

**Hablas vielleicht un peu la mia language?**

**A Comprehensive Overview of the Role of  
Language Differences in Headquarters-  
Subsidiary Communication**

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# HABLAS VIELLEICHT UN PEU LA MIA LANGUAGE?

## A COMPREHENSIVE OVERVIEW OF THE ROLE OF LANGUAGE DIFFERENCES IN HEADQUARTERS- SUBSIDIARY COMMUNICATION

### ABSTRACT

The management of human resources in headquarters (HQ)-subsidiary relationships requires intensive communication, but effective communication often depends on having a shared language. Hence, language differences can be a serious threat to the successful management of human resources in multinational corporations (MNCs). In this large-scale quantitative study, encompassing data from more than 800 subsidiaries in thirteen countries, we investigated four related issues. First, in terms of the *importance of language differences*, we found that HQ-subsubsidiary relationships are clearly affected by language differences and that the latter form a distance category of their own, which should not be subsumed under the related, but separate concept of cultural differences. Second, regarding the consequences of language differences for *communication outcomes*, we found that a lack of a shared language is associated with misunderstanding, conflict and parallel information networks which could harm HQ-subsubsidiary interactions. Third, with regard to the impact of language differences on *communication methods*, we found that a lack of a shared language is associated with a significantly lower level of oral (face-to-face and phone) communication, but not written communication. Fourth, and finally, in terms of a potential *solution* to communication problems caused by language differences, we found that expatriates can facilitate both communication and knowledge transfer between HQ and subsidiaries.

**Key words:** language differences, headquarters-subsubsidiary relationship, multinational corporations, expatriation, communication.

### INTRODUCTION

Effective communication has been identified as a pre-requisite for effective management in MNCs (e.g. Ghoshal, Korine & Szulanski, 1994; Nobel & Birkinshaw, 1998). Yet effective communication relies upon a shared language, a condition that is not easily fulfilled in many MNCs. As the title of Luo & Shenkar's (2006) article "The multinational corporation as a multilingual community" suggests, MNCs are multi-lingual almost by definition. It is therefore rather surprising that until fairly recently language, and more specifically, language differences, have received such scant attention in the International Business (IB) literature and, even less so, in the International Human Resource Management (IHRM) literature, especially when considering the overwhelming attention paid to culture and cultural differences.

Language differences were only put firmly on the agenda after the pioneering work of Marschan-Piekkari, Welch & Welch (1997, 1999a/b), which led to a growing literature on the role of language in MNCs in the first decade of the 21<sup>st</sup> century. However, as illustrated below, this literature has been largely qualitative in nature. Most of these studies were case studies of one or two MNCs and studied only a limited number of countries

and languages. Researchers typically looked at interactions in which a native English-speaking group interacted with non-native speakers (e.g. San Antonio, 1987; Wright, Kumagai, & Bonney, 2001; Harzing & Feely, 2008; Luring, 2008) or studied the overseas subsidiaries of Nordic companies (Andersen & Rasmussen, 2004; Barner-Rasmussen & Björkman, 2005, 2007, Luring, 2008). Even the few studies that included a larger number of MNCs (e.g. Barner-Rasmussen & Aarnio, 2011; Harzing, Köster & Magner, 2011) focused only on specific language pairs, such as German and Japanese, or looked at just one home country language, such as Finnish.

Qualitative research clearly has strong advantages over quantitative research in getting in-depth insights into new and under-researched phenomena. However, we argue that the language theme in MNCs, while practically non-existent before the end of the 1990s, has now reached a certain degree of maturity in exploratory qualitative studies. Consequently, it is time for a consolidation of these initial and frequently case-based findings. We therefore agree with Barner-Rasmussen & Aarnio (2011: 288) who argued that: “[...] *large-scale quantitative studies would at this point provide useful descriptive information that has not been available before, and confer empirical stability upon the diverse claims that are being made.*” Hence, the primary intention of this paper was not to generate theory or to provide an in-depth investigation of a particular phenomenon, but rather to respond to the call for quantitative descriptive research in this field. In doing so, we intended to test the empirical stability of a variety of potentially idiosyncratic results of prior qualitative research which might have been company-, industry- or country-specific. Consequently, our contribution is meant to provide a comprehensive overview of the role of language differences in headquarters-subsidiary communication.

To meet this objective, this paper is based on the largest quantitative data set relating to the impact of language on communication. More specifically, we collected data from more than 800 subsidiaries in thirteen countries representing four broad clusters, which were purposefully selected in terms of varying levels of English language skills: Anglo (Australia, New Zealand, UK), Nordic (Denmark, Finland, Norway, Sweden), Continental European (France, Germany, Spain) and Asian (China, Japan, Korea). The subsidiaries in our sample operate in a range of different industries and their HQs represent well over 25 home countries.

The first specific issue we addressed in our study was that of the relevance of the language barrier in comparison to other barriers. Although the concept of distance as an obstacle for successful market entry or the transfer of HR practices from HQ to subsidiaries has been an important theme in the IB and IHRM literature since the 1980s, the main focus has been on the role of cultural distance. Institutional distance was subsequently put on the map as a further distance measure of similar relevance. However, until recently IB and IHRM researchers have been almost completely silent on language differences in the context of distance measures. Although prior research has identified the existence of language barriers in HQ-subsidiary relationships (see e.g. Harzing, Köster & Magner, 2011), what we do not know is how relevant a barrier created by language differences is *in comparison* to other barriers, such as those created by cultural, institutional, legal and geographical distance. Hence, in order to address this important research gap, our first research question asks *how important language differences are perceived to be as a barrier between HQ and subsidiary managers in comparison to other sources of difference.*

Furthermore, although a significant amount of prior research (e.g., Marschan-Piekkari et al., 1997, 1999a/b; Harzing & Feely, 2008; Harzing et al., 2011) has *assumed* that language differences result in communication problems between HQ and subsidiaries, this was never *confirmed* on a large scale basis. Therefore, in our second research question we focus on the *consequences of language differences for communication outcomes*, and more specifically the extent to which the lack of a shared language leads to misunderstanding, conflict and parallel information networks. In addition, prior research (e.g., Charles & Marschan-Piekkari, 2002; Barner-Rasmussen & Björkman, 2005; Mäkelä, Kalla & Piekkari, 2007; Shachaf, 2008; Harzing et al., 2011) has suggested that the impact of language differences on communication might differ according to communication methods, such as oral or written communication. Our third research question therefore studies *how the lack of*

*a shared language impacts on the use of different communication methods*, such as face-to-face interaction, phone and email contact.

Finally, to focus not only on the *problem* of language differences and the resulting communication problems, but also on its *solutions*, we looked at one potentially promising solution: expatriation. Prior literature (Marschan-Piekkari et al., 1999b; Yoshihara, Okabe & Sawaki, 2001; Feely & Harzing, 2003; Barner-Rasmussen & Björkman, 2005) has already identified the importance of expatriates as bridge persons. However, this literature has focused more on cultural than on language gaps (Marschan-Piekkari et al. (1999b). Consequently, in our fourth and final research question we investigate *a potentially very important way to bridge communication problems resulting from language differences* between headquarters and subsidiaries, namely the use of expatriate managers.

## LITERATURE REVIEW AND HYPOTHESES

### LANGUAGE DIFFERENCES IN COMPARISON TO OTHER SOURCES OF PERCEIVED BARRIERS IN THE HQ-SUBSIDIARY RELATIONSHIP

The role of distance as a barrier to doing business and managing human resources internationally has been a key theme in the IB and, to a lesser extent, in the IHRM literature for decades, starting with Johanson & Vahlne's (1977) seminal publication on psychic distance. However, researchers have traditionally focused mostly on the role of *one* element of psychic distance: *cultural distance* (e.g., Hofstede, 1980; Brouthers & Brouthers, 2001). Tung & Verbeke (2010) argue that this research has been hampered by a series of common (misplaced) assumptions on cultural distance dimensions and measures and, amongst other recommendations, call for research that includes a more differentiated set of distance measures. More recent contributions have highlighted the importance of another distance measure: *institutional distance* (see e.g. Kostova, 1999; Xu & Shenkar, 2002). A further distance measure, *geographic distance*, is typically only included as a control variable, with its use as an independent variable in its own right largely limited to studies on foreign direct investment and international trade (e.g. Dow, 2000; Terpstra & Yu, 1988). *Legal distance* has, to the best of our knowledge, not been studied as a separate barrier in any prior research in IHRM or IB, although it is sometimes subsumed under the regulatory element of institutional distance.

For a long time *language differences* have been ignored or subsumed under cultural distance. More recently, however, they became a consistent theme in the *qualitative* research literature on HQ-subsidiary relationships. For instance, Marschan-Piekkari et al. (1997, 1999a/b) referred to the lack of a common (corporate) language as a significant barrier to communication in the MNC. In an interview study covering seven subsidiaries of German MNCs in Japan and one subsidiary of a Japanese MNC in Germany, Harzing et al. (2011) reported that a language barrier was present in all eight companies, with 42 out of 44 interviews mentioning its importance. However, although these studies have *identified* the importance of language differences as a barrier in the HQ subsidiary relationship, to the best of our knowledge there has been no prior research that has *compared* the importance of language differences with other sources of distance, such as cultural, institutional, geographical and legal differences. In their critical review of cultural distance, Tung & Verbeke (2010) explicitly call for research that does not work from the assumption that all distance concepts are equally important. Hence, our study is the first to provide an empirical assessment of the relative importance of language differences in comparison to other sources of difference between HQs and subsidiaries.

Our study also improves on prior research in the way our distance constructs are measured. Tung & Verbeke (2010) indicated that prior research has generally used *country-level secondary data* to measure distances. This type of data suffers from a range of problems: the assumption of stability over time, the assumption of symmetry, the assumption of within-country homogeneity, and the assumption of independence from firm-specific characteristics. We argue that in order to address these criticisms, a comparison of the importance of

various sources of barriers in the interaction between HQ and subsidiary managers should be based on the judgments of those managers that are confronted with these differences, rather than on the basis of country-level secondary data. Consequently, our study focuses on *managerial perceptions* of the importance of language differences in comparison to various other difference constructs.

Given that there is no prior research that has studied the *relative* importance of various distance measures, our hypothesis is mainly based on the core argument that a shared language is a *conditio-sine-qua-non* for effective communication. Language differences can therefore be expected to be a major source of barriers between HQ and subsidiary managers. Furthermore, language differences form a barrier that every manager working internationally (including our respondents) will have had some personal experience with. By contrast, institutional, legal and geographic barriers are more abstract and therefore less likely to *directly* influence the majority of managers. Hence, we expect language differences to be *perceived* as more important than institutional, legal and geographic differences. However, we expect our respondents to perceive cultural differences as even more important. We argue that this is largely due to the subtlety and ambiguity of cultural differences, which are likely to lead to the assumption that they cannot be overcome as easily as language differences. In contrast, learning a foreign language, in particular the lingua franca of business, English, or the use of translators might be seen as easy and straightforward solutions to overcome language differences (see e.g. Harzing & Feely, 2008).

Hence:

*H1: Overall, language differences are perceived to be a more important barrier between HQ and subsidiary managers than institutional, legal and geographical differences, but a less important barrier between HQ and subsidiary managers than cultural differences.*

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## CONSEQUENCES OF LANGUAGE DIFFERENCES FOR COMMUNICATION OUTCOMES

Previous qualitative research looking into language differences in HQ-subsidary relationship (e.g. Marschan-Piekkari et al., 1997, 1999a/b; Harzing & Feely, 2008; Harzing et al., 2011), has either explicitly or implicitly assumed that language differences will lead to communication problems. So far however, this has not been confirmed in a larger, multi-country and multi-company context. Therefore, we also investigate whether language differences do indeed have specific communication-based consequences, such as misunderstanding, conflict, and parallel information networks. In doing so, we are not disputing the relevance of communication problems stemming from cultural differences, but in this study we chose to focus on language differences.

In terms of misunderstandings, the relationship between language differences and miscommunication is well-established, for example, in the health care (Seijo, Gomez & Freidenberg, 1991) and aviation safety (Tajima, 2004) literature. With regard to language differences and conflict, Neal (1998) identified – based on interviews with foreign parent company managers working in UK subsidiaries – language problems as the major source of frustration, dissatisfaction, and friction between foreign managers and their UK colleagues. Conversely, Luring & Selmer (2012) found that the consistent use of one language (i.e., English) in MNCs led to the more a positive impact on tolerance of differences in multicultural organizations. Prior research has also found that some employees function as “language nodes” as they are the only ones speaking both the corporate language (and/or the HQ language) and the subsidiary language (Marschan et al. 1997, 1999a). This could easily lead to parallel information networks, created when managers contact other managers who speak the same language rather than the person officially in charge. Marschan-Piekkari et al. (1999b) claimed that this might even lead to shadow organisational structures based on language skills. Case study evidence has found parallel information networks to be particularly important in Japanese companies (SanAntonio, 1987; Peltokorpi, 2007).

Although there is thus limited and largely qualitative evidence that has established that language differences can lead to misunderstanding, conflict and parallel information networks among managers, we do not yet

know how widespread these phenomena are and to what extent these phenomena are country-specific. Hence our study investigates the relationship between language differences and specific communication outcomes for a large variety of home and host country combinations.

Rather than using either broad country-level data of language differences or our fairly generic survey measurement of *perceived* language differences, we operationalised the concept of language differences or the lack of a shared language in very concrete terms, relating it to *specific* language skills. Full details are available in the method section. In short, however, we argue that a shared language is present in any of the following three different circumstances: when subsidiary managers can converse easily in the HQ language, when HQ managers can converse easily in the subsidiary language, or when both groups of managers can converse easily in the corporate language. This definition is therefore both broader *and* more specific than the common (corporate) language concept as used in for instance Fredriksson, Barner-Rasmussen & Piekkari (2006). It allows for up to three languages to qualify as a shared language and measures the actual language competencies of HQ and subsidiary managers in these languages.

In terms of specific hypotheses we propose:

*H2a: In subsidiaries in which managers do **not** have a shared language with HQ managers, subsidiary managers are more likely to experience **misunderstandings** related to language differences than in subsidiaries in which managers **do** have a shared language with HQ managers.*

*H2b: In subsidiaries in which managers do **not** have a shared language with HQ managers, subsidiary managers are more likely to experience **conflict** related to language differences than in subsidiaries in which managers **do** have a shared language with HQ managers.*

*H2c: In subsidiaries in which managers do **not** have a shared language with HQ managers, subsidiary managers are more likely to use **parallel information networks** than in subsidiaries in which managers **do** have a shared language with HQ managers.*

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## THE IMPACT OF LANGUAGE DIFFERENCES ON COMMUNICATION METHODS

Although it has been commonly recognised that language differences have an impact on the effectiveness of communication, their effect might well vary for different types of communication methods, such as synchronous oral communication – i.e., face-to-face communication and phone communication – and asynchronous written communication – i.e., email, reports and memos. In a study with 41 global virtual team members in a Fortune 500 organization, Shachaf (2008) found that both cultural and language barriers led to miscommunication, but that the use of email had the potential to reduce miscommunication. Non-native English speakers were able to express themselves better through email than through oral communication. They were able to spend as much time as they needed writing their emails and could use spell-checkers. Written communication also eliminated problems with accents. Moreover, emails generally include more contextual information and tend to be more direct and structured than oral communication, which facilitated comprehension. Likewise, Barner-Rasmussen & Björkman (2005) showed that language fluency in the shared language was positively related to face-to-face and phone communication between HQ and subsidiaries for a sample of 75 Chinese and 89 Finnish subsidiaries, but that it was not significantly related to email communication.

Using a multiple case study approach with three organisations Mäkelä, Kalla & Piekkari (2007) found a shared language to be one of three factors of interpersonal similarity, which in turn led to a higher tendency for face-to-face interaction. According to Harzing et al. (2011) Japanese managers preferred email over phone conversations as it accommodated language differences better. Finally, Charles & Marschan-Piekkari (2002) found that oral communication presented an additional challenge over written communication because of the

differences in accents. There is thus some indication that language differences do indeed influence the preference for different communication methods. However, prior studies were largely qualitative and based on a small set of organisations and countries. Hence our study will test these assumptions on a much larger scale.

More particularly, based on the literature cited above we argue that the synchronous nature of face-to-face and phone communication is associated with less time for reflection and an inability to consult external sources of help such as translation services or colleagues. Moreover, differences in intonation and accent might aggravate any lack of understanding of the language as such. Phone communication is particularly fraught in this respect, as over the phone these difficulties cannot be counter-acted by non-verbal communication, such as gestures, drawings, or even a reassuring smile. We therefore expect a lack of a shared language to have a stronger negative impact on synchronous oral communication between HQs and subsidiaries than on asynchronous written communication. In terms of specific hypotheses we therefore propose:

*H3a: In subsidiaries in which managers do **not** have a shared language with HQ managers, local managers are less likely to engage in **face-to-face communication** with HQ managers than in subsidiaries in which managers **do** have a shared language with HQ managers.*

*H3b: In subsidiaries in which managers do **not** have a shared language with HQ managers, local managers are less likely to communicate by **phone** with HQ managers than in subsidiaries in which managers **do** have a shared language with HQ managers.*

*H3c: The difference between subsidiaries in which local managers either have or do not have a shared language with HQ managers will be less pronounced with regard to the managers' use of **written communication modes**, such as email, memos & reports.*

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#### BRIDGING LANGUAGE DIFFERENCES THROUGH EXPATRIATION

Although language differences can clearly create a barrier in the communication between HQs and subsidiaries, there are several ways to at least partially overcome this communication barrier. Harzing et al. (2011) identified three main categories: day-to-day solutions, structural organisational solutions and the use of bridge individuals. The first category includes measures such as building in redundancy in communication and adjusting the communication mode (as already partially discussed above). The second category includes measures such as the use of a corporate language, translators and language training. As the use of a corporate language has been already covered in some detail in other papers (see e.g. Marschan-Piekkari et al. 1999a; Harzing & Pudelko, 2011) and translators and language training have been shown to have limited effectiveness (Harzing et al. 2011), we do not discuss these solutions in this article. More interesting in our context is the third category that Harzing et al. (2011) called bridge individuals, i.e. individuals with language skills that allow them to bridge the different language groups.

Expatriates have been identified as a very important group of bridge individuals in the earlier literature (Marschan-Piekkari et al., 1999b; Yoshihara, Okabe & Sawaki, 2001; Feely & Harzing, 2003; Barner-Rasmussen & Björkman, 2005). However, as Marschan-Piekkari et al. (1999b) indicated, the role of expatriates as intermediaries has usually focused on cultural rather than language aspects. Yet, the bridging role of expatriates in terms of language differences might be equally important. Although cultural differences might hamper successful communication between HQs and subsidiaries, language differences might render communication and, as a consequence, knowledge transfer completely *impossible*. Expatriates can bridge communication channels between HQs and subsidiaries, in particular if HQ managers are not very proficient in the lingua franca of business, i.e. English, or are less willing to use it, for example due to the (perceived) importance of their own language. In that case English-speaking expatriates can serve as intermediaries, even if they do not speak the local language. They would communicate with local subsidiary managers in the bridging language, i.e. English, and communicate back to HQ in the HQ language. Harzing et al. (2011) provide some

evidence of the use of expatriates in this role in Japanese subsidiaries of German MNCs, but this phenomenon is yet to be studied on a larger scale.

Expatriates perform a range of different functions, which are generally summarised as: organization development, management development (training) and knowledge transfer (see Edstrom & Galbraith, 1977). Harzing (2001) differentiated the organization development category into three, more specific functions: formal direct control (the “bear” function), socialization (the “bumble-bee” function) and informal communication (the “spider” function). Of these five functions, language differences can be expected to play the largest role in the (informal) communication function and the knowledge transfer function as both require full mutual understanding between the expatriate manager and his subsidiary counterparts. Although mutual understanding would *facilitate* the other functions of expatriation as well, it is less essential for them. As a result we would therefore expect that a lack of a shared language between HQ and subsidiaries would lead to a more extensive use of expatriates to improve communication channels and knowledge transfer between HQ and subsidiaries. In contrast, we expect a less prominent impact on the other functions of expatriation. In formal terms:

*H4a: In subsidiaries in which managers do **not** have a shared language with HQ managers, expatriates are more likely to be used to **improve communication** between HQ and subsidiaries than in subsidiaries in which managers **do** have a shared language with HQ managers.*

*H4b: In subsidiaries in which managers do **not** have a shared language with HQ, expatriates are more likely to be used to **facilitate knowledge transfer** between HQ and subsidiaries than in subsidiaries in which managers **do** have a shared language with HQ managers.*

*H4c: The difference between subsidiaries in which managers either have or do not have a shared language with HQ managers will be less pronounced with regard for the other roles of expatriation (**direct control, socialization and training**).*

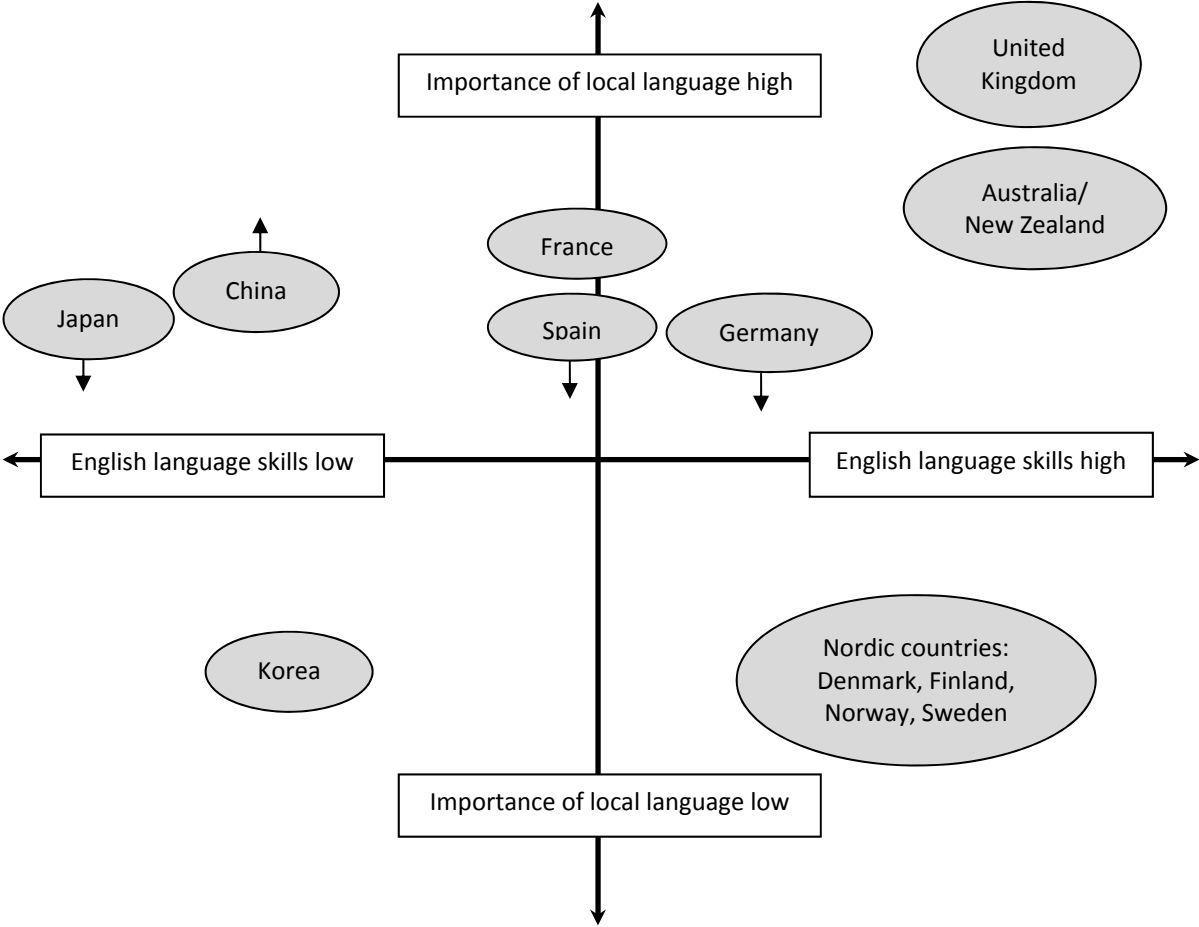
## METHODS

### SAMPLE AND DATA COLLECTION

Our unit of analysis is the HQ-subsidiary relationship and our data were collected at subsidiary level, i.e. in the foreign subsidiaries of MNCs located in various host countries. The host countries in our sample were embedded in very different language contexts on two dimensions: their English-language competence and the world-wide importance of their local language. Two host countries/regions (UK, Australia/New Zealand) with native language skills in the world-wide lingua franca, English, were included. We also incorporated four Nordic countries (Sweden, Norway, Denmark and Finland) in our sample. The Nordic countries are characterised by excellent English language skills, but the use of their local languages is extremely limited outside the home region. Data were further collected in three continental European countries: Germany, France and Spain. In these countries, English language skills are reasonably good and their local languages (used to) play an important role on a world scale. Finally, our sample included three Asian countries: China, Japan and Korea. The three Asian countries share a relatively low level of English-language skills. However, the Korean language is far less important on a world scale than the Chinese and Japanese language. Figure 1 shows graphically how our host countries can be classified on these two dimensions. Arrows indicate a development over time. For instance the Chinese language is expected to become more important and the Japanese language less important, reflecting the increasing dominance of China in world trade and foreign direct investment.



Figure 1: English language skills and importance of the local language in business



We used both online and paper questionnaires to collect our data over a nearly two-year period (August 2008-April 2010). In most countries, one of the researchers mailed the questionnaires locally through collaboration with local universities. However, for France and the Nordic countries questionnaires were mailed from the UK. An initial mailing and one reminder were used to increase response rates. Unfortunately, in the UK we could only send reminders to a third of the companies due to budget limitations. Originally, we planned to collect all data online, but we soon realised that not all respondents were comfortable with this. An alternative of a paper version was therefore offered in most countries. Since different data collection methods might influence the results, the mean scores for all variables in each country were compared between the online and paper version. The UK, Australia/New Zealand, Germany and Spain showed small differences on a few variables. However, these differences were most likely caused because one of the versions had an over- or under-representation of culturally and linguistically closer HQ countries. Hence it does not appear that the method of data collection did in itself significantly influence our results.

In our empirical study, we only investigated majority owned subsidiaries with more than 100 employees in a pre-selected set of industries, specifically excluding small and minority owned subsidiaries. Addresses of subsidiaries meeting these criteria were purchased from D&B (formerly Dun & Bradstreet) for all countries. We mailed questionnaires to the head of human resources for a variety of reasons. First, HR managers were expected to be most knowledgeable about the topics in our study. Second, as managing directors are the usual target of surveys to MNC subsidiaries, we tried to overcome survey fatigue by directing the survey to a functional manager. Finally, HR is one of the most localised functions and our results showed that 95% of the HR managers were host country nationals, a higher percentage than any of the other functional areas. This is an important advantage for a study on language differences, as it limits the potential bias of having a mix of

host country and expatriate respondents. Our HR managers acted as key informants by answering on behalf of their company, rather than reflecting on their own experience. Although there are obvious limitations to this approach, it is the only feasible method of data collection in a large number of companies. It is also commonly used in studies of HQ-subsidary relationships and company-level international business research in general.

After correcting for undeliverables, we received 817 questionnaires across our thirteen host countries, resulting in an overall response rate of 13.83%. Even fifteen years ago response rates for international mail surveys varied between 6 and 16% (Harzing, 1997), so this response rate is not unusual for multi-country studies. However, response rates varied by country, from a low of 4.0% for China to a high of 47.6% for Korea. The higher response rate in Korea most likely reflects the fact that this was the only country in which we approached companies by telephone through a local agency in order to entice them to participate in the survey. The low response rate in China might be caused by the fact that we did not send out paper questionnaires here. We were also affected by a government policy not to allow access to foreign websites with Chinese page titles. Hence, we received no further responses in the initial mailing in China after our website was blocked. Because we already expected a low response rate in China, we mailed out a very large number questionnaires in this country. So in terms of absolute numbers, we still achieved a satisfactory response. The UK and France also had relatively low response rates. In the UK, a lack of a full reminder and the timing of data collection (the height of the initial Global Financial Crisis) might explain low response rates. France usually shows one of the lowest responses rates in multi-country studies (see Harzing, 1997). Sending questionnaires from another country might also have negatively influenced French response rates, although we included a recommendation letter from one of France's most prestigious business schools.

*Table 1: Distribution of sample across host country, industry and home country*

Host country	Number of respondents	Home country	Number of respondents
Australia/New Zealand	92	(< 10 resp. omitted)	
China	91	Austria	14
France	70	Belgium	14
Germany	125	Denmark	14
Japan	80	France	67
Korea	118	Finland	19
Nordic countries	71	Germany	107
Spain	82	Italy	18
United Kingdom	88	Japan	89
Industry	Number of respondents	Netherlands	35
Banking & Insurance	20	Norway	11
Business Services	78	Singapore	13
Chemicals	129	Sweden	28
Food & Beverages	55	Switzerland	42
Industrial Machinery	130	United Kingdom	56
Measuring & analysing instruments	30	United States	222
Motor vehicles & parts	138	Other	68
Paper & allied products	33		
Pharmaceuticals	73		
Rubber & Plastics	60		
Other	71		
Total	817	Total	817

In order to assess non-response bias, we performed two sets of analyses. First, the size and age of the responding subsidiaries were compared with those that did not respond. No significant differences were found

for either subsidiary size (581.25 vs. 586.15 employees,  $p = .96$ ) or the year of establishment (1982.53 vs. 1984.42,  $p = .123$ ). In a second analysis, we compared responses on all variables from respondents to the first mailing with respondents to the reminder. The rationale behind this is that late respondents are seen to be more representative of non-respondents than early respondents (Armstrong & Overton, 1977). No systematic significant differences were found on any of the variables. The two analyses therefore suggest that non-response bias is not a problem in our study. Substantial sample sizes and a good spread of industries were achieved in each of the nine countries/regions included in our study. The final sample by host and home country and by industry is shown in Table 1.

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## MEASURES

The extent to which language and other distance measures were perceived as a barrier was measured by asking our respondents to answer the following question on a 7 point scale (scale anchors “not at all” to “very much”): *“To what extent do you think there is a barrier between managers of this subsidiary and managers at the HQ that you report to, because of ...”*. The question was followed by the following items: language differences, cultural differences, legal differences, institutional differences and geographical distance. For these and the other perceptual questions we used 7-point scales as they have been shown to perform better than 5-point scales in terms of attenuating response style effects (Harzing et al. 2009). We purposefully decided not to provide definitions of each of the difference concepts, as we felt this would unnecessarily constrain the respondent’s interpretation. Moreover, although in the mind of our respondents “cultural distance” might be related to “language differences” and “institutional distance” to “legal distance”, we expected the juxtaposition of the five concepts in one set of questions to be sufficient for them to understand that we were interested in their relative assessment.

A more “objective” measure of the language barrier between HQ and the subsidiary in question was created by investigating the respective language skills of HQ and subsidiary managers through the concept of a *shared* language. In order to do so, we recoded the answers provided for the four questions related to language skills of HQ and subsidiary managers in the corporate language and the counterpart’s language to come up with one overall assessment of the extent of the language barrier. If the skills of both HQ and subsidiary managers in the corporate language were assessed as 5 or more on a 7-point scale, we expected no barrier to be present as they could communicate relatively easily in the shared corporate language. Similarly, if the language skills of HQ/subsidiary managers in the subsidiary/HQ country language were assessed as 5 or more on a 7-point scale, we expected no barrier to be present, as they could communicate relatively easily in either the shared HQ or the shared subsidiary language. Subsequently, we combined these measures by creating two combinations in which HQ and subsidiary managers either *did* or *did not* have a shared language in which they both had good language capabilities. We compared the two groups created according to the “objective” language skills in HQ and subsidiaries on the basis of their responses to the *perceived* language barrier question. The two groups differed very significantly in terms of their perceived language barrier (2.93 vs. 4.43,  $t = 12.182$ ,  $p = 0.000$ ), thus providing convergent validity.

The consequences of language differences were measured by asking respondents to express their extent of agreement (or disagreement) with three statements. The first two asked whether language-based communication difficulties between subsidiary and HQ managers often lead to misunderstandings or conflicts. The impact of language on the informal structure of organisations through parallel information networks was assessed by asking respondents for their level of agreement with the following statement: *“Subsidiary managers will often contact managers at HQ who speak the same language rather than managers who have formal responsibility for the issue at hand”*.

In terms of communication methods, the frequency of face-to-face contact was assessed with the following question: *“Please indicate the frequency with which managers in this subsidiary have face-to-face interactions*

*with HQ managers through...*”, followed by three items: business trips to HQ, participation in committees and task forces, and participation in meetings and conferences. These were deemed to be the three most important occasions in which HQ managers and subsidiary managers could be expected to interact face-to-face. Scale anchors were “never or hardly ever” (1), “every three months” (4) and “weekly or more” (7). The frequency in using other communication methods was assessed with the question: “*Please indicate the frequency with which managers in this subsidiary communicate with HQ managers through...*”, followed by three items: phone, email, formal memos/reports. Scale anchors were “never or hardly ever” (1), “every two week” (4) and “daily” (7).

With regard to the functions of expatriation, we asked the respondents to assess, on a scale of 1 to 7, how important a range of purposes of expatriation that we derived from prior literature were in their subsidiary. We included: expatriation to improve communication to/from HQ, expatriation for knowledge transfer to/from HQ, expatriation for training for future positions (management development), expatriation to ensure subsidiary operations are in accordance with HQ policies (direct control), and expatriation to ensure a homogeneous corporate culture throughout the MNC (socialization).

In terms of statistical analyses, our approach followed the objective indicated in the sub-title of this paper, i.e. the provision of a comprehensive overview rather than an in-depth analysis of a specific issue.

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## TRANSLATION

The use of English-language questionnaires has been shown to obscure national differences through a reduction of variance (Harzing et al. 2005). Questionnaires were therefore translated into the local language for most countries. The Nordic countries were the only exception; relatively small sample sizes meant that translation into an additional four languages (Finnish, Swedish, Danish and Norwegian) was not cost effective. Furthermore, we expected our respondents in these countries to be fluent enough in English to provide reliable responses. The survey instrument was translated into Chinese, Japanese, Korean, German, French and Spanish by bilingual research assistants under the supervision of the project coordinator.

The translated questionnaire was subsequently discussed in a focus group consisting of both the translator and two or three other bilingual students, following a 2-step process. In the first step, the translated questionnaire was reviewed one item at a time and focus group members were asked to indicate whether the text sounded “natural” to them. Only in the second step were they asked to review the original English sentence for equivalence with the native version. Even if only one of the students felt the items didn’t sound right or were not fully equivalent, the translator initiated discussion between the participants to find a better translation. The project coordinator remained available during this process to provide feedback on the meaning behind the questions. For the European languages, the process approximately 3-4 hours, for the Asian languages three sessions of 2-3 hours each were necessary. We considered this process of open discussion of the questionnaires with the translation team as more suitable than the frequently employed translation-back-translation method. Subtle nuances required the investigators to be present and explain those nuances to the translation team which then had the opportunity to jointly come up with the best way to express these nuances.

## RESULTS

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### LANGUAGE DIFFERENCES IN COMPARISON TO OTHER SOURCES OF PERCEIVED BARRIERS IN THE HQ-SUBSIDIARY RELATIONSHIP

We first assessed the extent to which the five distance concepts were related. If correlations between the five distance concepts were very strong, this would have invalidated our aim of comparing the relevance of the different dimensions of distance. The correlation matrix in Table 2 shows that although the five distance

measures are all significantly correlated, the correlation coefficients are by no means high, on average around 0.431. Although – as could be expected – language and cultural differences are strongly correlated at 0.524, cultural differences are in fact more strongly correlated with both institutional and legal differences. The highest correlation is between legal and institutional difference, probably reflecting the fact that some respondents see legal difference as part of institutional difference. Hence, although all five concepts might contribute to a general perception of barriers between HQ and subsidiaries, there is clearly much value in studying them independently.

Table 2: Correlations between different distance measures\*

Variable	Language differences	Cultural differences	Legal differences	Institutional differences	Geographical distance
Language differences	1	.524	.337	.353	.220
Cultural differences	.524	1	.551	.568	.300
Legal differences	.337	.551	1	.677	.353
Institutional differences	.353	.568	.677	1	.430
Geographical distance	.220	.300	.353	.430	1

\* All correlations are significant at  $p = 0.000$

The question “To what extent do you think there is a barrier between managers of this subsidiary and managers at the HQ that you report to, because of ...” was included to measure the perceived relative importance of the five distance concepts. Here we found that language differences were seen as less problematic by our respondents than differences in all other areas. More specifically, on a scale of 1-7, cultural differences were seen as most problematic (4.19), followed by legal (4.14), institutional (3.89) and geographical (3.81) differences, with language differences (3.40) trailing the other differences (see Table 3). As can be seen in Table 3, our respondents perceived language differences as significantly less important than all other differences, with t-values of 6.443,  $p = 0.000$  for geographical distance to 13.340,  $p = 0.000$  for cultural difference. Although we expected cultural differences to be perceived as more important than language differences, we did not expect legal, institutional and geographic difference to be seen as more important barriers as well. Therefore, Hypothesis 1 is largely rejected.

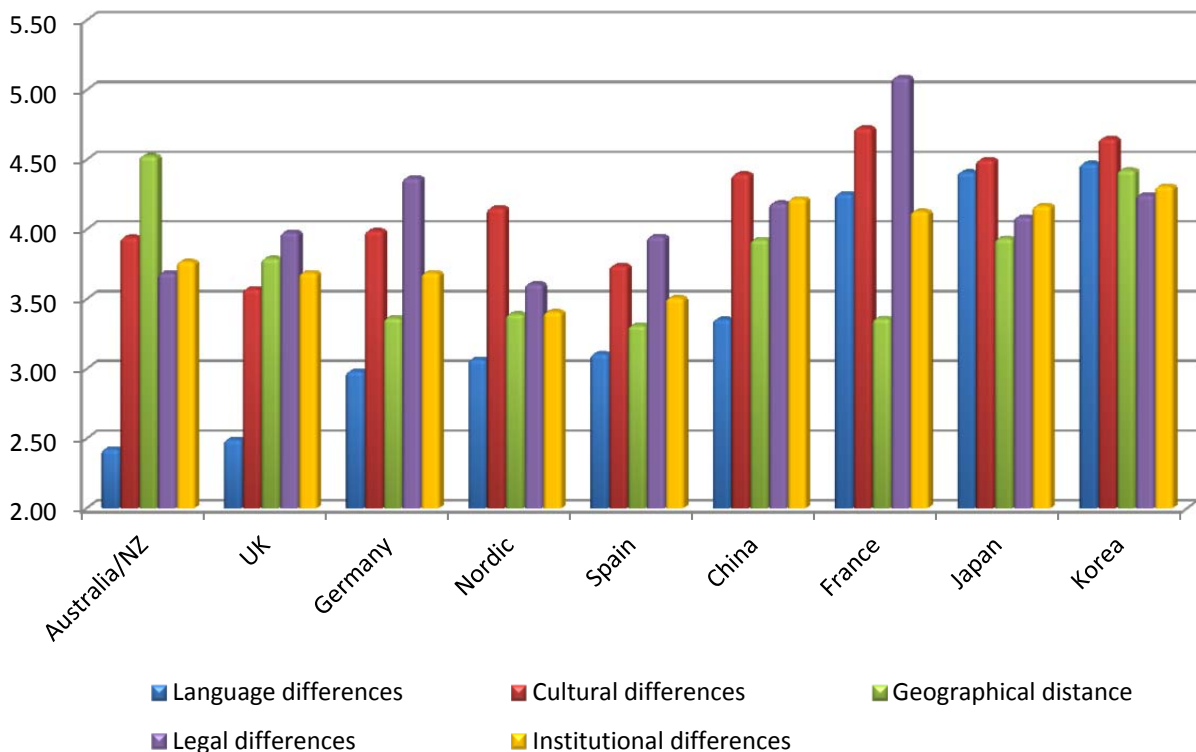
However, the lack of a perceived language barrier is significantly influenced by countries that share the same native language (e.g. UK/USA and Germany/Austria). To provide an additional sensitivity analysis of our previous findings, we singled out these groups and compare the perceived barriers for the group *with* and *without* the same language. In doing so, we found a rather different picture, which is also shown in Table 3. For subsidiaries in which the same language is spoken as at HQ, there is quite naturally virtually no language barrier. In contrast, language differences are seen as a significantly more important barrier in subsidiaries in which a language different from that at HQ is spoken. In these subsidiaries the role of language as a barrier is also closer to the other barriers than in the overall sample.

Table 3: Perceived barriers in subsidiaries with and without the same language as HQ

Perceived barrier because of:	Sign. of difference between overall sample mean of language differences and other differences	Overall sample	Same language n = 92	Different language n = 716	Sign. of difference between same & different language
Language difference	n/a	3.40	1.58	3.63	t(806)=11.344 p = 0.000
Cultural difference	t(809)=13.340 p=0.000	4.19	3.72	4.24	t(808)=2.793 p = 0.005
Legal differences	t(793)=12.613 p=0.000	4.14	3.79	4.18	t(792)=2.141 p = 0.033
Institutional differences	t(788)=8.473 p=0.000	3.89	3.65	3.93	t(787)=1.525 p = 0.128
Geographical distance	t(798)=6.443 p=0.000	3.81	4.18	3.76	t(797)=2.068 p = 0.039

As expected, cultural differences between the subsidiary and HQ country are seen to present the largest barrier in the sample as a whole. However, as Figure 2 illustrates, this hides large differences between host countries. In subsidiaries based in Japan and Korea, language differences are seen to be nearly as important as cultural differences and equally important as, or more important than any of the other difference measures. In Australia, geographical distance trumps any of the other distance measures. In Germany, France, Spain and the UK, legal difference is seen as the most important barrier. Ultimately, only in China and the Nordic countries are cultural differences unambiguously seen to create the most important barrier. This illustrates again how – qualitative or quantitative – studies conducted in a single country provide a rather incomplete picture and why we need more comprehensive studies in a variety of countries such as our study.

Figure 2: Perceived language, cultural, geographical, legal and institutional differences for nine host countries



Not surprisingly the lowest perceived language barriers are to be found in the subsidiaries of native English speaking countries (UK and Australia/New Zealand), with the Nordic and Continental European (Germany, Spain, France) countries following closely. The Asian countries show higher levels of perceived language barriers reflecting the higher levels of difference between the Asian languages and English as the international lingua franca. In terms of individual countries, French subsidiaries show higher levels of perceived language barriers than Chinese subsidiaries and are very similar to Korean and Japanese subsidiaries. This might reflect France's stronger resistance to English as an international language.

## CONSEQUENCES OF LANGUAGE DIFFERENCES FOR COMMUNICATION OUTCOMES

After establishing the relative importance of language differences, we now look at their impact on communication outcomes. We hypothesised that not having a shared language between HQ and subsidiary managers would lead to higher levels of miscommunication, conflict and use of parallel information networks. As Table 4 shows, our data confirm this assumption. Language problems appear to be significantly lower when HQ and subsidiary managers have a shared language. These analyses confirm our Hypotheses 2a-c.

Table 4: Impact of a shared language on communication outcomes

Communication outcome	Shared language	No shared language	Significance of difference
Miscommunication	3.41	4.05	t(789) = 5.082 p = 0.000
Conflict	2.75	3.25	t(789) = 4.318 p = 0.000
Parallel information networks	3.32	3.89	t(775) = 4.059 p = 0.000

As before, there are host country differences with regard to the frequency of these problems. However, in this case subsidiaries in Anglo, Nordic, and Continental European countries do not differ from each other, although for miscommunication and conflict they all differ significantly from the Asian countries. So, although subsidiaries in Nordic and Continental European countries perceive a higher language barrier than Anglo countries, this does not necessarily translate into misunderstandings, conflict or the use of parallel information networks.

Table 5: ANOVA analysis of differences between host country clusters in terms of communication outcomes\*

Host country cluster	Miscommunication	Conflict	Parallel information networks
Asian	3.99 <sup>a</sup>	3.30 <sup>a</sup>	3.81 <sup>a</sup>
Continental European	3.49 <sup>b</sup>	2.71 <sup>b</sup>	3.27 <sup>a</sup>
Nordic	3.35 <sup>b</sup>	2.52 <sup>b</sup>	3.41 <sup>a</sup>
Anglo	3.32 <sup>b</sup>	2.80 <sup>b</sup>	3.40 <sup>a</sup>

\*Means with the same superscript are not significantly different from each other, using a Tukey B post hoc test

## THE IMPACT OF LANGUAGE DIFFERENCES ON COMMUNICATION METHODS

Our third research question related to the impact that a language barrier between HQ and subsidiaries might have on the type of communication methods preferred. Based on prior research (e.g., Barner-Rasmussen & Björkman, 2005; Shachaf, 2008; Harzing et al., 2011), we expected the language barrier to have the biggest

impact on (synchronous) oral communication, with a lesser impact on (asynchronous) email communication and communication through memos & reports.

As we can see from Table 6, this is indeed the case. Confirming Hypothesis 3a, our results show that in subsidiaries in which managers share a language with HQ managers, they are more likely to have face-to-face interaction with their HQ colleagues through participation in meetings and conferences, in committees and task forces and through business trips to HQ. Confirming Hypothesis 3b, communication through phone is also significantly more likely to occur if HQ and subsidiary managers have at least one shared language. In fact, this variable shows the largest level of difference between subsidiaries that share a language with HQ and those that do not. Confirming Hypothesis 3c, difference between both groups regarding communication through email or memos & reports are less pronounced and not statistically significant.

*Table 6: Impact of a shared language on communication methods*

<b>Face-to-face communication through: Scale anchors: 1 [never or hardly ever], 4 [every three months], 7 [weekly or more]</b>	<b>Shared language</b>	<b>No shared language</b>	<b>Significance of difference</b>
<b>Participation in meetings &amp; conferences</b>	4.44	4.01	t(765) = 3.241 p = 0.001
<b>Participation in committees &amp; task forces</b>	3.80	3.47	t(767) = 2.648 p = 0.008
<b>Business trips to HQ</b>	3.71	3.41	t(771) = 2.650 p = 0.008
<b>Different communication modes: Scale anchors: 1 [never or hardly ever], 4 [every two weeks], 7 [daily]</b>	<b>Shared language</b>	<b>No shared language</b>	<b>Significance of difference</b>
<b>Communication through phone</b>	5.69	5.23	t(774) = 4.026 p = 0.000
<b>Communication through email</b>	6.42	6.28	t(775) = 1.748 p = 0.081
<b>Communication through memos &amp; reports</b>	4.65	4.54	t(771) = 0.860 p = 0.390

Of course face-to-face communication methods are also likely to be significantly influenced by geographical distance; it is much easier and less costly to meet face-to-face when HQ and subsidiaries are located closer together. We therefore reran the analyses controlling for geographic distance, both with our measure of perceived geographic distance and with a measure of objective geographical distance. Although the impact of a shared language declined slightly when controlling for geographical distance, all face-to-face communication methods continued to be significantly higher when a shared language was present.

#### BRIDGING LANGUAGE DIFFERENCES THROUGH EXPATRIATES

Expatriates were hypothesised to be important bridge individuals who create communication channels between HQs and subsidiaries and facilitate knowledge transfer. Confirming Hypotheses 4a and 4b, we find that not having a shared language between HQs and subsidiaries is associated with a higher level of use of expatriates for communication and knowledge transfer functions (see Table 7). As expected in Hypothesis 4c, there is no such significant association for the other functions of expatriation.



Table 7: Impact of a shared language on the roles of expatriates

Function of expatriation	Shared language	No shared language	Significance of difference
Improving communication to/from HQ	4.70	5.06	t(580) = 2.297 p = 0.040
Knowledge transfer to/from HQ	5.10	5.39	t(582) = 2.127 p = 0.034
Ensuring subsidiary operations are in accordance with HQ policies	4.64	4.77	t(579) = 0.867 p = 0.386
Ensuring a homogeneous corporate culture throughout the MNC	4.51	4.47	t(578) = -.230 p = 0.818
Training for future positions	4.75	4.95	t(582) = 1.380 p = 0.168

## DISCUSSION

### IMPLICATIONS OF OUR FINDINGS

Whereas prior research has already highlighted the relevance of language in MNCs, this study has been the first comprehensive investigation of the relevance of language differences in HQ-subsiary communication. Our data revealed that HQ-subsiary communication is clearly affected by language differences. This finding alone might not come entirely as a surprise if we look at prior, mostly case-based, qualitative research that has been done since the late 1990s. However, given the comprehensiveness of this study, encompassing data from more than 800 subsidiaries across thirteen countries, we were able to provide, for the first time, large-scale and more generalisable evidence about the importance of language differences in HQ-subsiary communication. Furthermore, we were able to show that language differences constitute a distance category of their own and should therefore not be subsumed under the related, but separate concept of cultural differences as has traditionally been done (Lopez-Duarte & Vidal-Suarez, 2010). This conceptually relevant finding should be instrumental in firmly establishing language distance on the research agenda when investigating country differences and their implications on management.

Although we were able to show the importance of language differences, we were nevertheless to some extent surprised that our respondents did not perceive language differences as a more significant barrier than institutional, legal and geographic differences. After all, as we have argued, communication and mutual understanding are essential for effective management, and language is essential for communication and mutual understanding. Yet, answers varied considerably by country. Language barriers tend to be felt most acutely in Asian countries and are seen as least important in Anglophone countries, with Continental European and Nordic countries falling in between. More specifically, in Asian countries, such as Japan and Korea, language barriers are perceived to be almost as important as cultural barriers and more important than legal, institutional and geographical barriers. The fact that, within Europe, language barriers are perceived to be particularly strong in France might also reveal a specific trait of the French value system, as the acceptance of the English language as the lingua franca in business tends to be low in this country. These differences remind us once again how incomplete the picture is that single country studies are able to provide. In terms of practical implications, we notice that Asian countries in particular suffer from a competitive disadvantage, due to the high language barriers they are confronted with. Reducing these barriers is an agenda that is relevant for companies operating in and from Asia, but also for Asian societies at large.

Based on our findings we can assume that many managers still underestimate the importance of language differences, perceiving them as “easier” to overcome than cultural, institutional, legal or geographical distance.

Language is generally regarded as more “learnable” than culture for instance and bridging a language gap through the use of English as the lingua franca or using translators and interpreters (see Feely & Harzing, 2003; Harzing et al., 2011) might be seen as an easy solution. Consequently, managers might see more options to bridge language differences than is the case for the other differences. Those might be regarded as either too complex (culture) or beyond the control of management (institutional, legal and geographical distance). Highlighting the relevance of language differences to HR and line managers might be an important practical implication of our study. In conceptual terms, our findings illustrate how important it is to not only rely on “objective” distance measures, but also consider subjective perceptions about which differences actually create barriers in the HQ subsidiary relationship.

Our data provided not only information about the *degree* to which language differences are seen as important in comparison to other kinds of differences, but also how this translates into concrete communication problems. We showed that a lack of a shared language is associated with higher levels of misunderstanding, conflict and parallel information networks, all of which might harm the interaction between HQ and subsidiary managers. This confirms previous, mostly case based, literature (e.g. Neal, 1998; Marschan et al. 1997, 1999a,b; SanAntonio, 1987; Peltokorpi, 2007), though on a much wider scale. Subsidiary managers in Asian countries in particular need to be aware of the increased risk of misunderstanding, conflict and parallel information networks. Nordic and Continental European countries do not experience a higher degree of misunderstanding, conflict and parallel information networks when compared to Anglo countries, even though the former are confronted with a higher language barrier than the latter. Europeans might well have learned to live with the language differences that are characterising their continent, through the high level of interactions between different countries within Europe. Consequently, this ability to communicate effectively despite language differences might be regarded as a particular strength and, hence, competitive advantage of European countries.

Furthermore, our results indicated that language capabilities in a shared language are associated with a higher use of both face-to-face and phone communication between HQ and subsidiary managers, but not written communication. This again confirms previous studies (Barner-Rasmussen & Björkman, 2005; Harzing et al. 2011), but on a much larger scale. As oral communication methods are particularly important for the transfer of tacit knowledge, management training in how to communicate more effectively orally in a foreign language might be particularly important. This might be even more relevant for telephone communication than for face-to-face communication. In telephone conversations, dialogue partners are confronted with all the disadvantages of oral synchronous communication, without any of the advantages, such as visual cues, that face-to-face communication provides. In fact, Hwang (2012) found that phone communication was largely avoided in communication between English and Korean engineers because of the risk of miscommunication.

In terms of country differences, we believe that our findings highlight a particular problem for Asian countries. On the one hand, Asian subsidiary managers are confronted with the highest language barriers, reducing their ability and willingness to engage in face-to-face communication through participation in meetings and conferences, committees and task forces and business trips to HQ. On the other hand, Asians in particular rely heavily on intense face-to-face contacts in their own societies. Consequently, being restricted in their own, familiar ways of communication, and at the same time not being fully accustomed to other communication mechanisms (i.e. the reliance on the written word) puts them in a disadvantageous position. This might lead to problematic consequences, such as the likelihood of Asians getting ignored in decision-making, delayed promotions of Asians, difficulties in developing a shared vision and trustworthiness (Barner-Rasmussen & Björkman, 2007) and lower levels of knowledge transfer (Buckley et al., 2005; Mäkelä, Kalla & Piekkari, 2007; Welch & Welch, 2008). HR and line managers need to be well aware of these issues and work hard to counteract them.

Finally, the fact that not having a shared language between HQ and subsidiary managers is associated with more extensive use of expatriates for both communication and the knowledge transfer, confirmed that expatriates serve as bridge individuals, improving communication and facilitating knowledge transfer between HQ and subsidiaries. The importance of these two functions of expatriation was rendered particularly evident by

the fact that language did not have a significant effect on the other functions of expatriation. Our study thus showed that expatriates can play an important bridging role, not only as cultural, but also as linguistic intermediaries, a finding that could be of considerable relevance to the expatriation literature. In terms of practical implications, our findings provide strong support for the importance of language abilities of expatriates, ideally in the host country language or at least in another shared language such as English. The consequences for HR managers in terms of selection and training of expatriates are obvious.

Our findings on the linguistic role of expatriates are of particular relevance for HQ countries in which English not widely spoken or in which their own languages (still) play an important role, i.e. in Asia and, to a lesser extent, in Continental Europe. Asian top management needs to be aware that in order to achieve a balance between global integration and local responsiveness, the over-reliance on expatriates might stand in the way of the latter. Although this problem has been frequently mentioned in the context of Japanese MNCs (e.g., Bartlett & Ghoshal, 1989) the role that expatriates might play in bridging language differences in Japanese MNCs has not been sufficiently considered so far.

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## LIMITATIONS AND SUGGESTIONS FOR FUTURE RESEARCH

Although we consider the comprehensiveness of our data set, covering 800 subsidiaries across thirteen countries, as a particular strength of this paper, a quantitative research design also has its limitations. First, we only received one response from each company, so we cannot guarantee that we have captured a full and accurate representation of the reality within each company. However, this is unavoidable for a study of this nature, emphasizing generalisability by covering many countries and industries. Although we consciously chose the heads of HR departments as key informants for our study, future research might benefit from a slightly different research design. Instead of covering many countries and industries, such studies could obtain detailed information from a larger variety of respondents, representing different hierarchical layers and functions. The fact that our results showed strong variation by country should enable theoretical sampling of the most relevant nations. Furthermore, whereas our study was limited to subsidiary respondents, complementary information from HQ managers would provide a more complete picture of the phenomena under study.

Whereas our paper demonstrated the importance of expatriates as bridge individuals who can overcome language barriers, future research could explore how HR and line managers of MNCs deal with this particular challenge in terms of selection and training, both *before* and *during* the expatriation phase. In addition, similar issues could be studied for inpatriates and local subsidiary employees. Furthermore, MNCs are not only confronted with language barriers in the context of (bi-national) interactions between HQ and subsidiary managers, but also increasingly in the context of multinational teams, both in their virtual and co-located variants. These teams are often more short-term in duration and have more lateral working relations, both amongst team members and even between team members and the team leader. This creates particular challenges for HR managers with regard to the management of language differences, which could form the basis of future research. In addition, our study revealed a strong variation between countries on many of the topics under investigation. On this basis, future studies could focus on the linguistic challenges of particular countries and regions. In our study we have frequently highlighted the special case of Asian countries, both as home and as host country. The linguistic challenges of countries such as China, Japan or Korea might offer a particularly fruitful context for further research. Consequently, we hope that our comprehensive review has opened up several avenues for future research in the area of language differences for both IB and IHRM scholars.

## CONCLUSION

To conclude, although the role of distance as a barrier for MNCs has been a major topic in the IB and to some extent in the IHRM literature for more than three decades, the focus has been mostly on the role of cultural

distance (Tung & Verbeke, 2010). The purpose of this study was to put a new distance measure on the map, that of language, and to demonstrate that this concept should be regarded as independent from cultural distance. We have shown the relevance of language differences and discussed the importance of distinguishing “objective” and perceptual measures. Furthermore, we have established that a lack of a shared language is associated with communication problems such as misunderstanding, conflict and parallel information networks. In addition, we revealed that a lack of a shared language reduces oral, i.e. face-to-face and phone, communication, but not so much written communication such as email, memos & reports. Finally, we were able to confirm that expatriates can serve to bridge language differences, a role that so far has not been sufficiently considered. Since it took managers some time to understand that culture matters in business, we are hopeful that they will become more aware of the relevance of language issues as well. Our findings indicate that language clearly matters in the management of human resources in MNCs in a variety of ways. If language matters for management, it needs to be managed itself, in order to overcome communication and related problems or even to seek competitive advantage.

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