ELAN: Effects on the European Economy of Shortages of Foreign Language Skills in Enterprise

December 2006

"Language skills will be important in achieving European policy goals, particularly against a background of increasing global competition"

A new framework strategy for multilingualism
European Commission, 2005

Effects on the European Union Economy of Shortages of Foreign Language Skills in Enterprise (ELAN)

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ACKNOWLEDGEMENTS

Contractor

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Executive Summary

ELAN: Effects on the European Economy of Shortages of Foreign Language Skills in Enterprise was commissioned by the Directorate General for Education and Culture of the European Commission in December 2005 and undertaken by CILT, the UK National Centre for Languages in collaboration with InterAct International and an international team of researchers. Its objective was to provide the Commission and decision-takers in Member States with practical information and analysis of the use of language skills by SMEs and the impact on business performance.

The research comprised five major components:

- A summary of previous work examining the linkage between language skills, cultural competence and exporting performance.
- A survey of nearly 2000 exporting SMEs across 29 European states (EU, EEA and candidate countries) 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.
- For each country, a review of the findings by five 'influencers' drawn from that country's business, educational and political institutions, allowing a distillation of recommendations for action at local, regional, national and European level.
- A survey of thirty multinational companies to establish differences in perspective between them and SMEs in relation to language and intercultural skills in their business strategy.
- Macro-economic analysis of the SME survey data to provide indications of the economic impact of investment in language skills for exporters and at the level of the European economy.

Alongside the collection of statistical data a number of examples of good practice were collected, illustrating the value of language skills and their application across a range of industry sectors and European member states.

Macroeconomic basis

Studies in the dynamics of the small firm have suggested that, in general, SMEs are less productive than large companies. Research also indicates, though, that exporting SMEs are more productive than those which do not export and that there is often a hidden bonus for exporting companies through exposure to increased technical know-how, market-awareness and cost or efficiency savings.

> *'Languages enable you to receive better information about the business environment and new ideas about production, raw materials, marketing and trade channels.'*
> Estonian influencer

Given that SMEs account for more than fifty percent of employment within the European Union, it would thus appear that, if a greater number of SMEs were to become successful exporters, and if those currently exporting were to expand their markets, there would be a significant impact on the European economy and also that there could be considerable additional benefits in terms of greater

innovation and market-awareness, which in turn could impact on productivity within national economies.

Investment in language skills represents one of the fixed costs of exporting to certain countries. Thus the analysis of the management and impact of this investment by business represents critical information for governments and support agencies concerned with the economic health of the small business sector.

SMEs export experience and future plans

The survey of SMEs found that a significant amount of business is being lost as a result of lack of language skills. Across the sample of nearly 2000 businesses, 11% of respondents (195 SMEs) had lost a contract as a result of lack of language skills. Many were unable or unwilling to indicate the size of the contract lost, but 37 businesses had lost actual contracts which together were valued at between € 8 million and € 13.5 million**.** A further 54 businesses had lost potential contracts worth in total between €16.5 million and €25.3 million. At least 10 businesses had lost contracts worth over €1 million.

Clearly, the survey identified only those situations where companies were aware of the business lost or potentially lost, and the real figure may be much greater. If the proportion of businesses losing trade through lack of language skills were repeated across the whole EU exporting SME sector, we could calculate conservatively that at least 945,000 European SMEs may be losing trade as a result of lack of language competence. The average loss per business over a three year period is €325,000.

SMEs experience intercultural as well as language barriers when operating across borders. In all but eight countries more than 10% of respondents were aware of having encountered intercultural difficulties.

46% of businesses across the whole European sample plan to enter new export markets in the next three years. In particular, very high percentages of businesses in Greece, Turkey and Bulgaria plan to begin trading with new countries.

Language skills needs will increase in future. In 13 of the 29 countries surveyed, at least 50% of respondents believed they would need additional language skills in the next three years. Intercultural skills were also widely predicted to be required in future, although not at the same level of response.

Current language management approaches

In 15 of the 29 countries at least 50% of respondents claimed to have a language strategy (defined as ‘the planned adoption of a range of techniques to facilitate effective communication with clients and suppliers abroad’). Although there was wide variation between countries, an average of 48% of businesses across the sample were applying language strategies.

Recruiting native speakers with language skills appears to be widely used as a language management technique, with 22% of businesses drawing on this resource. It is important to note this factor’s contribution to fulfilling language skills needs in export, linking as it does to labour mobility within the EU and from the wider world.

Website adaptation was frequent with over 50% of businesses in 22 countries showing businesses providing websites in languages other than the national language, most frequently English (an average of 62% across the sample).

There was varied practice in the use of translators and interpreters - between 4% (Ireland) and 84% (Lithuania) of businesses per country. Use of local agents produced the most uniform set of responses with the majority of countries falling within the range 20%-40%. The use of local agents tends to be a recourse of smaller businesses lacking the investment resource to appoint additional staff themselves to service the requirements of a new market.

Staff development policies

In most countries the level of record-keeping of staff language skills is high. Companies in only three countries showed a low level of response. Where rates are particularly high, this may be an effect of employment legislation and further work would be needed to establish whether the data held was used within the context of a language strategy.

A high proportion of businesses (48% across the sample) claimed to offer language training to their staff, with fifteen countries exceeding a 50% return and only one (the UK) falling below 20%. The proportions drop, however, when businesses are asked whether they have undertaken training (as opposed to offering training) in the previous three years. Here, companies in only four countries exceeded 50% of returns although, of the others, most fall within the 25%-50% bracket (35% across the sample).The responses on training can be seen as encouraging considering the problems smaller SMEs have in making initial investment in the tools for export. However, both small and large companies say they prefer to recruit staff who already have language skills rather than having to invest in training.

Which languages?

Many respondents indicated that they viewed English as a key language for gaining access to export markets and frequent reference was made to its use as a lingua franca. However, the survey results, as well as comments from individual company respondents, suggest that the picture is far more complex than the much-quoted view that English is the world language.

The backlash against Russian which was noticeable in the former Soviet Bloc countries at the end of the last century is not in evidence and Russian is extensively used in Eastern Europe as a lingua franca (along with German and Polish). French is used to trade with partners in areas of Africa and Spanish is used similarly in Latin America. Individual respondents mentioned that English might be used for initial market entry, but longer-term business partnerships depended upon relationship-building and relationship-management and, to achieve this, cultural and linguistic knowledge of the target country were essential. (This reaction mirrors that noted by Feely and Winslow in the *Talking Sense* survey of language management practices in multinationals). There is also evidence, however, of Anglophone complacency and this is not restricted to Anglophone countries.

Verification of findings via national influencers

The interpretation of data from the national surveys was confirmed as largely accurate by the national influencers at interview. The influencers were asked further if they were aware of any national initiatives or policies aimed at increasing the level or quantity of language skills available

to business. Only 50% knew of such policies and, of those who did, none felt that the policies were effective.

Strong views were expressed about the need for work experience in other countries for employees to improve not only linguistic skills but also awareness of different business cultures. Recommendations from the national influencers are subsumed into the list of recommendations below.

Findings from large companies

Results from the survey of large companies reinforced much of the material gathered from the main SME survey:

- Recruitment of staff with language skills is commonplace (73% of respondents had an established scheme for recruiting language-skilled employees whilst a further 20% said it was common practice).
- English appeared to be more extensively used as an intermediary language than was the case with SMEs, possibly reflecting its use also as a corporate language in many multi-nationals.
- Despite this, demand for skills in languages other than English was greater than the demand for English itself. Spanish and other global languages were a significantly higher priority in terms of future need than in the returns from SMEs.
- For the sake of efficiency, English was often encouraged or stipulated as a corporate language, even in countries with international languages as mother-tongues, such as France.
- However it is not clear to what extent actual language use in the organisation follows these policies. There is a parallel encouragement of informal networking and this, together with flatter management structures, tends to favour a multilingual environment.

The macro-economic dimension: a link between language skills and export success

Information volunteered by respondents relating to business performance (turnover, profits, value of lost contracts) was limited for the purpose of protecting commercial confidentiality. Nevertheless, sufficient data was available across the full EU sample to model scenarios involving possession, or not, of language skills. The outcomes demonstrate the real possibility of measuring the impact of language skills on economic performance.

Four elements of language management were found to be associated with successful export performance: having a language strategy, appointing native speakers, recruiting staff with language skills and using translators/interpreters.

An SME investing in these four elements was calculated to achieve an export sales proportion 44.5% higher than one without these investments.

Furthermore, it is likely that there would be productivity gains from exporting which would wash back to the internal economy. Total Factor Productivity for exporters can be as much as 3.7% higher than the industry mean. A 3.7% productivity spillover from exporting could imply a very substantial additional impact from these investments in language skills.

CHAPTER 1: CONTEXT FOR THE REPORT

1.1 A research study on behalf of the European Commission

The motivation for the study arises from the Commission's Lisbon strategy (2000) to stimulate economic growth and employment and make Europe's economy the most competitive in the world. Language skills have been identified as a key factor in achieving this goal.

The study has been contracted by the European Commission Directorate General for Education and Culture (Tender number EAC 89/04). It is intended to provide the Commission, and decision-makers in member states, with practical information and analysis upon which to base future policy proposals. It is also intended to provide practical information for European business.

The study focuses on the relationship between language skills and the economy and seeks to address the following questions:

- What is the economic impact of language and cultural barriers on trade? Is this linked to the size of the company or the sector in which companies operate?
- To what extent does the availability or non-availability of personnel skilled in different languages, and their level of linguistic competence, affect trade and mobility?
- What is the relative value of English compared with other languages which are useful in a business context?
- How can one measure the economic benefits of linguistic competence to trading companies and to the country's economy as a whole?
- What are the facilitating and/or inhibiting factors for companies of all sizes in trading across, and outside, Europe?
- Which communication strategies are the most effective? To what extent do SMEs differ from larger, global companies in their use of language skills?
- What measures would facilitate better communication and support the mobility of labour, goods and services both within Europe and to a wider world? What are the longer term economic implications of taking no action?
- How can intermediaries such as Chambers of Commerce help?

To address these questions the Report follows four lines of enquiry: ***Review of previous studies*** (using desk research); a ***Quantitative survey*** (including a pilot) of up to 100 SMEs in each country and 30 large companies located in European countries and a ***Qualitative survey of influencers*** (e.g. heads of Chambers, regional governments, business associations) who review and comment on the findings of the SME study. Finally, case studies have been included where there is evidence of success linked to the use of language strategies and/or cultural knowledge.

1.2 Best Practice

Limited studies that have so far been conducted suggest the solution for many companies is to develop a ***communication (or language) strategy***, though few have done so. Up to ELAN, existing studies have only evaluated the presence and resulting impact of communication strategies on companies from approximately 12 countries of Europe. ELAN builds on the existing work and amplifies the data collation to include considerably more parts of Europe and gives us the most comprehensive survey of the use of, and need for, languages and cultural knowledge ever carried out.

1.3 Focus of the study

The survey of exporting SMEs in Chapter 3 addresses and measures the particular needs of European SMEs, notably measuring:

- lost business, or underperformance, due to deficient language skills and cultural knowledge;
- barriers to trade due to deficient language skills and cultural knowledge;
- usage of language skills by companies: range and frequency of use;
- availability of language skills to companies: levels of competence;
- the match of language skills to export markets;
- evidence of good practice in language planning and strategies (leading to case studies);
- levels of language training undertaken and intended training;
- future intentions regarding export markets both in and beyond Europe.

1.4 Sampling of SMEs

The main study of SMEs was undertaken using a questionnaire which was, in most cases, completed on-line by local researchers in each country during a telephone interview. The sample was selected in each country to be as close an approximation of the country's export profile as possible. The final eligible sample was:

- representative of the target country's export profile (in terms of the pattern of trade destinations by country for exported goods and services) based on official trade figures;
- representative of the pattern of sectors engaged in export (to achieve a broad reflection of the common NACE categories engaged in export);
- offering a cross-section of company sizes (micro-companies up to medium-sized with 250 employees); and it represented
- a cross-section of companies to reflect the national rather than regional picture (i.e. to avoid sampling bias based on one region).

1.5 Countries included in the survey with sample size:

See Annex 1 for the countries included in the survey, response rates and sample sizes achieved.
There were, however, low response rates received for the studies in Austria, Cyprus, Denmark, Finland, Germany, Greece and the Netherlands, which means that these seven samples cannot be considered truly representative of the position in their countries. The reason for this low response rate was the delivery and timing of the study which fell into the summer period. The smaller samples still provide some insights into issues facing SMEs in these countries, though more on a case by case basis, and so they have been included for the purposes of comparison. Where the analysis takes account of all the SMEs in the total survey, they increase the sample size and contribute to the cross-European survey model.

1.6 Survey of Large Companies

The large company survey focused on different sets of questions related to language policy and practice in multi-national companies to provide comparisons with SMEs. A representative sample of 30 large (often global) companies with over 500 employees were interviewed by the ELAN research team. The criterion for selection was that they operate internationally with sales in at least 10 countries of the world. The full list of large companies appears in Annex 4.

CHAPTER 2: REVIEW OF PREVIOUS WORK

2.1 Relevant studies

The most relevant studies for ELAN come from the following sources:

- Internationalisation studies, largely focused on the performance of European export SMEs
- Surveys of language usage in SMEs
- Studies of languages in large companies, looking at communications between the Group and its foreign subsidiaries, multinational workforce management and the development of effective language planning policies.
- General surveys of language skills
- Studies on the world context for languages (and English in particular)
- Studies on the need for international management skills
- Studies which measure language barriers as trade tariff equivalents
- Research on cultural and intercultural factors.

2.2 Internationalisation studies

Westhead *et al* (2002) put organisational and environmental variables through a multivariate statistical analysis to explain the propensity of a firm to be a successful exporter. The use of foreign languages is not specifically referred to in this study, but Westhead's analytical frame provides a model within which language competence could be incorporated as a separate variable. ELAN uses multivariate analysis techniques to consider the impact of a number of explanatory factors jointly.

Wolff & Pett, (2000) had previously suggested that organisational factors and environmental conditions play a key role in successful exporting, alongside linguistic competence.
Lachenmaier and Wossmann (2005) report some new empirical evidence for Germany on links between innovation and exports. However, other strands of literature (e.g. Debaere and Mostashari, 2005) identify causality in the opposite direction: the opportunity to sell into overseas markets increases the returns to investment in innovation, and thus motivates increases in such investment. There is evidence that high tech or innovation-intensive businesses may become exporters at a very early stage of development, sometimes internationalising from the outset. Harris and Li (2005) refer to these as 'born global' firms.

There are also some small-scale studies of market failure in export companies: Smallbone et al (1999) focuses on internationalisation in the transition economies in Central and East European countries. While SMEs in the transition economies identified price, product uniqueness and quality as the main competitive advantage in exporting, establishing *customer relationships* also featured as a factor, particularly in the Baltic SMEs. Though not explicitly stated, it is likely that languages and culture would feature strongly in this.

The *British Chambers of Commerce language survey* (2004) explicitly looked at the impact of language skills on export performance. It identified four different profiles of export managers based in the UK, taking into account their motivations, ambitions, education and individual language competence and classifying them as: *opportunist, developer, adaptor* and *enabler*. These behavioural styles were then linked with different types of export performance in their companies.
The survey found there was a direct correlation between the value an individual export manager placed on language skills within their business and annual turnover. Only 33% of Opportunists, who valued language skills the least, had an annual export turnover above €750,000. This

increased to 54% for Developers, 67% for Adapters and 77% for Enablers, who placed the most value on language skills within their business. Moreover, export sales by Opportunists were declining by an average of €75,000 a year per exporter, while Enablers' exports were increasing by an average of €440,000 a year per exporter.

2.3 Surveys of language usage in SMEs

Taken together, the three studies *REFLECT, ELISE* and *ELUCIDATE*, supported by the *Leonardo da Vinci* programme, provide the most comprehensive data and findings to date on the use of languages in European business. They cover ten countries: Denmark, France, Germany, the Netherlands, Poland, Portugal, Republic of Ireland, Spain, Sweden and the UK, and are based on company surveys as indicated in Table 1 below.

Table 1: Comparable Studies of the Use of Languages in European Business

Country/Region	Survey (year)	Sample size (companies <500 employees)
Ireland Ireland	REFLECT (2001,2002)	233
Poland	REFLECT (2001, 2002)	166
Portugal	REFLECT (2001, 2002)	213
Denmark	ELISE (1999/2000)	52
Netherlands	ELISE (1999/2000)	92
Northern Ireland	ELISE (1999/2000)	50
Scotland	ELISE (1999/2000)	139
Sweden	ELISE (1999/2000)	44
France (Central)	ELUCIDATE (1996)	245
Germany (Southern)	ELUCIDATE (1996)	171
Spain (Western)	ELUCIDATE (1996)	124

The main findings of these surveys cover:

A) *The number of foreign languages in use by European SMEs*. This highlights a contrast between the number of companies using at least one foreign language in the English-speaking countries/regions (England and Wales 60%; Ireland 41%; Northern Ireland 52%; Scotland 54%) and the non-English speaking European countries (82%–98%). This is consistent with findings from a study of language use in the Mid West region of Ireland, where 52% of companies deal with their international markets through English (Kenny and Sheikh, 2000).

B) *Which languages are in use.* Whilst English is the most commonly used foreign language it is clear that many other languages are commonly used for business. For example, German is much used by Polish companies; and French and Spanish by Portuguese companies. With the exception of Spain and Portugal, we see a very strong positioning of German as a major second lingua franca of European business.

C) *Levels of competence*. The *REFLECT* study shows that companies have a large proportion of staff with only basic or intermediate language skills and this is clearly a limiting factor. Ireland has

the best figures for fluent and bilingual linguists. This may be partly explained by the fact that Irish companies employ more foreign nationals and/or that figures include Irish as a second language. This may be evidence that hiring native speakers is becoming a common means of overcoming communication obstacles.

D) *Proportions of companies which have encountered language or cultural barriers and lost business as a result.* More Spanish companies (19%) claim to have lost business than French (13%) or German (10%), while the percentage of companies facing language barriers varies between 21% (England and Wales) and 8% (Portugal).

E) *Which countries or regions give rise to cultural barriers.* The region most likely to cause cultural barriers for companies in England/Wales, Portugal, Northern Ireland, Scotland and the Netherlands is East Asia; Japan and China are most often cited. Trade with the Middle East poses cultural barriers, particularly for Danish and Scottish companies. Cultural problems are also posed in trading with France, particularly for English, Welsh, Polish, Irish and Dutch companies. Germany poses obstacles for the Polish, Irish and Dutch. The causes are many and varied, encompassing a wide range of societal, behavioural and interpersonal differences, which may be culture-specific.

F) *What language strategies are used by companies*, e.g. company/sales literature or web sites in foreign languages, employment of native speakers, languages as a criterion for selecting staff, language training, responding in the language of the customer, use of agents, use of external interpreters/translators.

G) *The proportion of companies which have undertaken language training in the past*, and those who expect to do so in the future. Danish (56%), Dutch (38%), Spanish (36%) and French (31%) companies are the most likely to provide some form of language training. Future language training is generally expected to be taken up by a minimum of a third and up to two-thirds of companies; this seems to indicate recognition of the importance of language training and, more generally, the need to prepare for new markets.

2.4 Large company studies of language issues

Truchot (2002) points to the spreading of the special status of English amongst globals in the 1990s. Siemens AG and the newly formed Aventis, for example, adopted English as their company language at the end of the 90s.

There is evidence that language has an impact on where a large corporation re-locates within Europe. A Japanese corporation chose to locate to an English-speaking environment purely for linguistic reasons (Hood & Truijens, 1993), while, more recently, Amazon has relocated from the UK to Ireland in 2006 citing the greater availability of *diverse language skills* in and around Cork. Angwin (2001) and Cartwright & Cooper (2000) note language problems arising from the increasing number of cross-border acquisitions and mergers, and that these are likely to continue, particularly in the area of human resource management.

Dhir and Goke-Pariola (2002) analyse multinational language planning in large corporates and the development of language policies. They identify how managing cultural diversity and linguistic complexity can be turned into a critical asset for large companies in the global knowledge-based economy. Knapp (1997) illustrates the difficulties of communication between employees of the German headquarters of a large business company and the staff of its British subsidiary.

Andersen & Rasmussen (2004) in their case study of how Danish firms with subsidiaries in France solve their language problems show that horizontal communication depends almost always on a network of personal relationships, which are language-dependent. This informal information flow is the basis for an effective horizontal communication, but the issue of language skills is ignored in almost all literature on informal communication, as Marschan et al. (1997) point out. They identify how large firms which have no language strategy tend to muddle through and fail to deal with day-to-day problems of how to communicate.

Robinson (1992) and Embleton & Hagen, (1992) investigate examples of large companies with corporate policies on languages and language training designed to improve their trade performance. These include Christie's, the art dealers, Grand Metropolitan plc, BA plc and Hertz (UK).

Feely's study (2004) of how international firms manage their subsidiaries abroad looked into almost all aspects of the problems between headquarters and foreign subsidiaries, and identified the need for further research on the question of how language issues are resolved.

The most recent work on language policies and their implementation in larger, or global, companies is *Talking Sense*, a research study into the management of language skills in major companies (Feely & Winslow, 2005). The analysis is based on a sample of 151 companies, the majority having their global headquarters based in the UK, Germany and France. The responses suggest four principal dimensions of language management in large companies:

Language Preparedness: The level of language competence possessed by the company expressed against current and anticipated needs.

Language Responsiveness: The willingness and ability of the company to accommodate to the language needs of their international partners.

Language Awareness: The extent to which language issues are embedded into the strategies and policies of the company.

Language Management: The extent to which the company is able to satisfy its language needs through prudent deployment of a variety of language management tools including for example language training and expatriation.

Nine specific approaches were evaluated in the survey, distilled from previous research on language management in multinationals. The study found that French and German companies were generally more flexible than the UK companies, offering to work in a mix of languages or in neutral English, where they could not work in their partners' language. Only a handful of French and German companies expected to work in their own language and this applied not only to customers and joint venture partners, but also to suppliers and subsidiaries.

2.5 General surveys of language skills

The principal source on language skills amongst the general population is the Eurobarometer survey 2005 Language skills and Europeans http://europa.eu.int/languages/.
In 2005 CILT the National Centre for Languages produced an overarching review of data on the impact of languages on the UK economy, entitled *Talking World Class*.

There is also data at national and local level, such as that produced in the UK on the linguistic diversity present amongst their ethnic minorities (CILT, 2005), though usage of these languages remains untapped.

2.6 Studies on the world context for languages

A global marketplace suggests a need for skills in a multiplicity of languages. However, the process of internationalisation has give rise to a rapid increase in the use of English by companies (Truchot, 2002).

Graddol (2006), has charted the linguistic dimension of globalisation and its implications in particular for English. As the balance of economic power shifts away from domination by the West, with the rise of the so-called BRICs economies (Brazil, Russia, India and China) the relative status and power of global languages such as Chinese, Hindi/Urdu, Portuguese and Russian will increase, according to Graddol. This process will be assisted by demographics, and the technological 'catching up' of other countries with the internet revolution in which English had a head start. An analysis referred to by Graddol (2006) conducted by Byte Level Research makes the point: *the next Internet revolution will not be in English. While English isn't becoming any less important on the Internet, other languages, such as Chinese, Russian, Spanish, and Portuguese, are becoming comparatively more important.*

2.7 Studies on the need for international management skills

There is documented an increasing demand for people employed in international companies to have a specific *international* skill-set. Kedia and Daniel (2003) in their analysis of *U.S. Business Needs for Employees with International Expertise* signalled a continuing need for international business education in the US and additional international business education programmes particularly with a focus on Asia. At the very least, they argue, all business graduates needed to have an *appreciation for cross-cultural differences* and *a global perspective*.

Of the companies surveyed by the Center for International Business Education and Research at the University of Memphis in 2002, 80% said they would also place a greater emphasis on international competence among their staff over the next ten years. For example, Nehrt (1977) suggested that every manager, and not just those who deal with international business directly through exporting or having foreign operations, should have some formal education and training in international business. Moxon, O'Shea, Brown, & Escher (1997) found that global awareness and cultural sensitivity are important international skills. Webb, Mayer, Pioche and Allen (1999) suggested that business students need international training. Hoffman and Gopinath (1994) conclude that CEOs perceive international issues as relevant to the success of their firms.

Other work relating to the jobs market for executives reiterates this message. A Korn/Ferry International survey of international recruiters found that nine out of ten executive recruiters believe that the ability to speak another language is "critical to success" in Europe, Asia-Pacific and Latin America. They believe that executives who are multilingual (i.e. speak more than two languages fluently) have "significant competitive advantage".

A study of export managers in the Rhône-Alpes found only 15 per cent of respondents had qualifications in international trade. However in 59 per cent of firms it was practice to speak at least two foreign languages, one being English. The two most important attributes of an export manager were identified as technical skill and language skills.

2.8 Studies which measure language barriers as trade tariff equivalents

Frankel, (1997) Frankel & Rose (2002), and Heliwel (1999) attempted to measure language differences as trade barriers and have quantified the costs of language barriers as between 15%-22% in terms of tariff equivalents. They also estimate that sharing a common language can increase bilateral trade by between 75% and 170%. However, Noguer & Siscart, 2003 estimate that the tariff equivalent of language as a trade barrier is a modest 6% and the value of sharing a common language to be just 11%. The Noguer & Siscart (2003) model, however, points to a series of key variables:

- Measures of political and colonial association are likely determinants of current trade flows and are potentially correlated with sharing a common language
- Price indices are implicit functions of bilateral trade barriers and any measure of the impact of language barriers on trade should account for their effect on the price indices
- Adjacency: common languages are often spoken in countries sharing a common border
- Political and free trade unions: we would expect the older members of the EU (who form a closer union) to have greater volumes of inter-trade.

Noguer & Siscart (2003) argue that language barriers vary across sectors: the tariff equivalent of language barriers is close to zero they say in sectors such as agriculture, mining, petroleum refineries, iron & steel and food. However, there are large tariff equivalents of language barriers in printing & publishing (18%); clothing (14%); professional, scientific and controlling equipment (10%). Language barriers also adversely affect international integration through the effect on factor markets, notably migration and capital flows, and hamper intra-national social harmony.

2.9 Research on cultural and intercultural factors

Significant work has taken place in defining cultural differences and a series of analytical frameworks exists (Shenkar, 2001). Following the example of such figures as Hofstede and Trompenaars, many academic researchers have done work in the field of cross-cultural management. The following points emerge in summary:

- transnational firms no longer have a single national culture, in the present "global communication age" collaborative cross-cultural learning is increasingly necessary to generate real understanding;
- pragmatism and "wholism" are universal concepts and there is everywhere a "parts-whole dichotomy", even American WCOs (world-class organisations) recognise that local differentiation and recognition of cultural differences are important to success in doing business around the world;
- mental programmes change only slowly and not according to anyone's master plan (Hofstede);
- cultural differences should not be regarded as problematical but as enriching and stimulating.

Another branch of academic research is concerned with intercultural competence. Michael Byram (1997, 2000) is one of the chief exponents of this. The *INCA* Leonardo da Vinci project (2001 to 2004) used Byram's research to develop a framework, diagnostic tool and record of achievement for the assessment of intercultural competence.

According to Langhoff (1977), a firm's competence in dealing with managerial issues across markets is based on three different, but related abilities:

- to cope with cultural heterogeneity across different international markets;

- to harmonise its products and services and their marketing with the symbolic learning which target markets in different cultures assign them; and
- to identify and exploit new opportunities in foreign cultural contexts in expectation of long lasting competitive advantage.

Brake, Walker and Walker (1995) identify negotiation as one of the key skill areas for working effectively across cultures. International negotiators require additional skills and competencies on top of those required in domestic business negotiations (Reynolds, Simintiras and Vlackou, 2002).

In a study of Chinese and US executives, Tung (1989) concluded that as a determinant of the success or failure of negotiations, culture played an important but dual role. The study showed that although cultural differences in negotiation styles were perceived by executives as major causes of negotiation failure, awareness of cultural differences was not thought to be a major factor in negotiation success.

Usunier (2000) suggests a number of ways to minimise cultural impact in negotiations in order to build effective transcultural relationships:

- Being willing to adapt
- Being aware that interpreters influence meaning
- Being aware of cultural blocks to translation.
- Avoiding negative stereotyping
- Good prior preparation in inter-cultural understanding

Intercultural problems arising from the use of IT have been identified relatively recently. (Russo and Boor (1993) suggest ways in which programme interface designers might develop their products for optimal use by people from different cultures.

CHAPTER 3: MAIN FINDINGS FROM THE SME SURVEY (see also Annex 3)

It is a widely held view that, by exporting a proportion of their sales abroad, SMEs can stimulate national (and European) economic development and contribute to the reduction of balance of payments deficits. The impact of foreign language use must therefore be viewed in the context of SMEs' trade performance, for their reason to undertake such investment is improved access to foreign markets. Moreover, the ability of a firm to export is generally regarded as a measure of its competitiveness. Firms engaged in exporting tend to be more productive than those that are not. The result is predicted by the principle of comparative advantage; specialization is the basis of the gains from trade. The use of foreign languages in the export process is also a variable in the successful internationalisation of SMEs. This chapter offers a broad overview of how nearly 2000 companies responded to the critical issue of how language and culture can impact on their efficiency to trade and to engage in cross-border activity. However, there are also quality issues which can underpin this efficiency: whether companies have a communication strategy, how alert they are to hiring people with language skills and how dependent they are on external service providers.

The data on country comparisons are presented in **Annex 3**. We have calculated the percentage of 'yes' responses for each country and question, formulated on the total valid answers per question. We can provide an overview of the data from two angles: either by looking at the average of the country scores, or by looking at the share of the total sample of all SMEs in the survey. Both are valid formulations but provide insights at different levels. We shall make reference in what follows to both the 'total sample' and the 'average' for each country in the sample.

3.1 Language Skill deficits

Is there any possibility that your company ever missed an opportunity of winning an export contract due to lack of foreign language skills? If YES, which languages and in which situations?

The responses to this question show that a significant amount of business is being lost to European enterprise as a result of lack of language skills. Across the sample of nearly 2000 businesses, 11% of respondents had lost an actual or potential export contract as a direct result of a lack of language skills. At least 10 businesses had lost contracts worth over €1 million.

Over a quarter of Turkish export companies register losses, followed by Romanian (25%) and four Scandinavian companies (Finland, Iceland, Sweden, Denmark) where at least 1 in 5 companies have reported actual or potential losses. Furthermore, there is a significant group of companies where over 11% of the samples declare they had lost actual or potential contracts: Spain, Norway, Czech Republic, France and the Netherlands. Taken together, this constitutes potentially an enormous loss to the economy of the European Union. The actual total loss incurred just by the 11% of SMEs in the sample who reported actual or potential lost contracts is between €8,100,015 and €13,500,004. The potential loss is between €16,400,026 and €25,300,010.

Figure 3.1. Actual/Potential loss due to lack of foreign language skills

Actual / Potential Approx. Loss	n	%
Actual loss (approx.): over €1 million	4	4%
Actual loss (approx.): €0.5 million - €1 million)	2	2%
Actual loss (approx.): €100 000 - €0.5 million)	11	12%

Actual loss (approx.): less than €100 000	4	22%
Potential loss (approx.): over €1 million	10	11%
Potential loss (approx.): €0.5 million - €1 million	5	5%
Potential loss (approx.): €100 000 - €0.5million	16	8%
Potential loss (approx.): Less than €100 000	23	25%
Total	91	100%

These actual or potential losses are reported by just 91 SMEs, fewer than half the 195 SMEs in the sample which confirmed having missed the opportunity of winning an export contract due to lack of language skills. The remainder did not indicate the size of the contract lost (possibly for reasons of confidentiality or simply to avoid embarrassment in front of the interviewer). We can assume therefore that the real figure for actual or potential losses is likely to be much higher – possibly double that quoted above.

However, there are 20.5 million businesses in EU19, of which only 0.2% are large. In the Grant Thornton International Business Owners survey (2004) 42% of all EU25 businesses export (ranging from Italy, 54%, to Poland, 36%). If the proportion of businesses losing trade through lack of language skills were repeated across the whole EU exporting SME sector, we could calculate conservatively that at least 945,000 European SMEs may be losing trade as a result of lack of language competence. The average loss per business over a three year period is €325,000. If we multiply this by the number of businesses we estimate to be losing trade, the total losses to the EU economy through lack of language skills in the SME sector are in the region of €100 billion per year.

Figure 3.2. shows the most common foreign language situations in which this subset of SMEs from the total sample reported missing the opportunity of winning an export contract. Lack of English language for negotiation (11%) is the most frequently recorded situation mentioned by firms for missing an export contract, followed by German in correspondence (11%), English in correspondence (8%) and French in negotiations (8%).

Figure 3.2. Top 10 languages/situations which firms mentioned as a cause of missing export contracts

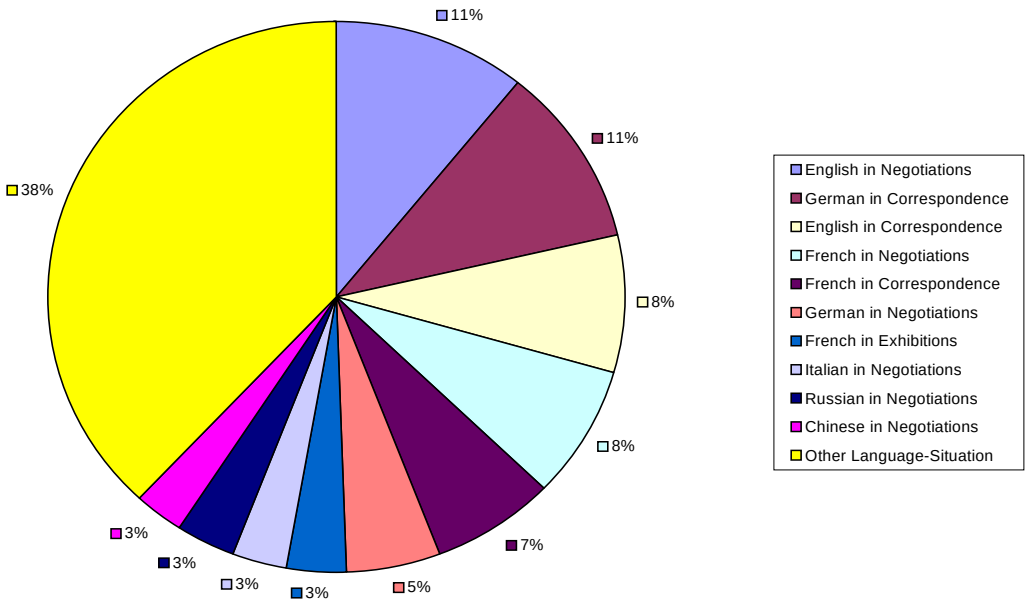


Figure 3.3. shows the specific reasons mentioned by firms that have experience an actual/potential loss. The main reasons given are lack of staff speaking languages, followed by lack of follow-up and lack of confidence. Then come switchboard problems and difficulties with agents or distributors. Lack of cultural affinity is also given, but by fewer companies.

Figure 3.3. Reasons mentioned by firms that have experienced actual/or estimated losses due to lack of language skills

Reasons	**n**	**%**
Lack of staff speaking languages	117	63%
Enquiries / requests for information or quotations not followed up	19	10%
Lack of confidence	15	8%
Phone/switchboard problems	8	4%
Problems with agents/distributors	8	4%
Errors in translating/interpreting	7	4%
Inability to capitalise on opportunities	5	3%
Exhibitions/trade fairs	4	2%
Lack of cultural affinity	2	1%
Total	**185**	**100%**

3.2 Use of Languages for Major Markets

When companies were asked to identify the languages they used in their major export markets it was apparent that there is widespread use of intermediary languages for third markets. For example, English is used to trade in over 20 different markets, including the four Anglophone countries, UK, USA, Canada and Ireland. German is used for exporting to 15 markets (including Germany and Austria), Russian is used to trade in the Baltic States, Poland and Bulgaria and French is used in 8 markets, including France, Belgium and Luxembourg).

The percentage of separate instances of languages used for specifically identified export markets by companies in the sample is:

English 51%
German 13%
French 9%
Russian 8%
Spanish 4%
Others 15%

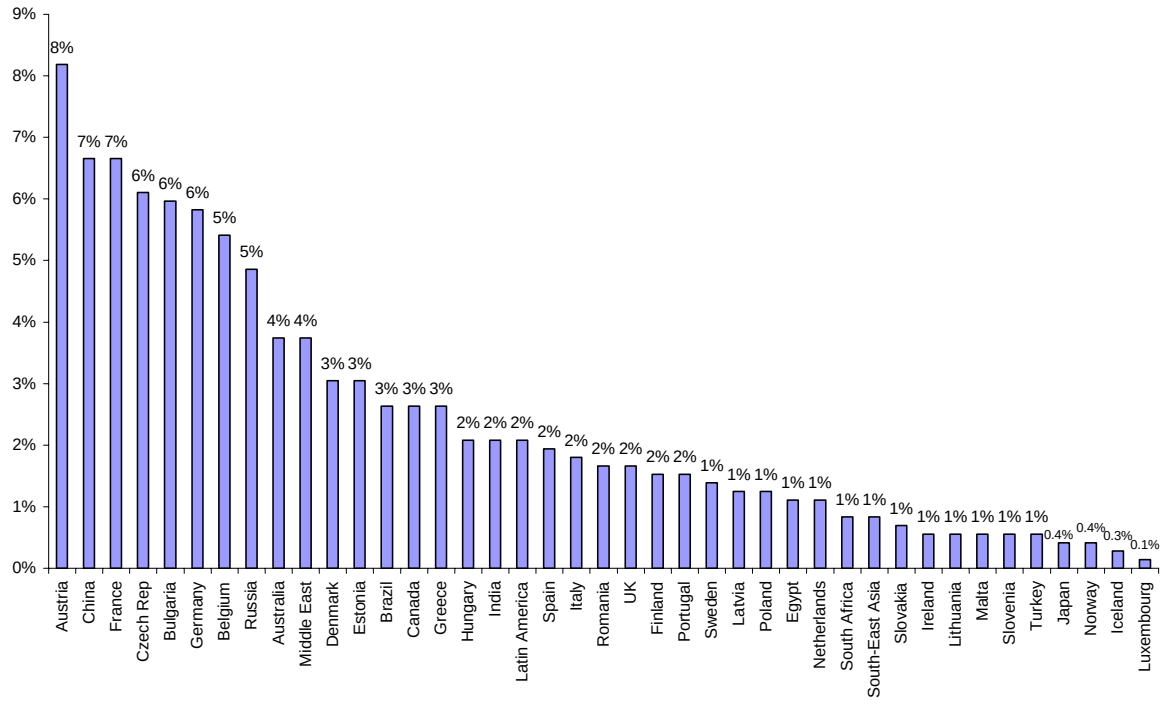
It is surprising that English is not more widely spread. This is due to the tendency for companies to try to use the local language of the market if possible, and if not, then one of the major European languages, such as German or French. In Belgium, there are cases of companies using many languages, e.g. English, German, French and Dutch, as a minimum. Much depends on the multilingual receptivity of the country concerned, as well as geographical and cultural proximity: Russian is used in Bulgaria; Spanish is used to export to Portugal; French is used in Spain and Italy.

3.3 Future Trading Intentions

Does your company have plans to begin trading in any new foreign countries? If YES, which country(ies)/regions:

The linguistic barriers facing some companies are likely to increase rather than diminish as trade expands to more markets. On average, 47% of the total sample (46% of the aggregated country samples) have plans to begin trading in new foreign countries – an enormous expectation of export growth by European companies. The companies aiming to expand their trade the most tend to be in the new EU members or those intending to join: particularly high reporting is in Greece (91%), Bulgaria (80%), Turkey (79%), Romania (68%), Spain (68%), Czech Republic (69%), Poland (63%), Slovakia (65%), as well as Hungary (57%), Cyprus (60%) and Lithuania (50%). Figure 3.4. shows the new markets in which firms have plans to trade.

Figure 3.4. Foreign countries where SMEs plan to start exporting



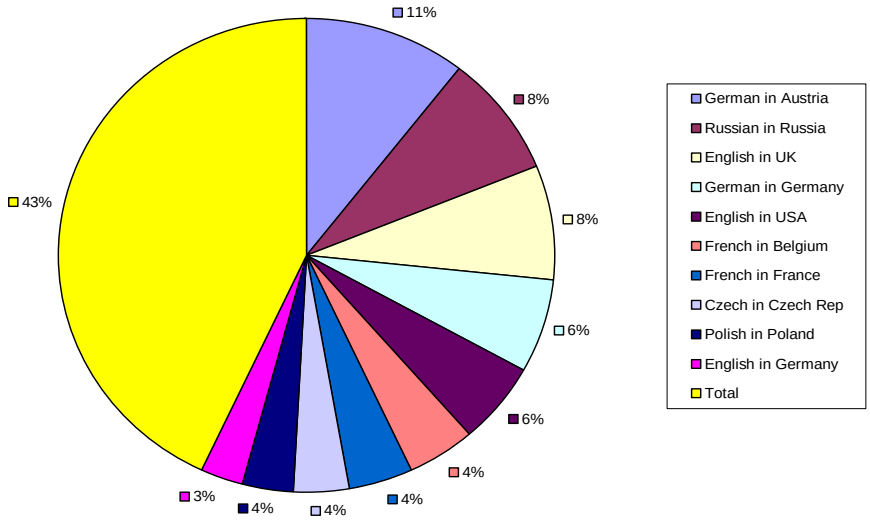
3.5 Is your decision of investing (in new markets) based on knowledge of the relevant language/culture? If you selected 'YES' please indicate which market(s)/ language(s):

Across the total sample, only 10% of firms have selected their target market because of their knowledge of the local language and culture. This may be because, in most cases, companies do not have the necessary knowledge in the first place. However, language skills can be a determinant of which markets a company targets and it also provides a useful indicator of companies who recognise the economic value of using languages to expand trade: namely, Romania (31%), Norway (25%), Iceland (23%) and Hungary (22%). Latvia (31%), Slovakia (31%), Finland (20%), Germany (19%), Italy (18%) and Estonia (16%). Cyprus, Ireland, Denmark and the UK (largely Anglophone or strong English speaking countries) are low down in this particular index of awareness, largely as they use, and expect to use English, for most of their trading. Having English as a mother tongue, or at least as a widely spoken second, or national, language opens up significant markets which do not have English as a mother tongue. However, there is evidence in

this study that it can lead to complacency in applying the quality assurance frameworks that enhance trading potential, e.g. having a communication strategy for foreign markets. Markets which are 'mature' and English-speaking (such as the UK) appear to be taken for granted, almost as if English is no longer perceived as a 'foreign' language, but assumed to be the *lingua franca* for trade in many countries.

Figure 3.5. shows how knowledge of certain languages has influenced firms in their decision to target a particular country as a future market. For example, knowledge of German has influenced the decision of certain SMEs to trade with Austria (11%), while knowledge of Russian has influenced firms to expand trade in Russia (8%). This emphasises the importance of 'intermediary' languages for entering new markets where the exporter does not speak the local language.

Figure 3.5. Top 10 languages (and associated markets) that influenced SMEs decision to invest in foreign countries



CHAPTER 4: CULTURAL BARRIERS

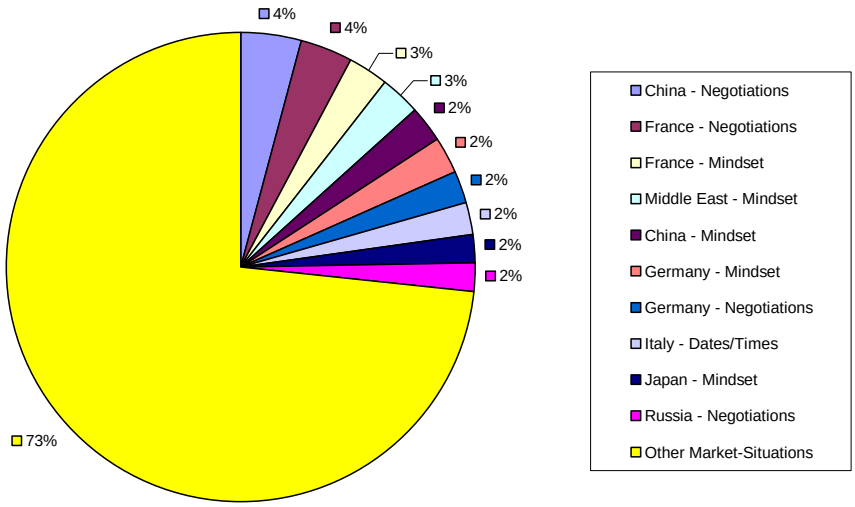
Companies also experience cultural barriers and this chapter reports on findings relating to these (to be read in conjunction with Annex 3).

4.1 Has your company ever experienced difficulties with foreign customers due to cultural differences?

In the total (and aggregated) sample 18% of firms confirm they have experienced difficulties with foreign customers due to cultural differences. Firms in Scandinavian countries appear to experience more than average difficulty with cultural barriers: those in Norway (42%), Sweden (37%), Finland (30%) and also Romania (29%) score highly on this question. Companies in established member states like Belgium and Austria also record problems (28-29%), as well as Hungary (22%) and Greece (23%). The prominence of Scandinavians amongst those appearing to experience more cultural barriers may perhaps be explained by their geographic isolation or perhaps a more isolationist tendency. Experience of international trading for many SMEs in these countries may in the past have been more limited to the Nordic bloc. Alternatively it may simply be a question of higher awareness levels amongst Scandinavians, who are recognised as more consensus-driven in their relations with others.

Figure 4.1. provides greater detail on the causes of cultural difficulty that SMEs as a total sample have experienced: notably, with China (4%) and France (4%), as well as the Middle East and Germany. Understanding the culture of negotiations and the mindset of these cultures was raised as a key issue.

Figure 4.1. Top 10 Markets/Situations reported by firms that have experienced difficulties with foreign countries due to lack of cultural competence (total sample)



4.2 Has your company ever missed an opportunity of winning an export contract due to lack of cultural competence in any particular country?

On average, only 4% of the aggregated and total SME samples confirm they have missed an opportunity of winning an export contract for lack of cultural competence. However, this percentage varies greatly from country to country. In particular, it is again firms in Scandinavia that appear to have lost out (in line with the findings in 4.1.): i.e. Sweden (12%), Finland (10%), Iceland (9%), but some new members also appear to face losses: Cyprus (9%), Slovakia and Bulgaria (5%), as well as companies in established countries, like Belgium (7%), France (5%) and Spain (5%). Again, Anglophone companies appear not to experience, or perceive, this as a problem - Denmark and Ireland (0%), UK (1%).

The causes given by companies in the survey for lost contracts tend to reduce to *understanding better the mindset* (in China, France), *negotiating* (in France, Spain, Czech Republic, China, Turkey) and correspondence (in China).

CHAPTER 5: USAGE OF LANGUAGES IN TRADE

This section explores how SMEs which responded to the survey use languages in their business. Once again, it should be read in conjunction with data in Annex 3.

The most effective performers amongst export SMEs tend to have a *language, or communication, strategy*, in place, with which to handle their language issues.

5.1 In order to deal with customers abroad does your company have a formal language strategy (e.g. does your office always aim at communicating in the target country's language in negotiations, does your company require your office staff to have command of at least one foreign language etc.)?

In the aggregated and total European samples, 48% of the firms acknowledge having a formal communication (or *language*) strategy. Although this percentage is fairly stable in the majority of countries, some countries such as Portugal (93%) and the UK (3%) and Ireland (1%), deviate substantially from the norm. There is clearly either an issue of complacency based on the lack of implementation of language strategies in Anglophone countries (UK and Ireland), and strong users of English, such as Iceland, or simply a belief amongst companies in these countries that English is adequate for all trading purposes, which diminishes the recognition of languages as a means to increase trade worldwide. The importance given to language strategies, which is shown later in this report to be a critical variable necessary to enhance trading performance, is more noticeable in established, though non-Anglophone, seafaring nations, Portugal, Greece (68%) and Cyprus (64%), as well as more recent applicants or entrants to the EU, such as Bulgaria and Romania. Indeed, over 60% of export companies in new or recent member states seem better informed in this regard and have a strategy, i.e. companies in Hungary, Estonia, Bulgaria and Romania.

'Every foreign customer can decide in which language he wants to communicate.'
Slovak case study

5.2 Please list, in order of importance for your business, your major foreign markets and the languages your business uses in each of them.

Figure 5.1. presents the top 10 foreign markets and languages reported by SMEs for their main export markets across the total sample. It is worth reporting that the use of English is also widespread for trading markets, such as Germany, France and Netherlands.

Figure 5.1. Top 10 major foreign market/languages

Markets using Languages
Germany using German
UK using English
France using French
Germany using English
USA using English
Russia using Russian
France using English
Netherlands using English
Spain using Spanish
Italy using Italian

There is evidence within each country of the use of a broad diversity of languages for trade; e.g. Bulgaria uses German and Russian to trade in those countries. Many countries use 'intermediary' languages for their most important markets: e.g. Latvia trades with Lithuania in Russian; Estonia uses English to trade in Sweden. There are other examples of regional standards; i.e. companies using their own language in local regions: e.g. Sweden trades in Norway in Swedish. Finland uses Swedish for trading in Sweden. However, English is widespread: there is evidence of using English in France and the Netherlands, in addition to in UK and the USA.

'Managers and Directors speak other languages in order to facilitate agreements with foreign partners.'
Hungarian case study

5.3 Has the language competence of your staff ever influenced your company's choice of export markets?

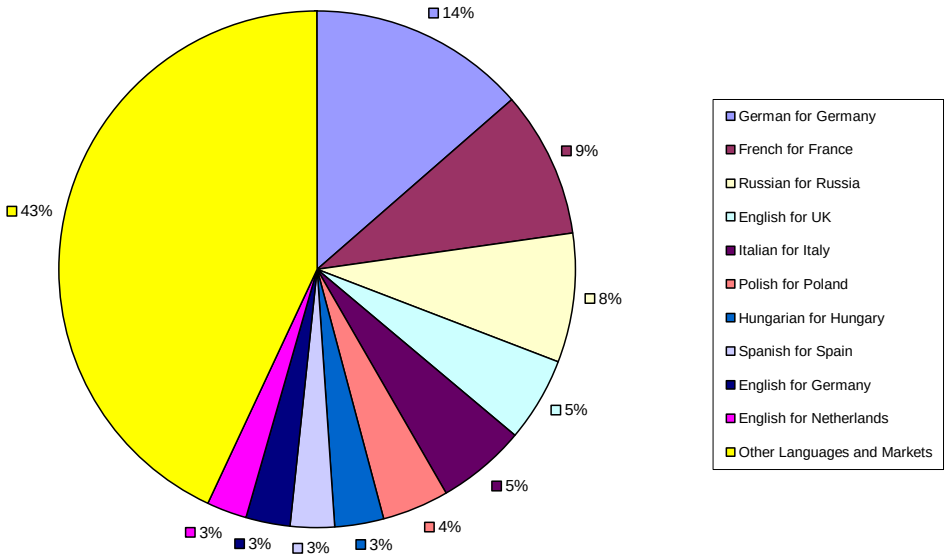
On average, 13% of the total sample of firms claim that the language competence of their staff has influenced the company's choice of export market. The 'yes' percentage varies considerably between firms in each country, ranging from as high as nearly 30% (Romania) to zero (the Netherlands and Luxembourg). The higher levels of influence (about a quarter of companies) tend to be with the newer members, Latvia, Lithuania, Czech Republic and Hungary, while Spain and Portugal also record levels of high influence.

Figure 5.3. Percentage of firms in the total sample where the language skills of their staff have (or have not) influenced its choice of export markets

Country	No (%)	Yes (%)	Country	No (%)	Yes (%)
Austria	85.0	15.0	Latvia	73.0	27.0
Belgium	86.7	13.3	Lithuania	74.0	26.0
Bulgaria	82.3	17.7	Luxembourg	100.0	0.0
Cyprus	90.9	9.1	Malta	97.3	2.7
Czech Rep	80.0	20.0	Netherlands	100.0	0.0
Denmark	94.7	5.3	Norway	89.8	10.2
Estonia	94.1	5.9	Poland	91.7	8.3
Finland	78.3	21.7	Portugal	75.0	25.0
France	86.7	13.3	Romania	70.2	29.8
Germany	92.6	7.4	Slovakia	86.7	13.3
Greece	86.4	13.6	Spain	75.0	25.0
Hungary	76.1	23.9	Sweden	94.0	6.0
Iceland	93.8	6.3	Turkey	82.7	17.3
Ireland	94.9	5.1	UK	96.0	4.0
Italy	93.2	6.8	**Average**	**86.9**	**13.1**

However, it is also clear from the sample that certain markets are more likely to be targeted when there are staff available with language skills, notably Germany and France. Figure 5.4. shows the languages and their respective markets that were mentioned by the companies affirming that the languages of competence of their staff influenced their choice of export markets. Of those who were influenced, the highest single language and country was 'German for Germany' and then 'French for France'. It is important to note that the knowledge of English also influenced a company's decision to export not only to UK but also to Germany and the Netherlands. Of course, other factors are also at play in the choice of a company's target markets for exporting. The selection of preferred languages identified here reflects in many cases both geographical proximity as well as perceived cultural affinity.

Figure 5.4. Top 10 languages and export market of companies where the export decision was influenced by their staff's language skills



5.4 Have you acquired staff with specific language skills due to export needs?

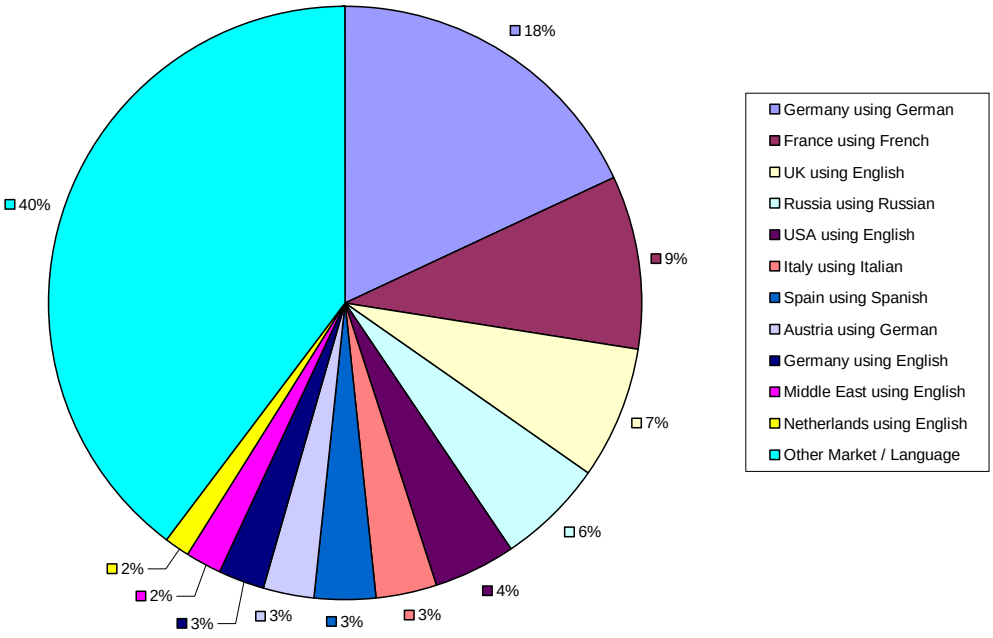
On average 40% of firms hired staff with specific language skills in line with their export needs. Notably, companies in Hungary, Romania, Czech Republic, Belgium, France, Germany and Spain show the greatest propensity to recruit on this basis. Figure 5.5. presents the details of this percentage by country.

Figure 5.5. Percentage of firms in the total sample that have (or have not) acquired staff with specific language skills due to export needs

Country	NO (%)	YES (%)	Country	NO (%)	YES (%)
Austria	42%	58%	Latvia	49%	51%
Belgium	38%	62%	Lithuania	75%	25%
Bulgaria	56%	44%	Luxembourg	48%	52%
Cyprus	91%	9%	Malta	89%	11%
Czech Rep	38%	62%	Netherlands	88%	13%
Denmark	74%	26%	Norway	62%	38%
Estonia	59%	41%	Poland	61%	39%
Finland	52%	48%	Portugal	52%	48%
France	39%	61%	Romania	33%	67%
Germany	41%	59%	Slovakia	68%	32%
Greece	90%	10%	Spain	44%	56%
Hungary	28%	72%	Sweden	58%	42%
Iceland	83%	17%	Turkey	55%	45%
Ireland	78%	22%	UK	85%	15%
Italy	72%	28%	**Average**	**60%**	**40%**

For those countries that affirmed having hired staff with specific languages skills to meet their export needs, Figure 5.6. shows the languages and markets of the staff hired in the total sample. In Fig. 5.6., 18% of the firms hired staff with German knowledge for specifically to export to German, while 9% of the firms hired staff with French skills for exporting to France. Companies also hired staff with English skills for exporting needs to Germany, the Middle East and the Netherlands.

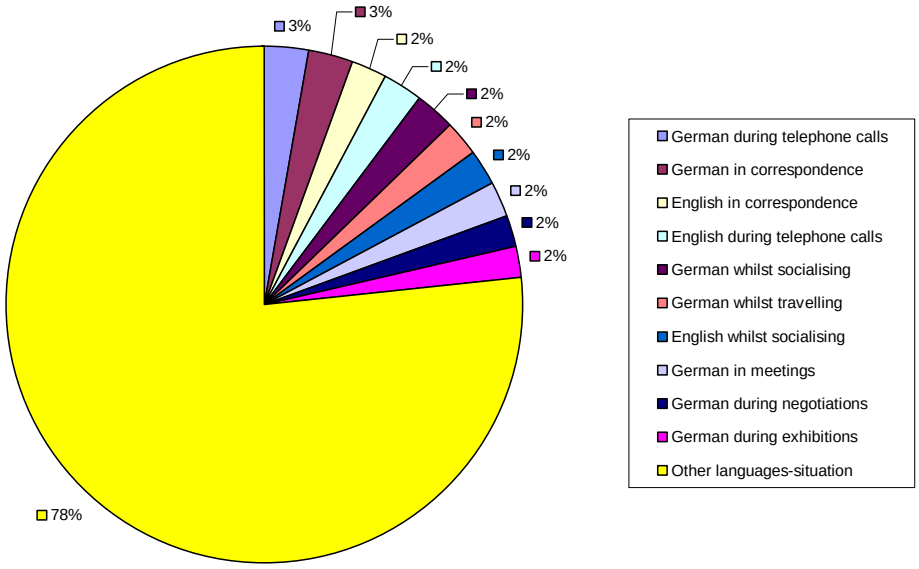
Figure 5.6. Languages and export market of companies where staff were hired for their language skills



5.5 Please complete this table below with the foreign languages for which you have staff (including yourself) that are able to competently handle these situations and activities below:

Figure 5.7. shows the top 10 languages and situations for which SMEs in the total sample have staff available to handle specific trade-related situations. SMEs have staff competent to handle, notably, *German for telephone calls (3%); German correspondence (3%); English correspondence* (2%) and *English for telephoning* (2%). The commonest skill-sets tend to be in German and English. The situations where they appear most commonly are: travelling, socialising, negotiating and attending meetings and exhibitions.

Figure 5.7. Top 10 language-situations in which firms have language-competent staff



5.6 Have you ever employed native speakers full time in your company who support your foreign trade?

On average, 22% of the firms in the total sample have employed native speakers full time for supporting foreign trade. This demonstrates a recognition on the part of European companies that employing native speakers is an important part of an international communication strategy (Hagen, 2006: 76).

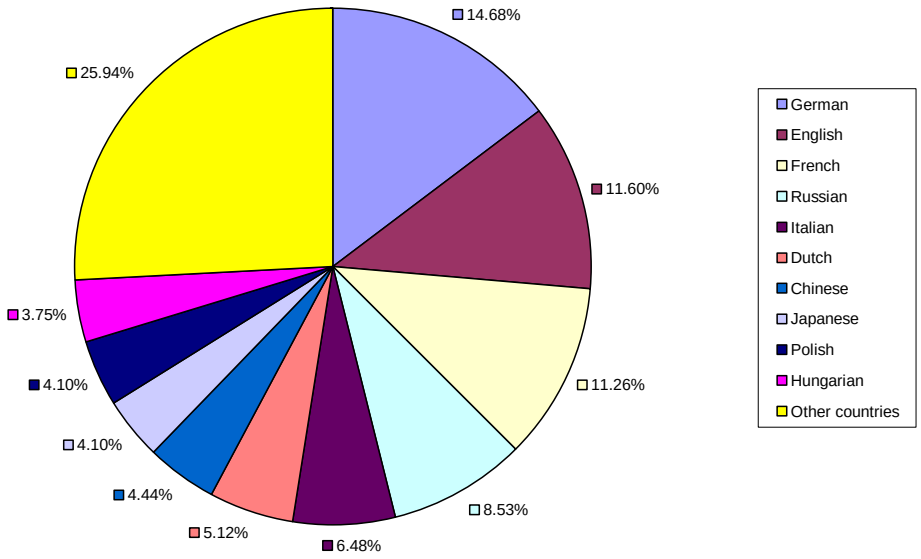
Figure 5.8. shows the detail of this percentage by country. Companies in some countries appear to use this method of overcoming language and export barriers more frequently than others. For example, companies in Germany, Hungary, Austria, Latvia and Norway appear more alert to the linguistic advantages of employing native speakers.

Figure 5.8. Percentage of firms in the total sample that have (or have not) employed native speakers full time for supporting foreign trade

Country	NO (%)	YES (%)	Country	NO (%)	YES (%)
Austria	55%	45%	Latvia	61%	39%
Belgium	72%	28%	Lithuania	99%	1%
Bulgaria	93%	7%	Luxembourg	68%	32%
Cyprus	73%	27%	Malta	95%	5%
Czech Rep	74%	26%	Netherlands	83%	17%
Denmark	79%	21%	Norway	62%	38%
Estonia	84%	16%	Poland	88%	13%
Finland	65%	35%	Portugal	91%	9%
France	85%	15%	Romania	78%	22%
Germany	56%	44%	Slovakia	80%	20%
Greece	81%	19%	Spain	74%	26%
Hungary	66%	34%	Sweden	68%	32%
Iceland	83%	17%	Turkey	84%	16%
Ireland	97%	3%	UK	84%	16%
Italy	81%	19%	**Average**	**78%**	**22%**

Figure 5.9. shows the commonest 10 languages considered by the firms who employed native speakers full time for supporting its foreign trade operations. What is surprising about this finding is the range of languages being sought from native speakers and the fact that English is not in first place. The list of languages is led by German (14%), followed by English (11%), French (11%), Russian (8%) and Italian (6%).

Figure 5.9. Top 10 languages considered by firms who employed native speakers full time for supporting foreign trade operations



5.7 Have you ever used local agents and/or distributors who speak your own native language in your foreign markets?

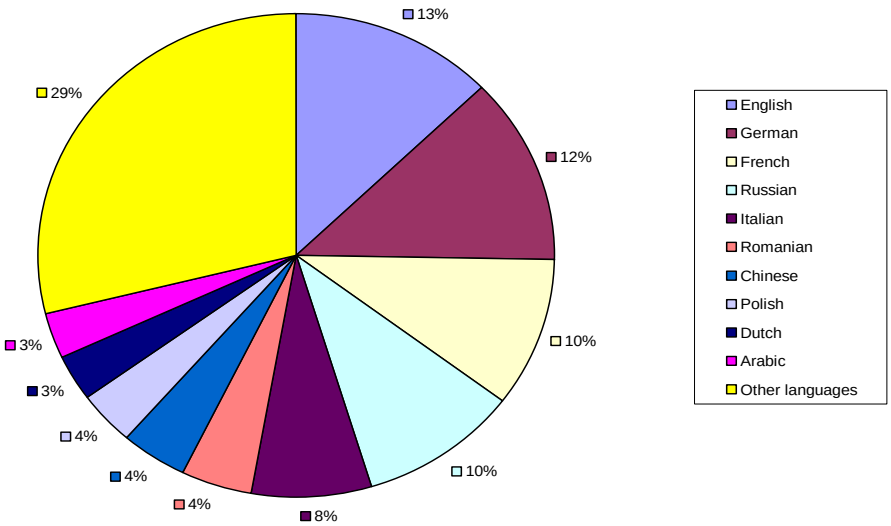
Choosing and using local agents in foreign markets who can speak your own language can be a sign of an SME's lack of capacity to trade directly in another country, or their people. It is also, of course, the first step in opening up a new, or sometimes unknown, market. On average, 31% of the firms have used local agents and/or distributors who speak the firm's own language (Fig. 5.10.); this tends to demonstrate a linguistic deficit in trading with foreign markets. France (66%) and Germany lead the table in their widespread use of French speaking and German speaking local agents.

Figure 5.10. Percentage of firms that have (or have not) used local agents and/or distributors who speak the native language in foreign markets

Country	NO (%)	YES (%)	Country	NO (%)	YES (%)
Austria	21%	79%	Latvia	49%	51%
Belgium	69%	31%	Lithuania	85%	15%
Bulgaria	61%	39%	Luxembourg	77%	23%
Cyprus	82%	18%	Malta	95%	5%
Czech Rep	59%	41%	Netherlands	63%	38%
Denmark	79%	21%	Norway	88%	12%
Estonia	84%	16%	Poland	61%	39%
Finland	64%	36%	Portugal	74%	26%
France	34%	66%	Romania	77%	23%
Germany	44%	56%	Slovakia	84%	16%
Greece	76%	24%	Spain	67%	33%
Hungary	76%	24%	Sweden	54%	46%
Iceland	75%	25%	Turkey	82%	18%
Ireland	91%	9%	UK	71%	29%
Italy	68%	32%	**Average**	**69%**	**31%**

Figure 5.11. shows the top 10 languages of the agent/distributors who speak the native languages of the SMEs. In this case, English-speaking agents lead the list (13%), followed by German (12%), French (11%), Russian (10%) and Italian (10%).

Figure 5.11. Top 10 languages of local agents/distributors



5.8 Have you ever employed external translators/interpreters for foreign trade?

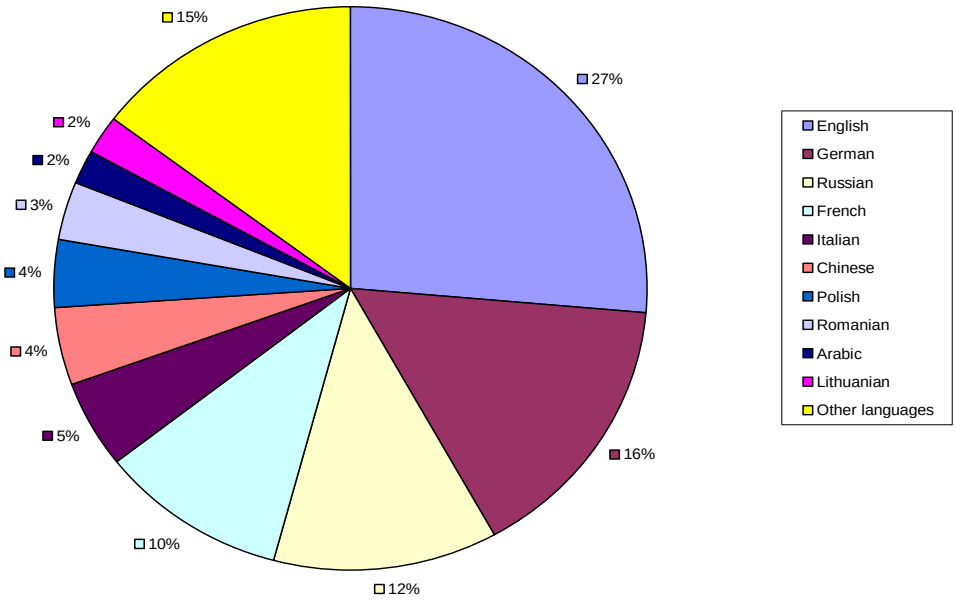
Employment external translators and interpreters provides another measure of language usage, and may indicate how dependent an SME is on external providers of language support. Not unexpectedly, the level of usage is high. On average 45% of firms have employed external translator/interpreters for supporting their foreign trade (see Fig. 5.12.). The extent to which an SME trades in a range of countries as also a factor influencing levels of usage.

Figure 5.12. Percentage of firms from total sample that have (or have not) employed translators/interpreters for foreign trade

Country	NO (%)	YES (%)	Country	NO (%)	YES (%)
Austria	20%	80%	Latvia	38%	62%
Belgium	43%	57%	Lithuania	16%	84%
Bulgaria	60%	40%	Luxembourg	75%	25%
Cyprus	64%	36%	Malta	81%	19%
Czech Rep	37%	63%	Netherlands	67%	33%
Denmark	53%	47%	Norway	44%	56%
Estonia	67%	33%	Poland	59%	41%
Finland	26%	74%	Portugal	82%	18%
France	77%	23%	Romania	77%	23%
Germany	26%	74%	Slovakia	64%	36%
Greece	52%	48%	Spain	48%	52%
Hungary	54%	46%	Sweden	41%	59%
Iceland	47%	53%	Turkey	43%	57%
Ireland	96%	4%	UK	85%	15%
Italy	61%	39%	**Average**	**57%**	**45%**

Figure 5.13. shows the top 10 languages where SMEs in the sample have commissioned professional translations. The list is led by English (27%), reflecting its status as a global language, followed by German (15%), Russian (15%), French (10%), Italian (5%) and Chinese (4%).

Figure 5.13. Top 10 languages for which external translators are used



5.9 Do you ever adapt your website for foreign markets?

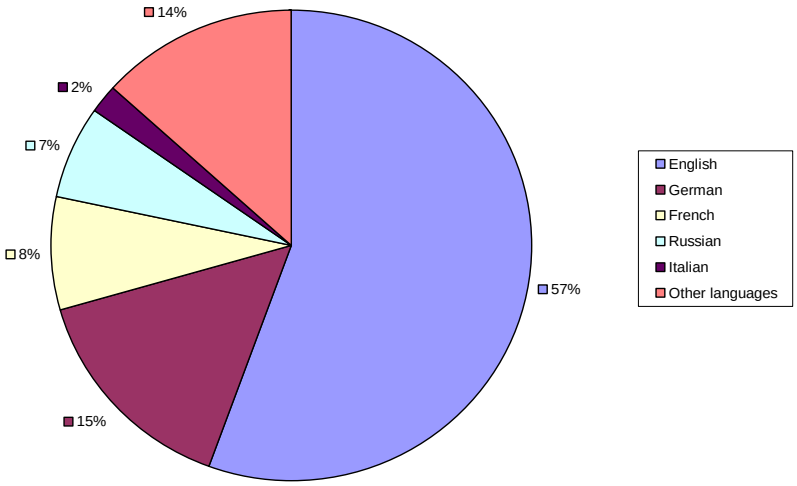
One of the most self-evident steps for an international trader is to develop a website in another language to enter a new market. This is the most common tactic used amongst SMEs in relation to international communication. On average, 62% of the firms in the European sample have produced websites in other languages for the purpose of export: (see Fig. 5.14.).

Figure 5.14. Percentage of firms that adapt / do not adapt their websites for foreign markets

Country	**NO (%)**	**YES (%)**	**Country**	**NO (%)**	**YES (%)**
Austria	25%	75%	Latvia	67%	33%
Belgium	23%	77%	Lithuania	38%	62%
Bulgaria	16%	84%	Luxembourg	31%	69%
Cyprus	36%	64%	Malta	43%	57%
Czech Rep	15%	85%	Netherlands	75%	25%
Denmark	28%	72%	Norway	8%	92%
Estonia	32%	68%	Poland	23%	77%
Finland	9%	91%	Portugal	56%	44%
France	51%	49%	Romania	52%	48%
Germany	26%	74%	Slovakia	36%	64%
Greece	38%	62%	Spain	34%	66%
Hungary	30%	70%	Sweden	23%	77%
Iceland	45%	55%	Turkey	20%	80%
Ireland	95%	5%	UK	95%	5%
Italy	39%	61%	**Average**	**37%**	**62%**

Finnish companies, with their noted high regard for new technology, not unexpectedly report a very high incidence of foreign language websites. However, taking the full sample, firms that adapt their websites for export do so principally in English (57%). Other important languages used by SMEs in their websites include German, French and Russian (see Figure 5.15.)

Figure 5.15. Top 5 foreign languages into which firms have adapted their websites



CHAPTER 6: FOREIGN LANGUAGE COMPETENCE AND TRAINING

Training is viewed as a critical part of a company's language strategy in preparation for trading in new markets and expanding in more established ones. However, it is clear that many companies are not aware of what skills they possess, so one indicator of an effective human resource development strategy is keeping a record of the staff's skills. Where this happens, language strategies can be more effective; training costs can be reduced and the 'right person for the job' can be slotted in.

Once again, the contents of this chapter should be read in conjunction with Annex 3.

6.1 Do you keep a record of staff language skills?

On average, 57% of the firms in the total sample keep a record of their staff language skills. However, in some countries there is a requirement for regulatory documentation which may influence the high proportions of companies giving positive responses to this question in Bulgaria (99%); France (92%) and Hungary (91%). At the other end of the spectrum, Italy, the Netherlands, Iceland and Denmark are less likely to keep records of their staff's language skills.

6.2 Have you ever offered language training to your staff?

A significant proportion of companies in the European sample (49%) have offered language training to their staff. Positive responses are highest in Czech and Slovak companies (90% and 84%), followed by Austrian (76%), Finnish, (74%) and Swedish (70%). Companies are least likely to offer training in Malta and the UK.

> *'The number of staff participating in the language training modules exceeded 45, which represents around 20% of the total number of employees and 100% of the middle and top managers in the company. The financial investment was significant, but the Management of the SME is convinced that mid- and long-term economic benefits will be even more significant.'*
> Romanian case study

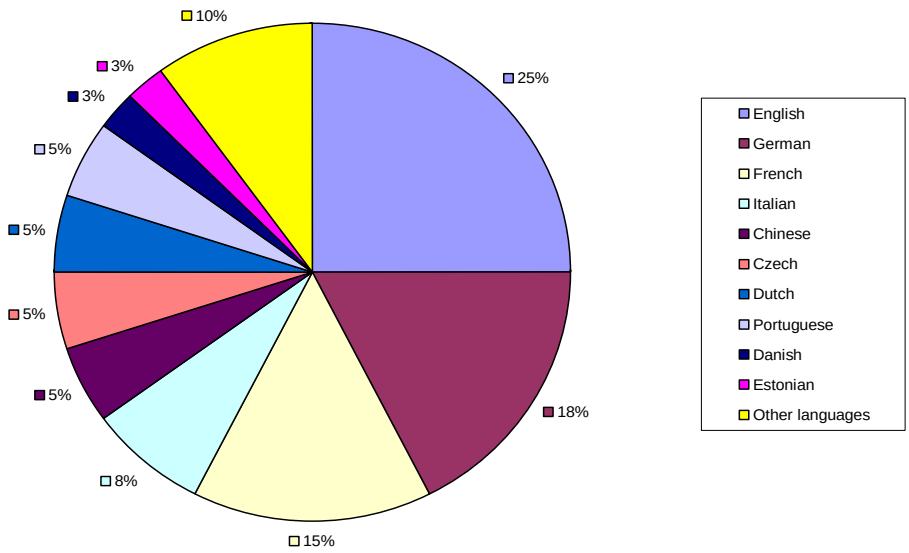
6.3 Has your company undertaken foreign language training in the last 3 years?

When the question is shifted to the reality of training people, as opposed to simply offering it (when it may not materialise for various reasons), 35% of the firms in the total sample report they have trained staff in one or more languages during the previous three years. Companies are most likely to have trained staff in: Czech Republic (79%), Spain (61%), Slovakia (57%) and Austria (62%). (NB Austria has a low response rate.) This suggests there may be difficulties converting the offer of training into actual take up. The strong commitment to language training by companies in the Czech Republic is likely to reflect their aspirations towards increased trading across borders in the enlarged EU; in Spain it may reflect a generally strong and expansionist economy. Countries where there is a low level of language training by companies include: Malta (3%), Greece (5%) and the UK (10%).

'In 2005 approximately 2% of the company´s profit was spent on language courses. In 2006 this year company plans to spend at least 4 % of its profit of language training.'
Slovak case study

Figure 6.1. shows the top 10 language in which firms have trained their staff in the last 3 years. Not unexpectedly, English is the language in which most firms have trained their staff (25%), followed by German (18%), French (15%) and Italian (8%). A number of respondents highlighted the need to convert semi-formally acquired English into English suitable for business functionality. In addition there has been demand for Chinese, Czech, Dutch and Portuguese (each 5%), confirming the expanding multilingual nature of trade for many EU companies.

Figure 6.1. Top 10 languages in which firms have trained their staff in the last 3 years



6.3 Do you think your company will need to acquire additional expertise in languages, or countries, in the next 3 years?

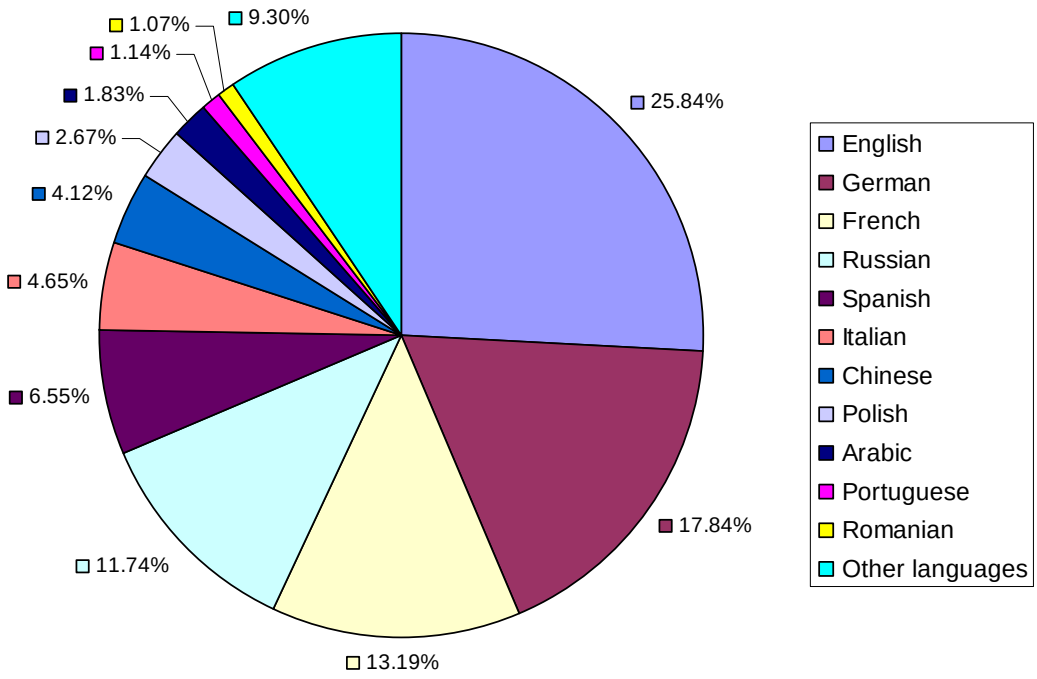
A significant percentage of companies, 42% of the total sample, expect to see their demand for additional expertise in languages increase over three years. Large percentages of companies in the new member states, Romania (88%), Bulgaria (71%), Latvia (59%), Hungary (56%), as well as Italy (52%) and Spain (63%), expect to see their need for language skills increase, and there may be a case for targeted support to these. Similarly, Turkey (69%) shows a large majority of companies wishing to acquire new expertise in languages, probably due to the expectation of the impact of its candidate membership of the EU on trade. An increased demand for knowledge of the country/culture is reported in 20% of companies, notably in Bulgarian (50%), Romanian (41%) and Icelandic companies (53%), followed by Czech, Norwegian, Finnish and French companies.

Figure 6.2. shows the top languages for which firms in the total sample have registered a need within the next three years. Not unexpectedly, English is most often recorded, but only by a quarter

of the sample. There is notable future demand for German (17.8%), French (13.2%) and Russian (11.7%). 4% of companies will require Chinese.

If the language is broken down into specific situations and skills, there will be a demand for: *English for negotiations* (6%) and *English for meetings* (5%), *German for negotiations* (4%) and *correspondence* (4%), followed by *English for exhibitions* (4%) and *for correspondence* (3%). However, it is worth noting that *Russian for negotiations, French for negotiations, French for correspondence and German for meetings* appear as small but important needs for a number of the companies.

Figure 6.2. Languages firms need to acquire in the next 3 years

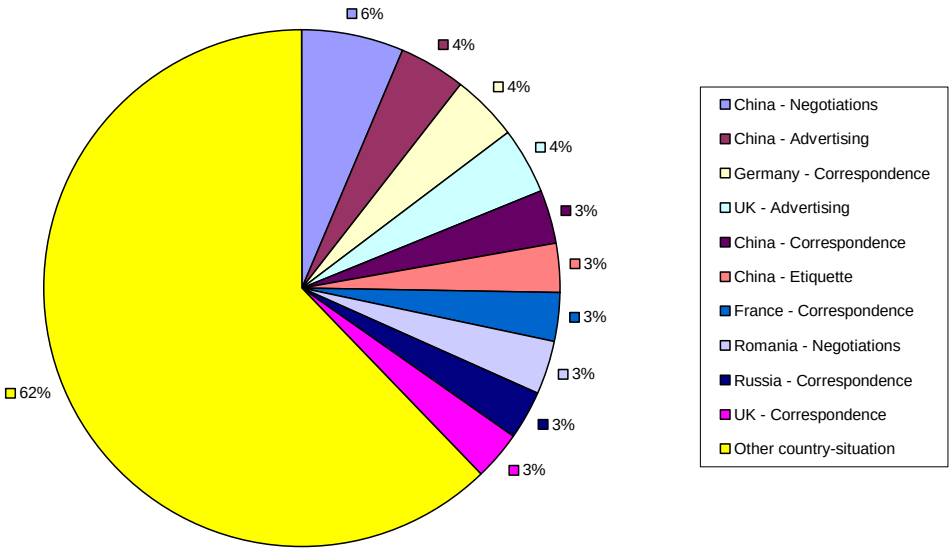


On average 20% of firms in the European sample believe they will need to acquire additional expertise in specific countries/markets over the next 3 years. It is notably the new entrants who declare the greatest need in the sample, namely, Bulgaria (50%), Romania (41%) and Czech Republic (38%). Countries in which companies are least likely to foresee any future needs (or do not recognise any) are Luxembourg, Ireland and the UK, followed by Greece, Malta and Estonia. It is disconcerting to note the very low percentage of firms in the UK and Ireland which expect to see demand for new language or cultural skills - due, presumably, to a continuing reliance on English for their trading needs. The low levels of interest and commitment by companies in these two Anglophone countries suggest the need for greater awareness-raising of the issues.

'The employees have developed intercultural skills, such as behavioural flexibility for adapting to different cultural requirements and situations, communicative awareness for modifying their expressions correspondingly and respect for otherness, which enable the company to sustain its sales figures. Employees can handle business requirements in three languages and the company is considering hiring new employees who speak languages other than those already spoken. This indicates that the company is aware of the fact that, apart from manufacturing quality goods and being able to supply the demand abroad, learning and speaking the language of that country is significant for sustaining sales performance because the company aims at having long-term trade relations with its customers.'
Turkish case study

Figure 6.3. shows the countries which firms in the sample consider are most important for new knowledge, and the nature of the knowledge/skills required. The most important countries and skills identified are: China *for negotiation* (6%), *advertising* (4%), *correspondence* (4%) and *etiquette* (3%), making a total interest level in this country of 17%; Germany *for correspondence* (4%); UK for *advertising* (4%); France *for correspondence* (3%) and Romania *for negotiations* (3%). Two interesting points emerge: a major need from European SMEs for understanding key aspects of doing trade in China; and evidence of interest in trading with the new entrant, Romania.

Figure 6.3. Top 10 country-situations in which firms are considering acquiring new knowledge



CHAPTER 7: INFLUENCER REPORTS

7.1 Overview of Influencer Comments

In each county five 'influencers' were asked to comment on the findings of the survey within their area. The influencers represented a cross-section of entrepreneurs, academics working in the business or language training disciplines, political and civil servants working in the business support field and representatives of business organisations such as the Chambers of Commerce. Each influencer was asked to comment on a uniform set of questions:

- Did the findings for the country give a balanced view?
- What effect would improved language and intercultural skills have on the country's economy?
- If language and cultural barriers were removed, what would be the impact on trade growth?
- Was the respondent aware of any measures within the country to improve language and intercultural skills for external trade?
- If so, how effective did the respondent feel they had been?
- Did the respondent have any recommendations for improving the country's capability in languages and intercultural skills? (Respondents were invited to suggest measures at various levels, from individual business to the European Commission).

There was a high degree of agreement with the survey's findings, with 79% of those interviewed finding them totally accurate, 21% finding them partially accurate and none disagreeing. Similarly, a majority of respondents agreed that the level of language skills within their countries left much to be desired and there were many improvements that could be made.

Of those interviewed, only 50% were aware of pre-existing language schemes within their country and none felt that these were adequate. The key trends that influencers identified in the survey are as follows. Recommendations from this group have been subsumed within the overall table of recommendations at the end.

7.2 Impact of size of country on language skills issues.

Nearly all of those interviewed believed that their own country's language skills could be improved. This applies as much to the 'larger' more densely populated countries as to the 'smaller' countries. The reasoning behind this, however, differs.

Countries such as Sweden, Portugal and France were seen as having become complacent about their language knowledge. Influencers here felt that their fellow countrymen had come to believe that having knowledge of (or capability in) the 'major' European languages, such as French, German, Spanish and English, was enough and they did not need to invest in the resources to learn any of the languages of their clients within smaller countries. For example, in Sweden, three of the five respondents believed that there was too high a reliance upon English. These respondents believed that an improvement in language skills would see an increase in trade of up to 50%, with one believing the increase would be greater still.

'They enable (you) to receive better information about the business environment and new ideas about production, raw materials, marketing and trade channels.'
Estonian respondent

A Portuguese respondent noted that, whilst English was seen as the most important language of trade, levels of competence in business language and awareness of business practices fell short of requirements.

'The personal contact with foreign customer is necessary for every method of trade; it is not just a question of the language capabilities of negotiators, but also of the technical support of the product.'
Czech respondent

Influencers in smaller countries reflected to some extent patterns projected in the macro-economic analysis of the survey results (see chapter 9). Thus they felt that, in many cases, languages used tended to be those of neighbouring countries with which trading relations were long established and with whom cultural and linguistic affinity pre-existed. In these countries English tended to be used to support trade outside the sphere of the immediate neighbours. However, overall, 60% of the influencers thought that there was too much emphasis upon English and there needed to be expansion of other language knowledge within their country, particularly recognising aspirations for the expansion of export markets.

Thus, one respondent identified Arabic and Chinese as 'languages of the future', whilst another from a different country also identified this as a problem area, remarking that 'smaller' (sic) languages such as Arabic, Chinese or even Russian were being overlooked by his students in favour of the more common English, French, Italian or Spanish.

'We have been employing for two years a trainee who is Chinese. It is essential for us because she can contact people directly and help us to stay in touch in China.'
French respondent

7.3 Size of Company

A number of respondents noted that language training was a feature mainly of larger companies. Medium sized and small companies could simply not afford to invest in this training. A respondent from the Czech Republic commented that it is difficult to find a bilingual manager in smaller companies in the Czech Republic. Even in Belgium, which scored highly in terms of availability of language skills, two of the influencers made the point that there should be a national campaign to make smaller companies more aware of export needs and language skills.

'Improved communication (written and verbal) in foreign languages and a better understanding of cultural differences will have an important impact on doing business abroad successfully…Language skills are essential in any open economy where the mother tongue is not a world language.'
Belgian respondent

On a more positive note, a respondent from Lithuania felt that now not only larger companies but also the medium sized ones were waking up to the idea of a language strategy, which, up to now, had clearly been a luxury that only the larger companies could afford. It is of course not just the size of the company that is important but also the economic situation of the country itself. In some cases both the national economy as well as individual businesses are starting from a low investment base and do not have the resource to engage in the levels of investment in manpower development which are common elsewhere.

'It would definitely eliminate linguistic and cultural barriers within the business communication and thus would be more likely to both increase the volume and the profitability of the export (and import) business activity.'
Romanian respondent

7.4. Educational deficiencies

The large majority of influencers (69% across the influencer sample) agreed that there could be great improvement in the delivery of language skills by their respective education systems. Many believed that more languages should be made compulsory at a school level. Others commented on the need for improved oral skills. Further development of pupil and student exchange schemes was also highlighted as a need, particularly in the new members of the EU and candidate countries.

7.5 Government Initiatives

Only a small percentage of those interviewed believed that there were adequate government-led language policies. The great majority thought that there was room for improvement. Specifically, 30% thought that their government should introduce better training procedures, whilst 20% thought that the *Erasmus* programme should be improved in universities. There were, in some countries, comments suggesting that administrative hurdles often impeded the realisation of any innovative scheme conceived by an individual business. Some respondents felt that language training should be tax-deductible to encourage greater numbers to take it up.

7.6 Business Initiatives

Respondents felt that individual businesses could, despite the resource limitations identified above, be encouraged to take on more responsibility for assuring their ability to handle international communication Companies should do more to promote cultural relationships as well as spending more money on language training. For instance, three of the Norwegian influencers thought that courses should be introduced to improve the cultural knowledge of employees. An Estonian respondent thought that only a marginal number of companies invested in language training but far too few to have any real effect upon the market. In total, around 53% of respondents thought that businesses should introduce better language training for their staff. A Czech respondent noted that language training should be improved on all levels, not just employees but managing directors needed them as well. One observer from Belgium thought that businesses should do more to lobby universities into improving their language courses.

7.7 Summary

This influencers' feedback has confirmed the outcomes from the analysis of the SME survey. The discursive responses have furthermore highlighted some of the major issues concerning the availability and use of language skills in Europe. Perhaps more obviously than emerges from the statistical returns, the influencers identify deficiencies in both the availability and delivery of intercultural skills training. The recommendations at the end of the report reflect many of the suggestions made by our respondents at national level. Given the real, as well as the assumed, diversity of experience and starting positions across the 27 states reviewed (in this section), it is remarkable that, repeatedly, the issues associated with language skills and economic performance strike harmonious chords across the whole sample.

CHAPTER 8: LARGE COMPANY FINDINGS

8.1 Large Company Findings

This section looks specifically at 30 large companies based in Europe, but with major business units or Head Offices in France, and examines their approach to language provision. The language issues facing large companies are somewhat different from those of SMEs. Large companies possess a greater resource infrastructure than SMEs and frequently operate through a range of subsidiary companies or business groups. Some of these may simply be outsourced production facilities, but in the case of multi-nationals, the network will usually also involve geographically focussed sales and distribution groups with their own policies in relation to "in-country" communication. Here, too, 'international communication' may be as much to do with communication across the internal structures of a world-wide organisation as with speaking the right languages at trade fairs.

The factor of operational scale affects direct comparisons with SMEs also in respect of loss of business through deficiencies in language skills. The 'traceability' of the impact of a single action or omission by an employee in a multi-national is less immediate in a survey such as ours, than it is in an SME, where relationships within a small number of employees link more closely to cause and effect and are of an infinitely more immediate nature.

Comparisons are, though, instructive in terms of perceptions of the importance of language skills, use of language management techniques and responsiveness to the communication needs of business partners, from clients to joint venture partners.

8.2 Approach

The survey targeted 30 large companies located in France with an international or global business profile (see Annex 4 for a list). A member of the senior staff of each company was interviewed by telephone using a questionnaire developed for a previous survey (*Talking Sense*, see Chapter 2), which had been conducted with a focus on UK multinationals in 2004. Apart from business size, respondents were asked about the company's approach to the communication needs of their clients, joint venture partners and suppliers abroad (*language responsiveness*), their knowledge of the language skills available to them through their workforce and of their future needs (*language capacity*), the extent to which their business planning included consideration of future language skill needs (*language awareness*) and their company's employment of techniques in *language management* - use of translators, expatriation of staff, etc.

The outcomes from the survey are given under these four headings and comparisons are drawn with findings from both the SME survey and the comments received from national influencers.

8.3 Language Responsiveness

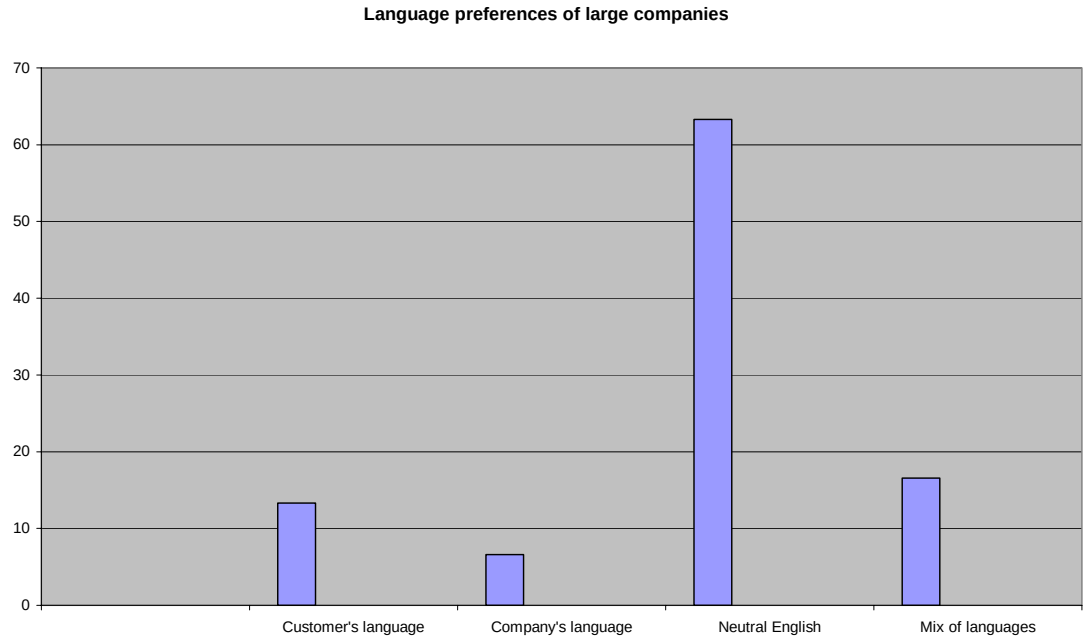
Respondents were asked to say how their company preferred to communicate with international customers, their own subsidiary companies, their suppliers and any joint venture partners. It is striking that only two respondents believed the company preferred to use its own language when dealing with international customers. The vast majority (63%) used English as both the language of the client and as an intermediary language, whilst the customer's own language was used by 13% of respondents. A mix of languages was favoured by around 20%.

These percentages were reflected broadly in the responses dealing with subsidiaries, suppliers and joint venture partners, with use of English decreasing slightly (60% with subsidiaries, 53% with suppliers and 50% with joint venture partners) and small increases in the use of a mixture of languages.

The proportion of businesses using predominantly English, but also other strategies alongside this in order to meet the communication needs of their clients, suggests a high level of language responsiveness on the part of the large companies surveyed. That said, it would be informative, but outside the scope of the present exercise, to determine the reasons why 'neutral' English was used so frequently as the basis of communication rather than the language of the customer. It may stem from a conviction on the part of some global companies that English is the world language of business or simply be a reflection of the patterns of communication encountered by significant units of larger organisations.

We do know, both from our SME returns and from work on the earlier *Talking Sense* survey, that successful exporters recognise the value of using the customer's language as a basis for long-term relationship management and that complacency about the future dominance of English is increasingly coming under scrutiny.

Figure 8.1.



8.4 Language Capacity

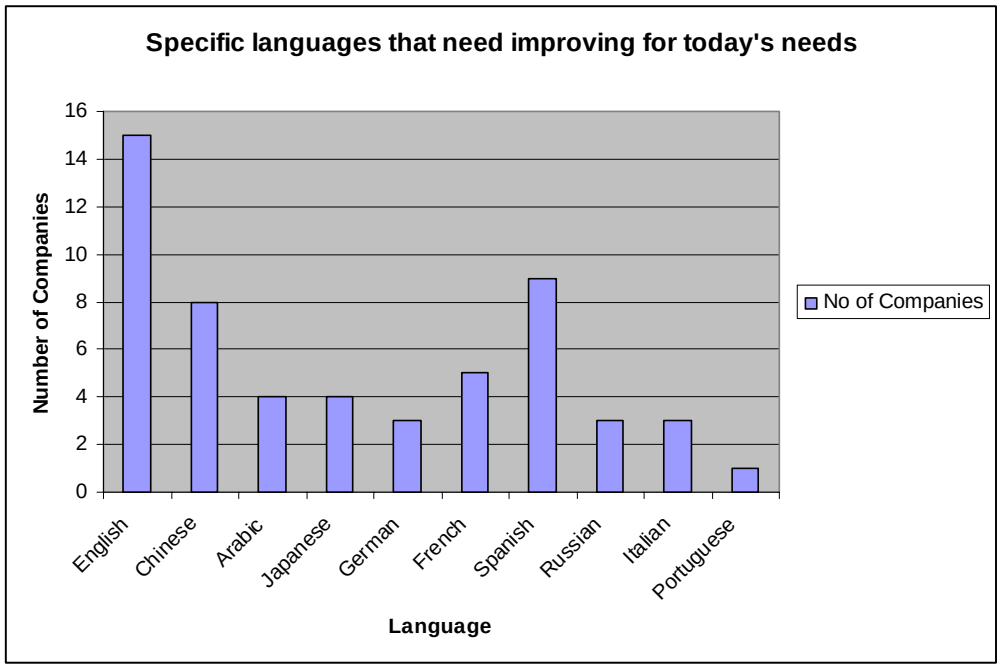
Respondents were asked to comment on the adequacy of the language skills in their own Head Office and the adequacy of those skills in their subsidiaries. The answers were almost exactly split between those believing there were adequate skills available at Headquarters and those feeling there was a need for improvement. When related to staff in subsidiaries the balance swung towards inadequate skills levels, with 60% of respondents believing there were skills deficiencies.

These response levels are lower than those obtained for multi-nationals in France in the *Talking Sense* survey, when around 75% believed language skills at Head Office were inadequate and 80% were unhappy with language skills in subsidiaries. Even taking the lower figures from the current survey, it would appear that French larger companies are signalling a very significant shortfall in

language skills and there is little reason to doubt that this is reciprocated across other EU members. Aligned with the findings on lost business by SMEs and the expectation by an average of 42% of SMEs that they will require additional language skills in the next three years, there is clear indication of increased future need in this skills area.

In a second question, respondents were asked to identify the present languages in which skills shortages existed and then to suggest what their future language needs would be.
The Figure below (8.2) shows those languages identified by large companies as needing improvement for today's market, not just for that specific company, but for the company group. 50% of the companies recognised that their use of English needed to be improved, whilst Spanish was the second most popular world language with 30% of the companies identifying it as a key language for improvement. There is a possibility that the importance of Spanish here has been slightly skewed by the proximity of Spain to France where the survey was carried out, but even so, the level of importance is striking. 26% of respondents saw Chinese as a language that should receive investment. It is not simply about linguistic prowess, however, there is, for small and large companies a need to understand the culture and way of doing business:

Figure 8.2.



If we compare Fig. 8.2 above, the current language needs of large companies, with Fig. 6.2 in Chapter 6, the languages small and medium-sized companies think they will need in the next three years, some striking comparisons emerge.

SMEs are more likely to need European languages, with strong demand for German, and French, whereas the large companies have a much more strongly articulated need for global languages such as Spanish, Chinese, Arabic and Portuguese. Italian and German do not appear at all in the large company needs (though admittedly this is a small sample), yet for SMEs German is the language most frequently cited after English. The need for English seems to be at a similar level in both types of enterprise.

These findings may reflect the fact that SMEs may be looking to export to markets which are near at hand, whereas large companies are likely to be operating on a more global scale. These findings could provide an important pointer for developing education and training policies.

Fig 8.3. Comparison of SME and large company language needs

Language	Needed by SMEs in next 3 years	Needed now by large companies
English	26%	29%
German	18%	0%
French	13%	6%
Russian	12%	6%
Spanish	7%	20%
Italian	5%	0%
Chinese	4%	17%
Arabic	2%	10%
Portuguese	1%	6%

Although English is the language most frequently cited by respondents in mainland Europe, it nevertheless represents only 29% of the total future demand for language skills.

8.5 Language awareness

In order to establish how far companies had embedded their approach to language skills into their strategic thinking and business planning routines, respondents were asked about the company's adoption of a corporate language as well as the existence of policies within Human Resource Management.

90% of respondents indicated that they were aware of a corporate approach to internal communication. For the majority (60%) the corporate approach was commonly practised but had not been formalised. In 30% of the cases, a formal corporate language had been fully documented. These results reflect earlier findings which suggest that the actual practice of adopting a single language for internal communication across a multi-national is fraught with procedural (and in, some cases, legal) difficulty. What appears now to be a common approach is the adoption of an agreed language for legal and contractual matters (e.g. annual reports) whilst at the operational level increasingly flat management structures and the encouragement of informal networking between employees themselves conspire to encourage multilingualism and to place the monoglot employee in a multi-national company increasingly at a disadvantage.

It is noteworthy in this survey that the majority of respondents indicated that the corporate language in use was English (in some cases running in tandem with French).

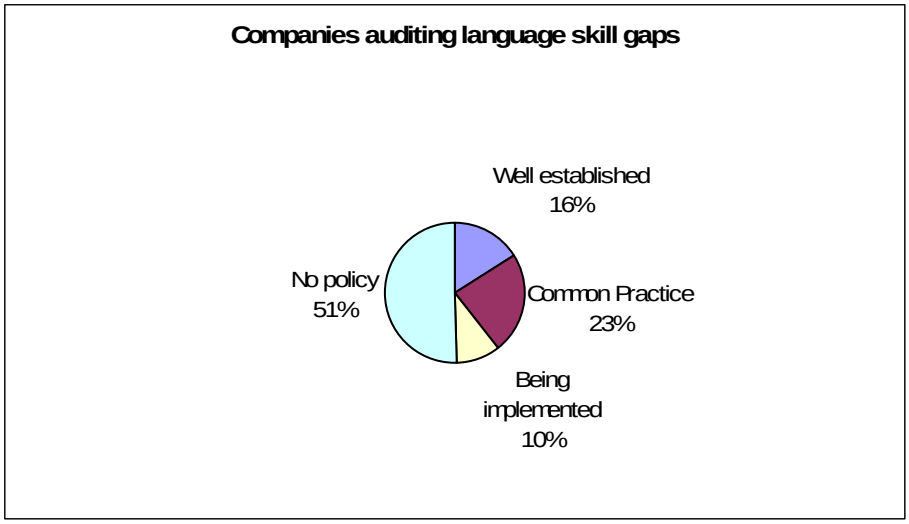
Respondents were then asked whether future needs for language skills were taken into consideration when business plans were under development (for instance in SWOT analyses of business proposals). 53% responded that language considerations did indeed figure in such planning (although, of these 18% said the system was not yet fully implemented.)

When asked whether the company undertook regular audits of language skills and maintained a record of employees' language ability the pattern of response was again similar, with 50% of companies undertaking language skills audits either on a formal or on a less formal ad hoc basis and 50% of respondents not being aware of such practices.

When considering more direct evidence of intervention at the level of Human Resources (HR) policy, 80% of respondents answered that it was established policy or common practice to place emphasis on language skills when recruiting new staff, selecting for promotion and fixing remuneration packages.

Taken together, the two questions on corporate policy and the two on HR policy give a good indication of a company's depth of commitment to successful international communication and the issue of language and intercultural skills. From the responses to the planning and skills audit questions we can say that a minimum of 50% of the large companies clearly had a fully-fledged language strategy, embedded in a range of high level policy areas. However, the very high proportion of companies emphasising language skills in key HR activity and the high awareness of internal communication policies, suggest that the true level of language awareness is significantly higher than this.

Figure 8.4. Language Audits in Large Companies



8.6 Language management

Because of their larger resource base and wider field of operations, large companies have available to them a wider range of techniques for managing international communication than does the average SME. Respondents were asked to comment on the frequency with which nine language management techniques, identified from earlier research, were applied in their company.

Training: 86% of companies arranged language training (33% often and 53% occasionally). This is a significantly greater proportion than the levels returned by SMEs (49% offering training with 35% actually confirming training undertaken) and reflects no doubt the more fragile resource base of the SME.

In-house languages department: Surprisingly, 27% of respondents reported that their company had an in-house language service. Findings from the earlier *Talking Sense* survey had suggested that work flow was generally too inconsistent to justify the permanent presence of a unit of in-house specialists. This approach remains, though, one of the least frequently adopted and, of course, an investment which is beyond the means of an SME.

Appointment of external translators or interpreters: Here 80% of companies had engaged external language specialists with 47% doing so on a regular basis. Interestingly, two respondents indicated that the policy had been abandoned owing to unsatisfactory experiences with external providers. These figures are again significantly higher than those for SMEs, where an average across the EU sample of 45% was recorded. They suggest that some SMEs may be unwilling or unable to bear the cost of translating what might be essential sales and merchandising information and may be leaving the intermediary function to local agents.

Recruiting language-skilled workers: 94% of large companies indicated that they engaged in what is known as 'selective recruitment', that is, seeking to appoint workers who have the necessary linguistic and operational skills required to meet a specified business need. This approach is noted below in our macro-economic analysis as one of the key positive variables for SMEs and is clearly very strongly established among large companies. In the longer term, this short term measure may not necessarily prove as effective as building capacity in the company via training and staff development. The equivalent figure for SMEs recruiting language-skilled workers is only 40% (although 20% were recorded separately as having appointed native speakers – a category included in the large company survey with 'language-skilled' workers). The lower figure for SMEs almost certainly reflects their lack of human resource flexibility and their consequential exposure to less reliable means of international communication.

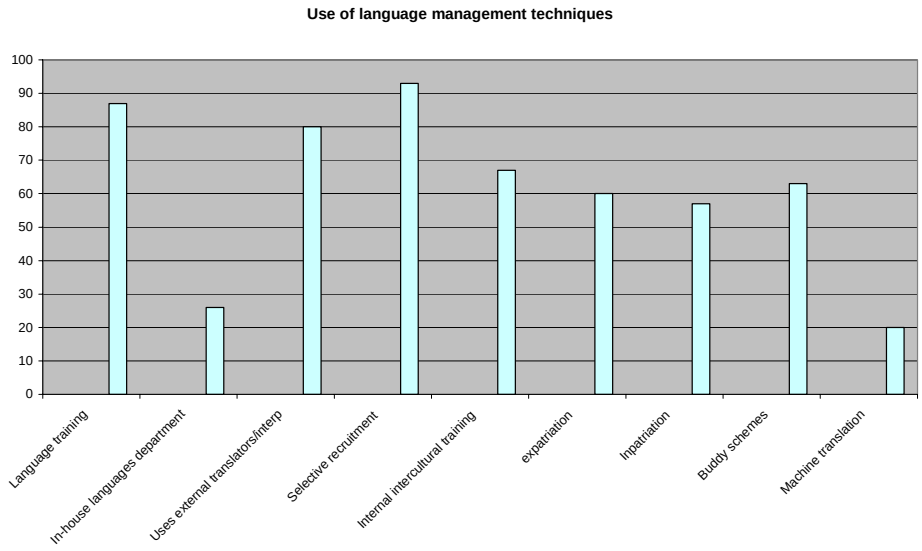
In-and-expatriation: In contrast to the 'quick-fix' approach of selective recruitment, large companies with subsidiaries in other countries frequently do engage in a form of capacity building through policies of work placements ('stages') in plants in the home country for workers from the foreign subsidiaries. Such periods of inpatriation strengthen corporate cohesion, open informal networking channels and allow for 'talent-spotting'. They have perhaps less to do with export performance than with maximising corporate effectiveness along all business axes. Similarly, locating staff from the company Head Office in a subsidiary company (expatriation) is a common practice as a means of ensuring that company values are initially embedded in a new development and also as staff development for promising management cadres. In our survey 60% of respondents had engaged in expatriation whilst 56% had been involved in inpatriation.
Few SMEs have the flexibility or the connections to be able to engage in this practice. However, a number of country influencers have drawn attention to the potential value of some form of focussed mobility scheme which would allow staff from SMEs to gain experience (both business and linguistic) in countries outside their home base.

Language 'buddies': Once more, as a function of scale, it is possible in some circumstances, to make semi-formal use of a language-skilled worker or a native speaker to support one with lower levels of language skills. Over 60% of the respondents were aware of such activity within their own company (often in tandem with in-or expatriation). This again, is a language management technique which is less readily available to SMEs because of the size of their workforce.

Intercultural training for the internal workforce: 66% of large companies trained staff regularly or occasionally (44% regularly) in intercultural skills. Although such training can be directed at in- and expatriate staff as well as sales and marketing personnel (one company specifically prepared staff for business culture differences in the United States), the purpose of the question here was more to establish the extent to which a multi-national might use such training as a further means of promoting cohesion across a culturally and linguistically diverse global workforce. Once more, this issue, as well as the attendant resource, is less of a concern for SMEs although, as we have seen, cultural interference has presented problems for SMEs at the sales interface and further training needs in relation to the Middle East, China and Japan as well as western business culture have been identified by SMEs.

Use of machine translation and web-based tools: Only 20% or respondents believed their company engaged in the use of machine translation and similar web-based language solutions. This reflects a residual mistrust of the technology which is still capable, if used unselectively, of producing hilarious mistranslations. It is perhaps not surprising that this was the area where the highest proportion of respondents recorded that their company had tried the approach and had abandoned it (37%).

Figure 8.5.



8.7 Conclusions

In terms of responsiveness to their customers' and partners' communication needs, it would appear that the large companies surveyed were highly responsive, with only a very small minority insisting on using their own language. Against this, the high proportion using English as the intermediary language, rather than using the customer's own language, suggests a possible over-emphasis on the perceived status of English (although the global market spread of large companies by contrast with a relatively more confined geographical range of SME markets might also be significant). Certainly, the range of languages used by SMEs to address customer needs appears broad when set against the extensive use of English by large companies. SMEs, though, showed a lower proportion of respondents employing a language strategy to interact with clients.

Large company responses show significant parallels with SMEs in relation to expectations of increased demand for language skills, but some divergence in terms of the actual languages which will be needed in future.

Although more detailed research would be helpful to confirm impressions from the returns, there would seem to be an expectation on the part of large companies that appropriate levels of language skills should be available from the employment market rather than through capacity-building within the business (cf high responses to the question on selective recruitment). Given the expectations of further increased demand for language skills both by large companies and by SMEs in future and current dissatisfaction in business with skills levels and output volumes in languages (see chapter 7), it is conceivable that language skills, coupled with business awareness, will command a premium on the employment market in future with a concomitant increase in demand for native speakers to close skills gaps which education systems cannot fill.

CHAPTER 9: STATISTICAL AND MACROECONOMIC ANALYSIS

This analysis of data from the ELAN project provides estimates of the impact of foreign language use by SMEs on their exports and indicates the consequences of wider usage for the European economy. First, the possible benefits from improving SME productivity in Europe are outlined and then the contribution of exporting is discussed. The following sections report the empirical analysis of the survey concerning the contribution of foreign language to exporting and the demand for language skills by SMEs. The final section calculates the impact on the economy of greater investment in foreign language resources.

9.1 The SME sector and productivity

The size of the gains to the economy from greater foreign language use by SMEs depends upon the importance of the SME sector as a whole. SMEs supply a high proportion of national output in all European economies and provide an even greater percentage of employment (Fig. 9.1.).

Their labour productivity relative to the national average may be measured by the ratio of output share to employment share. When the ratio is unity, SMEs' productivity is equal to the mean. In all cases in Table 9.1 (Manufacturing SMEs) the ratio is below one that is to say, SMEs are less productive than larger firms. Reducing the productivity gap between SMEs and the rest of the economy has a greater effect the larger the SME sector and the bigger the productivity gap. The size of the productivity gap, together with the size of the sector, can be taken as an indication of gains which may be possible from effective policies directed at SMEs, such as those promoting more effective use of language skills.

SMEs typically lack the resources of larger firms, very often because they have not attained the sales volumes over which to spread the fixed costs of special skills, or because they lack the information network of bigger enterprises.

Figure 9.1. Employment, Output and Relative Labour Productivity in Manufacturing Firms Employing under 250 Persons, Selected Countries

	Employment %	Output %	Relative labour productivity %
Spain	73.4	54.1	73.7
Italy	72.3	61.4	84.9
UK	53.0	37.4	70.6
France	52.7	40.2	76.3
Germany	45.5	31.4	69.0
Sweden	44.5	34.2	76.8

Source: Foreman-Peck et al 2006

In Fig. 9.1. Spain and Italy top the list for the importance of SMEs in providing employment. However Italian SMEs are distinctive in their high relative productivity. The UK and France are comparable with about half of manufacturing employment in SMEs, but relative productivity is lower in the UK.

There may be very substantial regional differences in SME productivity within national economies. For example, the UK all-industry percentage of employment provided by SMEs is similar to that for manufacturing, but the proportion of output is much higher. SMEs in London

and the South East - where the finance boom was prominent - actually contribute more to output than employment, i.e. their productivity is above average.

9.2 Exporting and the relationship productivity

The impact of the use of language skills by SMEs must be on their trade performance, since their reason for undertaking such an investment is to achieve improved access to foreign markets.
Firms engaged in exporting tend to be more productive than those that are not (see for example Greenaway and Kneller 2004, Greenaway and Yu 2004, Girma, Kneller and Pisu 2005). The result is predicted by the principle of comparative advantage; specialization is the basis of the gains from trade. Countries and economies that specialize in what they do better, exporting these goods and services, while importing products which they cannot make so cheaply, will have higher living standards than those that restrict trade. However analysis now more commonly focuses on the sunk costs associated with exporting, such as establishing distribution and service networks in foreign markets, which can be barriers for less productive firms (Helpman, Meltiz and Yeaple, 2004). Exporting, then, identifies those firms with sufficiently good products, or which are productive enough, to overcome the sunk costs. The expansion of these more efficient and effective firms must improve the productivity of the economy as a whole.

More importantly, the higher productivity of exporters may be, in part, *caused* by exporting. Through international buyers and competitors, exporters may learn about new processes, products or management practices. According to the principle that the division of labour is limited by the extent of the market, export markets allow firms to exploit economies of scale, thereby enhancing productivity. Exporters may also face greater competitive pressures in international markets, which could more strongly incentivise efficiency[1].

Are exporters more productive because productivity causes exports, or because exporting boosts their productivity? Most studies find significant evidence of the first effect but evidence for the second is thinner. Both effects are likely to be at work to some extent. Only the second is pertinent for the present study however. Selling more abroad does not necessarily improve economic performance – if for instance there is no difference from the consequences of selling more at home. For example switching more resources into foreign languages for a firm could require a reduction of investment in domestic marketing. In such a case, only if the additional linguistic resources generated more sales than were lost from the diversion away from marketing at home would there be a gain to the firm and to the economy.

How could such an unexploited potential for gain persist in a competitive market? Why should firms not undertake more profitable investment and ignore less profitable ones? One strong possibility is inadequate information. Information can be costly to acquire and the value may be unknown until it is obtained. So the optimum investment in information is hard to establish. Moreover if SMEs are averse to risk, and their often limited resources and reserves must often encourage such an attitude, they are likely to invest less in the acquisition of information of uncertain value (before they have acquired it) than would a risk-neutral organization.

Yet there is a strong case that society as a whole, and public authorities representing society, should be risk-neutral, because they can diversify away project-specific risk, and take the long view of economic affairs. If this premise is accepted, there is, in principle, scope for productive

[1] On the other hand, firms in countries already very open to trade may already be exposed to these competitive pressures and benefits form learning, whether or not they export.

public intervention to offset this underinvestment in information. Language skills are often essential for acquiring information about opportunities in other economies. Consequently inadequate investment in language skills could lose SMEs profitable opportunities.

9.3 Exporting and investment in language skills

Investment in language skills is an instance of the fixed costs of exporting to certain markets. The smaller the country as a linguistic group, the more likely it is to need this investment. On the other hand, small open countries may already be populated by the multilingual - in Europe, Luxemburg appears to be the extreme example. In general, smaller companies might be expected to be less able to afford foreign language skills investment, but for a business in Luxembourg such investment would be less necessary than elsewhere. Individual country needs for the investment will therefore vary and will influence individual businesses.

Not only national endowments of language skills, and openness of the national economy, but also the specific export markets of an economy will influence the required investment. We can illustrate this by comparing Sweden and Bulgaria. Sweden possesses hi-tech export industries of interest to China for instance, where language and culture are the biggest challenge to European exporters. By contrast Bulgaria is more focused on agricultural produce and, as such, likely to be more concerned with markets local to Europe. Consequently cultural and language challenges may be less critical for Bulgarian than for Swedish exporters.

Thus, studies of foreign language use and exporting behaviour, which have generally been restricted to single countries, show considerable variation in their findings, depending on the country under consideration. Among Irish exporters, Clarke (2000) identified what might be interpreted as ‘Anglophone complacency’. 87 percent of the 205 manufacturing firms in the survey believed that English was likely to become the generally accepted language of business throughout the European Union, and only one tenth thought they might be losing out on trading opportunities from a lack of foreign language knowledge. Less than a quarter of respondent companies possessed in-house translation and/or interpretation facilities, and only 28 percent of them provided language training for their staff.

Again, for a US firm, exporting must be in some ways more of a high cost and inessential activity than for a company in a small European country, because the US is already a continental sized market. Subject to this caveat, a study of 102 small (under 500 employees), independent Wisconsin exporting manufacturers (Moini 1995) showed that three categories of export performance and exports as percentage of sales could be best explained by firm characteristics, - size, years of experience, firms’ competitive advantage and management expertise. Management characteristics (including knowledge of foreign language) and expectations were insignificant contributors. Foreign market search was an important factor, in which frequency of visits to foreign markets played a key role.

The experience of a small country, without English as a first language is, not unexpectedly, a contrast with that of the US. A study of 76 Finnish manufacturing SMEs found that the development of exporting in small firms was particularly influenced by the language skills of the entrepreneurs, and that the smaller the firm, the faster was the adoption of the export strategy (Lautanenen 2000). Speed of adoption was the period of time between initial commitment to exporting and reaching 10 percent exports in total sales. If the Finnish entrepreneur knew two foreign languages instead of one (which was close to the average), the probability of adopting the exporting strategy rapidly rose from 0.48 to 0.69, i.e. more than 40 percent.

Competence of an SME in the languages of a large export market is a major influence upon whether the firm exports or not. The South African market dominates the Swaziland economy and therefore managerial proficiencies in English and Afrikaans were an export key for Swaziland manufacturers (Obben and Magagula 2003). For export managers of British SMEs, linguistic ability was a major stimulus for the positive use of export information, although it made little difference to the level of export information gathering, while exercising some influence over decision-making. Experience of living and/or working overseas significantly affected both information gathering and decision-making (Williams and Chaston 2004). In summary, previous studies offer ideas about effects and determinants of foreign language investment by SMEs, or their endowments, in particular countries, but do not provide a view of pertinent factors across the whole of Europe.

Statistical Analysis

Lost contracts

At first sight, the simplest way of assessing the value of deficient language skills is to ask companies about the contracts they have lost for this reason. Supposing complete and accurate responses were obtained, the resulting sum of money would be greater than the economic loss from underinvestment. This is because resources, that otherwise could be used elsewhere, would have been employed in fulfilling the contract. However, the evidence from the ELAN survey is that the majority of companies are unable or unwilling to give values of lost contracts. So answers to this question can only be used qualitatively.

Only 11 percent of the SME sample admit to having lost contracts for as a result of deficiency in language skills. However, we need to bear in mind that firms may not be able to estimate correctly whether they have lost contracts because of language problems. They may over-estimate lost contracts to explain away general shortcomings or they may under-estimate simply because they do not understand why they were unsuccessful. Most importantly, they may well not be aware of the opportunities they have missed. For the purposes of our analysis we suppose that there are firms both under and over- estimating, but there are also many with correct perceptions.

> *'More companies have missed their contracts because they often do not apply for all of the potential contracts [that] they could in the case of better language skills.*
> Slovak influencer

What then explains or is correlated with the loss or otherwise of a contract for reasons of language skills (the model is tabulated in the Appendix as 'lost contracts')?[2] Four factors emerge:

First, some countries are more or less likely to (admit to) lost contracts for this reason (those more likely are Turkey, Romania, Iceland, Those less likely are Poland, Portugal, Slovakia, Latvia, Hungary). The UK, with its native English language and apparent complacency about linguistic skills, is neither better nor worse than average in this respect.

Of course, if a company does not sell much abroad and does not aspire to do so, it will not admit to losing a contract for this reason. We attempt to control for this effect through the second type of

[2] An outstanding question is that, if firms believe they have lost contracts through language deficiencies at least in retrospect, are they now investing to rectify the problem. Or if not, why not?

variable, proportion of sales abroad. The results then suggest that the more that is sold abroad, the less likely are contracts to be lost - presumably because of the accumulation of exporting experience.

Third, employing agents is associated with losing contracts, most likely because they reflect inadequate in-house expertise on the part of the commissioning SME. Employing nationals (acquiring in-house expertise) reduces the chances of losing a contract. Possessing a language strategy and employing translators appears in this stage of the analysis to make no difference.

Finally, it seems that larger companies (measured by turnover) are **not** less likely to lose out (or to believe they have lost out) because they are more able to afford the fixed costs of in-house foreign language expertise (see annex 2 for the tables).

Because a large number of companies did not record a turnover figure, the sample from which the above conclusions are obtained, (which initially included turnover) is smaller than statistically necessary. So the above iterative exercise was repeated, this time excluding turnover, to check whether the results change with the larger sample. In this larger sample, employing translators (reflecting lack of in-house expertise) now increases the likelihood of losing contracts, while employment of foreign nationals is no longer significant. Using an agent is a highly significant influence on increasing the chances of losing a contract and proportion of sales abroad, has the opposite effect.

The 11% of companies claiming to have lost out presumably did so because the fixed costs of in-house foreign and language expertise were too heavy for them. This interpretation is supported by the fact that those firms with a higher proportion of sales abroad were less likely to lose contracts. They could more easily justify the fixed costs.

9.4 Acquiring language skills

If the market is working, then SMEs will acquire language skills when their value to the firm exceeds their cost. This will depend on SMEs' export markets, both current and projected, as well as on the skills of their established staff. The UK, Iceland, Cyprus and Lithuania are less likely to have acquired language skilled staff – perhaps because they do not need to, whereas the Czech Republic, France, Romania, Spain, and Hungary are more likely to have done so (see equation table in annex 2). Possessing a language strategy increases the likelihood of acquiring language skills, as does employing nationals, translators and agents, as well as sales abroad.

Including turnover in the sample allows the variable of acquiring language skills to come through positively and strongly[3]. Firms are more likely to answer 'yes' to the question 'Have you acquired staff with language skills or have you trained staff in specific languages due to export needs?' the larger is their turnover.[4].

[3] However the UK country effect variable needed to be omitted (presumably because of a high correlation with turnover) in order for the parameter estimates to converge.

[4] Each additional unit increase in the log of firm turnover raises by about 26% the odds that a firm has acquired language, controlling for other variables in the model .This is not the same as saying the probability of having 'skills' rises by 26%. The original mean probability of the dependent was 46%, corresponding with an odds of 46/54 = 0.85. The odds of 0.85 multiplied by the odds ratio of 1.26 = a new odds of the dependent variable of 1.07. Let P be the new probability. Then P/(1-P) = 1.07 because the odds are defined as the probability divided by the not-probability (which is 1-P). Solving, P = 0.52. A one unit increase in the log of turnover increases the probability of acquiring language skills to 52%, an increase of 6%[4]. At the sample mean, a unit is an increase of 2.7 times.

As turnover triples, the chance of answering 'yes' increases by a little more than 6 percent. That larger companies are more likely to acquire language skills is consistent with a threshold cost of this investment, already implied by the 'lost contract' results above. So too is the rise in the probability with the proportion of sales abroad.

Lithuania disappears from the significant country effects[5]. Otherwise the results are unchanged.

9.5 Exports and Language Investment

How does the proportion of sales abroad vary by country and by resources invested in languages? All four language investments (a language strategy, employment of nationals, language skills acquisition, and use of translators) help boost sales abroad, but agents do not (nor are they a hindrance) (see annex). Figure 9.2 below shows their individual impacts in raising the share of exports in SME sales. Taking the variable 'acquiring or training staff with language skills' as an example, with a coefficient of 0.7 in the 'proportion of export sales' equation, at the sample mean, the export sales proportion is driven up by 16.6 percentage points by this variable[6]. An SME with all four investments will achieve an export sale proportion 44.5 percentage points higher than an SME with none of these investments

Figure 9.2. Impact on Export Share of Sales of Language Skills Investments at SME Mean

	Mean (proportion of SMEs with or using these)	Export percentage of sales without	Export Percentage of sales with	Percentage points increase in export share of sales due to
Language skills	0.46	31.6	48.2	16.6
Language plan	0.44	46.7	33.2	13.5
Employ nationals	0.21	44.5	37.5	7.0
Use translators	0.42	43.3	35.9	7.4

Bulgaria, Sweden, Luxemburg, and Iceland show positive country effects (see Annex 2). That is they sell more abroad, controlling for skills and other language resources. Italy, France, Spain, Romania, Portugal, Latvia, Greece and Hungary show significant negative effects. These (generally negative) country effects can be even larger than the impact of individual types of foreign language investments.

Individual country effects estimated in the export sales equation can be compared with Eurobarometer scores on the grounds that the likelihood of nationals already possessing foreign language expertise may influence export performance. The Eurobarometer survey of the number of other languages spoken by the population in European countries placed the UK at the bottom and

[5] Although the criterion is that a variable must be significant at the 10 percent level to be maintained in the equation, the level of significance can fall by the final iteration. Some countries must be treated as base cases to avoid the dummy variable trap. Here Estonia and a number of countries for which there are only a small number of observations, such as Denmark and Austria, are treated as base cases.

[6] The calculation is as follows. At the sample mean, proportion of sales abroad, 'pabroad' = 0.44 =P. Mean Ln (P/(100-P))= -.45 = mean 'pab'. Mean 'Skills'=0.46
Mean pab = a+0.7*mean skills= a+ 0.7*0.46=-0.45, where 'a' reflects the means of all other influences. a=-0.772. At this mean value what difference does it make for export/sales for skills =1 rather than =0? When skills=1
P=100*exp(-0.772+0.7)/(1+exp(-0.772+0.7))= 48.2
When skills=0
P=100*exp(-0.772)/(1+exp(-0.772)) = 31.6

Luxembourg at the top with 244 percent as the aggregate of percentages claiming to speak non-mother tongues. Hungary came next to the UK and then Ireland - a matter of more significance for Hungary than for Ireland and the UK, who can deal in a widespread international language.

Portugal, Poland and Turkey all score under 50% on the Eurobarometer scale. Consistent with this score, Portugal has the largest negative country effect in our analysis, followed by Spain (low on Eurobarometer with 54%) and then the UK (Figure 9.3.). Luxemburg also has the second largest positive country effect consistent with Eurobarometer (Iceland is not recorded). Sweden has a high Eurobarometer score (126%) and shows a positive country effect in the first 'sales abroad 'model. The surprise is the Bulgarian country effect when the Eurobarometer records only 51%. One source of divergence between the Eurobarometer and the export model is of course that having a population able to speak a language will not help exports if it is not the language of the target markets for exports.

Figure 9.3. Negative country effects in SME export performance and Eurobarometer language score

Negative country effect in the export model Ranked by size	Eurobarometer score
Portugal	47
Spain	54
UK	34
France	65
Greece	54
Turkey	44
Italy	56
Hungary	36
Romania	61

9.6 Impact on the Economy

Assessing the impact of language skills upon exports is not necessarily or probably the same as assessing the impact of language skills upon the economy. The effect depends upon how many SMEs are assumed to adopt or abandon language investment, upon what proportion of the output of the economy they account for, upon whether the increased exports are partly or wholly additional (or whether they are entirely or partly at the expense of home sales), and upon the spillovers from exporting to productivity.

Table 2 indicates that the ratio of exports to total sales would rise 44.5 percentage points for those SMEs, now without any foreign language investment, that undertook all four types. SMEs account for between 30 and 60 percent of output, depending on the European country. (Table 1), Assuming, for purposes of illustration, an average across the EU of 45 percent of output, and supposing that SMEs accounting for half of this output adopt the four language skill investments, then exports would rise by 0.45*0.5*0.445=0.10 or 10 percent of GDP (about €1.1 trillion for EU(25) in 2005).

It is unlikely that these exports are entirely additional. One interpretation is that the only gains to the economy would in fact come from the productivity spillovers from exporting and it is here assumed conservatively that the export ratio rises because exports increase entirely at the expense

of home sales. How big might these spillovers be? Girma, Greenaway and Kneller (2002) find total factor productivity (TFP) for exporters is 3.7 percent higher than the industry mean in the UK. A 3.7 percent productivity spillover from exporting could imply a very substantial additional impact from these investments in language skills.

This number would be markedly increased if some of the extra exports contributed to a better utilization of resources, rather than simply displaced home sales. It would be reduced if it was judged plausible that a smaller proportion of SMEs could or should undertake foreign language investment. Obviously the size of the spillover is a critical magnitude, and countries such as Spain and Italy with higher proportions of output supplied by SMEs stand to gain more from foreign language investment, other things being equal.

9.7 Conclusion

Foreign language investments have been shown to be prominent determinants of exports by SMEs and the implications of underinvestment and further investment for the economy as a whole have been examined. Although the percentage of GDP at stake may seem small, the absolute value of the resources involved is very large. Exports were important to the sample of SMEs; 40% of the companies exported more than half of their total sales. Moreover an even larger proportion of the sample was planning to expand in export markets. Acquiring staff with language skills, possession of a language strategy, hiring nationals and translators are associated with greater export sales and there is a prima facie case that these are associated with higher productivity. Smaller firms (lower turnover) appear to be at a disadvantage when it comes to acquiring language skills, presumably because of the fixed cost element. Here, therefore, there may be a case for policy intervention.

CHAPTER 10: CONCLUSIONS

Summaries of findings are to be found at relevant points in the text of the report. The overall conclusions from the research are listed below:

- It is possible to construct economic models and measure the impact of language skills on business performance.

- From the results gathered in this survey it is possible to conclude that SMEs having a language strategy and using a mix of native speakers, language-skilled employees and specialist translators will have a significantly higher proportion of export business than those which do not use these language management techniques.

- A significant percentage of SMEs across the EU and the wider Europe are losing export business through lack of language skills and, to a lesser degree, lack of intercultural skills.

- Nearly half of exporting SMEs are planning to expand into new foreign markets in the next three years.

- They forecast an increase in their demand for language skills (both qualitative and quantitative) to service this expansion and will be looking to education and training systems and to labour mobility to provide these skills rather than engaging in training themselves.

- English is important as the world business language, but other languages are used extensively as intermediary languages and businesses are aware of the need for a range of other languages in relationship-building.

- The increased demand for language skills will come from an average of 42% of companies across Europe as a whole. This level of changing demand will not be easily catered for by current national educational provision.

- Smaller SMEs in particular lack the resource to make forward investment in language skills and may therefore be a legitimate and necessary target for intervention measures.

- Investment in the development of language skills across the EU would produce economic benefits, with positive impact on SME productivity and export performance.

- These investments are an essential factor in enabling the EU to compete on the basis of skills and knowledge rather than on the basis of low costs.

> *'Romanian SMEs… in certain sectors of activity do not seem to need much foreign language skills… the main factor that makes them attractive being the low costs of the final goods.*
> Romanian researcher
> Large company, France

CHAPTER 11: RECOMMENDATIONS

General recommendations

1. The findings of this report need wide dissemination in order to engage policy-makers across the range of departments with a stake in the economic impact of better language skills across the European Union. At European level this would involve the Committee of the Regions, the European Economic and Social Committee, and the follow Directorates General: Economic and Financial Affairs, Employment, Enterprise and Industry, Internal Market and Services, Regional Policy, as well as European business organisations. National, local and regional authorities and business organisations should also be engaged in order to develop incentives for improving the use of languages to boost business performance.

2. Questions on language skills should be included in the EC's Community Innovation Survey, in order to track the extent to which improved supply and demand for language skills are contributing to the EU economy.

3. Improve Business-Education links in relation to languages. Identify and disseminate models of successful collaboration between Business and Education especially, but not exclusively, directed towards the promotion of language skills.

4. Examine the potential for adaptation of existing mobility programmes to accommodate periods of work experience ('stages') in other countries for SME employees.

5. Develop and support programmes to raise awareness of the importance of language skills and (as these come on stream) of the availability of support systems (c.f. the UK scheme of Regional and national Language Networks).

6. Focus on Regions as the ultimate delivery agents for support measures in language skills for business and identify the appropriate platform for engagement within and across regions.

7. Improve the articulation between European/national/regional/local language policies and the needs of business.

Recommendations relating to SMEs and businesses

8. Support businesses to become more expert at managing language skills and in applying the four elements of language management which are associated with improved export performance.

9. Businesses should be encouraged, through incentives where appropriate, to:

   a) record, exploit and develop language skills available within their company;

   b) provide training for employees through links with local providers;

   c) provide work experience opportunities for foreign students or employees;

d) become involved in international business-to-business exchanges;

e) make use of the language skills available, including those of migrant workers;

f) support education and training programmes linking languages and enterprise, working with schools, colleges and universities.

They should be made more aware of the 'bottom line benefits' of language skills and the use of their customers' languages, learning from best practice among peers.

Recommendations relating to education and training

10. Strengthen (foreign) language education within education and training at all levels.

11. Improve the match to employer need by:

    a) diversifying the range of languages taught, particularly in tertiary and vocationally-oriented education;

    b) improving the contextualisation of courses and qualifications to the business context;

    c) embedding periods of work experience abroad, with explicit opportunities to use the target language, within courses which combine languages with other subject areas relevant to business;

    d) improving flexibility to meet changing employer needs.

12. Improve the supply of interpreters and translators in less commonly-taught languages such as Chinese, Arabic, Russian (in Western Europe) and Japanese.

13. Make a period of mobility in another European country an expectation for every student in tertiary education. Review existing work placement programmes and barriers to take up.

14. Build on existing language skills by encouraging development of the languages spoken by children of migrant workers alongside the national language of the host country. Examine the potential of European programmes to support this, e.g. by web-based sharing of expertise and resources where a lack of critical mass is a barrier to development of local or national support.

Recommendations for further research

15. These include the following:

    a) The language-related data derived from the EC's Community Innovation Survey should be analysed at intervals, using a model derived from the present study, to capture over time the impact of measures adopted to promote better provision and use of language skills.

    b) Longitudinal tracking of a number of businesses in a specified number of countries and/or sectors should be undertaken to derive reliable case study information and culturally sensitive models of development. Add a control group of non language-using SMEs.

c) More detailed audits of language skill needs should be conducted in specific regions and sectors and these should be related to available provision.

d) Where necessary, augment information from the present survey on future language needs. Relate to skills provision through state and commercial education and training systems. Determine whether pan-EU patterns emerge which require policy development at Commission level.

e) Conduct further research into the employment of native speakers to establish causality and geographical distribution (Is it a feature of improved labour mobility? Does it reflect skills shortages? What are the barriers?).

f) Further research the impact of mobility on economic performance in relation to language skills.

g) Further research into the impact of language skills on other areas of the economy, for example: Tourism, Enterprise, Employability, Inward investment and outsourcing, Public services including European institutions, the Internal Market.

ANNEXES

Annex 1 - Survey Model and Sampling

1. Overview

The ELAN survey was answered by 1,989 small and medium enterprises (SMEs) from 29 European countries. Figure 1 shows the rate of response by country. According to Figure 1, the country with the most responses is Spain with 5.5% (109 responses) and the country with less number of responses was Netherlands with 0.4% (8 responses).

Figure 1. Rate of response per country

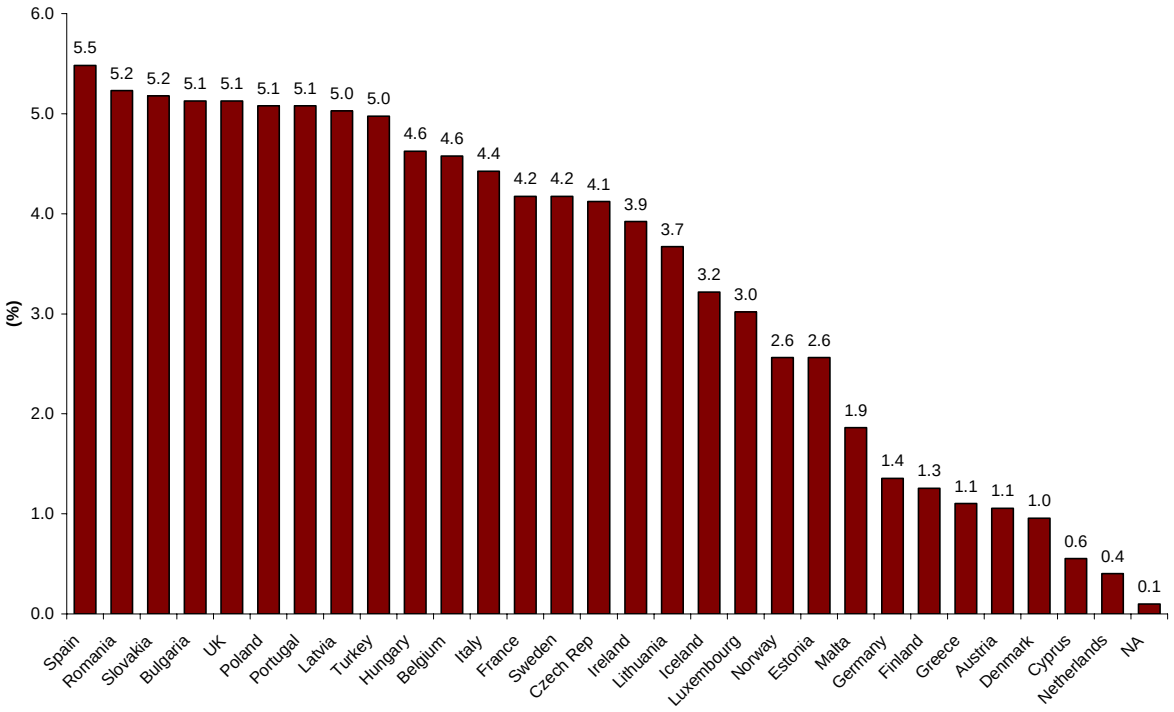


Figure 2 summarises the respondent's characteristics. In aggregate (taking all SMEs as a whole), 25% of the respondents were Export Managers, 21% General Managers, 27% Managing Directors and 26% Secretary/Administrators. Regarding the years of experience in the company, 33% of the respondents have less than 5 years while 13% more than 20 years.

Figure 2. Respondent's title and years in the company

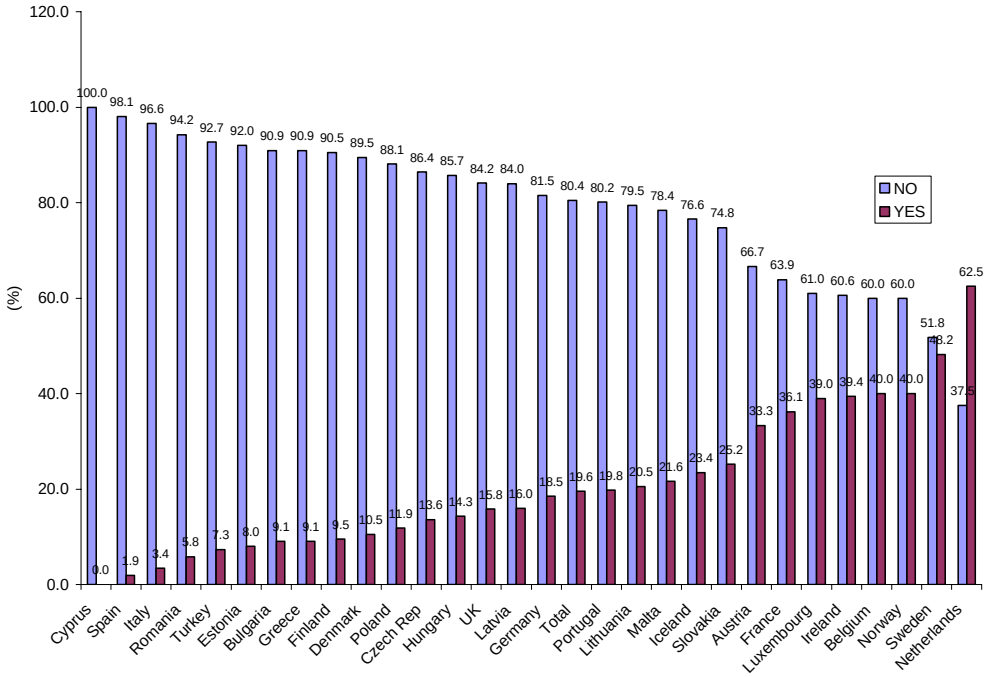
	Less than 5	5 - 10	10 - 15	15 - 20	More than 20	Total	%
Export Manager	188	133	80	34	46	481	25.1
General Manager	122	120	87	36	40	405	21.2
Managing Director	103	121	123	56	120	523	27.3
Secretary/Administrator	227	137	60	31	50	505	26.4
Total	640	511	350	157	256	1,914	100.0
%	33.4	26.7	18.3	8.2	13.4	100.0	

2. Description of the SMEs in Sample

Q: Is your company a subsidiary of another company?

In aggregate 80.4% (1576 firms) reported not being subsidiary of any other company. However, this percentage varies substantially across countries (see Figure 2.1 and Table A.1 in the Annex).

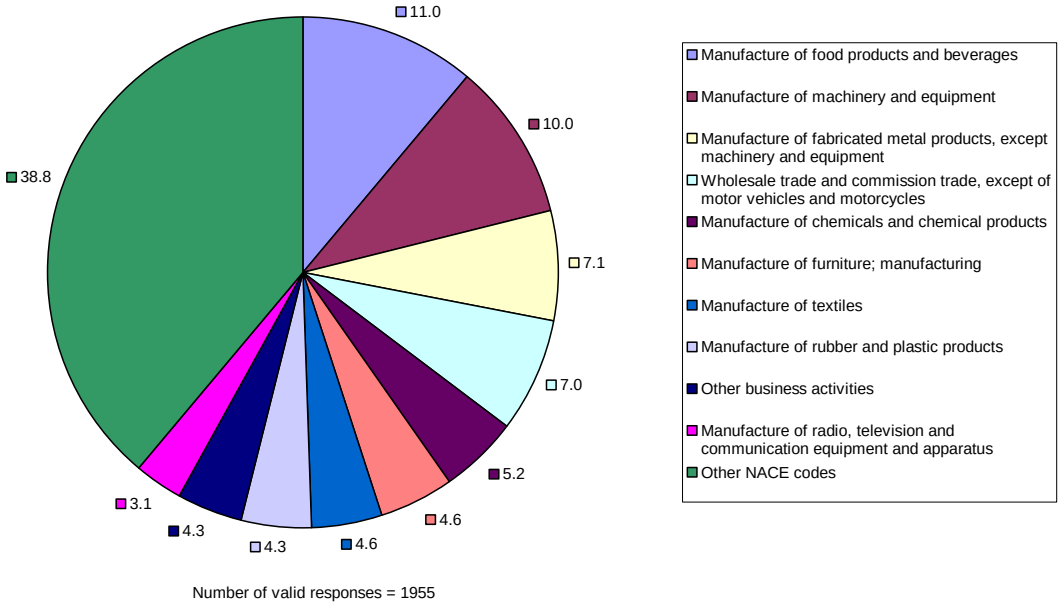
Figure 3. Percentage of SMEs with are or are not subsidiaries (by country)



Q: What is the main product/service (sector) – NACE Code

In aggregate, 61.2% SMEs (1196 firms) are concentrated in 10 NACE activities, such as ‘manufacture o food products’ (11%) and ‘manufacture of machinery and equipment’ (10%). (see Figure 7.2). The residual 38.8% of the firms (759 firms) specializes in a broad range of commercial activities corresponding related to 52 different NACE codes.

Figure 4. 10 top NACE codes



Q: How old is your company?

Regarding to the company's age, 89.6% of the firms (1772) have more than 5 years in the market. This percentage is consistently across countries.

Figure 5. Age of the company

Age Company	%
1	4.3
1 – 2	1.5
2 – 3	2.1
3 – 4	2.5
5 or more	89.6
Valid answers (number of firms)	1978

Q: Number of employees

The number of employees is somewhat evenly distributed across firms. However, across countries, this percentage varies.

Figure 6. Number of employees

Number of employees	%
1 – 10	20.1
11 – 20	13.9
21 – 50	23.4
51-100	18.7
101-250	23.9
Valid answers (number of firms)	1978

Q: Age of the Managing Director

Only 4.7% of firms have a Managing Director in his 20s. 69.9% of the firms have a Managing Director between 40 and 60.

Figure 7. Age of the Managing Director

Age group of the Managing Director (in %)	%
20s	4.7
30s	13.4
40s	32.2
50s	36.6
60s	13.1
Valid answers (number of firms)	1,978

Q: Percentage of your sales abroad of goods or services as a proportion of your total sales

Only 1.7% of the firms indicated to be non-exporters. 57% of the firms exports between 0 and 50 of its total sales.

Figure 8. Percentage of total sales abroad

Total sales abroad	%
Non Exporter	1.7
0 – 10	14.5
11-20	13.6
21-30	10.8
31-40	8.8
41-50	9.1
51-60	6.5
61-70	6.8
71-80	8.6
81-90	6.4
91-100	13.3
Valid answers (number of firms)	1633

Annex 2 - Database Analysis of Key Findings

Lost Contracts

'Has your company ever missed an opportunity of winning an export contract due to lack of foreign language skills?'

The binary logit or logistic equation (with 'backward selection' i.e. testing zero restrictions at the 10 percent level and ejecting with rejection), predicts 88.1 percent of cases correctly but does so mainly by getting right the failure to lose a contract rather than the case of loss.

Classification Table(a)

	Observed		Predicted		
			Lost contract		Percentage
			No	Yes	Correct
Step 18	Lost contract	No	887	1	99.9
		Yes	120	5	4.0
	Overall Percentage				88.1

a The cut value is .500

Model Summary

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
18	665.241(a)	.087	.165

a Estimation terminated at iteration number 6 because parameter estimates changed by less than .001.

Variables in the Lost Contracts Equation

Variable	Coefficient	S.E.	Sig.	Exp(B)
Poland	-1.474	.739	.046	.229
Turkey	1.395	.343	.000	4.035
Romania	.885	.278	.001	2.423
Portugal	-1.595	.735	.030	.203
Slovakia	-1.528	1.026	.136	.217
Latvia	-1.662	1.030	.106	.190
Hungary	-1.211	.610	.047	.298
Iceland	1.292	.432	.003	3.640
National	-.452	.267	.090	.636
Agent	.987	.211	.000	2.683
pabroad	-.010	.003	.003	.990
Constant	-1.877	.212	.000	.153

Lost contracts, larger sample

Classification Table(a)

Observed			Predicted		
			Lost contract		Percentage Correct
			No	Yes	
Step 16	contract	No	1195	4	99.7
		Yes	142	7	4.7
	Overall Percentage				89.2

a The cut value is .500

Model Summary

-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
836.384(a)	.072	.144

a Estimation terminated at iteration number 7 because parameter estimates changed by less than .001.

Variables in the Lost Contract Equation

Variable	Coefficient	S.E.	Sig.	Exp(B)
Poland	-.957	.534	.073	.384
UK	-.740	.484	.126	.477
Turkey	1.357	.337	.000	3.886
Romania	1.072	.279	.000	2.920
Portugal	-.928	.611	.129	.395
Slovakia	-1.833	1.021	.072	.160
Latvia	-1.429	.610	.019	.240
Hungary	-.771	.483	.110	.463
Iceland	1.140	.379	.003	3.126
translator	.505	.193	.009	1.656
agent	.829	.191	.000	2.290
pabroad	-.011	.003	.001	.990
Constant	-2.240	.216	.000	.106

Language skills

'Have you acquired staff with language skills or have you trained staff in specific languages due to export needs?'

Skills, as identified by this question, were not so accurately predicted- 70.2 percent of cases correct when turnover was excluded, but the distribution between with and without categories was less skewed. Hence the equation measures of fit to the data, R square, are higher than in the 'lost contracts' equation.

Classification Table(a)

	Observed		Predicted		
			skills2		Percentage Correct
			.No	Yes	
Step 13	skills2	.No	518	194	72.8
		Yes	204	418	67.2
	Overall Percentage				70.2

a The cut value is .500

Model Summary

-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1534.85(a)	.206	.276

a Estimation terminated at iteration number 5 because parameter estimates changed by less than .001.

Variables in the Skills Equation

Variable	Coefficient	S.E.	Sig.	Exp(B)
Belgium	.767	.398	.054	2.154
Cyprus	-2.143	1.074	.046	.117
Czech	.757	.263	.004	2.131
France	1.274	.406	.002	3.575
UK	-1.185	.328	.000	.306
Romania	1.203	.237	.000	3.329
Spain	.925	.265	.000	2.522
Lithuania	-.607	.305	.047	.545
Hungary	1.199	.259	.000	3.317
Iceland	-1.544	.420	.000	.214
Plan	.590	.129	.000	1.804
National	.941	.154	.000	2.563
Translator	.421	.131	.001	1.523
Agent	.400	.135	.003	1.492
Pabroad	.011	.002	.000	1.012
Constant	-1.633	.159	.000	.195

Classification Table(a)

	Observed		Predicted		
			skills2		Percentage Correct
			No	Yes	
Step 13	skills2	.No	353	146	70.7
		Yes	153	353	69.8
	Overall Percentage				70.2

a The cut value is .500

Model Summary

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
13	1149.35(a)	.215	.287

a Estimation terminated at iteration number 5 because parameter estimates changed by less than .001.

Variables in the Skills Equation

Variables	Coefficient	S.E.	Sig.	Exp(B)
Belgium	.827	.495	.095	2.286
Cyprus	-1.937	1.079	.073	.144
Czech	.882	.283	.002	2.415
France	1.499	.456	.001	4.475
Poland	.647	.321	.044	1.910
Romania	1.523	.253	.000	4.584
Spain	1.339	.318	.000	3.815
Hungary	1.460	.288	.000	4.307
Iceland	-1.321	.476	.006	.267
plan	.607	.147	.000	1.836
national	.946	.181	.000	2.576
translator	.393	.151	.009	1.482
agent	.449	.158	.005	1.566
pabroad	.010	.002	.000	1.010
logturn	.234	.040	.000	1.263
Constant	-5.207	.638	.000	.005

The log turnover coefficient of 0.234 implies an odds ratio of 1.26.

Exports

Transforming the proportion into a log odds ratio, the least squares regression will estimate the relationship.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
12	.393(l)	.155	.143	2.01020

l Predictors: (Constant), Italy, Greece, Bulgaria, Iceland, France, Luxembourg, Turkey, Portugal, Sweden, Spain, skills2, Latvia, national, translator, plan, Hungary, Romania

ANOVA(m)

Model		Sum of Squares	df	Mean Square	F	Sig.
12	Regression	938.260	17	55.192	13.658	.000(l)
	Residual	5123.874	1268	4.041		
	Total	6062.134	1285			

l Predictors: (Constant), Italy, Greece, Bulgaria, Iceland, France, Luxembourg, Turkey, Portugal, Sweden, Spain, skills2, Latvia, national, translator, plan, Hungary, Romania
m Dependent Variable: pab

Coefficients of 'Sales Abroad' (a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
12	(Constant)	-1.001	.117		-8.572	.000
	skills2	.715	.123	.164	5.816	.000
	Bulgaria	.848	.399	.056	2.126	.034
	Sweden	.522	.264	.053	1.980	.048
	Italy	-.632	.296	-.057	-2.137	.033
	France	-.980	.380	-.068	-2.580	.010
	Turkey	-.848	.300	-.075	-2.826	.005
	Spain	-1.399	.247	-.152	-5.667	.000
	Romania	-.557	.222	-.070	-2.503	.012
	Portugal	-1.803	.273	-.183	-6.600	.000
	Luxembourg	1.036	.294	.094	3.522	.000
	Latvia	-.722	.260	-.074	-2.773	.006
	Greece	-.980	.546	-.047	-1.793	.073
	Hungary	-.634	.233	-.075	-2.719	.007
	Iceland	1.656	.336	.131	4.935	.000
	plan	.569	.123	.131	4.637	.000
	national	.295	.141	.057	2.096	.036
	translator	.313	.118	.072	2.645	.008

a Dependent Variable: pab

Including turnover

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
14	.371(n)	.138	.123	2.07777

n Predictors: (Constant), Greece, France, UK, Iceland, Turkey, Luxembourg, Bulgaria, Spain, Italy, national, translator, Portugal, skills2, plan, Hungary, Romania

ANOVA(o)

Model		Sum of Squares	df	Mean Square	F	Sig.
14	Regression	658.082	16	41.130	9.527	.000(n)
	Residual	4127.188	956	4.317		
	Total	4785.269	972			

n Predictors: (Constant), Greece, France, UK, Iceland, Turkey, Luxembourg, Bulgaria, Spain, Italy, national, translator, Portugal, skills2, plan, Hungary, Romania
o Dependent Variable: pab

Coefficients of Sales Abroad (a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
14	(Constant)	-.856	.149		-5.749	.000
	skills2	.615	.145	.139	4.231	.000
	Bulgaria	1.007	.549	.056	1.834	.067
	UK	-1.316	.640	-.063	-2.056	.040
	Italy	-.690	.327	-.065	-2.109	.035
	France	-1.062	.417	-.079	-2.543	.011
	Turkey	-.990	.319	-.096	-3.107	.002
	Spain	-1.320	.293	-.140	-4.498	.000
	Romania	-.503	.236	-.070	-2.133	.033
	Portugal	-1.701	.294	-.189	-5.788	.000
	Luxembourg	1.058	.423	.077	2.503	.012
	Greece	-.998	.567	-.054	-1.759	.079
	Hungary	-.550	.258	-.068	-2.131	.033
	Iceland	1.602	.416	.119	3.850	.000
	Plan	.330	.145	.074	2.279	.023
	National	.350	.166	.066	2.110	.035
	Translator	.363	.141	.082	2.569	.010

a Dependent Variable: pab

ANNEX 3 - Country Comparisons

	Austria	Belgium	Bulgaria	Cyprus	Czech Rep	Denmark	Estonia	Finland	France	Germany	Greece	Hungary	Iceland	Ireland	Italy
In order to deal with customers abroad does your company have a formal language strategy?	52%	55%	67%	64%	50%	68%	49%	64%	40%	63%	68%	68%	13%	1%	55%
Has the language competence of your staff ever influenced your company´s choice of export markets?	15%	13%	18%	9%	20%	5%	6%	22%	13%	7%	14%	24%	6%	5%	7%
Have you acquired staff with specific language skills due to export needs?	58%	62%	44%	9%	62%	26%	41%	48%	61%	59%	10%	72%	17%	22%	28%
Have you ever employed native speakers full time in your company who support your foreign trade?	45%	28%	7%	27%	26%	21%	16%	35%	15%	44%	19%	34%	17%	3%	19%
Have you ever used local agents and/or distributors who speak your own native language in your foreign markets?	79%	31%	39%	18%	41%	21%	16%	36%	66%	56%	24%	24%	25%	9%	32%
Have you ever employed external translators/interpreters for foreign trade?	80%	57%	40%	36%	63%	47%	33%	74%	23%	74%	48%	46%	53%	4%	39%
Do you ever adapt your website for foreign markets?	75%	77%	84%	64%	85%	72%	68%	91%	49%	74%	62%	70%	55%	5%	61%
Is there any possibility that your company ever missed an opportunity of winning an export contract due to lack of foreign language skills?	10%	9%	10%	9%	15%	21%	2%	26%	13%	8%	0%	5%	22%	1%	8%
Does your company have plans to begin trading in any new foreign countries?	29%	42%	80%	60%	69%	47%	35%	17%	37%	22%	91%	57%	48%	14%	39%
Is your decision of investing based on knowledge of the relevant language/culture?	5%	4%	16%	0%	15%	0%	16%	20%	4%	19%	9%	22%	23%	1%	15%

	Austria	Belgium	Bulgaria	Cyprus	Czech Rep	Denmark	Estonia	Finland	France	Germany	Greece	Hungary	Iceland	Ireland	Italy
Has your company ever experienced difficulties with foreign customers due to cultural differences?	29%	28%	15%	9%	20%	16%	6%	30%	15%	15%	23%	22%	39%	4%	6%
Has your company ever missed an opportunity of winning an export contract due to lack of cultural competence in any particular country?	5%	7%	5%	9%	4%	0%	0%	10%	5%	4%	5%	1%	9%	0%	2%
Do you keep a record of staff language skills?	43%	52%	99%	55%	64%	21%	64%	61%	92%	38%	64%	91%	14%	62%	17%
Have you ever offered language training to your staff?	76%	53%	57%	27%	90%	42%	51%	74%	47%	54%	32%	49%	52%	19%	32%
Has your company undertaken foreign language training in the last 3 years?	62%	45%	36%	18%	79%	26%	45%	48%	46%	46%	5%	20%	14%	15%	27%
Do you think your company will need to acquire additional expertise in languages in the next 3 years?	57%	21%	71%	50%	49%	16%	10%	67%	41%	50%	23%	56%	50%	9%	52%
Do you think your company will need to acquire additional expertise in country-cultures in the next 3 years?	29%	11%	50%	18%	38%	16%	6%	25%	19%	25%	5%	11%	53%	0%	31%

	Latvia	Lithuania	Luxembourg	Malta	Netherlands	Norway	Poland	Portugal	Romania	Slovakia	Spain	Sweden	Turkey	UK	Average
In order to deal with customers abroad does your company have a formal language strategy?	49%	21%	48%	38%	50%	31%	50%	93%	65%	36%	44%	27%	47%	3%	48%
Has the language competence of your staff ever influenced your company´s choice of export markets?	27%	26%	0%	3%	0%	10%	8%	25%	30%	13%	25%	6%	17%	4%	13%
Have you acquired staff with specific language skills due to export needs?	51%	25%	52%	11%	13%	38%	39%	48%	67%	32%	56%	42%	45%	15%	40%
Have you ever employed native speakers full time in your company who support your foreign trade?	39%	1%	32%	5%	17%	38%	13%	9%	22%	20%	26%	32%	16%	16%	22%
Have you ever used local agents and/or distributors who speak your own native language in your foreign markets?	51%	15%	23%	5%	38%	12%	39%	26%	23%	16%	33%	46%	18%	29%	31%
Have you ever employed external translators/interpreters for foreign trade?	62%	84%	25%	19%	33%	56%	41%	18%	23%	36%	52%	59%	57%	15%	45%
Do you ever adapt your website for foreign markets?	33%	62%	69%	57%	25%	92%	77%	44%	48%	64%	66%	77%	80%	5%	62%
Is there any possibility that your company ever missed an opportunity of winning an export contract due to lack of foreign language skills?	3%	5%	5%	3%	25%	16%	7%	3%	25%	2%	13%	20%	26%	6%	11%
Does your company have plans to begin trading in any new foreign countries?	14%	50%	23%	47%	43%	33%	63%	52%	68%	31%	75%	47%	79%	11%	46%
Is your decision of investing based on knowledge of the relevant language/culture?	11%	3%	0%	0%	0%	25%	5%	14%	31%	11%	10%	5%	6%	1%	10%

	Latvia	Lithuania	Luxembourg	Malta	Netherlands	Norway	Poland	Portugal	Romania	Slovakia	Spain	Sweden	Turkey	UK	Average
Has your company ever experienced difficulties with foreign customers due to cultural differences?	8%	14%	5%	14%	25%	42%	9%	5%	29%	17%	14%	37%	12%	11%	18%
Has your company ever missed an opportunity of winning an export contract due to lack of cultural competence in any particular country?	1%	1%	2%	3%	0%	4%	0%	2%	2%	5%	5%	12%	2%	1%	4%
Do you keep a record of staff language skills?	69%	58%	63%	47%	13%	88%	48%	82%	81%	53%	43%	43%	60%	62%	57%
Have you ever offered language training to your staff?	39%	32%	53%	11%	63%	58%	42%	55%	50%	84%	56%	70%	24%	16%	49%
Has your company undertaken foreign language training in the last 3 years?	28%	18%	48%	3%	38%	28%	41%	44%	45%	57%	61%	43%	14%	10%	35%
Do you think your company will need to acquire additional expertise in languages in the next 3 years?	59%	44%	25%	25%	17%	44%	52%	44%	88%	34%	63%	43%	69%	4%	42%
Do you think your company will need to acquire additional expertise in countries in the next 3 years?	13%	29%	0%	6%	17%	38%	17%	13%	41%	9%	16%	12%	19%	1%	20%

Annex 4 Companies in the large company survey

1. Accor
2. AGF
3. Air France
4. Alcan
5. BP
6. Canal+
7. CEGELEC
8. CEMEX
9. CL Innovation Santé
10. Colombia Sportswear
11. Daimler Chrysler France
12. Dexia Crédit
13. Faurecia
14. France 2
15. General Electric
16. GlaxoSmithKline
17. Hexcel Fabrics
18. Invivo
19. Kraft Foods France
20. LVMH
21. NATEXIS BP
22. Nestlé France
23. Orange Business Services
24. Pernod Ricard
25. Rhodia
26. Saatchi & Saatchi
27. SNCF
28. TOTAL
29. TPS-Canal+
30. Unilever

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Chapter 2

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