Forbes INSIGHTS

IN ASSOCIATION WITH: RosettaStone Business

Reducing the Impact of Language Barriers

In global, multicultural organizations, simply expecting all employees to speak one common language, such as English, marginalizes the potential impact of international talent and leaves monolingual staff ill-equipped to help the organization compete effectively in a globalized environment.

In an increasingly global economy, U.S. companies will perform better by hiring individuals who can communicate in foreign languages and helping current employees develop language skills. Forbes Insights, in conjunction with Rosetta Stone, surveyed more than 100 executives at large U.S. businesses (annual revenues of more than $500 million) and found that language barriers have a broad and pervasive impact on business operations. The survey found that foreign language skills will be even more vital in the future and that language abilities can help executives advance their careers, speed overseas expansion, and boost corporate—as well as personal—success.

The survey underscores that organizations with a high degree of multilingualism—not to mention, an understanding of and respect for other cultures—will commit fewer mistakes and increase efficiency, productivity, and quality. Language proficiency may also promote a safer work environment, an issue of significant importance for many firms that have opened overseas and domestic manufacturing facilities employing foreign-born workers.

As an example, a company encumbered by language barriers will not be able to take measures to prevent simmering problems from boiling over if the hazards are not communicated. "An English-only speaking boss may be too intimidating to approach for employees who speak English as a second language and feel embarrassed about making mistakes," says a Polish native, who herself speaks English as a second language fluently, and has worked as managing director for several Polish banks that have been acquired by multinational banking corporations. "The result is that such an English-only speaking boss will not be told early on about emerging problems or glitches, often until it's too late."

Even within the U.S., some level of proficiency in a foreign language is often very useful. A Brooklyn, New York-based pediatrician has learned basic Spanish to be able to communicate with his Hispanic patients. While he sometimes uses the hospital's translation line for more complicated cases, this can be cumbersome and thus inefficient. Fortunately, many of the nurses on staff are proficient in Spanish, providing a more flexible and efficient alternative, as well as making an impact on the bottom line.

Multilingualism is also likely to have indirect, long-range benefits stemming from the development of executives better equipped to oversee international organizations. Overseas assignments are already considered an essential building block in the career development of high-potential managers from both U.S. offices and international locations.

"English is certainly a very important—perhaps the most important—language for international exchange, but in my experience many other languages are used as linguae francae: Arabic and Urdu; in Eastern Europe, German or Russian, and, of course, in China, Mandarin is itself something of a lingua franca," said Kathryn Board, the chief executive of the UK-based CILT National Centre for Languages, a non-profit, UK-based educational consultancy and service organization.

These regional lingua francae take on an especially important role outside the capital cities of such countries. While native employees based in Moscow, Warsaw, or Beijing often encounter English-speaking executives, this is often not the case in faraway branches. Thus companies that don't have multilingual staffs will often encounter communication problems throughout their far-flung operations.

Board added: "Businesses are working in an increasingly international and competitive environment and, according to research carried out by the EU, many more SMEs think their companies have the potential to export than actually do at present. People with languages can help to plug that gap, but we need to recognize that what business needs is not always what the education system can—or indeed thinks it should—provide. There needs to be more dialogue between the education and business worlds to create the mutual understanding necessary to improve the match of supply and demand."

Said one educator in a Boston Globe article: "Just English is not a good answer when prospective employers ask what languages you speak. With globalization an increasing phenomenon, if someone only understands English, to an employer, they're less and less useful to the world."

Key findings of the survey are outlined below.

BREAKING DOWN LANGUAGE BARRIERS TO BUILD PRODUCTIVITY

Clearly, language barriers affect many companies. Two in three executives surveyed (65%) said that in managing diverse workforces, language barriers existed between their companies' managers/executives and other workers.

The impact of these barriers may be significant. Asked about consequences, nearly two-thirds of respondents (67%) said that miscommunications were leading to inefficiency. More than 40% noted that miscommunication made collaboration difficult, and a similar percentage noted that productivity was lower than it should be due to language barriers.

Yet other management issues also arose. More than 20% of respondents felt that language barriers made it difficult for managers to get the necessary respect from their workers. A publishing executive who recently spent

FIGURE 1: In managing a diverse workforce, would you say your company faces language barriers between executives/management and other workers?

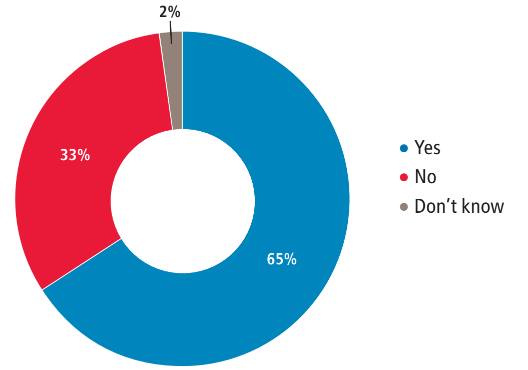
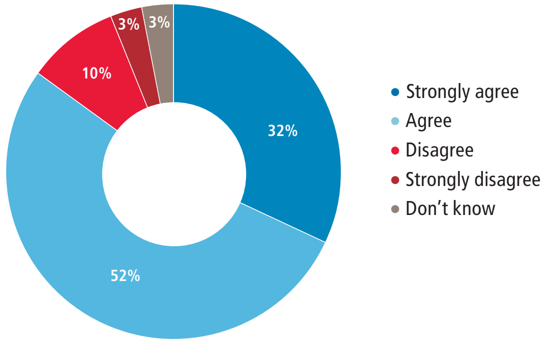


FIGURE 2: What do you believe are the most significant consequences of these language barriers?

time in Dubai was impressed by how well all his Arab co-workers spoke English. And though the knowledge of Arabic was not necessary for his work, he felt that without understanding the language of his co-workers, he was in no position to supervise them. "Because they spoke English and I didn't speak Arabic, I couldn't shake that feeling that I was somehow inadequate."

While lack of communication could compromise productivity and management skills, the flip side is also true—communicating in a native language can increase productivity. More than 80% of respondents agreed that workers were more productive when their managers communicated with them in their native language.

FIGURE 3: Workers are more productive when managers or executives communicate with them in their native language:

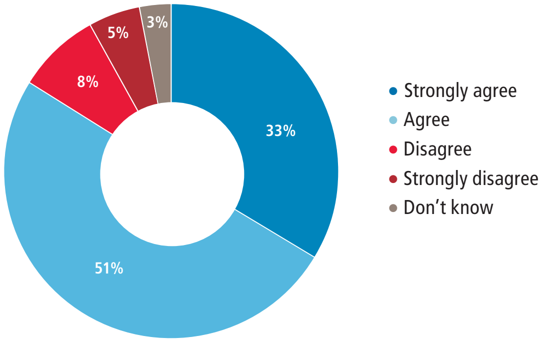


A KEY TO COMPETITIVENESS IN A CHANGING WORLD

In the global economy, overseas assignments have become more common among executives as companies move into a growing array of emerging markets where English may be a second or third language. These organizations are looking for a leader steeped in company methodology to guide them. The pressure on managers is intense. The emerging markets are moving at rapid speed.

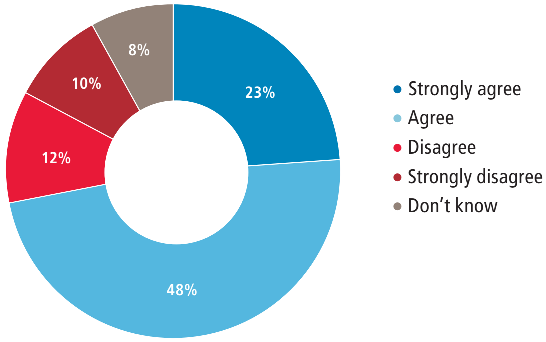
One of the major tasks for companies will be effectively managing thriving enterprises in different regions. Nine in ten survey respondents agreed that international firms would not be able to compete successfully without world-class managers worldwide.

FIGURE 4: International firms will not be able to effectively compete against major global competitors without world-class managers:



Global firms also want talented executives to have international experience before promoting them. About seven in ten respondents (71%) agreed or strongly agreed that expatriate assignments were increasingly important for executives on a leadership track—more than three times the combined number who disagreed or strongly disagreed with the statement.

FIGURE 5: At the company I work for, expatriate assignments are increasingly important for executives on a leadership track:

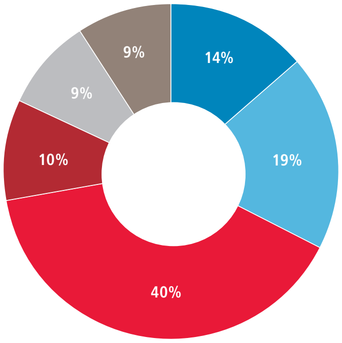


EXECUTIVES ARE BECOMING GLOBAL TRAVELERS

Indeed, iconic American firms such as Walmart, IBM and McDonald's now regularly send their most promising managers into overseas roles to broaden their skills and experiences and to provide them with a more comprehensive view of their organizations. And the traffic flows both ways. PepsiCo CEO Indra Nooyi and Citigroup's Vikram Pandit were born in India. The CEO for the international division of the American firm Walmart said in a 2010 interview that he foresees a day when the Bentonville, Ark. company would be led by a foreign-born executive.

Roughly one in three participants (33%) said that their firms were sending more or significantly more U.S. nationals on expatriate assignments than two years ago. That was double the percentage who said that their firms had sent fewer or significantly fewer U.S. nationals over the same period. The trend is likely to grow stronger, with 39% indicating that their companies would be more likely to send more or significantly more American executives into expatriate assignments in two years.

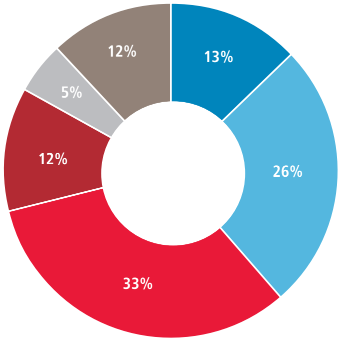
FIGURE 6: Compared to two years ago, is your company sending more or fewer U.S. nationals on expatriate assignments?



SUPPORT FOR ESL

The end effect may be that companies are better at helping foreign executives improve their English to help them succeed in U.S.-based assignments. They are particularly concerned with these executives' ability to communicate verbally as part of their daily responsibilities. When asked how their companies supported English as a Second Language or workplace English for foreign executives in U.S.-based jobs, more than half (55%) said that their firms provided oral language training, and 43% said that their firms offered written language training.

FIGURE 7: Two years from now, will your company be sending U.S. nationals on more or fewer expatriate assignments than you are today?



The survey underscored that American firms will bring more foreign executives to the U.S., too. About one in three respondents (35%) said their firms would be likely to fill more or significantly more key positions with foreigners over the next two years. Those percentages are more than three times the number who said their firms would assign significantly fewer (3%) or fewer foreign-born managers (9%) to the U.S. over the same time span.

IMPROVING EMPLOYEE PERFORMANCE

Sending American employees overseas does not necessarily solve the issues companies are facing globally. Respondents indicated their companies face a number of issues when doing business with non-native English speakers, including recruiting a diverse workforce (41%), providing consistent customer service (41%), and generally managing their offshore operations (32%). Many of these issues, such as customer service, communicating with vendors, and safety, would obviously benefit from multilingual proficiency among all employees, not just executives.

Clearly, strong foreign language skills can play an important role for expatriate U.S. executives. Most companies prepare U.S. executives for foreign assignments, including foreign language study. About three in five respondents said their organizations required U.S. employees to participate in foreign language training (60%). Approximately the same percentage said their firms required training in intercultural management practices (61%) and/or intercultural business practices (61%), while roughly two in three (68%) said that their firms required cultural awareness/competence training.

A top American business editor based in China observed that "given the complexities of Chinese society, it's really impossible to do your job well here if you don't speak the language." He went on to note that many Americans could benefit from studying Chinese culture and language: "It's hard to imagine that an aggressive, well-off China isn't going to impact your business more and more, perhaps providing opportunities you didn't know of, as well as challenges."

TRAINING

Many companies have the right attitude about the importance of language proficiency. Two in three firms (66%) said that they expected U.S. employees taking jobs in countries where English is a secondary language to have basic or intermediate proficiency in the host language. Thus executives with foreign language skills—even at a basic level—can help their companies and their careers.

FIGURE 8: Over the next two years, will your company fill more or fewer key positions in the U.S. with foreign-born executives?

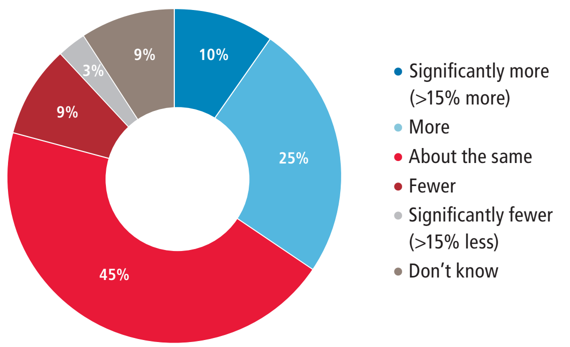


FIGURE 9: As a global company, what are the biggest challenges your organization faces in working with non-English speakers?

FIGURE 10: What training is required for U.S. employees who will be taking an expatriate assignment?

FIGURE 11: What level of proficiency in the language of the host country do you expect of a U.S. employee who is taking a foreign assignment in a non-English-speaking country?

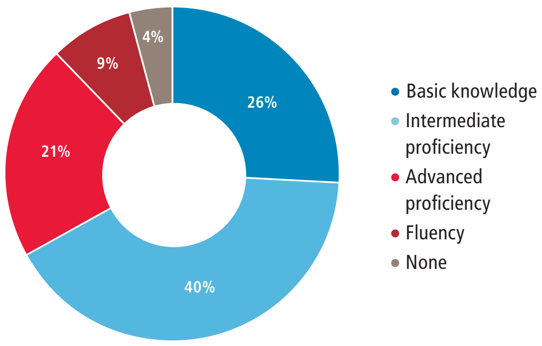
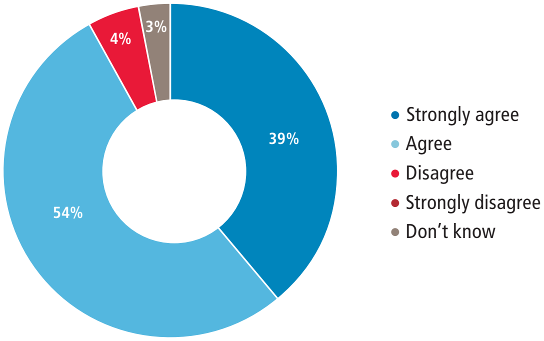


FIGURE 12: Language issues - Expatriate managers are more successful when they are bilingual:



Among survey respondents, 93% agreed that expatriate managers are more successful when they are bilingual. Almost the same percentage (82%) agreed that multicultural, multilingual managers with previous international experience are more valuable than other employees.

FIGURE 13: English fluency is required for high-potential employees who want to move up in our company.

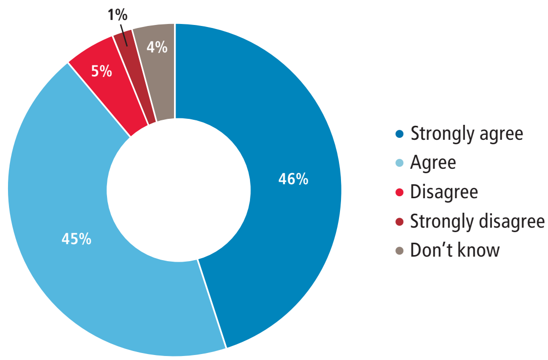
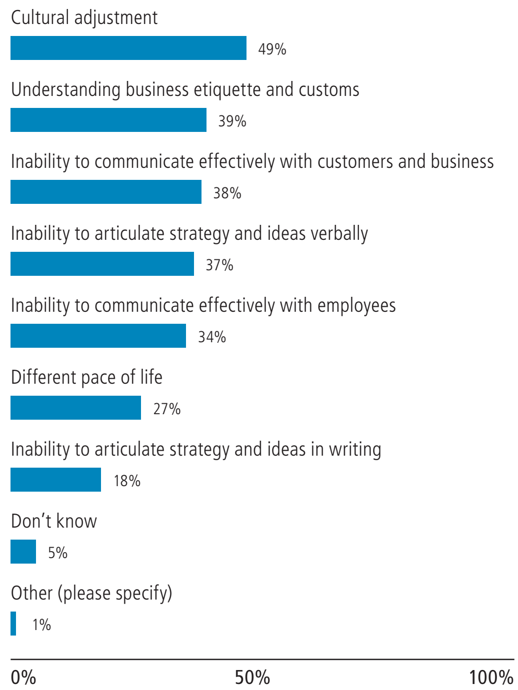


FIGURE 14: What are the biggest language and cultural challenges for foreign executives to succeed in U.S.-based jobs?



FLUENCY IN THE U.S.

U.S. companies expect non-native speakers to have a high level of English competency. Nine in ten respondents (91%) agreed that English fluency is required for high-potential employees who want to win promotion. But very often native English speakers believe that this is enough. "I think that it shows arrogance and complacency that native English speakers show no interest in communicating with us in any other language," said a Polish native who works with many native English speakers. "Learning a local language shows their commitment and willingness to work hard."

And poor language skills can be an impediment. Nearly four in ten executives (37%) said that an inability to articulate strategy and ideas verbally was among the biggest challenges for foreign executives to succeed in U.S.-based jobs. A similar percentage cited separately an inability to communicate effectively with employees or with customers and business partners. A surprisingly smaller number, about one in five (18%), said one of the biggest challenges was an inability to articulate strategy and ideas in writing.

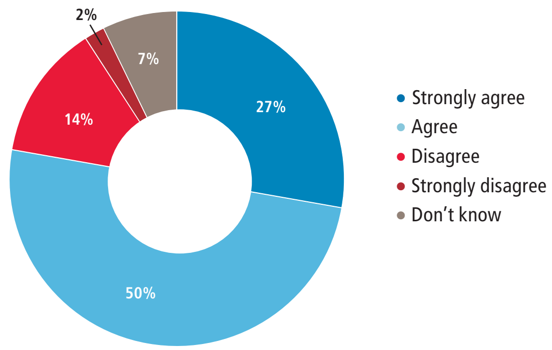
LANGUAGE SKILLS ARE BETTER OUTSIDE THE U.S.

But that may reflect a general understanding that foreigners are more likely to have an advanced knowledge of English, if not fluency. English is the most widely learned second language in non-English speaking countries. English classes have long been part of the elementary school curriculum in Germany, France, Russia, Belgium, Switzerland, and in Scandinavian countries. Last year, a report circulated widely among media outlets found that more people are learning English in China than there are native speakers. A five-year initiative to increase proficiency throughout the country is mandating that schools begin teaching English in kindergarten and that all workers master 1,000 phrases by the age of 40.

Three-quarters of survey respondents agreed that it was easier for foreign nationals to work in the U.S. than for U.S. nationals to work overseas because they were more likely to be multilingual. This obviously leaves U.S.-based organizations, as well as many Americans, at a significant disadvantage on a globalized playing field.

Perhaps the day will come when U.S. schools incorporate foreign languages into the curriculum as effectively as many European and Asian schools teach English, giving rise to a new generation of multilingual Americans. Until then, in order to maximize productivity, efficiency, and safety, as well as to seize new opportunities and penetrate new markets—in other words, to compete effectively in a globalized world—U.S. companies should give high priority to expanding multilingual proficiency across the entire organization, from top executives to workers on a factory floor.

FIGURE 15: It is easier for foreign nationals to work in the U.S. than for U.S. nationals to work overseas because foreign nationals are more likely to be multilingual.



METHODOLOGY

In July 2011, Forbes Insights surveyed 106 senior executives at U.S. companies with annual revenues of $500 million or more. Approximately 40% of respondents held C-level titles, including CEO (19%), COO (7%), and CFO (4%). The remaining executives were executive or senior vice presidents, directors, or department heads. In terms of roles, 38% of respondents worked in operations, and 42% said that they held general management jobs. The remaining worked in human resources or talent-related functions.

About one in three companies in the study had annual revenues of more than $10 billion (30%). The other participating firms ranged between $500 million and $10 billion. The bulk of the respondents worked in one of seven broadly defined sectors: business services, chemicals/mining, consumer/industrial products, life sciences/healthcare, technology/media/telecom, financial services, and energy/utilities.

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