

MULTILINGUAL MULTINATIONALS

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A particular challenge that most multinational firms face is the need to operate in countries where different languages are spoken. Employees of such firms generally speak different languages with varying degrees of fluency. When communicating with each other---particularly across subsidiaries or between subsidiaries and headquarters---these employees face decisions about which languages to use in what circumstances. As a consequence both of the abilities of employees and of the communication choices that they make, communication among headquarters and different subsidiaries will be of varying reliability, affecting the operational effectiveness of the firm. Scholars in the management and international business literatures have documented the fact that language differences among employees affect the day-to-day operations of multinational firms, sometimes in highly detrimental ways. But our current understanding of such problems is largely conceptual and relatively atheoretical, built up from specific case studies.

The current paper provides a theory of how organisations choose when and where to use the multiple languages that may be available to them. We consider a firm comprising a headquarters and multiple subsidiaries, all potentially operating in different languages. The various units of the firm (including the headquarters) receive private information that they desire to communicate to other units, and have access to different communication channels that potentially make use of different languages. Specifically, there is a public communication channel in the designated corporate language: communication in this channel is nonrival and so goes to all subsidiaries. There is also a private communication channel that operates solely between pairs of units, in whichever language is most efficient for their communication. Once information has been---incompletely---communicated, business units take actions, based on the information available to them, with the goal of both adapting to private information and coordinating across the entire organisation. We explore how behaviours and outcomes are affected by language capabilities and by the choice of corporate language.