

## REPORT ON LANGUAGE MANAGEMENT STRATEGIES AND BEST PRACTICE IN EUROPEAN SMES: THE PIMLICO PROJECT

### EXECUTIVE SUMMARY AND RECOMMENDATIONS

The Directorate-General for Education and Culture is launching an information initiative in 2011 designed to promote the greater use of language management strategies (LMSs) by European small and medium-sized enterprises. This report is the result of the PIMLICO Project, which is the first phase of the initiative and stands for *Promoting, Implementing, Mapping Language and Intercultural Communication Strategies*. The PIMLICO Report focuses on identifying and describing models of best practice in 40 European SMEs, which have been selected for their significant trade growth thanks to formulating and employing *language management strategies*. The report also provides a review of a range of language support organisations and networks in the 27 EU countries operating at various levels: supranational, national, regional and local. In Phase 2 there will be a website and guides which will offer detailed information on where companies can access further information, and ideas and advice on how to develop language management strategies and create new techniques in order to increase their international trade prospects for growth in foreign markets where they face language barriers.

### PREVIOUS FINDINGS

The survey of SMEs in the ELAN Study (2006), discussed in Chapter 2, found that a significant amount of business was being lost in Europe as a result of a lack of language skills. Across the sample of 1964 businesses, 11% of respondents (195 SMEs) had lost a contract as a result of a lack of language skills. The survey identified situations where companies were aware of the business lost or potentially lost due to language and/or cultural barriers, but the real figure is likely to be under-reported. Four characteristics of companies were associated with higher performance in international trade: namely, the employment of native speakers; recruiting employees with existing language skills; using professional interpreters and translators; and having a language management plan (or strategy) in place. SMEs investing in these four elements achieved export sales 44.5% higher than those not making any of these investments. The ELAN findings were used as a basis for identifying and developing models of exemplar companies as case studies in PIMLICO.

### PROJECT PHASES

The project is organised in two major phases:

- **Phase 1: The PIMLICO project survey** – whose objectives have been to collect information on good practices and language strategies used by SMEs and support structures; and to find facts that can support the information campaign in the second phase of the project.
- **Phase 2: The information Campaign** – with the strategic objective of making SMEs more aware of the possibilities and advantages that language skills can open up for them in global markets, and to increase the volume of SMEs making strategic use of language management strategies.

## MAIN FINDINGS

The findings from the case studies demonstrate that successful companies use various forms of language management strategies (LMSs) to address the diverse communication interfaces of their international activity.

The LMS, sometimes abbreviated as 'language strategy', is defined as '*the planned adoption of a range of techniques to facilitate effective communication with clients and suppliers abroad*' (ELAN, 2006). A language management strategy usually comprises a package of pre-emptive measures which facilitate a company's entry or expansion in a new cross-border market where there are linguistic and/or cultural barriers.

The LMS can include any combination of the following measures:

- use of local agents to solve language problems;
- creation of websites with special cultural and/or linguistic adaptations;
- use of linguistic audits;
- use of professional translators/interpreters;
- translation of promotional, sales and/or technical materials;
- language training and cultural briefing schemes;
- online language learning; employee selection and recruitment policy;
- staff mobility;
- 'buddying' with foreign colleagues and cross-border secondment schemes;
- forging links with local universities;
- taking on foreign students on placement;
- native-speaker recruitment;
- e-commerce involving multilingual operations; and;
- product or packaging adaptation in line with local tastes and customs.

All the case studies have been able to place a value on, or measure the impact of, their language management strategy.

- The 40 selected companies' profile demonstrates significant advantages: 43% reported to have increased their turnover by more than 25% by introducing a strategy with new languages. An additional 30% put the increase in terms of trade at 16-25% of turnover.
- For 73% or nearly three in four companies, sales turnover has increased by a minimum of 16%.
- In several cases, a specific increase in sales is attributed to one or more of three particular measures, e.g. *multilingual website adaptation, recruitment of native speakers or use of local agents to solve language problems*. These three are also the three most cited features of a language management strategy where a concrete figure of the percentage increase in foreign sales has been given.

## COMMON CHARACTERISTICS OF SUCCESSFUL COMPANIES

The 40 PIMLICO case studies tend to share a pattern of common characteristics in their language management:

- *Functional capability across a range of languages*



Most of the companies have fluency, characterized by the ability to negotiate in at least three foreign languages, one of which is invariably English. There is a common recognition, however, that a competitive edge comes from their multilingual and multicultural capability.

- *High-level competence in english*

A high level of competence in English is taken for granted in making company appointments and employees are expected to maintain high-level skills in English.

- *Ability to operate globally and adapt to differing linguistic demands*

Different languages are used for different markets or in parallel. Third languages are used for trading in various markets where companies don't have the existing linguistic capability, e.g. German in Hungary.

- *Use of local agents for solving linguistic and cultural issues*

Companies experience a clear correlation between using local agents for solving language problems and their trade volume.

- *Pervasive internationalisation underpinned by HR strategy*

The companies follow practical steps in using their linguistically able staff and in developing their people to be internationally, culturally and linguistically competent, e.g. they:

- Keep careful records of their staff's language ability and put it to good use;
- Employ *native speakers*;
- Undertake *linguistic and cultural training*;
- Develop *deeper intercultural understanding*;
- Use *professional translators and interpreters*;
- Adapt their websites to other cultures;
- Work in partnership with local universities to hire short and long-term language support, including foreign students on placement.

Out of the 40 cases, ten 'super-SME' case studies were chosen due to their exceptional performance in international trade thanks to their language management strategies. They are chosen against the following criteria:

- Their unique and innovative combination or range of diverse language measures embedded within their language management strategy;
- The cultural and/or linguistic complexity or sophistication of the markets in which they successfully trade;
- The volume and sustainability of their trade in foreign markets, notably in markets beyond Europe;
- The quality and support for multilingualism as a policy in the company.

In all but one particular case, the 'super-SMEs' enjoy significant success in terms of export sales relative to total sales, which can be directly attributed to the existence of their language management strategy. Super-SMEs generally export at least 60% of their goods or services abroad and, in some cases this rises to 90%.

## MAIN FINDINGS IN THE PROVISION OF SUPPORT

There are many different levels of business support available to help companies improve their international trade, which include chambers of industry and commerce, as well as education and government organisations in different Member States. The discrete level of help for languages is, however, variable between states and between different intermediary organisations.

- All 27 European Member States either have a ministry of trade, or economics, or an equivalent body which oversees a country's organisations of trade.
- The national trade body may be a national chamber of commerce which offers national initiatives to support companies' language needs.
- A few countries stand out in terms of the distinctiveness of their infrastructural support, national policies or the volume of language support measures available to SMEs: notably, these are in Austria, Denmark, Spain and the UK, whereas other countries, such as Bulgaria, Cyprus and Ireland, appear to have no significant national policies or country-wide language support for companies.
- Where language provision for business may be lacking within the national infrastructure, there are often local initiatives at the chamber, or regional, level which offer special support.
- The bilateral chambers and foreign branches of certain national chambers seem to offer some of the best dedicated specialist linguistic and cultural support to companies; they tend to exist where there are well-established trade links, e.g. the Franco-German Chamber of Commerce and Industry; the German-Slovenian Chamber of Commerce and Industry; and the British Chamber of Commerce (in Spain).

## RECOMMENDATIONS

The following recommendations could, if adopted, significantly enhance companies' prospects of operating more effectively in an increasingly competitive, global and multilingual trading environment. At the European level, these proposals could have a potentially significant impact on the growth of intra- and extra-European trade.

### RECOMMENDATIONS FOR THE EUROPEAN COMMISSION

- To ensure the wide dissemination of the PIMLICO Report and its findings through the information initiative (to business, education and directly to companies) and via the Business Language Platform;
- To promote the development of a European Awards Scheme and quality kite-marking system to recognise the successful use of language management strategies in international trade by European businesses, e.g. *Excellence in International Communication* marque (or EIC);
- To promote LMS 'best-practice models' to business intermediary organisations;
- To ensure that the development of best-practice models of language infrastructure support and the implementation of language management strategies can be funded through European Programmes across relevant Directorates-General;
- To commission a follow-up research project to update the ELAN findings so as to ensure continuity in the capture of data, including longitudinal analysis on a five-yearly basis;
- To include the language infrastructure data and contact list in European Information Centres;



- To place 'languages and business communication' on the agendas of relevant European commissioners and on relevant European Council agendas;
- To ensure that research into language technology and its application to international trade and diplomacy is included in Framework VIII and other R&D programmes

## **RECOMMENDATIONS FOR NATIONAL GOVERNMENTS**

- To continue to work towards their mutually-agreed common objective from the Summit meeting in Barcelona 2002: every citizen should learn two languages in addition to his or her mother tongue;
- To ensure there is a link-up between their companies' language needs and the available infrastructural support;
- To consider setting up a national awards scheme, which recognises and promotes excellence in both infrastructure support (including intermediary support) for SMEs and excellence in SMEs' use of language management strategies;
- To set up a national awareness-raising campaign;
- To review and implement a range of support initiatives;
- To influence schools and universities to take greater account of language issues in the curriculum;
- To consider tax incentives to encourage SMEs to adopt LMSs (e.g. making language training tax deductible);
- To set up websites advising SMEs how to adopt language strategies with specific country information to help trade in those markets;
- To invest in research into language technology and its application to international trade.

## **RECOMMENDATIONS FOR BUSINESS INTERMEDIARIES**

- To promote a greater awareness of good practice in the use of language management strategies to the membership of supra-national business networks (e.g. Eurochambres, ICC, ITAs or EEN) which are strongly positioned, and cross-refer to recommended suppliers or provide information on languages across European borders;
- To support business intermediaries in the holding of events, campaigns and other dissemination exercises designed to promote the greater use and understanding of language management strategies;
- To assist the adoption of language technology by promoting partnerships between industry and research, and making further efforts to transfer language technology into international companies;
- To link business intermediary websites to the project website so as to promote greater understanding of best practice by international SMEs around Europe;
- To exchange best practice between different support organisations;
- To offer new types of support to SMEs in line with best practice elsewhere;
- To consider offering services not already being offered, such as language audits.

## **RECOMMENDATIONS FOR SMES**

- To emulate the best practice from top-performing companies where relevant;



- To review their language needs in particular markets against the checklists in the PIMLICO Report;
- To take action to implement a language management strategy appropriate to their markets;
- To make contact with the many support organisations that exist across Europe in order to obtain further useful information;
- To evaluate the cost-effectiveness of the various language management techniques, such as cultural briefing, professional translators, etc.;
- To form groups with other exporting SMEs and share resources.

## **RECOMMENDATIONS FOR EDUCATION**

- To link up with SMEs and business intermediaries and offer support services, e.g. language training;
- To consider offering a foreign student placement service if not already doing so;
- To make contact with local international SMEs for knowledge exchange purposes, namely to seek their assistance in developing new language curricula adapted to international trade, or in developing a relevant service for local businesses, such as the training of language auditors;
- To make sure the language management strategy is well understood and introduced into MBA courses and other executive education programmes.