

STIRRING THE POT: NETWORKS, HUMAN AND SOCIAL CAPITAL, AND LANGUAGE

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Abstract

Emerging research on language and international management, marketing and communication demonstrates how important and pervasive language influences may be in international business. However, its role in the formation and extension of social capital and network theory has tended to be somewhat ignored, or downplayed as a technical or mechanical problem. In this paper, we explore how foreign language capability acts as the precursor to, and continuing influence on, interpersonal interaction; for, example, forming bridge ties across structural holes, and creating separate social clusters. Language is shown to be a linking mechanism between concepts hitherto treated as somewhat separate: industrial networks, social capital and human capital. It is concluded that there is considerable scope for shaking and stirring these concepts through a closer examination of language diversity and its impacts.

Introduction

There has been a growing stream of research into the importance of social capital in international business operations (see for example, Ellis & Pecotich, 2001; Nahapiet & Ghoshal, 1998; Wong & Ellis, 2002). At the same time, there has been a burgeoning body of literature on industrial networks, particularly from the Industrial Marketing and Purchasing (IMP) School emphasizing the importance of interorganisational and interpersonal interaction (see for example, Håkansson, 1982; Håkansson & Snehota, 1995; and the 2004 *International Marketing Review* special issue on IMP and international marketing). To some extent, these two research streams have been developing alongside each other rather than being integrated, despite a shared reference to elements of social network theory, such as Granovetter's (1973) concept of the strength of weak ties.

In much of the research on social capital and networks, including at the international level, language is rarely included as a variable in empirical investigations (see for example, Forsgren & Johanson, 1992; Ellis 2000; Inkpen & Tsang, 2005 - an exception is Barner-Rasmussen, 2003). This is a curious omission as foreign language ability is critical for entrée into social networks. In early research on internationalisation, language was included as part of the psychic distance 'black box', and not subject to separate investigation (Welch, Welch & Marschan-Piekkari, 2001). Similarly, in international business contexts, the importance of language is often downplayed, perceived as a technical problem easily overcome by training, or through the use of translation facilities (including IT software). This downplaying is somewhat surprising given the obviously critical place that language has in allowing people to establish and build international relationships. Since language frames the nature of contact between individuals, one cannot investigate and develop concepts about social capital and networks in a global, multilingual context, without incorporating language aspects. It is not only the communication vehicle for the movement of information between the parties and resulting networks but is also critical for entrée into foreign business and social networks.

In this conceptual paper, we draw on frequently cited work in the fields of industrial marketing, social capital, and internationalization. We consider the nature of social capital and how language facilitates its development within the context of international business

processes: for example, in the initiation of international activities such as exporting and buyer-seller relationships; in lubricating key processes that affect relationship development; and in preventing or building network connections and linkages between social clusters. We introduce the concept of language capital showing how it overlaps, is an active agent in the interface between, and development of, both social and human capital. It is recognized that there are various forms or layers of language used in the international context: so-called company speak, replete with acronyms and special terms that evolve over time, and professional/technical jargon (Welch, Welch & Piekkari, 2005). This article concentrates on normal social language, that is, everyday spoken and written language employed for interpersonal communication such as English or French.

Language: An Illusory or Diminishing Problem?

Despite the early interest in the effects of language on industrial interactions, and international marketing by extension, later work has tended to ignore its impact, particularly in terms of the dynamics of how foreign language ability affects interactions that enable information exchange and the development of trust. Recently, however, there has been a rediscovery of the role and importance of language in management (*Academy of Management Review*, special issue 2004) and international management research with a particular focus on the operation of multinationals (see for example, *International Studies of Management & Organization*, special issue 2005; Luo & Shenkar, 2006).

One of the reasons language has not been taken up more strongly as an issue is because, for many in business and academia, language is not seen as a problem or that it is declining in importance. There appear to be five main arguments that are commonly advanced to support this view. First, the rise of English as the language of international business is a commonly stated reason, particularly for those from English-speaking backgrounds, for regarding language as a peripheral issue. However, there is evidence pointing to the challenges associated with using English as a working language. For example, in a study on language diversity in international management teams, Henderson (2005, p.75) notes that although one visible “surface” language is being used to facilitate communication, team members continue to use diverse interpretive mechanisms derived from their respective native tongues. She claims that when English is used as the working language, parties engaged in the exchange are “under the false impression that they are sharing the same context and the same interpretation”. Clearly, in many international business situations, the use of English can mask the subtle differences involved when parties are forced to operate in English as a second language. As Babcock and Du-Babcock (2001, p. 376) argue: “it is not only the languages that international business communicators speak” but also the language fluency of such communicators that matters.

Second, while English is widely used in international business encounters, it has not rendered the world of international business monolingual. On the contrary, language diversity remains an issue. A research stream in the field of international business communication with an explicit focus on English as a *lingua franca* shows the multilingual reality of today’s business contexts (Nickerson, 2005). Some of this research has examined the role of English in the internal communication of globally operating firms (Louhiala-Salminen, Charles, & Kankaanranta, 2005, Nickerson, 2000), while other studies have investigated language use in external relationships such as sales negotiations (Planken, 2005) or distributor meetings (Poncini, 2003). As Nickerson (2005) points out, “the communication event is often considerably more complex than the label of English as *lingua franca* would suggest”. She explains that in multinational settings, communication often takes place between non-native speakers of English who may also use one or more other languages alongside English (see, also

Barner-Rasmussen 2003, Marschan-Piekkari, Welch & Welch 1999). Also, Sørensen's (2005) survey of 70 corporations operating in Denmark shows that the companies did not use English as an overruling language, but more generally as a "transit language" between various parallel local languages. Once documents in English arrived at subsidiaries, they were translated into the respective local languages.

Third, it is often argued that, for internal multinational communication and reporting, language differences are minimised through the use of a common corporate language (language standardisation). Currently, the majority of Western multinationals use English as their corporate common language. However, research shows the impact of language differences is often hidden, or in a shadow, and not simply removed by the adoption of a common corporate language (Marschan-Piekkari, et al 1999). Further, the rise of China as a global economic power means an inevitable rise in the importance and use of the Chinese language (or languages) as more firms enter China and Chinese firms internationalise. It has been estimated that "there are currently 30 million people around the world learning Chinese as a second language" (Erard, 2006, p.2). This process is being reinforced by a deliberate, funded government project to support the teaching of Chinese across a wide range of developed and developing countries. The rise of Mandarin will increase the diverse language demands of international operations. For those drawing comfort from the role of English as the language of international business, there is a troubling future in store. A pertinent question to pose is how would companies cope if Mandarin overtakes English as a world language?

Fourth, when confronted with foreign languages, the response is often to regard these as constituting merely a technical problem that can be readily addressed through the use of interpreters and translators, particularly with the continuing development of automatic translation software and related devices. While there is a valid place for these language aids, it is difficult to engage in social interaction and develop close ties through such media (Hagen 1999). In other words, translation is not the same as social communication and, as we will discuss later, does not ensure the creation of social capital or networks. There is also the question of security of commercial-in-confidence material, as well as the problem that technical information may be inaccurately translated (Crick 1999; Maitland, 1999).

Finally, another way of seemingly removing the language problem is to simply hire employees with the requisite foreign language skills and/or provide language training. It takes substantial time for a person to reach a level of operational fluency in another language, though the actual amount of time will vary depending on each individual's aptitude and motivation to learn. Firms face questions of whether to invest in the training of existing staff in the desired foreign language or whether to hire new staff with the appropriate language skills, assuming that such employees are readily available. Either way, the company faces additional costs as well as the time constraint in achieving the necessary skills base.

Clearly, language has not diminished in importance. Foreign language diversity is still crucial in international business exchanges as the growing body of research on the issue demonstrates. In this paper, language is viewed as a powerful agent in facilitating or inhibiting social exchange, as we discuss in the following sections.

Social Capital and Language

We argue that language is an essential aspect of social capital in that it not only facilitates its accumulation but is integral to the stock and flow of social capital. Its formation depends on a process of interpersonal interaction creating social ties. This, in turn, depends on a meaningful language connection between the parties. In this section, we review the concept of social capital and then discuss the role that language plays in terms of network development and social

clustering as elements of social capital formation.

The Concept of Social Capital

There appears to be a relatively broad consensus that social capital is a problematic construct or concept, around which there is considerable debate. As Kostova and Roth (2003, p.297) observe: “Researchers vary in their views regarding the content of the construct, the level of analysis, and the determinants and consequences of social capital, as well as the forms in which it exists”. A contributing factor to the confusion surrounding social capital is the shared characteristics between the concepts of social capital, social network theory, industrial network theory; and related concepts such as human capital.

Social capital is variously defined as: the sum of an individual’s personal networks (Belliveau, O’Reilly & Wade, 1996); the private good of an individual or group (Burt 1992, Kostova and Roth 2003, Lin, 2001); a process “by which social actors create and mobilize their network connections within and between organizations to gain access other social actors’ resources” (Knoke, 1999, p. 18); or as a public, collective asset of a social entity available to all members of the group (Coleman 1988, Fukuyama 2001). In international business research, the definition by Nahapiet and Ghoshal (1998, 243) is widely used: “The sum of the actual and potential resources embedded within, available through, and derived from the network of relationships possessed by an individual or social unit”. This definition is not far removed from that of infrastructural networks used by Hallén (1992), developed from the IMP research on industrial networks. In a review of the concept of social capital, Adler and Kwon (2002) refer to the elastic and umbrella qualities of the concept in the way it has been defined and used. However, the central theme in various definitions appears to be the assets that individuals and organizations develop through their social networks, although there is argument about how far the social umbrella extends, for example, into the business area, and what exchanges are included as a result.

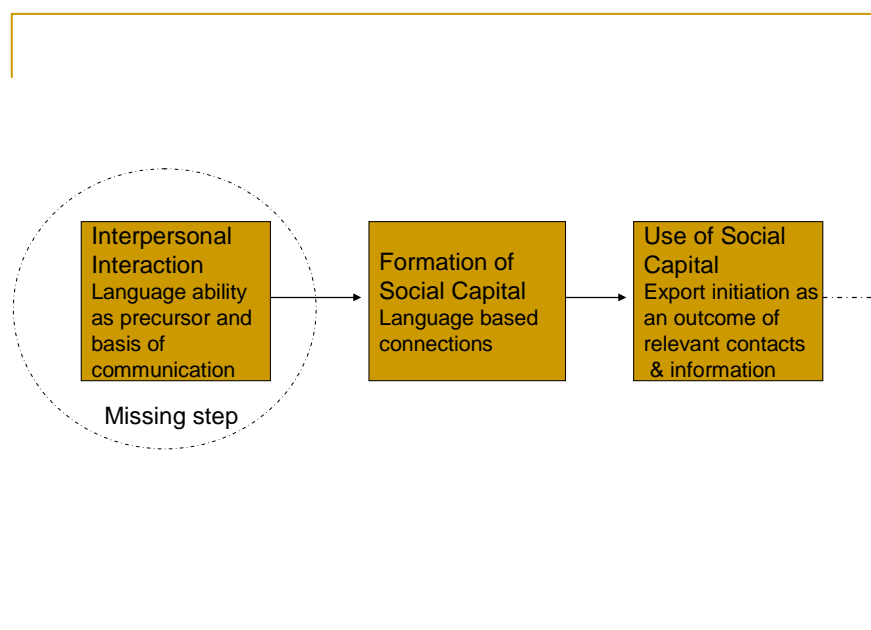
Adler & Kwon (2002, p.23) identify two research branches: one that concentrates on the formal structure of the ties comprising the social network; and one that emphasises tie content in determining the social capital embedded in a social network. Structuralists focus on aspects such as structural holes – linkages to groups not otherwise connected; and closure – the extent to which actors’ contacts are themselves connected. Those focusing on tie content look at aspects such as the strength of the network tie, friendship versus business ties, and the use of networks for different purposes. Nahapiet and Ghoshal (1998, p.244) look at both the structure of network ties as well as their content through three categories: structural (the configuration of linkages between people or units); relational (the kind of personal relationships people develop with each other through interaction over time); and cognitive dimension (shared representation, interpretations and systems of meaning). The cognitive dimension includes aspects such as shared codes and language and shared narratives. In this work, shared language enhances access to people and information and the development of knowledge and thereby intellectual capital. However, there is little examination of how shared language affects interaction between, and within, the three dimensions.

Language and the Formation and Use of Social Capital

Regardless of the terminological confusion surrounding the concept, there is consensus that social capital formation depends on interpersonal interaction in order to develop the required network of relationships that tie individuals together. However, accumulating social capital is not necessarily an end in itself but is often a means to an end. For example, the exporting literature demonstrates how social capital, especially in terms of the use of personal networks, contributes to foreign market expansion. In his review of 35 exporting studies, Leonidou

(1995, p.40) concluded that access to foreign market information had “the greatest inhibiting effect on the firm’s ability to initiate or develop exports”. The use of personal networks as trusted sources of information in the uncertain decision context of export entry has been shown to be important in various exporting and entrepreneurship studies (see for example Ambler and Styles, 2000; Harris and Wheeler 2005). Likewise, Ellis and Pecotich (2001) explore the link between social networks, antecedent social ties and export initiation through an exploratory case study investigation of 31 export initiations by eight Australian companies (SMEs), involving a wide range of foreign countries and languages. They concluded that the international social network of decision-makers was critical in delivering information about export opportunities vital to export initiation. The link between social capital (that is, use of networks) and export initiation is shown in Figure 1.

Figure 1: Language, Social Capital and Export Initiation



However, in this stream of literature, language ability seems to be the missing step in the chain of logic, despite research evidence indicating the importance of access to relevant information and networks in foreign market entry. There is no mention of language as a precursor and communication vehicle for the networks and the movement of information between the parties (see Figure 1). How, and to what extent, language shaped the social dynamics is not explained, and there is no discussion of the quality of the language connections underpinning the interpersonal interaction. Yet, this impact could be critical to outcomes. Only basic conversation is possible between two individuals who have a limited shared language facility which will inevitably constrain the development of the relationship, and the depth of information and knowledge exchange that is possible (Sunaoshi et al 2005). Similarly, how foreign language ability affects interactions that enable information exchange and the development of trust is seldom explored. Rather, we are left to assume that the export initiator (seller, buyer or third party) had sufficient language competence or access (via a translator) to cross the language barrier. Further, in instances involving a third party as the language go-between, the resultant dyadic relationships will be between buyer and translator, and seller

and translator. This limits the development of direct buyer-seller relationships as it is difficult to build relationships at arm's length through a language intermediary.

Language and Social Clusters

The impact of language on relationship development is further accentuated by the role it plays in the formation and operation of social clusters: a feature of social systems and network evolution. Granovetter (1973) made the observation that people tended to cluster into close-knit networks (strong ties). We argue that language assists in forming social ties, and therein acceptance, in a social cluster. Language can be viewed as a drawbridge whereby actors in a social cluster choose to lower it to include those who share the language. Conversely, lack of language fluency may result in the individual being tenuously linked to the social cluster, or firmly excluded. An illustration of this is the way in which a shadow structure can evolve within a multinational based on language rather than formal organizational boundaries (Marschan-Piekkari et al 1999). Language codes have long been used in secret societies to exclude outsiders. Thus, the absence of a shared language keeps people apart, limits their access to social networks, or locks them into different social clusters. At times, language can impose a stark disconnection even at the highest managerial level. For example, the Swedish-speaking CEO of a Finnish multinational admitted:

I can go to places where Finnish, Swedish, or English is spoken, but I can't go to France and speak to my people – it is of no use, really, because I don't speak French and they probably don't speak English (Barner-Rasmussen, 2003, p 71).

A related aspect is the similarity factor that underpins social networks (Mäkelä et al. 2007). A connection is more likely to occur between similar rather than dissimilar people – so called homophily: the “tendency to associate with people ‘like’ yourself” (Watts, 1999, p. 13). The concept of homophily has received extensive support in work within the social networks area. Its central idea, as argued by McPherson et al. (2001) is that interpersonal similarity breeds connection, and language is a component of similarity between individuals.

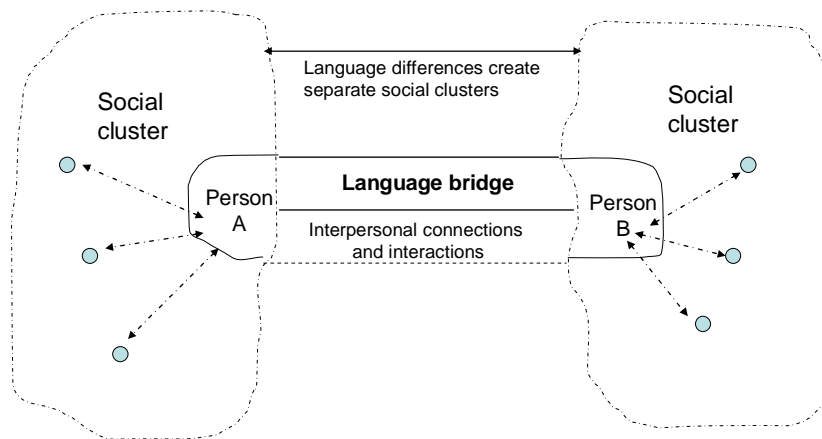
Individuals as Language Bridges between Social Clusters

An argument within social network theory is that “information regarding new ideas and opportunities disseminates through bridge ties that link people in separate social clusters” (Ellis and Pecotich, 2001, p. 120). A critical agent in this process, in the international context, is those individuals with the necessary language ability, enabling them to act as connecting bridges between social clusters. Examples of this can be found in the expatriate management literature. Goodall & Roberts (2003), for instance, found that expatriates competent in the common company language formed an expatriate network that provided a range of links throughout the multinational – a social cluster - whereas local employees that lacked such language competence were excluded. At the same time, expatriates who lacked competence in the host country's language were restricted in their access to a variety of local social/business networks. Expatriates and locals that had relevant language competence (both company and local) were key bridges between local and multinational clusters. This example is in line with the Finnish research into inter-unit communication that demonstrated how expatriates with the requisite local, parent and corporate language fluency acted as powerful language nodes, creating links between parts of the MNC and, by extension, developing social capital (Marchan-Piekkari et al 1999). Naturally, there is no certainty about whether such individuals are prepared to act as bridges: to play a boundary spanning or gatekeeping role or, as Burt (1992) would describe it, cross over a structural hole. Language ability, then, is a necessary but not a sufficient condition for inclusion in a social cluster or to act as a bridge

between clusters, as shown in Figure 2.

In a study of Hong Kong exporters, Ellis (2000, p.461) found, somewhat surprisingly, that “more than two-thirds of early entries into the EU were to non-English speaking countries”. However, “almost 90 per cent of these entries were not initiated by the [Hong Kong] manufacturer”. Because of the lack of requisite language ability, a party with the necessary language competence had to intervene – that is, the EU buyer or a third party (such as a broker). Ellis’s study demonstrates that language bridges can be built from either side. They do not necessarily require dual language facility on both sides, but one party has to be able to cross the language bridge.

Figure 2: Language creates and bridges social clusters



Little is known about the dynamics generated by language processes within social clusters once language has acted as a bridging mechanism between individuals from different social clusters. As language has not been specifically addressed by social capital theorists, it is not clear which ‘language’ will act as the bridge. English, as the current international business language, may be used by two actors, A and B, from different social clusters to bridge the so-called structural hole, as demonstrated in Figure 2. Beyond that initial connection, however, it is unclear how further connections might unfold, between whom and even what language will be employed. A study of an Australian export grouping scheme of small firms with operations in Japan revealed how one family-owned firm organized for a son to spend a year living with the family of a key actor in the firm’s distribution network while simultaneously learning Japanese. This deliberate exercise was directed towards network development within the Japanese market, as there was no Japanese language competence within the Australian firm and English had been the initial medium of connection (Welch et al, 1996).

Through what Portes (1998) terms shared destiny, Person A (in Figure 2), in social interactions within the cluster, may bring to bear pressure on others to learn the bridging language. An element of social capital is motivation to develop social ties, to share social destiny with others based on common experiences and normative pressure to conform. Accompanying this, from a business point of view, may be a demonstration effect. If the bridging activity has led to the opening or potential opening of new business, there may be direct organisational pressure for others to develop requisite language competence in order to

further the business opportunity. The end result will be various modifications and reshaping of the connections within each cluster as well as between the clusters.

Lateral extension of contact within the target foreign firm may be even more difficult, as it is dependent upon relevant employees within the foreign company who have the required language fluency. Marschan's (1996) study of the Finnish multinational Kone Elevators showed that although Kone used English as its company language for its internal communications, facility in English did not extend very far in some of its subsidiaries. For example, in Kone's Mexican subsidiary, Finnish expatriates were often the only employees fluent in English. External actors interacting in English in Mexico were therefore constrained in their contact possibilities within Kone's local unit. Obviously network development beyond the focal foreign company may be similarly hampered. Thus, an initial, fortuitous contact on language grounds does not remove the broader constraints of the language component.

Within MNEs, inter-unit information flow and network relations between workers are constrained by "geographical distances and cultural and language barriers" (Kostova & Roth, 2003, p.309). Research into relationships between headquarters and subsidiary units has identified how some units become isolated from the internal knowledge-sharing network due to language problems. For example, in their study of Swedish MNCs, Monteiro, Arvidsson & Birkinshaw 2006, p. 27) use the example of a German subsidiary where "the German boss was not confident in English, so he never participated in the informal discussion that led to knowledge sharing. The solution was simply to put a proficient English-speaker in place as the deputy to the German boss". Cross-border M&As are another arena where language effects inhibit or facilitate integration and the development of social capital. For example, Teerikangas (2006, p.204), in her study of French, German, Danish, British and American cross-border acquisitions undertaken by Finnish MNCs, found that language barriers prevented employees of a newly acquired firm from getting to know their colleagues abroad: it was "more difficult to develop a relationship of mutual trust in a foreign, rather than in one's own language". Further, when dealing with local employees, the ability to speak the local language was instrumental as a means of establishing trust. A culture of trust and tolerance is recognised as a facilitator or component of social capital (Adler and Kwon, 2002). Establishing the base for social exchange and networking was therefore constrained: As an interviewee from a German acquired unit said (Teerikangas 2006, p. 206):

It is easier to make new connections and network in the parent firm in your own language. In a foreign language, it does not give the same feeling. A foreign language is sufficient to exchange information, but not enough to convey the contextual message behind it.

The above discussion has highlighted how language affects the process of social capital development, acting as a precursor to international connections; a bridge between social clusters, and the basis of continuing interaction. Thus, language affects the shape, structure and content of social capital. As the next section demonstrates, researchers in the field of industrial networks likewise have been concerned with the nature of social connections, with an emphasis on the quality of interpersonal interactions, although the impact of language has tended to be somewhat ignored.

Industrial Networks and Language

Research within the IMP School started in the 1970s with an emphasis on the interaction process between industrial buyers and sellers. The focus was later broadened beyond particular dyadic interactions, in recognition that "a single relationship cannot be understood in isolation, but only as part of a complex network of other relationships" (Ford, 2004, p. 140). The dynamic

nature of networks is a feature of this later research based on three aspects: actor bonds, activity links and resource ties.

Early IMP researchers were cognizant of the impact of language in promoting or constraining interaction processes. According to Turnbull and Cunningham (1981, p. 86), "about half of the marketing respondents said it caused them difficulties in dealing with the UK. Indeed for 25 per cent of all respondents, language creates a serious obstacle." This body of work demonstrated how language aspects are often asymmetrical in buyer-seller exchanges; that, not surprisingly, sellers are more likely to seek to adjust to the language of potential buyers than vice versa. For example, industrial buyers in the UK, France, Germany, Italy and Sweden generally did not find language to be a problem in cross-country exchanges, whereas suppliers experienced difficulties. Overall, the IMP studies demonstrated that, when information is provided in the buyer's language, 'distance' between the parties was reduced, and the supplier gave evidence of commitment and adaptability to potential foreign customers. A related finding was that lack of language proficiency hampered the ability of buyers and sellers to develop closer actor bonds. As social exchange is recognised as a critical element of buyer-seller interaction, it is not unexpected that proficiency in the buyers' language is deemed essential to the development of closer personal relationships. The ability to establish social relationships not only enhances buyer-seller interaction, but assists in reducing uncertainty (Håkansson and Wootz 1979). Further, Ford (1984, p. 109) comments:

The IMP study has shown throughout that the ability of a company to break down cultural barriers and establish close social and business relationships with clients is a major factor for success in international industrial marketing.

Some confirmation of the importance of language in international marketing exchanges comes from outside the IMP School, particularly from the field of international business communication. For example, a survey by Vandermeeren (1999, p.289) of exporting companies located in Germany, France and the Netherlands investigated the use of English in written communication. Pre-sale documents (e.g. advertising catalogues and offers) were more frequently written in the customer's language than post-sale documents (e.g. confirmations of orders and invoices). Companies that adapted the language to meet the client's requirements achieved higher export performance. For example, French companies [the sellers] using German when corresponding with German companies sold more than those who operated in English. Vandermeeren concluded that adapting language to the foreign customer's requirements contributes to export performance. That is, "linguistic adaptation to its clients can make the difference between failure and success in establishing and maintaining a business relationship".

However, despite the early interest in the effects of language on industrial interactions, and international marketing by extension, later work appears to have ignored its impact, particularly in terms of the dynamics of network operation and structure. Language has tended to fade away as an issue of concern in research on international industrial networks.

Inserting Language

As mentioned in the introduction to this paper, the research on industrial networks and the development of the concept of social capital have much in common. There are similar objectives in seeking to explain how social and organizational networks evolve and shape international business activity. However, the above discussion has illustrated how these fields of scientific inquiry have been developed and applied in the international context without due recognition of the important role of language. In both schools of thought, the "sum of the parts" has been the focus. In the elucidation of the concept of social capital, the emphasis has tended to

be on the collective (such as the organization) rather than the individual. For example, Nahapiet and Ghoshal (1998) are concerned with how social capital contributes to organizational competitive advantage. Further, while shared language is included as a facet of their 'cognitive dimension', there is scant attention to how shared language shifts from the individual to the collective social domain, and vice versa. Likewise, in industrial network theory, emphasis has concentrated on the firm, rather than individual actors - considering business rather than individual networks (see for example, Håkansson 1986; Ford, 2004). As a result, the individual is treated in a relatively abstract manner and basic individual capabilities, such as language competence, are downplayed. Consequently, the intricacies of networking and social capital evolution are not fully captured - such as how language competence can be used by individuals in a deliberate way to advance their interests, which are not necessarily aligned with those of the organization.

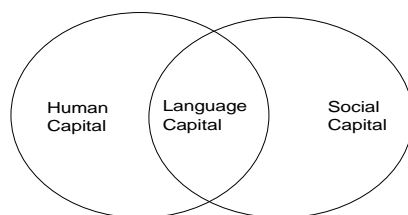
The motivation to develop social capital and then share it as a public or organizational good rests with the individual (Adler and Kwon 2002). Trust and shared norms are considered as important in motivating an individual to share (see for example, Young and Wilkinson, 1989; Nahapiet and Ghoshal, 1998; Heumer, 2004), but language fluency can deliver power that may over-ride other considerations. Individuals can choose whether, how and when to use this expert power, as the literature on gatekeepers and boundary spanners has identified (Collins and Clark, 2003). Further, people are conscious of the value of their networks and are prepared to protect them, being very selective in the way in which contacts are activated for organizational purposes (Hallén, 1992).

Human Capital and Language

Conceptualising the place of language in social capital and its evolution is difficult because of the confusion surrounding the concept of social capital and its artificial separation from human capital by many scholars. Such treatment reinforces the disconnection from the individual. Human capital is commonly defined as an individual's set of knowledge, skills and abilities acquired through education and experience. Adler and Kwon (2002) argue that ability (that is, competences and resources at the nodes of the social network) is an important feature of social capital, but ability is often deliberately excluded by some researchers on the grounds that it 'belongs' to the concept of human capital. Others, such as Luthans and Youssef (2004), distinguish human capital from social capital but stress interactive effects; that is, social capital contributes to the development of individual human capital. Individuals access their social networks in order to gain information and knowledge that they can then use in their job roles (such as expatriates in subsidiary situations). The resultant tacit and explicit knowledge builds their stock of human capital.

We argue that language ability is an intrinsic part of human capital and it is difficult to separate it from an individual's social capital. A person who has language fluency (an element of human capital) is able to build social capital in situations that those who lack such a facility cannot. They are then in a position to act as gatekeepers and boundary spanners. As discussed earlier, using translators, interpreters, or translation software may allow a limited exchange, and there is little contribution to social capital. Instances involving the use of interpreters in international negotiations provide a stark demonstration of the limited social network development that is possible for those involved. It may even be appropriate to use the term 'language capital', as in Figure 3, to signify how language can be regarded as a unique resource that is part of the overlap between human and social capital.

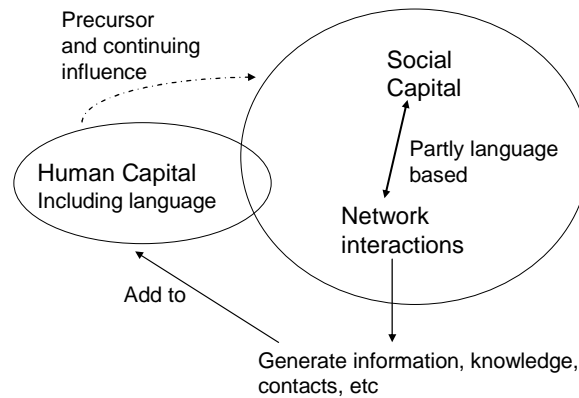
Figure 3: Language Capital?



Further, we would argue that language development is an active agent in the interaction process between human and social capital. When acting as language nodes, individuals can play an important role in the development of intra-organizational social capital. An example is the actions of subsidiary managers within a Finnish multinational – Kone Elevators. A Spanish manager identified those in other subsidiaries who spoke Spanish, thus setting up the structural component of social networks that others could access through a shared language. A variety of language clusters evolved within the firm as individuals, who lacked competence in English, sought links with those having similar language ties. For example, the German and Austrian subsidiaries shared training sessions using German as the language of instruction. This activity sharing was despite the company's adoption of English as its corporate language; in some respects because of the attempted language standardisation. By organizing activities and sharing information within language clusters, subsidiary staff created a shadow organizational structure that entrenched social clustering on the basis of language (Marschan-Piekkari et al, 1999).

The active, continuing role of language in social and human capital development is illustrated in Figure 4. Language not only opens the door to the development of social capital but exerts a continuing influence on the direction and character of unfolding relations: it both lubricates and influences the interactions that underpin social capital. However, as noted above, language capital is developed by individuals and is a necessary precursor to many exchanges in international business that ultimately contribute to the development of social capital. Organizational social capital, after all, is built on the networks and relationships formed by human interaction. At the same time, the process of interaction within diverse networks generates information, knowledge and further contacts that add to human capital. Of course, individuals may choose not to employ some of the benefits gained through this process within the firm. In simple terms, there is no guarantee that there will be an automatic continuance of a positive cycle.

Figure 4: Language as an Agent of Human and Social Capital Development



Conclusion

In the international arena, language matters. This is abundantly evident when considering social ties, network linkages and other related elements of social capital. Our analysis suggests that language affects both the structural and relational components of social capital, as well as the interaction between these dimensions, and related constructs such as human capital. Language clearly is an important foundation of social ties in a structural sense (the bridge) and governs the extent and strength of the relational embeddedness. There is a need to re-assemble and integrate the concepts, rather than focusing on the separateness of factors such as social capital and human capital. In building the concept of social capital, there has been an attempt to strengthen its distinctiveness to the detriment of the overlaps and connections. As Inkpen and Tsang (2005, p.162), in their review of social capital, conclude that, “In future research, scholars should also examine the interaction effects among these [various] dimensions”. Integration also implies recognition of work being done in related, sometimes disconnected fields. There is much scope for stirring the pot!

As important, re-introducing individuals as central in this process, rather than somewhat abstract, shadowy figures, allows not only language competence but also other personal characteristics to come to the fore and enables a more accurate picture of the development of social capital and network relationships to emerge. In the international context, in many situations, language is the supreme arbiter of the nature, quality and dynamics of network development that form into social capital. Its role cannot be ignored.

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