an organizational member's position – or inversely, how good skills in the 'right' language can boost individual careers in important ways.

A corollary of this interest in the relationship between language and power in MNCs is a questioning attitude to the real-world effectiveness of language policy decisions made at the corporate apex. This aspect of the work of Piekkari and colleagues may be read as a critique of the viability of corporate language management. They highlight instead the ability of individuals and units to 'hide behind the language', circumvent or subvert corporate decisions in different ways, and even protest against decisions perceived as erroneous or counterproductive by explicitly breaking corporate language policy as documented by, for example, Barner-Rasmussen (2003). Such negative reactions would often be sparked at least partly by what subsidiary staff members perceive as managerial insensitivity to language issues. A prime example is the case of a Merita-Nordbanken (later Nordea), a bank formed through the merger of a Swedish and a Finnish bank. Swedish was initially chosen as the corporate language, causing negative reactions among Finnish organizational members (Piekkari et al., 2005; Vaara et al., 2005).

This line of research has shown that language-related decisions taken at the top management level are often perceived as insensitive to the realities of language users further down in the organization, apparently for two main reasons. First, top managers seem to lean toward 'rationalistic' decision-making that fails to consider subordinates' emotional reactions. In the Merita-Nordbanken case, the choice of Swedish as corporate language was driven by efficiency considerations in terms of time and cost, as it would have entailed no changes in the Swedish part of the organization, and the Finnish part was also felt to possess good skills in Swedish.[1] Second, due to higher education and previous international exposure, top managers are likely to have better language skills than the average employee, and may thus be unaware of language barriers further down in the hierarchy. This lack of awareness is exemplified in the following quote by a top-level manager of a large Nordic MNC, who was interviewed by the first author during the course of a previous research project:

> 'Language isn't really a problem, you know. If you look at the management, the one or two hundred top managers within [our firm], English works fine, no problems. So I don't think language is an issue, as far as that is concerned we can very well be an international corporation. It's not a problem'.
>
> (Top management team member in a 12,000-employee Nordic MNC in the process of implementing a transnational strategy)

Probing further into the scope and viability of language policies set by top management, Fredriksson et al. (2006) show that these policies may be ambiguous in character and may be perceived very differently in different parts of a large multinational. The analysis by Fredriksson et al. (2006) complements earlier work on controversial top management language policy decisions. They suggest that key decision-makers are in some cases well aware of the politically charged nature of language, and for this very reason may consider it opportune to avoid clear-cut decisions, deploying instead a strategy of ambiguity (March & Olsen, 1976: p. 77) that eschews 'rational imperatives toward consistency' in favor of pragmatic solutions that allow different constituencies to retain different perceptions of corporate language policy.

In the field of international management, critical findings such as these coexist with a normatively flavored view arguing that language use in MNCs can or should be governed by clear-cut rational choices, made by top management and derived directly from corporate strategy. Recently this view has been eloquently propounded in a conceptual piece by Luo and Shenkar (2006), who propose the concept of 'functional language', defined as 'the language formally designated for verbal and written use by an MNC's focal unit (headquarters or overseas subunit) within this unit and the rest of the MNC network' (ibid., p. 325). They differentiate between HQ functional language and subunit functional language, and argue that the former is determined by corporate strategy, organizational structure, and transnationality, while the latter is determined by subunit organizational form,

[1] Swedish is the second official language of Finland. 5.4% of the population speaks it as their first language. The decision to introduce it as the common corporate language in this case met with much resistance by Finnish-speaking Finnish employees, who felt they were put at a disadvantage. Eventually, the merged bank switched to using English, which was felt to be more neutral.