THE ECONOMICS OF LANGUAGE OR HOW CAN LANGUAGE BE AN ASSET?

- GENERAL REFLECTIONS ON THE EUROPEAN CASE AND BRIEF FOCUS ON THE CASE OF PORTUGUESE -

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Abstract

In this paper, we will focus on the importance of languages as an asset to people and companies in a knowledge-based society, giving special attention to the case of Portuguese, not forgetting the role of Higher Education Institutions in preparing students to be part of the new creative multilingual and successful class.

Key words

languages, business, knowledge-based society, creativity, European Reference Framework, Portuguese

Biography

Alexandra Albuquerque has been teaching at the Institute of Accounting and Administration of the Polytechnic Institute of Porto for 13 years. She is a language and translation lecturer and has been the head of the International Office since 2004. She graduated in Language and Literature in 1999 and holds a master's degree in German Studies. She is carrying out her PhD research in Linguistics at CLUNL – Centro de Linguística da Universidade Nova de Lisboa.

1. Introduction

Approximately 20 years after the globalization boom, economies and companies are still struggling to find the perfect formula to balance scale and local issues when doing business globally. The phrase “think globally, act locally”, so widely used that is difficult to find its author, and the term "glocal" sum up perfectly the concept of scale business and of a balanced global environment (in every sector of society) but hide the multiple constraints of implementing it effectively.
In fact, on the one hand, the end of Cold War in the beginning of the 90’s and the design of a single market in Europe have created political, legal, technical and physical conditions to promote economies of scale, allow the establishment of wide commerce and enable companies’ faster growth. However, on the other hand, although many economic theories and success stories have been published, several recent reports, namely concerning the European case, have come to the conclusion that although EU single market has the largest GDP of any economy in the world it is still under-developed as far as internationalization of SMEs⁵ and the globalization index is concerned.

Several reasons for the low internationalization level of European companies (namely SMEs) have been pointed out, being the lack of language and cultural skills considered to be a major one. In fact, although globalization flattened, in a way, linguistic diversity by supporting English as a business *lingua franca*, history has proved by various examples that a *lingua franca* is meant to be an ice breaker and an important tool to get meaning across, but outside a colonization context, cannot completely delete national or local languages. Moreover, together with the motto “think globally, act locally”, scale business has soon learned that “you can buy in any language but you can’t sell well in your own”⁶ and this is now even more true with e-commerce, as a study carried out by Common Sense Advisory has shown recently⁷.

Moreover, due to the huge advances over the recent years, creating so many changes in behaviour, trends, theories and strategies, we are now living in a knowledge-based society, where technology, human capital (or talent⁸), innovation and tolerance are much more important than efficacy would be in industrial society. This shift has deeply transformed the business world, where the supply and demand of the best solutions and competences in a multicultural and multilingual market has been putting more stress in intangible goods like creativity and foreign languages, for example, than in the goods themselves (Florida, 2003).

Society is therefore undergoing deep changes and cannot avoid this global shift and exposure to the “other” which has created both opportunities and threats in a broader mobile world where diversity in cultures and languages is one of the first and most visible signs. Local societies have merged, even if not intentionally, with bigger societies (regional, national, European, international) and the interrelations amongst them demand new competences and skills to the most local citizen.

**Some facts and figures on the impact of languages in business**

Some recent reports and studies⁹ bring forth some interesting facts and figures on the impact of languages on business. We will focus our analysis on the European context and will start by referring to the British market. According to a report compiled and published by the British Chambers of Commerce in 2003⁹ aiming at identifying and segmenting the different behaviours and attitudes held by exporters in relation to trading in overseas markets, there are 4 main segments of British exporters (Part I, p.5):

1. **Anglocentrics**, who focus their exports on the old British Empire countries.
2. **Opportunists**, who respond to approaches from overseas customers rather than instigate business development initiatives,
3. **Adaptors**, who make an effort to adjust their approach and offering to their overseas markets
4. **Enablers**, who are strategically focused on market penetration, facilitating a local presence in their overseas markets.

According to the same survey (Part II, p.5):

1. 80% of English exporters cannot competently conduct business dealings overseas in even one foreign language;
2. Nearly two-thirds of all exporters (63%) have no formal strategy to maintain or instigate trade with foreign speaking businesses.
3. There is a direct correlation between the value an exporter places on language skills within their business and their annual turnover.
4. Only 33% of Opportunists have an annual export turnover above £1/2 million.
5. This increases to 54% for Developers, 67% for Adapters and 77% for Enablers, who place the most value on language skills within their business.
6. Opportunists’ (the segment that least values language skills) export sales are declining by an average of £50,000 a year per exporter, while Enablers’ (the segment placing the highest value on language skills) exports are increasing by an average of £290,000 a year per exporter.

The fact that UK speaks English – the *lingua franca* of business – can partly explain this main attitude towards foreign languages. However, “there is a large body of evidence that recognizes that languages play a fundamental role in facilitating international trade. Although communication in the language of trading partners is an important factor in supporting a trading advantage, the UK is bottom of the European league table in terms of competence in other languages.”

However, business and economy depend more on communication and cultural skills than on “opportunism” and “It’s only through talking to the customers and obtaining an understanding of their requirements that we can hope to succeed – and the customers don’t all speak English””. In fact, according to the same source, only 6% of the world’s population is native English speakers and 75% speak no English at all (p.4). Moreover, when it comes to e-business, the impact of language in consumer behavior can really make the difference. As stated in a report of Common Sense Advisoryx, language, nationality, and brand recognition influence online buying behaviors.

This report shows that:

1. although most WebPages are still written in English, English-speakers as a percentage of total online population have fallen to approx. 30%
2. most web users
   a. are outside English-speaking countries
   b. speak languages other than English
3. most of the available market (GDP) is outside English-speaking countries.
4. People from non-Anglophone countries visit English language websites monthly or more frequently (67.4% of total sample vs. 45% of those with no/little English)
5. 72.1% of total sample spend most or all of their time at local language sites but the number goes up to 89.1% for those with no/little English
6. 52% of non-English speakers surveyed only buy from websites where the information is presented in their language
7. This goes up to 60% when looking at French and Japanese shoppers
8. People who have little to no English skills were 6 times more likely to not buy from English-only sites
9. These effects are more pronounced, the higher the value of the item or service.
10. 56.2% said that when making a purchase decision, information written in their own language was more important than a low price.

These facts and figures prove indeed that “The more global you are… the more the workforce globalizes; the greater the importance of language capability as part of a standard skill set if you like.” Albeit the global value of English, it is clearly not enough to speak it in order to succeed abroad.

This same conclusion has been reached by ELAN Study➌, in 2007. In this study, a survey of nearly 2000 exporting SMEs across 29 European states (EU, EEA and candidate countries) has been carried out in order to collect data on approaches to the use of language skills, intercultural competence, awareness of language strategies, loss of business owing to lack of language skills, future exporting intentions and hence projected requirements for further language skills.

According to ELAN, 11% of exporting companies in Europe are losing opportunities due to lack of language skills and the loss in SMEs alone can be up to €100,000 per year for each business on average. This loss is particularly important given the fact that, in line with the same source, SMEs account for more than 50% of employment within the European Union. Moreover research has proved that exporting companies are more productive and that exporting can bring other benefits like “exposure to increased technical knowhow, market-awareness and cost or efficiency savings.”(p.2).

So, the figure of lost business due to the lack of linguistic skills and cultural awareness is in fact much greater than €100,000/ year if we consider the potential loss in terms of greater innovation and market-awareness, and its impact on productivity within national economies.

Nevertheless, only 48 % of the SMEs in the sample declared having formal language strategies to support their international actions. Almost 40% of SMEs do not even work with multilingual web sites.

This study has confirmed that English is clearly not enough to overcome language and cultural barriers and specially to maintain long-term business relations. In larger companies, English is considered a basic skill and used mainly as a corporate language in a multinational and multicultural working environment. Other global languages, like Spanish, for instance, are more relevant in terms of future needs and since 50% of respondents to ELAN survey believed they would need additional language skills in the next three years, the need for language skills will certainly increase in future. This is in fact the conclusion of another European study on the language industry, published in 2009xiv, that puts EU-wide turnover at EUR 8.4 billion (2008). This is set to increase by at least 10% annually, over the next few years, to between EUR 16.5 billion and EUR 20 billion by 2015, one of the highest growth rates in EU industry.

Thus, amongst the many barriers that a company encounters when exporting for the first time, language and cultural competence can surely ease the challenge of internationalization and make the difference between mainstream and excellence and provide a competitive edge. In fact, examples of more internationalized companies, with a language strategy, prove it to be right.
European Union’s single market is, theoretically speaking, the perfect stage for international business, being a multicultural and multilingual market without barriers and with simplified rules to allow everyone to make the most of the opportunities offered by having direct access to a market of 27 countries and 480 million people. However, and despite this, intra-EU professional mobility and business is very low. In fact, according to “EC program to deepen the Single Market for services – guide” 

“(…) only about 8 per cent of European SMEs do business in other Member States. This lack of dynamism not only hampers choice for consumers, but also prevents small and innovative businesses to grow, develop their activities and become more competitive.”

In fact, this low level of intra-EU business led to the implementation in all member States at the end of 2009 of the Services Directive 2006/123/EC, a program to deepen the Single Market for services (considered to stand for two-thirds of the EU's GDP and employment, in line with the same source).

Although this program focus on the removal of legal and administrative barriers in setting-up business across borders, the previously mentioned studies have given evidence that barriers to intra-EU trade are also linguistic and cultural. And these constraints have a negative impact not only in intra-EU trade but also in a more international scenario.

In fact, another European report has concluded that three quarters of exporting European SMEs have as partner countries mostly other EU countries and that, except for imports from China, relations with BRIC countries are limited to 7% to 10%.

This report also states that (p.9):

*Being internationally active strongly relates to higher turnover growth:*

(…) More than 50% of SMEs that invest abroad and SMEs that are involved in international subcontracting, report increasing turnover from 2007-2008, whereas for all SMEs this is about 35%.

*SMEs that are internationally active report higher employment growth: from 2007 to 2008 than non-active SMEs, for example:*

- Exporters' employment growth 7%, non exporters 3%.
- Importers employment growth 8%, non importers 2%.
- SMEs both importing and exporting 10% employment growth; others 3%.
- SMEs with FDI employment growth 2007-2008 16%, others 4%.

*The relationship between internationalisation and innovation is strong:*

26% of internationally active SMEs introduced products or services that were new for their sector in their country, for other SMEs this is only 8%. These internationally active SMEs are also more active with process innovations that are new for their sector in their country (11% vs. 3% for the SMEs without international activities).

We believe that these are enough facts and figures to show how communication and intercultural skills can play an important role in breaking barriers and creating business opportunities. Although the sources mentioned referred only to the European context, the same “story” could be told in other geographical and economic sites, since the relation between language and economy at transnational sites is, above all, a case of global communication that, independently of codes, subjects, objects and channels, has to follow general rules and strategies in order to get meaning and business across.
2. How can language be an asset in the business world?

In the second part of this paper we will focus on strategies, recommendations and best-practice examples to overcome the cultural and linguistic barriers to internationalization.

In the previous section, facts and figures have been put forward in order to make clear that there is a deep link between language skills, cultural competence and export performance/employability/competitiveness.

And the studies and reports presented not only identify the consequences for the health of business of the lack of linguistic and cultural skills but also state some suggestions to improve behavior, performance and turnover of exporting companies, based on the best-practices of multinational companies, for instance.

In fact, as reported in "Internationalisation of SMEs – Final Report", there is a clear link between the level of internationalization and size of the company (p.6): "The larger the company, the more it tends to internationalise." And language has been reported in all studies as a barrier to more and better internationalization, amongst other issues that we will not cover in this paper. Therefore, these bigger companies and their language management are a good case-study to sum up successful strategies that can help other companies in their internationalization process. Other criteria related to internationalisation level, besides size, are attitude and behaviour, as concluded in the report published by British Chambers of Commerce in 2003. For this reason, the British Enablers' example will also be considered as a best-practice.

Corporate language management is, first and foremost, an issue of managing resources: having the right team, the most skilled employees as far as communication and intercultural awareness is concerned, that together with the right tools, can avoid misunderstandings and cultural pitfalls.

Therefore, as we will see, good export performance, employability and competitiveness in a transnational context depend greatly on having the right people communicating in the right language in the right place. I.e., it depends on having employees with language and intercultural skills. Thus:

"Employers are increasingly demanding a wider degree of cultural understanding in response to the challenges of operating in an increasingly-integrated Europe and a globalising business environment in which advanced communication and information technology is bringing markets closer together. Language skills are therefore often a prized commodity. Both large firms and SME employers recruit graduates with foreign language skills in pursuit of business advantage and potentially flexible human capital investment. Employers often explicitly seek to match their firm's ever growing international client base. While employing a UK graduate with a foreign language skill is highly desirable, this is not always sufficient, as firms are seeking not just a command of the language itself, but also a high degree of country-specific cultural awareness." 

ELAN Study (p.1), for instance, also outlines four elements of language management that were found to be associated with successful export performance and that are closely linked to language skilled personnel:

- having a language strategy;
- appointing native speakers;
- recruiting staff with language skills;
- using translators or interpreters.

According to this source, an SME investing in these four elements can achieve an export sales proportion 44.5% higher than one without these investments.

In fact, some of these language management strategies are also followed by the "Enablers", the most successful British exporting segment who have a clear business strategy, employ local staff and localize their products, services and literature.

To stimulate a multilingual and multicultural environment in the global and mobile world of the 21st century and to hire personnel who have intercultural experience and language skills can definitely contribute to increase competitiveness, the internationalization level and the company’s turnover. For this reason, we believe we can agree with Commissioner Vassiliou on the following:

"Improving the overall level of language skills in Europe will also contribute to our ‘Europe 2020’ strategy for smart and inclusive growth and multilingualism is a crucial part of our flagship initiatives Youth on the Move and the Agenda for New Skills and Jobs."

Moreover, for small companies good multilingual communication can open up opportunities that make the difference between success and failure. Language skills will be an asset within all activities, not only for sales and marketing, since problems will be solved quicker and delays will be avoided if there is direct communication between people on all levels. Also internally, better communication among employees increases efficiency, quality and safety. In addition, language skills of migrant workers can also be of good use for companies if they are used more proactively. These employees can also be of great value both as cultural mediators and as sales resources.

As Leonard Orban has referred to

"The ability to communicate in several languages is a great benefit for individuals, organizations and companies alike. It enhances creativity, breaks cultural stereotypes, encourages thinking "outside the box", and can help developing innovative product and services."

In fact, there is evidence that language learning can also improve other skills such as creativity, cognitive learning and literacy. Therefore, hiring bilingual or multilingual personnel can indirectly contribute to a more creative, flexible and innovative working environment, not only because language skilled people are keener on it, but also because research has also given evidence that a multicultural and multilingual environment promotes innovation and consequently economic progress and growth.

And, in accordance with the recent report “Winning in a polycentric world - Globalization and the changing world of business”, the world has changed in a way that innovation can be more relevant than efficiency, especially in new emergent markets (p.14). In the globalized world you must know your markets as a native, for there is no scale economy if local costumer doesn’t come first. This means that the local markets all over the world are the centers of business and have to be dealt with as “national” and not as foreign or adapted markets. The solution is, again, to hire native administrators and to build up global leadership teams, meaning that companies need to “put in place talent management programs that encourage diversity of experience — as well as diversity of backgrounds, genders, ages and cultures.” (p.20).
This means that corporate success abroad demands to be able to hire skilled, creative and mobile personnel who can get their meaning across without language barriers, be cultural aware and experienced to operate well in the local market and in a multicultural team and be able to innovate.

Therefore, being proficient in one of the considered top needed languages (below), accordingly to the attractiveness of economic markets, can make the difference in terms of employability, wage opportunities and competitiveness levels.

![Languages chart](image)

**Fig.1 - Languages that European SMEs consider important to acquire or improve in the next three years**

*Source: ELAN study 2006*

This is a scenario of a possible language market, based on the European SMEs experience in 2006. It is clear that a great majority still considers English a priority to improve international communication, nevertheless languages like German, French and Russian are highly demanded as well. In fact, German and Russian can work as a better *lingua franca* in Eastern Europe than English, and French is still widely spoken in several African countries...

However, the language market varies according to various factors, always related to some kind of power, namely economic. Therefore, the economics of languages depend to a great extent on the relevance of their economic markets. And, today, relevant markets are also outside EU, in the so called BRIC group: Brazil, Russia, India and China. Therefore, return of investment in languages like Portuguese, Russian, and Chinese is assured.

### 2.1 Economics of Language: how to choose?

The reasons to learn a foreign language can range from personal oriented to career oriented. Anyway, if one is thinking of using a language professionally, one should choose a foreign language accordingly.
In fact, Garrouste (2008) proves in her research that the free-market theory, according to which ‘competitive’ bilingualism or multilingualism needs to prevail over ‘ecological’ multilingualism, is validated based on the nature of the second languages used by the sample she used and on their estimated economic return. So if you choose a language in a more career oriented way, you should (i) choose one of the “Most Wanted”, (ii) in accordance with the target market in which you would like to operate worldwide, and (iii) that can really make the difference in your Résumé and ease the Human Resources Manager’s decision.

2.2 Brief focus on the case of Portuguese

As stated before, Portuguese is nowadays one of the “Most Wanted” languages, and belongs to the Top 15 languages that contribute to 90% of GWP (Gross World Product)\textsuperscript{xxx}, especially due to the fact that Brazil is an emergent country and part of the BRIC pack, being the 3\textsuperscript{rd} world target market of Foreign Direct Investment (FDI)\textsuperscript{xxvii}. Moreover, and according to IBOPE\textsuperscript{xxviii}, the percentage of English speaking Brazilians is not very high. 52% of the population belongs to Class C and only 6% of this class can speak English. Even in upper social classes (A and B) only 26% of Brazilians can speak English. Thus, to invest in Brazil, foreign companies really need to speak Portuguese...

In fact, and in line with data from Instituto Camões\textsuperscript{xxx}, Portuguese Language and Culture is taught in 72 countries and to approximately 155.000 worldwide (learners of European Portuguese only).

Reto (2009b) and other researchers have surveyed these learners and found that 62% of these have chosen Portuguese in order to increase their human capital and intend to use Portuguese in their job or in business contexts.

Actually, Portuguese is being a very popular language in several parts of the world, especially in Eastern Europe, where it has been chosen as foreign language by approximately 3500 students\textsuperscript{xxx} and in China where the classic three universities offering Portuguese as foreign language have grown to about 10 recently\textsuperscript{xxiv}. The truth is that in Asian countries like China the purpose of learning Portuguese is not focused on the Brazilian market but much more in Angola, a former Portuguese colony, where Chinese investment is very strong.

Nevertheless, the interest for Portuguese as a foreign language has increased over the last recent years also in countries like Spain\textsuperscript{xxvii}, Sweden\textsuperscript{xxviii}, France, Japan (where it stands as the 3rd mother language)\textsuperscript{xxiv}, and even the USA, where the search for Portuguese courses has risen about 10,8% from 2006 to 2009\textsuperscript{xxv}, amongst others\textsuperscript{xxvii}.

3. Some Conclusions

These data allow us to conclude that economics of languages is more and more an issue that should be considered both by future employees and employers, in order to define a language strategy for either professional or business purposes. In fact, this paper has showed that there is a strong correlation between investment in language strategies, export proportion of sales and company productivity, on the corporate hand, and a deep link in language and cultural skilled persons, employability and talent or human capital, on the individual side.
In fact, it has been stated in several of the sources of our research that talent is, in a knowledge-based society and the current globalized world, a key factor for success. Florida (2003) refers to the new “creative class” as the best prepared human resources who, in a way, resume all the “Key competences for lifelong learning” that Europe still seeks to implement in all member States through various programs and actions.

All in all, and again, Europe gathers together all conditions, tools and agents (namely Higher Education Institutions) to make of European citizens the best skilled employees and employers:

1. Multilingualism
2. Cultural and corporate diversity
3. Higher Education Institutions in networks, promoting, for instance:
   a. Mobility Programs (ERASMUS/ Leonardo da Vinci)
   b. ECTS – Transfer of European Credits
   c. International Projects
   d. Learner-centred teaching
   e. Foreign languages
   f. ...

But, as in every receipt, all ingredients have to be perfectly combined... and the best tip to get the best result – a top skilled European citizen who can be a world citizen - is to be aware that the world is round, goes round and that Europe (and the rest of the globe) is our market and our stage. Thus, only mobile (European) citizens can in fact make out of their skills – namely languages – assets for life.

This means that, from a very early age, children must be aware of the rest of the world, be exposed to diversity and know that they can only be aware of their nationality and culture because they are not alone. It is in diversity that we best know ourselves and promote what is more individual or national. The European Action Plan 2004-2006 establishing as a goal that every European citizen should add to her/his perfect command of mother tongue two more foreign languages has not been totally achieved but is still ongoing and many member States, namely Portugal, have introduced foreign languages in primary education.

By learning a new language, we get “a different vision of life” (Federico Fellini), we can learn different, think “out of the box”, be more tolerant, more successful and, most and foremost, be part of the world wherever we are, without losing who we are.

Therefore, in a multilingual and multicultural world, where globalization cannot mean uniformity, since this can stifle innovation and prevent adaptation to local or national contexts, language competencies constitute key components of human capital and the Return on Investment (ROI) in language skills can no longer be seen as “nuisance”, “uneconomic” or “absurd”.

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