

Navigating Linguistic Diversity in Global Markets: The Role of Business Communication in Reducing Transaction Costs in Multinational Corporations

Dipikaben Solanki

Mahatma Gandhi Labour Institute – Ahmedabad, Gujarat

Abstract- The concept of globalization has greatly widened the trade internationally and made more contacts between the firms that work in different linguistic and cultural backgrounds. Multinational companies often deal with partners, employees as well as stakeholders with varying language backgrounds as a result of which communication has become difficult in global businesses. The communication barriers have frequently been the cause of misunderstanding in a negotiation, postponement of decision making and lack of efficiency in organizational coordination. These issues have raised transaction costs and made international trade not very efficient. Hence, the study of the contribution of business communication in the management of linguistic diversity has gained more significance to multinational corporations. This paper has attempted to discuss the role of communication barriers in transaction costs in multinational companies and explore the role of well-organized communications strategies in enhancing coordination in the international markets. The study has taken the qualitative research method, based on secondary data gathered through scholarly research and international business literature concerning communication management and international trade. The results have revealed that linguistic diversity plays a key role in determining the effectiveness of communication in multinational organizations. Those firms who incorporate formal communication networks, uniform organizational language policy and cross cultural communications training have shown better coordination and less operational inefficiency. The research has thus indicated the need to have strategic communication management in improving efficiency and competitiveness in global trade.

Keywords – Business Communication, International Trade, Linguistic Diversity, Transaction Costs, Multinational Corporations, Cross Cultural Communication, Global Management, Organizational Communication, Trade Efficiency, International Business Strategy.

I. INTRODUCTION

Global Context

The process of globalization has been a major boost to the international trade and the economic interdependence among nations. Companies are progressively having their operations in various locations, forming complicated international supply chains and multinational business networks (Surugiu and Surugiu, 2015). With the increased number of global markets, organizations deal with partners, employees, and customers of different languages and cultures. It is this diversity that allows the creation of innovations and the sharing of knowledge and the creation of communication issues in international business settings (Lauring and Klitmoller, 2017).

Efficient communication has thus emerged as a vital managerial skill to multinational companies that work within the culturally diverse environments. The international trade

negotiations involve the accurate sharing of information, strategic coordination as well as mutual understanding between the global partners. Nevertheless, the linguistic diversity usually makes these interactions quite complicated and causes misunderstandings and lower efficiency of the decision making processes (Gardani, 2017). Even the organizational coordination might be disrupted by communication barriers, especially when the managers and employees would have a different understanding of the business information based on language differences (Piekkari, Oxelheim and Randøy, 2015). In turn, the effectiveness of communication is in a direct proportion to the efficiency of multinational business and international market performance.

Problem Statement

Although the world has opened up to trade, communication breakdown is still an issue affecting global companies. The problem of language differences can often lead to losing the

message in the negotiation process and therefore the creation of a contractual misunderstanding and a slowing down of the decision making process (Gardani, 2017). Transactions costs may be escalated by such communication failures as companies will have to spend more resources on translation, explanation, and resolving issues. Besides, poor communication systems in organizations can lower the effectiveness of work and the performance of an organization (Bucăța and Rizescu, 2017). These issues show that current business communication use is still not adequate in dealing with linguistic diversity in the international market.

Research Objectives

- To examine how linguistic diversity influences communication effectiveness within multinational corporations operating across international markets.
- To analyse the extent to which communication barriers contribute to misunderstandings and inefficiencies in global business negotiations.
- To evaluate the impact of ineffective communication practices on transaction costs and operational performance in international trade environments.
- To identify business communication strategies that multinational corporations can implement to reduce language barriers and improve coordination in global business operations.

II. LITERATURE REVIEW

Theoretical Framework

The Cross-Cultural Communication Theory offers a valuable understanding of the communication issues in multinational companies that work in various linguistic and cultural backgrounds. The theory describes the way in which cultural values, language barriers, and styles of communication can affect the way people of different nationality interact (Warren, 2017). Global business setting, employees and managers tend to receive messages according to their cultural standards, and under such circumstances, misunderstandings may arise in the negotiation process and coordination of organizations. These differences can influence the international business partners in terms of decision-making process, cooperation and trust.

Moreover, the theory of cross-cultural communication underlines the need to share knowledge and adapt in the multicultural environment. Connectivism views hold that digital technologies and organizational networks are capable of facilitating the sharing of knowledge between people in various cultural settings (Shrivastava, 2018). Such networks are used to educate the employees on new ways of communication and accommodate linguistic diversity in multinational corporations.

International Perspectives

- Language Diversity in Multinational Corporations

The multinationals are also becoming multilingual societies where workers communicate in more than one language in their overseas affiliates. In their arguments, Luo and Shenkar (2017) believe that language differences define the organizational structure, knowledge sharing, and coordination in multinational companies. Diversity in languages can establish communication hierarchies wherein other workers who are not proficient in the corporate language might be excluded in making decisions. On the same note, Tenzer et al., (2017) clarify that in international teams, the differences in language affect trust, cooperation, and sharing of knowledge exchange. In case of lack of effective communication, misunderstanding and lack of cooperation can arise between the employees which can influence the overall performance of the organization.

Language Barriers and Transaction Costs in International Business

Another aspect related to economic efficiency in international trade and cross-border business practices is language barrier. According to the transaction cost theory, coordination, delays in negotiation and uncertainty in international market operations are adversely affected by communication challenges. He et al., (2016) note that, when expanding to foreign markets, companies incur extra communication-related expenses in dealing with new institutional and linguistic conditions. Likewise, RP Cuypers et al., (2015) discovered that linguistic distance among nations may also affect the investment decision in cross-border acquisitions since it is much harder to negotiate and exchange information due to language barriers. These results suggest that communication obstacles have direct impact on the business efficiency in terms of elevating the cost of transactions, as well as, diminishing the effective decision-making in business strategies.

Strategic Role of Business Communication in Global Markets

The recent literature stresses the strategic significance of communication management in the global business settings. Sanden (2016) states that language is one of the main aspects of business strategy since knowledge transfer, coordination, and competitive advantage in multinational organizations are possible through effective communication. Also, Stahl et al. (2016) emphasize that differences in culture and language may bring beneficial results when an organization comes up with an inclusive communication system that will facilitate cooperation within mixed teams. Watson et al. (2018) also add that an effective international market entry strategy involves the use of effective communication channels between the international partners, customers, and organizational stakeholders.

Research Gap

The literature acknowledges that the aspect of language diversity plays a significant role in the process of organisational coordination and international business activities. As an example, Luo and Shenkar (2017) emphasize the organizational

implications of multilingual settings, whereas Tenzer et al., (2017) pay the most attention to the communication issues in international teams. There exists restricted studies that have critically evaluated the effects of linguistic barriers on transaction costs in the operations of multinational trade. This paper will thus attempt to fill this gap by examining how good business communication strategies can overcome the barrier of language and minimise the cost of transaction in relation to operating in a global market.

III. RESEARCH METHODOLOGY

Research Philosophy

The interpretivism research philosophy has been used in this research since the study has been directed towards establishing the problem of communication in multinational corporations that operate in a multilingual setting. Interpretivism focuses on interpreting social interactions, meanings and organisational behaviours instead of quantifying the variables by numerical data (Pulla and Carter, 2018). Cultural values, language proficiency as well as organizational communication structures have influenced the communication practices in multinational corporations where a deeper understanding of interpretation is needed. The philosophy has also made it possible to analyze the already existing scholarly studies to understand how the barriers to communication have influenced decision making, negotiation processes, and organizational performance of multinational corporations that are involved in global trade activities.

Research Approach

The research approach has been inductive to allow the expansion of the broad views on the available literature and recorded evidence on the aspects of communication barriers in multinational corporations. The inductive approach helps in the determination of pattern, themes and relationships in the studies which were already published on international business communication and operations of global trade (Azungah, 2018). The research has examined academic evidence instead of testing a pre-determined hypothesis to comprehend the role of linguistic diversity in determining the effectiveness of communication and the transaction costs in multinational organizations. In this way, theoretical knowledge about communication tactics and business coordination on the international level has been worked out based on interpreting the secondary information.

Research Design

The research design has been based on secondary qualitative research design since the study has been anchored on existing scholarly literature and documented research results based on business communication in multinational companies. The qualitative research design is more suitable since the research has explored the complex organizational and communication problems that cannot be effectively described using the

quantitative measurements (Basias and Pollalis, 2018). The secondary qualitative data has helped the research to look at the interpretations, perspectives, and theoretical explanations as given by the scholars in the area of international business communication.

Data Collection Tools

The research has gathered information using secondary sources which have involved peer reviewed academic journals, scholarly books and international business research publications. The literature on communication in multinational companies, linguistic diversity, and coordination of international trade has been studied in a bid to find out how linguistic barriers affect the performance of organizations. The secondary data collection enables the research study to obtain in-depth information on available academic literature but not directly engaging the subjects (Davidson et al., 2019).

Ethical Considerations

The research has been done in a very responsible manner with ethics being considered in every aspect of the research to ensure a high degree of academic integrity and responsible conduct of the research. The research has made use of the available academic literature in the public domain as well as past researches conducted by scholars which has ensured that there has been no human subjects in the research.

IV. DATA ANALYSIS AND RESULTS

Linguistic Diversity in Multinational Corporations and Its Impact on Organizational Communication

The multinational corporations experienced an increased operation in the multilingual environment where employees with different language backgrounds have interacted with each other within the same organizational structures. Linguistic diversity has affected the process of internal communication, teamwork, and sharing of knowledge throughout international subsidiaries. Sanden and Kankaanranta (2018) noted that most multinational corporations have used English as a common working language despite the lack of formal language policies. This has helped in coordinating international teams but also posed communication difficulties to workers who lack sufficient competence in the corporate lingua franca. On the same note, Grzeszczyk (2015) observed that linguistic diversity has usually influenced the information flow in organizations since the employees have sent and received messages in different ways depending on their cultural and linguistic backgrounds.

Communication Barriers in International Business Negotiations

The issue of communication barriers has often appeared in international business negotiations when the participants have been dependent on other languages, as well as the styles of communication. The processes of negotiation have demanded

proper interpretation of information, understanding and proper coordination between the global partners. As Gardani (2017) described, the issue of language differences has led to many misunderstandings in the course of negotiations since negotiators have deciphered the terms of the contract and strategic goals differently. This has been a way of misinterpreting and led to a party not trusting the other in a negotiation and made it hard in the international business relationship in decision making.

Impact of Communication Barriers on Transaction Costs in Global Trade

Multinational business operations have also raised the cost of transactions due to the communication barriers. The issue of linguistic diversity has involved such transaction costs as the costs of translation, delays in negotiations and other coordination processes needed to deal with linguistic diversity. According to Cristea (2015), the cost of communication has played a fundamental role in the international trade in headquarter services due to the fact that the firms have had to invest resources in reducing language barriers and information asymmetry. These extra expenses have minimized business efficiency and have slowed down business dealings across borders.

Strategic Role of Business Communication in Reducing Linguistic Barriers

Successful business communication strategies have been of significance in mitigating language differences in multinational companies. Organisations have been embracing the use of structured language management practices to enhance quality communication among international teams. Grzeszczyk (2015) highlighted that standardized communication policies and multilingual training programs have assisted in collaborating and enhancing coordination within international organizations using language management strategies. On the same note, Sanden and Kankaanranta (2018) noted that unofficial language policies in companies have also helped to establish a more fluent communication and transfer of knowledge among workers with diverse cultural backgrounds.

V. DISCUSSION AND POLICY IMPLICATIONS

Interpretation of Findings

The results of this research paper have shown that linguistic diversity has tremendous impacts on the effectiveness of communication in multinationals that are conducting business in the global market. Multilingual types of set ups have been known to pose challenges as regards information exchange, teamwork and organizational coordination. The language barriers have often led to misunderstanding in the negotiation and internal communication processes which have augmented operational inefficiencies in multinational companies (Gardani,

2017). Moreover, the lack of efficient communication systems has also been an issue leading to more transaction costs since organizations have had to use translation services, negotiate multiple times, and take a long time to coordinate their activities to settle misunderstanding (Cristea, 2015). It has also been found through the analysis that linguistic diversity needs to be managed through structured communication within multinational organizations.

International Policy Recommendations

MNCs are advised to use uniform corporate communication procedures to minimize confusions and enhance the levels of coordination among cross-border activities. Effective communication policies can be used to make employees understand the information in a similar manner across the global subsidiaries. Organizations must also invest in the cross-cultural communication training program to enhance the linguistic competence and intercultural awareness in the employees. Moreover, supporting real time communication between global groups, digital translation technologies may help to minimize delays and challenge in negotiating business operations in the multinational business environment (Cristea, 2015). The creation of global communication policy can consequently promote the efficiency of organizations, lower the cost of transactions, and improve their competitiveness in global markets (Grzeszczyk, 2015).

VI. CONCLUSION

Summary of Contribution

The paper has discussed the effects of linguistic diversity on communication effectiveness achieved by multinational companies, which are present in the global markets. The results have revealed that language barriers may enhance operational inefficiency and costs of transacting business in international trade. The study has also brought to the fore the need to have proper communication management and language strategies in multinational organizations. The study by examining the connection between communication practices and economic efficiency has helped to comprehensively understand how efficient communication in business can help foster coordination, minimize misunderstandings, and enhance efficiency in the process of international trade activities.

Future Research Directions

Future studies ought to look into how new digital technologies will be used to enhance communication within the multinational business set-ups. Specifically, research would be able to examine how artificial intelligence powered translation systems can help minimize language barriers during international negotiations. More studies can be also conducted on communication management practices within the emerging markets where linguistic diversity is exceptionally high. Also, researchers need to examine the impact of the use of digital communication platforms and collaboration tools on

coordination and knowledge exchange among international teams that operate in multinational companies.

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