The Review of Language Studies in International Business:
Suggestions and Future Directions for Japan

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Discussion Paper 18-30

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**Abstract**

We conduct a systematic and narrative review of the literature in the area of language studies in international business (IB). Our contributions seek to outline the research of language in IB both in Western countries and in Japan. Moreover, we aim to open up the debate of language studies in IB in Japan as the most important contribution; we offer suggestions for future research in Japan based on prior studies and discuss managerial implications for Japanese corporations. The pertinent literature we use in this paper is based on chronological and categorical turns, by dividing language studies in IB into three stages: infancy, toddler and preschool stages.

**JEL Classification:** M10, M14, M16

**Keywords:** language studies, infancy stage, toddler stage, preschool stage, suggestions for Japan

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**Introduction: The Pivotal and Forgotten Factor in IB**

It has become trite to say globalization is changing the business world in a various way and research in international business has become more interdisciplinary. Although language is considered to be a key element at the heart of international business (IB) activities (Brannen, Piekkari, & Tietze, 2014), language studies in IB have been neglected for several decades (Feely & Harzing, 2002, 2003; Marschan, Welch, & Welch, 1997). Scholars even have portrayed the issue of language in IB as "the forgotten factor" (Marschan et al., 1997).

Starting with SanAntonio (1987), language started to be discussed in IB, especially in Western countries. However, in Japan, language in IB is still in the seminal stage. Indeed, language studies were generally ignored in the field of IB (Harzing & Feely, 2008). It is because of the deterrence from an interdisciplinary study, and the influence of Hofstede's study of cultural research (Hofstede, 1984, 1997 & 2001) and cultural distance (Kogut & Singh, 1988). The most important reason is the absence of the systematic analysis of language problems in this field. In addition to the reasons stated above, it is believed that Japan has its distinctive reasons, such as that Japan is a homogeneous country with a high-context culture, and the average English proficiency level in Japan is relatively low.

The review of cross-culture and language studies within international business research has been conducted by a number of scholars from Western countries (e.g., Brannen et al., 2014; Leung, Bhagat, Buchan, Erez, & Gibson, 2005; Pudelko, Tenzer, & Harzing, 2014; Shenkar, 2004). We can consult the prior review papers to build our argument in international business in Japan, but we believe we need to draw on past research and make a
summary of studies in international business focusing on the future research in Japan.

Hence, this paper contributes to opening up the debate of language studies in international business in Japan. Most importantly, we offer some suggestions for future research in Japan based on past research and characteristics of Japanese corporations. Our review of the aforementioned research is from three stages: infancy, toddler and preschool, in the chronological and categorical turn.

**In the Shadow of Culture**

To date, the measurement of culture has been formulated by a great number of scholars. One of the most influential assessments is the enormous research by Hofstede (1984), who developed four dimensions to measure cultural distance: individualism-collectivism, power distance, uncertainty avoidance, and masculinity-femininity. Pursuant to his research, scholars started to rely on scales developed by Hofstede in cross-cultural management research (Brannen & Salk, 2000). Meanwhile, culture has been studied from the aspects of sociology (Erickson, 1996), cognitive (Phillips, 1994), organizations (Bloor & Dawson, 1994), professional subcultures (Bloor & Dawson, 1994), ethnic prospective (Cox, Lobel, & McLeod, 1991), and education (Halsey, Lauder, Brown, & Stuart Wells, 1997).

In a general view, language represents the core of culture, which has been debated through history (Vaara, Tienari, Piekkari, & Säntti, 2005). However, language was conducted to be a shadow structure that is behind the formal organization chart (Marschan-Piekkari, Welch, & Welch, 1999b). As a consequence, language was discussed under the harborage of culture or under the cloak of communication. For instance, the effect of language has been discussed by Schein (1984), who found that if members cannot communicate with and
understand each other, a group is impossible by definition when defining the concept of organizational culture. Language was also mentioned slightly along with political, cultural and legal institutions which play a crucial role in international business (IB) from the interdisciplinary approach (Dunning, 1989). The development and the use of language, customs, and other similar activities encourage the internalization of shared values and strengthen individual acceptance of the common beliefs and goals of the group in organizational culture (Pratt & Beaulieu, 1992).

The Stage of Infancy

Language started to be considered as an important element in IB at the end of the 20th century. Since language can be both a distortion and a facilitator of inter-unit communication, and a source of power status in multinational corporations (MNCs) (Marschan-Piekkari et al., 1999b), language started to be argued as a single entity, separated from culture, as an important factor in MNCs. Although the issue of language has been examined as the forgotten factor (Marschan et al., 1997), scholars did not show much concern for this subject in IB during its infancy stage. In 2002, the discussion on language in IB was opened up by defining the drivers underpinning the language barrier based on sociolinguistic theories (Feely & Harzing, 2002). Although it drew the attention of many scholars, language studies still were in their infancy.

In order to dissect language issue in depth, problems that language creates and the definition of the language barrier, measurement of language has to be explicit. The language barrier in IB was defined systematically into a definition based on seven measures, which are language internationality, language awareness, language capability, corporate language,
language difference, language diversity and language penetration (Feely & Harzing, 2002). Furthermore, Harzing and Feely (2008) revealed that the language barrier in MNCs is a driver of misunderstandings, group boundaries, and factors reinforcing group boundaries on the basis of foregoing factors.

After language was newly opened up as a brand-new research agenda in IB (Feely & Harzing, 2002), further efforts have been to outline dimensions of the language barrier into language diversity, language penetration and language sophistication (Feely & Harzing, 2003). Based on the argument on the drivers, dimensions and impact of the language barrier (Feely & Harzing, 2002, 2003), how to conduct research on language problems has been a subject of debate (Feely & Harzing, 2002, 2003). The definition of the language barrier, how to solve the language barrier and how to measure the language barrier has been discussed generally in this stage, but there is no single solution that can be considered a panacea (Feely & Harzing, 2003).

The Stage of Toddler

On the basis of the foundational definition of the language barrier, language has been discussed between organization and inter-organization. In this paper, we will take a review of past research situated in MNCs, between headquarters (HQ) and subsidiaries, and in specific categories.

Language within MNCs

Language has great strategic impact on communication within grand and scattered MNCs (Marschan-Piekkari, Welch, & Welch, 1999a), and it is also the fertile environment of propagating the language barrier, which has led to language studies in IB being chiefly
discussed based on MNCs. Based on the level of MNCs, some of the studies featured in-depth assessments of one or two MNCs (Barner-Rasmussen & Björkman, 2007; Marschan-Piekkari et al., 1999b), and some featured on large-scale overviews (Harzing & Pudelko, 2013). Harzing and Pudelko (2013) presented the first extensive analysis of language competencies, policies and practices in MNCs by distinguishing four language clusters. However, in this stage, the effect of language in specific aspects such as knowledge transfer, social capital, autonomy, communication or expatriation in IB has not been discussed by most scholars (Harzing & Pudelko, 2013).

To reduce the negative influence of language diversity, many MNCs have chosen a common corporate language in the condition of communication and documentation (e.g., Jeanjean, Stolowy, Erkens, & Yohn, 2014; Marschan-Piekkari et al., 1999a). English as the common corporate language alleviates some of the horizontal communication problems (Charles & Marschan-Piekkari, 2002). However, the language barrier did not disappear despite that the corporate language was standardized by opting for English (Marschan-Piekkari et al., 1999b). In some situations, people will seek language links and language alliances due to the language barrier (Marschan et al., 1997). Learning corporate language also is a method to decrease the barriers of language between subsidiaries (Marschan et al., 1997).

**Language between HQ and Subsidiaries**

Meanwhile, language was investigated between HQ and its subsidiaries systematically (Harzing, Köster, & Magner, 2011). We consider the language barrier, and the choice of functional languages that will facilitate or interfere with effective communication flow in the
network of MNCs and its global subsidiaries (Bordia & Bordia, 2014; Marschan et al., 1997). Meanwhile, shared language has an impact on subsidiary knowledge inflows (Reiche, Harzing, & Pudelko, 2015). The relation between HQ and subsidiaries influenced by language and the language barrier definitely damages HQ-subsidiary interactions (Harzing & Pudelko, 2014). Harzing and Feely (2008) opened up the argument on the impact of language on the way MNCs manage their subsidiary affairs. Harzing and Pudelko (2013, 2014) have articulated the communication gap based on the level of difficulty presented in different geographic locations between home companies and subsidiary locations. Harzing, Köster and Magner (2011) have demonstrated the language barrier is a significant factor in reducing the efficiency and increasing the expense of decision-making by large-scale analysis of the HQ-subsidiary relationship. Using the method of interview in German and Japanese corporations’ HQ and subsidiaries, proposals of how to solve the problem such as changing communication patterns, code-switching, language training, and establishing a common corporate language have been put forward (Harzing et al., 2011). In-depth language studies in MNCs were also formulated, such as building the link between language impact and equity stake (Cuypers, Ertug, & Hennart, 2015). Language also influences the choice of multinational enterprises’ establishment mode between greenfield and acquisition entry (Slangen, 2011). Furthermore, language studies were also included in inter-subsidiary relationships (Marschan-Piekkari et al., 1999b).

The Stage of Preschool

Language does not only affect attitudes, but also different areas of organizational behavior (Tenzer & Pudelko, 2013). It is argued that foreign language is a prime factor
activating behavior when comparing competitive and cooperative behavior while exploring a prisoner’s dilemma in a quasi-experiment (Akkermans, Harzing, & Van Witteloostuijn, 2010). Based on the foregoing study in the level of organization, the interplay of language and the other factors that occurred within the organization have been assessed. Many scholars shifted their attention to human-centered, psychology-based research rather than economics-based since it is of crucial significance to investigate international business from the perspective of human behavior (Evans, Pucik, & Barsoux, 2002).

Language can be a barrier (Feely & Harzing, 2003), a source of power (Hinds, Neeley, & Cramton, 2013; Marschan-Piekkari et al., 1999b; Śliwa & Johansson, 2014), element affect trust formation (Tenzer, Pudelko, & Harzing, 2013), leadership (Zander et al., 2011), employees’ commitment and emotion (Tenzer & Pudelko, 2013; Yamao & Sekiguchi, 2015), influenced by cognitive load (Volk, Köhler, & Pudelko, 2014). Rather than from the whole perspective of the MNCs, more and more scholars have started to narrow their perspectives into the level of international teams.

Language diversity influences team building (Henderson, 2005). At the team level, how to build a knowledge-sharing culture is argued by global virtual teams (Zakaria, Amelinckx, & Wilemon, 2004). Communication is an impetus element in building a winning virtual team with knowledge-sharing culture (Zakaria et al., 2004). Communication difficulties will also impede the performance of global teams from the perspective of linguistics (Chen, Geluykens, & Choi, 2006), and one of the major barriers to communication in global teams is language diversity (Schweiger, Atamer, & Calori, 2003). Language diversity in teams surpasses the boundary of cultural diversity and has become a challenge for
multinational teams and interactions between members of international teams in MNCs (Zakaria et al., 2004).

Language is connected with thought processes and with social interaction, both of which are hypothesized to influence the communication processes with global teams (Chen et al., 2006). Meantime, language plays a significant role at the individual level (Barner-Rasmussen, Ehrnrooth, Koveshnikov, & Mäkelä, 2014). Individuals may adjust their thought and behavior relying on the language that they are using (Zander et al., 2011). For instance, Bordia and Bordia (2014) have explicated willingness to adopt a foreign language of employees from host countries’ subsidiaries based on an interdisciplinary theoretical model. People who have a strong linguistic identity have an emotional connection. They will be less likely to participate in a foreign language training program or adopt the functional language in the workplace by relinquishing their original language (Bordia & Bordia, 2014).

Language and Power

SanAntonio (1987), who is considered to be the first to investigate language issue in IB, focused on the significance of language as a source of power and advance for Japanese employees with English proficiency in one American company in Japan.

Language skills can empower and disempower subjects via communication, competence, and networks (Vaara et al., 2005). Language is used as an informal origin of power, and it is considered to be a significant influence on power in MNCs (Marschan-Piekkari et al., 1999b). Vaara, Tienari, Piekkari and Säntti (2005) has spotlighted power implications of language policies made in merging multinational corporations and delved into power in a situation where language policies are construed in an emerging multinational
corporation. A common corporate language has three aspects of implications based on the circuits of power framework of Clegg (1989).

With the broadening of the research of power and language, scholars started to focus on more specific and extraordinary aspects, such as unearned status gain, which have positive and negative effects (Neeley & Dumas, 2015). Lack of language grasp will lower the accessible ability and power in the organization. Functional management and administrative process can also be empowered by language-related dependence (Luo & Shenkar, 2006).

**Language and Leadership**

Language has been also linked with leadership. For instance, (Zander, 2005) demonstrated the leadership-related communication. Zander et al. (2011) investigated if cross-cultural difficulties posed by language influence managers in a leadership situation when adopting a common corporate language as a solution.

**Language and Trust**

The debate about trust and relationship in team building in the international teams was opened up by Zakaria, Amelinckx and Wilemon (2004). Language dependence is an element of building trust and relationship in international teams (Henderson, 2005; Henderson & Louhiala-Salminen, 2011; Tenzer et al., 2013; Zakaria et al., 2004). Language diversity can distort and damage relationships and bring about distrust and insecurity (Feely & Harzing, 2003). Barner-Rasmussen and Björkman (2007) formulated the relationship of language and trustworthiness based on an inter-unit shared vision in subsidiaries in MNCs in China and Finland. Tenzer, Pudelko and Harzing (2013) focused on how the language barrier influences trust formation cognitively and emotionally, which also synopsized how to reinforce
perceived trustworthiness in MNCs.

**Language and Commitment**

The interplay between language and commitment was investigated among non-native English-speakers in Japanese corporations under the trend of globalization (Yamao & Sekiguchi, 2015). By focusing on self-perceived English language proficiency and human resource practices, effective and normative commitment was explicated to be affected by self-perceived English-language proficiency and HR practices, which is strategically crucial to the globalization of Japanese corporations (Yamao & Sekiguchi, 2015).

**Language and Emotion Management**

The language barrier can lead to misunderstandings and false perceptions of consent (Tenzer, 2012). Language-induced emotions can corrode collaborative efforts, productivity and performance in MNCs (Tenzer & Pudelko, 2013). The significance of language for shared mental model formation and the impediment of the language barrier on shared mental models has been revealed (Tenzer, 2012). Tenzer and Pudelko (2013) firstly built association of language in IB and emotions in organizations and among leadership.

**Language and Cognitive Approach**

Culture has been studied from a new cognitive lens by Phillips (1994), and cognitive linguistics study has also been a branch of linguistic research. In this stage, scholars started to focus on intrapersonal, cognitive processes that influence employee performance rather than interpersonal effects of the language barrier (Volk et al., 2014). Cognitive distortion was a component in the communication cycle, which was caused by uncertainty, anxiety and mistrust—the result of communication failures (Harzing & Feely, 2008). Trust formation is
also affected by cognitive and emotional reactions (Tenzer et al., 2013). Volk, Köhler and Pudelko (2014) investigated foreign language processing in multilingual organizations from the cognitive neuroscience perspective. As an interdisciplinary area in language studies in IB, cognitive study can be deduced to have great potential in future research.

Except the foregoing illustration, some peculiar elements in organizations have been connected with the language studies, such as Cuypers, Ertug and Hennart (2015), who have built the link between language impact and equity stake by discussing the influence of linguistic distance and lingua franca proficiency on the stake taken by acquirers in cross-border acquisitions, which investigated in depth rather than in a broad way. Another example is that language can also be a necessary tool to improving corporate social responsibility (CSR) (Selmier II, Newenham-Kahindi, & Oh, 2014).
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Language Studies in IB in Japan

Research on language studies in international business has involved linguistic strategies historically and attached interest among scholars (e.g., Feely & Harzing, 2003; Harzing & Feely, 2008; Marschan-Piekkari et al., 1999a, 1999b; Yoshihara, Okabe, & Sawaki, 2001). However, there are still quite a few scholars who have built explicit linguistic strategies for MNCs to implicate. In this paper, we briefly review antecedents and make a link between Japanese corporations for the future implications.

Englishization in Japan

Since Europe and North America are extremely diverse culturally and linguistically, the issue of a common corporate language in post-merger integration becomes particularly pertinent, which gives language fertile ground to develop and integrate (Piekkari, Vaara, Tienari, & Säntti, 2005). Different from Europe, Japan is a homogenous country from location, race, culture, and language.

Speaking of linguistic strategy in Japanese corporations, especially English as the functional language, Yoshihara (1999) can be a typical example. In Yoshihara’s (1999) research, most of the subsidiaries of Japanese MNCs are managed by Japanese people in the Japanese language. Nevertheless, considering the globalizing process of Japanese corporation, it is essential to promote English-language proficiency through HR practices (Yamao & Sekiguchi, 2015). Another famous example is the Englishization at Rakuten Inc., which can be represented as milestone in linguistic management in Japan. However, it also leads to loss of productivity, lack of time to study, and conflicted views among managers, which impedes staff success (Neeley, 2011). Thus, making English the chosen corporate
language in non-Anglo firms is not always the best solution (Charles & Marschan-Piekkari, 2002), and the implantation of standardized communication within the organization is replete with difficulties.

**English Proficiency Level**

One of the barriers hindering Japanese corporations’ globalization is believed to be the relatively low English proficiency level. In fact, Yoshihara, Okabe, and Sawaki (2001) have shown that the Japanese are among countries having the lowest TOEIC score in the world. However, there are for instance more than 2 million non-Japanese people studying Japanese as a foreign language (H. Yoshihara et al., 2001), which is escalating now. This problem will cause one-way communication problems and lead Japanese corporations into disadvantage circumstance.

**Linguistic Strategies**

Language can promote the process of communication, coordination and control. At the same time, it can also be an impediment due to forms of filtration and distortion (Marschan et al., 1997). Therefore, language should be included in the strategy loop of the company (Marschan et al., 1997).

Building on the results of Harzing, Köster and Magner (2011), the solution of choosing a corporate language and language training do not seem adequate in the short term. That is why comprehending the language barrier well and matching the solutions in a varied way may be right for the company context (Feely & Harzing, 2003). A combination of solutions might differ across different types of language interactions. For example, the communication mode is changed by the impact of language, as lack of shared language puts
the preference on written communication instead of oral communication (Harzing & Pudelko, 2014). Expatriates will grease the wheels of communications and knowledge transfer between HQs and subsidiaries (Harzing & Pudelko, 2014). Japanese corporations should adopt an explicit linguistic strategy, such as linguistic adaption based on functional departmentalization, linguistic adaption to local market, bridging individuals (Harzing et al., 2011) and communication mode (Harzing & Pudelko, 2014).

As stated above, in Japan, several companies have adopted English as the lingua franca such as Rakuten, Inc. However, they merely compel the employees to use English in the workplace instead of establishing an explicit linguistic strategy according to concrete circumstances. In addition, the major concern in language studies in international research has been the language barrier and the collision between English and the other languages, in limited scope such as Scandinavian, Japanese and Chinese (Pudelko et al., 2014). Thus, we call for more in-depth study on Japanese and the other languages rather than English. Considering the needs of the economy, Japanese corporations should also adopt the other languages such as Chinese and Korean rather than adhering to English as the corporate language since there is a business relationship with China, Korea and other Asian countries.

**Suggestions for Japanese Scholars**

Referring to this area in Japan, the study of culture in IB has never stagnated. For example, since 1992, theoretical advances and empirical tests have been assembled by Schwartz (1992) in 20 countries including Japan to explore the significance of values in universal contexts. Brannen (2000) has also been discussing the organization of culture in a German-Japanese joint venture. However, although scholars from western countries have
utilized large amounts of data from Japanese corporations (e.g., Andersson, Forsgren, & Holm, 2002; Brannen & Salk, 2000; Harzing et al., 2011; Neeley & Dumas, 2015; Pudelko & Tenzer, 2011), Japanese scholars rarely showed solicitude in this area. Therefore, our paper aims to open up the debate of language studies in IB in Japan, and we formulate our suggestions from the aspect of research method and research content.

**Previous Research Method in Language in IB**

Although quantitative research has occupied dominance in the field of IB, quality research still has much chance and room for future researchers (Pudelko et al., 2014). There are opportunities for qualitative research with the evolution of IB studies (Birkinshaw, Brannen, & Tung, 2011). Other research methods, such as experimental research (e.g., Akkermans et al., 2010; Ayçiçeği & Harris, 2004; Puntoni, De Langhe, & Van Osselaer, 2009), could also provide innovative foreground in language studies in IB. For example, Akkermans, Harzing and Van Witteloostuijn (2010) argued that language will affect cooperative and competitive behavior by using the experimental research method of Prisoner’s Dilemma Game. Hence, we call for Japanese researchers to manipulate mixed methods such as making a combination of quantitative and qualitative research methods (Phakiti, 2015), and we can also opt for an experimental research method, which we believe can bring novel insights in this interdisciplinary area.

**Research Content**

First, although research on the language issue between HQ and subsidiaries has provided a major step forward, there is still much with which we can engage. For instance, it is believed that the language interactions and relationship among different subsidiaries, which
still remains largely absent, has great potential in the future. Building a communication link not only with HQ, but also with the other subsidiaries, can be revealed in the future. Second, reliance on a single language is a strategy that is fatally flawed. The existing literature in language studies in international business in Japan is too scant to form a basis for formulating and testing proposals for Japanese corporations. Scholars in Japan should develop a diversified and concrete linguistic strategy for the Japanese corporation to implant. What is more, scholars can also engage in this area from a relatively interdisciplinary and intrapersonal perspective; for instance, cognitive approach in language studies can also be an alluring prospect. Furthermore, Japanese scholars may also compare language studies in western countries with Japan and elaborate if the language barrier, solutions to the language barrier and linguistic strategies in western countries are also appropriate to Japan. In addition, in order to be on a par with western scholars in this area, Japanese scholars should clarify the distinguishing characters of language issues in Japanese corporations. We suggest Japanese scholars replenish the basic research of language in IB along with various research methods, rather than only imitating past studies established in western countries. Last but not least, scholars in Japan should also build the research link in English. Since language in international business is an interdisciplinary area in which importation and exportation is essential, we suggest that scholars in Japan should contribute more papers in English and build a connection between Japan and other countries’ research communities. This can foster Japanese scholars to use the experiences of other countries for reference.
Conclusion

Although language is one of the most pivotal factors in IB, it is still in the seminal stage in Japan. In this paper, we formulate a narrative and systematic review for the prior research on the standing of Japanese scholars. Japanese researchers should investigate language issues and pull them out of the shadow of culture. However, culture effects should not be ignored. Instead of that, Japanese researchers should make a better clarification of the relationship between culture and language (Pudelko et al., 2014) and implicate it in the specific research environment in Japan. Our contribution seeks to open up the debate of language studies in Japan with a new agenda. We hope Japanese scholars will pay more attention in this area and link the Japanese research community in language and IB with other countries. Meanwhile, we call for conceptual and innovative investigation to contribute to language studies in international business research in Japan. Figuring out how to bolster language systems to meet development needs such as coordination, integration, and expansion (Luo & Shenkar, 2006) is imperative and far-reaching for Japanese scholars. We believe our research can provide an underpinning review and propose an approach for the future operationalization of language studies in IB in Japan.
References


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