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Opening and closing doors: The role of language in international opportunity recognition and exploitation☆

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ABSTRACT

This study focuses on the impact of language skills on international opportunity recognition and exploitation. Data were collected from Finnish food industry companies employing a mixed-methods research strategy. It was found that the linguistic knowledge of the decision-maker is related to international opportunity recognition and exploitation, potentially creating a 'knowledge corridor' that either encourages or prevents international opportunities from being seen. A 'matching linguistic knowledge' construct was developed to investigate this knowledge corridor. The findings indicate that matching linguistic knowledge steers managers in their recognition of international opportunities, but the importance of the knowledge corridor has decreased with the emergence of Business English.

1. Introduction

What role does language play in company internationalisation? This is an intriguing question, yet the extant research offers no satisfactory answers. Language and language skills have been addressed in international business (IB) studies, albeit often from a very narrow perspective. This is surprising because foreign language skills can be an influential antecedent of export performance (Stoian, Rialp, & Rialp, 2011) and language is deeply embedded in all activities of multinational companies (MNCs) (Marschan-Piekkari, Welch, & Welch, 1997). Yet the influence of languages remains underappreciated in IB research (Selmier & Oh, 2012).

This study deepens the understanding of the role of language in internationalisation. It combines IB and entrepreneurship literature to see whether the linguistic knowledge of the decision-maker plays a role in the recognition and exploitation of international opportunities. The study deviates from mainstream IB research in two ways. First, instead of bundling language with related concepts, such as psychic distance and culture, the role of language is examined independently, as recommended by Welch, Welch, and Marschan-Piekkari (2005). Second, in this study, the role of language ranges from negative to neutral or even positive, contrary to earlier research where language has been dominantly studied as a barrier or challenge.

Prior research indicates that the language skills of the decision-maker and international opportunity recognition could be related. For example, Sheng and Mullen (2011) found that language distance is a strong predictor of export attractiveness, whereas Swift (1991) argued that language competence would facilitate the establishment of market closeness. Liesch et al. (2002) went even further and claimed that foreign language proficiency may be an important factor in the choice of markets. However, contradictory findings also exist (e.g. Clarke, 2000; Knowles, Mughan, & Lloyd-Reason, 2006; Suarez-Ortega, 2003), thus highlighting the need for further research.

This study draws its theoretical arguments from three streams of research, which have not been linked in previous works: (1) entrepreneurial opportunity recognition and exploitation, and (2) the employment of language in MNCs and (3) internationalisation process theory. This exploratory study applied a mixed-method research strategy to create a provisional model of the role of linguistic knowledge in the opportunity recognition and exploitation of

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internationalising firms. First, a survey was conducted among Finnish food industry companies to acquire a bird's-eye view of the phenomenon. Next, interviews were conducted to identify the microprocesses related to opportunity recognition and exploitation.

Four key findings, each of which makes a distinctive contribution to previous research, were derived. First, the decision-maker's linguistic knowledge is related to how s/he recognises and exploits international opportunities. Second, the linguistic knowledge may create a 'knowledge corridor', which either encourages or prevents the decision-maker from seeing a greater number of international opportunities. Third, a construct (i.e. matching linguistic knowledge) was developed to analyse the relationship between linguistic knowledge and opportunity recognition and exploitation. Fourth, the study indicates that matching linguistic knowledge particularly helps managers recognise international opportunities, especially if it is accompanied by language diversity and culture-specific knowledge. However, the importance of the knowledge corridor has diluted with the emergence of Business English. Next, an overview of relevant research is presented and the empirical study is described, followed by findings and conclusions. Finally, the implications are discussed.

2. Literature review

2.1. Language and company internationalisation

Language as a concept has been examined in early studies on the internationalisation of the firm. For example, Johanson and Vahlne (1977) argued that firms internationalise incrementally through increasing commitments to foreign markets and that one of the key determinants in the process is the decision-makers' perceptions of psychic distance between home and host markets. Language is one of the key components of experienced psychic distance (Dow & Karunaratna, 2006; O'Grady & Lane, 1996), and a lack of appropriate language skills can be a significant obstacle to internationalisation (Eriksson, Johanson, Majkgard, & Sharma, 1997). Researchers have continued to consider language a barrier to internationalisation, but a number of studies have also shown that the decision-maker's language skills may increase the firm's likelihood of expanding its business internationally (Dichtl, Leibold, Köglmayr, & Muller, 1984; Dichtl, Koeglmayr, & Mueller, 1990; Fernandez-Ortiz & Lombardo, 2009; Holzmuller & Kasper, 1990). However, studies considering language as an asset in internationalisation are rare.

Interestingly, the role of language seems to be changing. For example, Leonidou (2004) and Suarez-Ortega (2003) found that language differences were no longer a significant barrier to SME internationalisation. Besides globalization and the emergence of Business English as the new lingua franca (Louhiala-Salminen & Kankaanranta, 2012; Rogerson-Revell, 2007), this may be due to the increasing number of intermediaries acting as language and cultural interpreters between companies and customers in foreign markets (cf. Jansson & Sandberg, 2008; Welch, Welch, & Marschan-Piekkari, 2001). Another indication of researchers' decreasing interest in language is that although international market knowledge is recognised as a determinant of international growth in the recent literature on international new ventures (e.g. Autio, Sapienza, & Almeida, 2000), the aspect of language per se is rarely addressed (except by Fan & Phan, 2007; Freeman, Hutchings, & Chetty, 2012; Musteen, Francis, & Datta, 2010).

In terms of measurement, the majority of studies have some shortcomings. Instead of analysing language skills as an independent variable, they treat them as a dimension of a multidimensional construct, together with other covarying country-level variables, such as culture and psychic distance (Dow & Karunaratna, 2006), or with decision-maker characteristics, such as education, exposure to foreign cultures and work experience abroad (Dichtl et al., 1984, 1990). Unfortunately, this kind of approach offers a very limited explanation of *how* language skills affect internationalisation. On the other hand, studies that focus on the relationship between language proficiency and the market are exceptional and are confronted with other challenges. For example, Fan and Phan (2007) studied factors explaining the early internationalisation of INVs in the European airline industry and compared the linguistic heritage of the home and target market. Unfortunately, this approach ignores the language proficiency of the decision-maker, which is crucial, as stimuli are important only to the extent they are perceived as such by the decision-maker (Dichtl et al., 1984).

Thus, prior research suggests a relationship between the language skills of the decision-maker and recognition and exploitation of international opportunities. However, the understanding of this connection is limited by scarcity and challenges of earlier studies. To better comprehend the role of language in internationalisation, there is a need to dig deeper into the concept of language. Insights from language-related research in MNCs provide a useful addition to the theoretical framework.

2.2. Opening the 'black box' of language

In IB, language has often been investigated within the MNC context and at the corporate level. For example, choices of corporate language, language management within the MNC and language policies have all interested researchers. Some studies also investigate language on the level of individuals, for example, from the perspective of career opportunities (Vaara, Tienari, Piekkari, & Säntti, 2005) or interunit communication (Barner-Rasmussen & Björkman, 2005), particularly as a source of power (Marschan-Piekkari, Welch, & Welch, 1999) and as a barrier to or facilitator of interorganisational communication.

Altogether, managers and researchers seem to have taken a rather simplistic view of language. Where managers often consider it a technical translation problem (Welch et al., 2001), researchers have preferred to use a single dummy variable for a common language (Dow & Karunaratna, 2006): either you have the competence (positive) or you do not (negative). The role of language skills is supposedly much more multifaceted. Additionally, the dynamics of languages have been ignored, as it is implicitly assumed that the significance of spoken languages would not change during the internationalisation process. Yet we know that organisations, individuals and languages evolve in international settings (cf. Luo & Shenkar, 2006), and it is more than probable that language plays a role in the company's internationalisation path (cf. Welch et al., 2001).

The one-dimensional view of language also encompasses the understanding and operationalisation of what language is. Here, language refers to language skills as competencies possessed by individuals, not organisations (cf. Welch et al., 2001). Language is required to transcend the reality of everyday life (Berger & Luckmann, 1966), and without adequate language skills individuals are unable to communicate with or connect to their environment. In this study, it is significant that language skills enable individuals to acquire deep, contextual knowledge (Brannen, 2004).

In sum, it is argued that language skills are related to company internationalisation and that some internationalisation patterns may even be driven by the decision-maker's language skills. However, the microprocesses through which company internationalisation and decision-maker language skills are interconnected require closer examination.