

# LANGUAGE MEANS BUSINESS

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**P**eople say that business is all about relationships, but the truth is that business is really all about *communication*. Communication is key to virtually every aspect of business—from acquiring and retaining customers to improving employee engagement and performance. At the most fundamental level, business can't happen without communication. This is even more true in the era of globalization. As geographic borders become porous and the world flattens, effective communication with customers, employees, partners, suppliers, and other stakeholders across the globe becomes essential to successfully running a company.

A simplistic approach to this issue (and one adopted by some less-progressive companies) is to assume that everyone will speak English, including all potential customers and employees. After all, English is the lingua franca of much of the world, and the language you happen to be reading this article in. Yet given the accelerating pace of globalization, and the rising influence of many non-English-speaking countries, the flaws in this thinking start to show.

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## 96 PERCENT OF RESPONDENTS SAY THAT LANGUAGE SKILLS ARE IMPORTANT FOR PROFESSIONAL SUCCESS IN THE CURRENT BUSINESS ENVIRONMENT.

Companies that operate solely in English will miss opportunities to capitalize on the explosive growth in developing and untapped markets at home and abroad. These companies also run the risk of misunderstandings with customers, and with members of an increasingly global workforce. Worse, they now find themselves competing against upstarts from emerging countries that already operate in their home market's preferred language—and are pretty good at English, too.

Unfortunately, many U.S. companies face a critical skills gap in foreign languages. According to the U.S. Census Bureau, just 11.4 percent of the population is fluent in more than one language. There's a long list of reasons why—from education policies to cultural issues to business history. After all, for a long time, English was enough. Today, however, that's no longer true. The language disadvantage faced by U.S. companies is a growing problem, and it's becoming unsustainable.

At Rosetta Stone, we have the unique experience of working with thousands of organizations across different industries and sectors that are tackling this very problem. We have watched companies adjust to these demographic, cultural, and economic trends and proactively build workforces

with the skills and capabilities needed to grow and thrive in this multicultural and international economy. Although the combination of business functions and processes impacted by improved communication may vary from company to company, we have seen language skills consistently deliver tangible business value and results for organizations that invest in

language training.

Recent research we've conducted backs this up. A survey of *strategy+business* readers—including high-level managers and executives—found that 96 percent of respondents thought language skills are either “very important” or “somewhat important” for professional success in the current business environment.

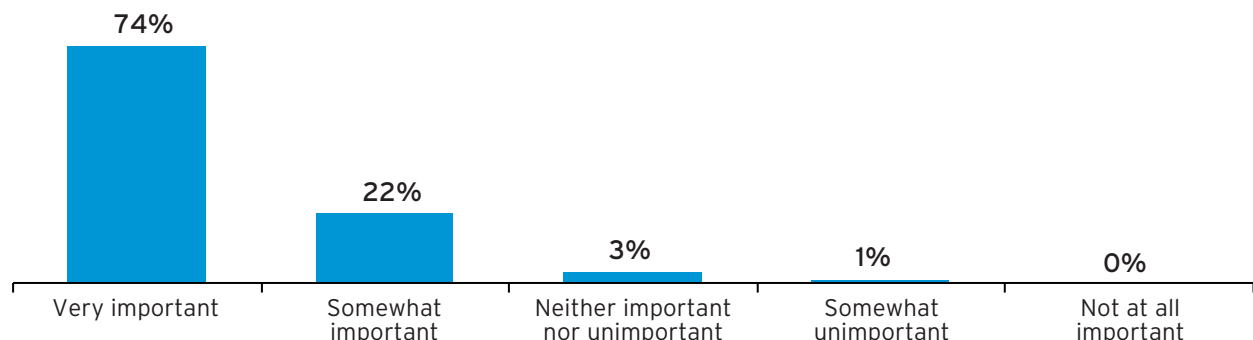
### THE “FIVE PILLARS” OF BUSINESS OPTIMIZATION

In our experience, companies that invest in employee language-training programs generally see improvements in employee productivity and business performance across five key business areas: market expansion, customer service, workforce development, workplace safety, and productivity and collaboration.

#### 1. Market Expansion

One of the biggest business advantages of a workforce that can effectively communicate in more than one language is the ability to reach new markets—both at home and abroad. On the domestic side, the U.S. has become even

**Exhibit 1** How important are language skills to professional success in today's economy?



more of a melting pot than in the past, with minorities accounting for a greater proportion of the total population—and wielding increasingly more spending clout. The Pew Research Center has projected that immigrants and their U.S.-born children will account for 82 percent of the country's population growth over the next 40 years, and nearly one in five Americans will be an immigrant by 2050. And according to the Selig Center for Economic Growth's 2010 "Multicultural Economy" report, the buying power of minorities is projected to increase more than \$1 trillion by 2015, to \$3.6 trillion.

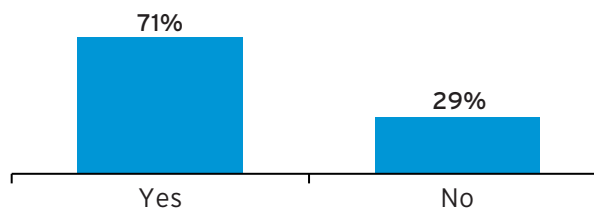
On the international side, growth opportunities in emerging markets far outnumber those in developed economies. Over the next few years, roughly 70 percent of world growth will come from emerging markets, with China and India alone accounting for 40 percent of that growth. By 2025, annual consumption in emerging markets is projected to hit \$30 trillion. Measured by import activity, emerging markets have already caught up to developed markets—a milestone achieved for the first time in 2012. (This represents a dramatic increase since 2000, when emerging markets imported only half as much as developed countries.) Nearly 30 percent of the U.S. economy is now wrapped up in international trade, and half of U.S. growth since the official end of the recession in 2009 has come from exports.

Such growth represents compelling opportunities

## THE BUYING POWER OF MINORITIES IS PROJECTED TO INCREASE MORE THAN \$1 TRILLION BY 2015, TO \$3.6 TRILLION.

for U.S. companies, a sentiment that comes through in our survey data. Among respondents, 71 percent said they plan to grow the business in countries or market segments that speak a different language than the one they currently use for daily operations. Without a workforce able to speak the languages of those countries or segments, these potential new customers are effectively out of reach. As Willy Brandt, the former

**Exhibit 2** Regarding market expansion, does your company plan to grow the business in countries or market segments at home that speak a language other than the one you currently use for daily operations?



Chancellor of then-West Germany famously said, "If I'm selling to you, I speak your language. If I'm buying, *dann müssen Sie Deutsch sprechen.*"

Which languages are going to be important? Among survey results, there's a clear shift away from English, German, and French, which respondents think will be less commonly used by their employees in five years. By comparison, Spanish, Mandarin, Portuguese, and Hindi are all projected to increase in relevance over the same time period, and become more important for employees.

A common question about equipping existing employees with language skills to expand the business in growing, lucrative markets is "Can't companies just hire people who already speak the target languages?" In some cases, they can. But recruiting skilled and experienced talent is already

extremely challenging, and adding a language requirement effectively raises the degree of difficulty. As previously noted, only about one in 10 people in the U.S. can speak more than one language, which immediately reduces the available talent pool by 90 percent. "The universe that

companies have to draw from is very limited," says Judy Verses, Rosetta Stone's president of global institutions. "When you combine that with the technical or hard skills that employees need to be productive and effective in that role, it's a really tough combination."

Companies can also bring in talent from target markets, but that carries another set of challenges—such as persuading promising foreign

## 71 PERCENT OF RESPONDENTS PLAN TO GROW THEIR BUSINESS IN COUNTRIES OR MARKET SEGMENTS THAT SPEAK A DIFFERENT LANGUAGE THAN THE ONE THEY CURRENTLY USE FOR DAILY OPERATIONS.

executives to move to the U.S. (along with their families, a potentially expensive and uncertain endeavor). Cost is another factor, says Verses. “The expense of recruiting these people, moving them to the target market, and getting them set up with their families in a new location can be significant.” In many situations, she adds, if the right executives are already in place, and language is the one thing they’re missing, it’s far easier to add that component than to search for new talent.

Another element of market expansion is when new language skills are needed to help integrate a merger. That was the case with CommScope, a multibillion dollar telecom equipment manufacturer with customers, employees, and partners in 18 countries across the world. CommScope operates in the B2B space, and in the mid-2000s, it made two large acquisitions. Prior to that point, it had operated primarily in the U.S. market, but the deals gave the company a far more global footprint, virtually overnight. Suddenly CommScope had to oversee operations—and manage its business customers—and new employees—in many more countries.

In the wake of these transactions, the company began offering Rosetta Stone language training to key employees and executives. The goal of the training was not to make employees fluent in the new language, as much as to give them a degree of functional proficiency. “In order to advance in new markets and with new customers, we had to be able to at least understand and communicate

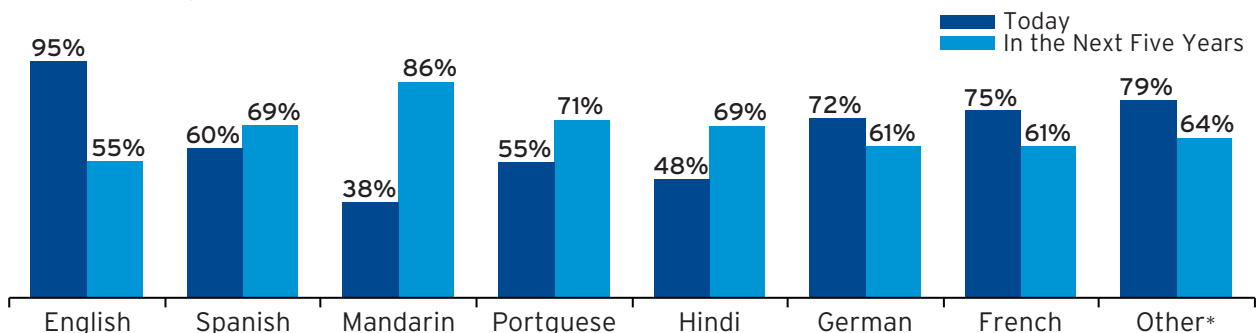
at a basic level, even with the use of interpreters,” says David Hartsoe, manager of CommScope’s Global Learning Center (the company’s internal workforce training program). “This added effort on our part reflected our commitment to our most basic principle—being a true partner for our customers by meeting their needs to sustain and grow as individual companies.”

Currently, CommScope employees are using the online language training system from Rosetta Stone to learn Spanish, Mandarin Chinese, Italian, German, and Portuguese, among other languages. The program has been so popular that CommScope has a waiting list among employees, and it is planning to double its number of seat licenses for Rosetta Stone in 2013.

“We view language training as an investment, not a cost,” says Hartsoe. “We have to understand the cultures where we operate. That means speaking to people there in their native language. Even at a very basic level, it’s a sign of respect.”

He tells the story of one senior CommScope executive who deals with the company’s Mexican

**Exhibit 3** Which languages do your employees use on a daily basis today? And which do you anticipate being important to your company in the next five years?



\* Most frequently mentioned “others”: Arabic, Dutch, Hebrew, Japanese, Italian, Korean, Russian

## 89 PERCENT OF RESPONDENTS FEEL THAT CUSTOMER SATISFACTION AND LOYALTY WOULD INCREASE IF EMPLOYEES COULD SERVE AND SUPPORT CUSTOMERS IN THEIR NATIVE LANGUAGES.

operations, and as a result had been studying Spanish for about two years. By that point he had learned enough that he was able—with some practice—to make a presentation in Spanish to a group of Mexican colleagues. “They were just blown away,” Hartsoe says. “That he’d go to those lengths to be able to do that—it had a tremendous impact.”

Fundamentally, language skills are critical to building relationships and helping the business succeed in rapidly growing markets and segments at home and abroad. They turn barriers into bridges.

### 2. Customer Service

The second pillar of business optimization through language training is the way language skills enhance customer service. Companies that seek to improve service and support for their increasingly multicultural and international customers need to engage them in their preferred language.

There is a wealth of data showing that investments to improve customer service pay off. For example, a study published in the *Harvard Business Review* found that a 5 percent improvement in customer retention rates can increase profits by more than 25 percent. Another study found that a 1 percent reduction in customer-service issues could generate an additional \$40 million in profit for a medium-sized company over five years.

Increasingly, language training is one option for driving such customer-service improvements, as reflected in our survey data. Among respondents, 89 percent said they felt that customer satisfaction and loyalty would increase if employees could serve and support customers in their native languages.

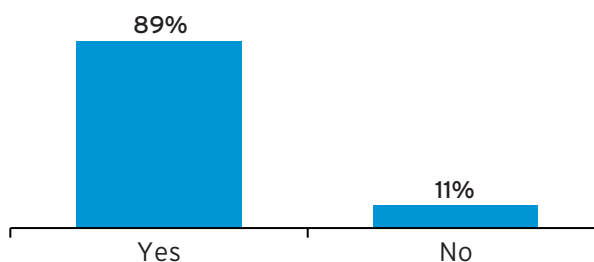
There’s substantial anecdotal evidence as well. For example, Best Buy, the electronics retail chain,

offered voluntary language training to its store-level sales associates. It opted for Rosetta Stone instead of traditional lessons, because it wanted a solution that was online and easily accessible, with minimum setup requirements or administrative hassles.

One associate worked in a Best Buy store located in a largely Hispanic area, where many customers didn’t speak English and some associates didn’t speak Spanish. He studied Spanish on his own, advancing through all five levels of Rosetta Stone’s program, and since then the results have been dramatic. “I’ll walk up to a customer and say ‘¿En que puedo ayudarte?’ [‘How can I help you?'] and their eyes light up and they get a smile on their face,” the associate said. “I think they get a kick out of the fact that I’m not of Hispanic origin but I’ve still taken the time to learn their language. They really appreciate that.” The associate tracked his incremental sales for the transactions he conducted in Spanish, and the total came to approximately \$100,000.

KLM, the Dutch airline, is another example. Although Europeans typically can speak more languages than Americans, KLM still faced real challenges in communicating with its multinational customer base. The company has a system in which its nearly 9,000 flight crew members can earn promotions only by qualifying in English and one other language (either French, Spanish, Italian, or German). To help employees build the requisite language skills, classroom language instruction

**Exhibit 4** Do you feel that customer satisfaction and loyalty would increase if your employees could serve and support customers in their native languages?



would not work, given the difficult travel schedules that flight crew members maintain.

Instead, the company opted for Rosetta Stone's online language-training solution. When KLM first opened registration for access to Rosetta Stone, the available licenses were all taken within hours. Since then, the company has significantly expanded its relationship with Rosetta Stone, and seen crew members' language proficiency expand as well.

To be clear, in many of these cases, fluency isn't the real goal. It's *proficiency*, the ability to engage in common, everyday conversations or handle basic interactions that require only limited vocabulary. (And it doesn't take much: One study found that the most common 1,000 words in any language make up about 85 percent of all conversations.) Most customers are not interested in a deep, philosophical discussion; they merely want help with a basic transaction, and in many cases they're flattered that a company employee took the time and effort to be able to speak to them in their own language.

"Let's face it," says Verses at Rosetta Stone. "At the end of the day, successful corporations are all about relationships, and that's linked to the ability to communicate." In that way, language training can clearly help companies deliver consistent and positive experiences to create a loyal, profitable customer base.

### 3. Workforce Development

Unlike market expansion and customer service, which are outward-facing, the remaining three ways that language skills improve business performance and efficiency are all internally

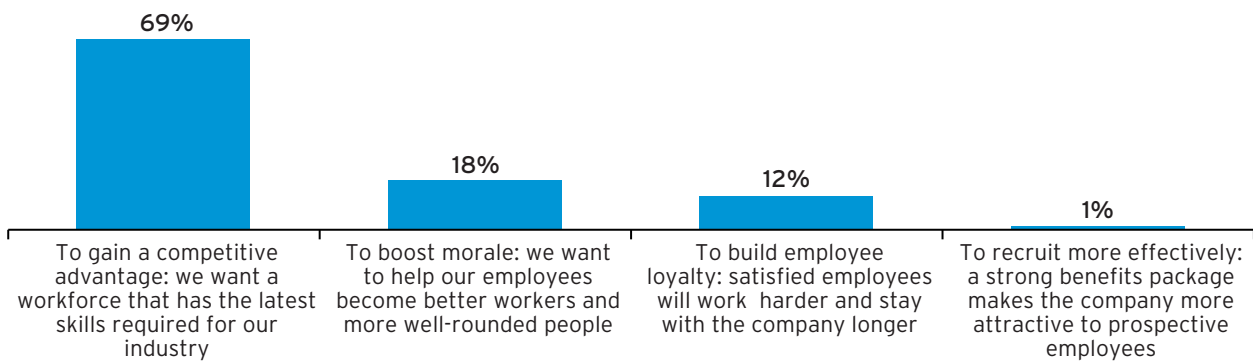
focused. The first of these is workforce development. Language training helps companies improve employee engagement and performance by providing them with opportunities for personal and professional growth, and equipping them with the language skills required to compete successfully in the global economy.

There are two elements at work here. The first is that such investments boost morale and loyalty among employees. One survey found that opportunities for personal growth are the top reason that people took their current job, and also the top reason they've stayed—even ahead of salary and work-life balance. And for companies that think these discretionary investments are difficult to justify in a sluggish economy, they should consider the alternative: replacing employees who leave. Estimates put this cost at 50 percent to 150 percent of the person's annual salary (not to mention the disruption to the business caused by high turnover, or the possibility that you can't find a replacement who's as good).

Yet although employee loyalty and morale are significant, there's a more compelling argument for investing in workforce development—it makes the company more competitive. Exceptional companies not only bring in the best people but consistently look to make them more effective and productive once they're on board. These companies consider their employees to be a long-term, strategic asset, which they can shape to more directly respond to the changing needs of the company. This investment, in turn, boosts the company's performance and profitability.

As with the other pillars, there is compelling

**Exhibit 5** Which statement best describes your company's underlying motivation for providing professional development and training?



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## COMPANIES THAT INVEST IN EDUCATING THEIR EMPLOYEES OUTPERFORM THE OVERALL MARKET BY MORE THAN 45 PERCENT.

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evidence that devoting financial resources to workforce development generates a positive return on investment. Including all categories of development—not just foreign languages—companies that invest in educating their employees outperform the overall market by more than 45 percent, according to the American Society for Training and Development.

Our survey results support this. Companies indicate that they provide professional training to their workers in part because it boosts employee loyalty (12 percent) or boosts morale (18 percent). Yet a far greater percentage—69 percent—provide such training to gain a competitive advantage. They recognize that they need a workforce with the latest skills necessary for their industry.

“The world is getting smaller,” says Steve Swad, CEO of Rosetta Stone. “The notion that you can speak one language and communicate well in business is becoming less true as time passes. Training your workforce and equipping them with multiple languages doesn’t just develop them as people, it increases the productivity of the company as well.”

### 4. Workplace Safety

Although miscommunications and misunderstandings in some contexts can lead to lost revenue opportunities, in other situations they can be deadly. This is especially true in sectors like manufacturing, oil and gas exploration, and construction. The Occupational Safety and Health Administration (OSHA) has estimated that 25 percent of job-site accidents can be attributed to language barriers. Moreover, the U.S. Centers for Disease Control and Prevention found that fatal injury rates were 69 percent higher for foreign-born Hispanic workers than for native-born Hispanic workers (who tend to have a better grasp of English).

Given these challenges, language training can equip frontline staff, managers, and supervisors with the critical communication skills needed to minimize workplace injuries, and reduce costs related to turnover, training, and compliance violations. Our survey results show

that some companies already recognize these benefits. Nearly one in three respondents say their companies take active steps through education and training to make sure that managers and line employees speak the same language. (Perhaps more noteworthy is the size of the problem still remaining—48 percent of survey respondents say they still require everyone to speak English at job sites, an increasingly unrealistic expectation.)

As in other functions and areas of the business, employees do not need to be fully fluent in the languages their co-workers speak to be effective. For language skills to positively impact workplace safety, supervisors and frontline workers need only develop a basic proficiency in their target language, with both sides meeting in the middle to reduce miscommunications and on-the-job injuries and fatalities.

For example, Gilbane, a family-owned real estate development and construction firm in Providence, Rhode Island, has a large population of Spanish-speaking contractors. As a result, it needed to help its supervisors and field personnel learn Spanish in order to communicate new safety procedures and track incidents. Although the company could have sent key employees to classroom-based Spanish lessons, it instead opted to offer online language training through Rosetta Stone to employees for 12-month periods, even affording them some study time during working hours.

Equally important, the company surveyed participants to gauge the success of the program. The survey results showed that 72 percent of managers anticipated greater interactions with trade contractors in Spanish. In terms of language proficiency, Spanish learners within the company improved their pronunciation by 55 percent and their vocabulary by 50 percent. The flexible, online-anytime approach afforded by Rosetta Stone also offered clear financial advantages;

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## ONLY ONE IN THREE RESPONDENTS SAY THEIR COMPANIES TAKE ACTIVE STEPS THROUGH EDUCATION AND TRAINING TO MAKE SURE THAT MANAGERS AND LINE EMPLOYEES SPEAK THE SAME LANGUAGE.

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Gilbane calculated a \$450 savings per student over classroom-based instruction, which equates to an annual return on investment of 55.5 percent.

### 5. Productivity and Collaboration

Finally, many companies now use language training to help their globally distributed and linguistically diverse employees overcome language barriers to share innovations, insights, and best practices with their coworkers. This kind of collaboration is critical for companies that aspire to operational excellence; however, language differences can significantly hinder it.

A Forbes study found clear evidence of how much this impacts the business world. According to the study, which looked at 100 U.S. companies with more than \$500 million in revenue, 67 percent of participants said that miscommunication contributed to inefficiency. Another 46 percent said that miscommunication reduced collaboration among employees, and 42 percent said that it reduced productivity.

For example, Interstate Hotels & Resorts, which either owns or manages more than 400 hotels around the world, needed help establishing networks among its employee base. The company has properties in the U.S., Mexico, Ireland, Belgium, Russia, and India, among other locales. A recent expansion into China proved particularly difficult, in that the company's U.S. and Chinese employees could not communicate with each other.

To address this, Interstate offered Rosetta Stone language instruction as part of an Executive Development program aimed at strengthening its talent pipeline in China by sending senior managers and highly promising employees from China to the U.S. to participate in training. Because the training was conducted entirely in English, the company

offered Rosetta Stone to participants to improve their confidence and language skills. In addition, U.S. team leaders were given the opportunity to learn Chinese before traveling to company locations in China. The language training helped them build the critical listening and speaking skills required to succeed during their Chinese projects. As Bruce Barishman, Interstate's director of organizational development and learning services, put it, "Rosetta Stone has enabled Interstate to literally talk the talk with regard to one of our core values: 'Embrace others' differences with respect.'"

### CONCLUSION

In the past, company-based language training was considered a nice perk to provide to employees—a soft benefit HR departments offered for personal improvement. Those days are gone. Globalization and demographic shifts have reshaped the business landscape, and even though the U.S. remains the largest economy in the world, the biggest growth opportunities are now in market segments and countries that are insulated by language barriers. To effectively expand into those markets—and compete for both customers and talent—companies need to speak the language. Language skills are not just nice-to-have benefits, and they are not even competitive differentiators anymore. Speaking the language of your employees, customers, and partners is fundamental to doing business.