

The Enterprise Fluency Dilemma: A 2011 Special Report

The often overlooked strategic imperative that ensures competitive advantage for global businesses

Enterprise Fluency™ is the essential foundation global businesses must have to allow their teams to communicate, collaborate and operate effectively, and it is a requirement for global enterprises to not only survive, but to thrive. The lack of Enterprise Fluency is, in short, a huge impediment to business growth in a global economy.

This report provides insight into how global executives from the world's leading companies view:

- The impact and connection between strong internal communication and the ability to compete and win against competitors more effectively
- The broad gap between the current Business English communication skills of a global workforce and its impact on individual, team and company productivity
- The investments global leaders need to make to advance their workforce towards increased Enterprise Fluency to positively impact company profits



Introduction

Globalization has triggered, among many other things, the free movement of capital, opportunities for instant worldwide communication, a rise in cross-cultural collaboration, a broadened talent pool and nearly boundless, 24/7 access to information. As organizations of all sizes become increasingly global, they have an opportunity to improve efficiencies, increase around-the-clock productivity, and positively impact the bottom line. Yet, many businesses that for decades (and in some cases, centuries) have had natural competitive barriers, now find themselves in a new world looking for innovative differentiators and sustainable growth in the face of increasing competition.

Despite the business benefits that globalization has delivered, and the enticing promise of rapid growth in emerging markets, there's been a mounting productivity crisis that's holding back even the largest, most successful multinational corporations from fully harvesting the profits of the new global reality. According to a McKinsey Quarterly article¹ published in July 2011 titled "Understanding Your 'Globalization Penalty,'" there's been a consistent and surprising competitive chasm between "strong multinationals that seem less healthy than successful companies that stick closer to home." Some key reasons for this globalization penalty include "creeping complexity, culture clashes and vigorous responses from local competitors, to name just a few." The underlying research found that "high-performing global companies consistently score lower than more locally-focused ones on several critical dimensions of organizational health—direction setting, coordination and control, innovation, and external orientation."

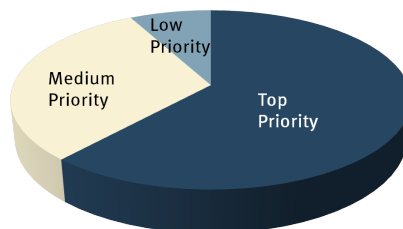
Based on a broad variety of reports, surveys and industry experts, one of the biggest contributors to decreased competitive advantage in an increasingly-global business world is the Enterprise Fluency Dilemma. There's a massive barrier that's hampering the full potential for global companies to succeed and thrive in the new borderless business world: the ability for multinational employees to effectively communicate, collaborate, and "think on their feet" during common business interactions.

Improving Business English skills is a top business priority

While English has become the de facto language of business in today's global economy, only seven percent of global employees think they speak English well enough to do their jobs. And use of English is increasing rapidly; In 2010 55% of global employees said that they use English daily, up from 49% in 2007 and 44% in 2003². This is a critical global business issue and top priority that needs to be addressed by leaders in order to maximize company growth, competitive advantage and profit.


PRIORITY OF IMPROVING BUSINESS ENGLISH COMMUNICATION SKILLS AMONG EMPLOYEES ENTERPRISE-WIDE

61% of executives place improving Business English communication skills as a **top priority** among employees **enterprise-wide**



¹ McKinsey Quarterly, "Understanding Your 'Globalization Penalty,'" July 10, 2011, Martin Dewhurst, Jonathan Harris and Suzanne Heywood, https://www.mckinseyquarterly.com/Organization/Strategic_Organization/Understanding_your_globalization_penalty_2833

² Globalization of English report: http://www.globalenglish.com/m/why_globalenglish/globalization_of_english/



Companies that maintain a strategic focus on **effective employee communication** delivered a **47 percent higher shareholder return**, according to a recent Towers Watson study³.

Enterprise Fluency™ is the essential foundation which global teams require to communicate and collaborate effectively, ensuring that global enterprises not only survive, but thrive.

GlobalEnglish Corporation, the leading provider of on-demand solutions for global communication, recently issued a survey to hundreds of executives from multinational companies in an attempt to discover how Business English ranks as a strategic priority, and to better understand the impact of the Enterprise Fluency Dilemma on global business operations and productivity.

The data from this research supports an emerging concept called Enterprise Fluency™ – the communication, collaboration and operational proficiency that companies must have to profitably expand global footprints in today's competitive global economy.

Globalization has forced us to think of Enterprise Fluency as a singular, strategic effort that cuts across entire organizations. Companies must think about their communication investments holistically—it's not just the technology that connects an organization, but rather the collective ability to communicate in Business English across time zones, borders and continents. Fortunately, both CEOs and knowledge workers across the globe recognize this challenge and hope to meet it. 92 percent of companies surveyed already have some form of training in place to address these issues but even then it is only offered to a small fraction of their population who could benefit from it. What is needed now is something far more robust than a simple training program. What is needed is a solution to scale globally throughout the organization that addresses short-term productivity gains as well as longer term proficiency.

The research sponsored by GlobalEnglish, suggests that the strategic investment in communication development through innovative training and professional support pays off with strong ROI. On average, a person with low English skills loses at a minimum one hour of productivity per week. Compounded across an entire organization, that productivity loss equates to painfully inefficient operations and financial loss. Assuming an average global labor cost of \$15 per hour across 52 weeks, which equates to more than \$750,000 in lost productivity per 1,000 employees. And this does not even count the cumulative value of Enterprise Fluency: increased sales, superior customer service, and more effective marketing, all of which enhance the bottom line.

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- **The investments global leaders need to make to advance their workforce towards increased Enterprise Fluency to positively impact company profits**

³ Towers Watson, Communications ROI Study Report: Capitalizing on Effective Communication, 2009/2010, <http://www.towerswatson.com/research/670>



The Communication Gap

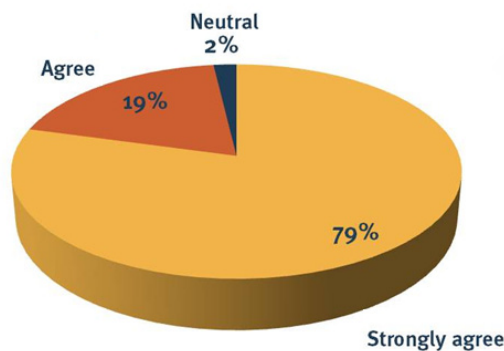
Based on the most recent GlobalEnglish Enterprise Fluency Dilemma survey, fielded in April 2011, the global employee communication skills gap is clearly evident to those in the executive suite. It is a major concern for industry leaders who agree that ignoring the development of Business English communication skills is a disservice to their businesses and hinders organizations from competing effectively in an increasingly-competitive global marketplace.

The debate is over: English is the global language of all business

The new research reinforces English's position as the standard for global business communication. In fact, an overwhelming 98 percent of global company leaders who participated in the survey agreed that English is the international language of business.

PERCENTAGE OF EXECUTIVES REPORTING THAT ENGLISH IS THE INTERNATIONAL LANGUAGE OF BUSINESS

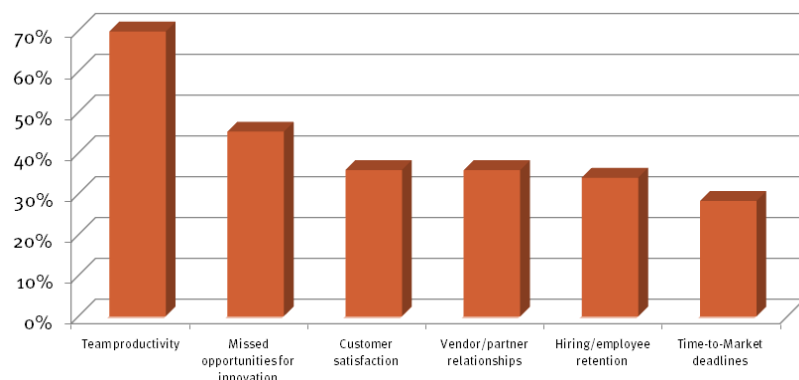
98% of respondents agree that **English is the international language of global business**



The latest research also reveals that a lack of Business English skills has a major impact on company productivity. More than 70 percent of global business leaders report reduced team productivity, nearly half indicate the communications gap caused missed opportunities for innovation, and more than a third of leaders cite negative impact on customer satisfaction.

AREAS COMPANIES REPORT AS BEING ADVERSELY AFFECTED BY LACKING BUSINESS ENGLISH COMMUNICATION SKILLS

70% of companies report **team productivity** as being **adversely affected** by a lack of Business English communication skills

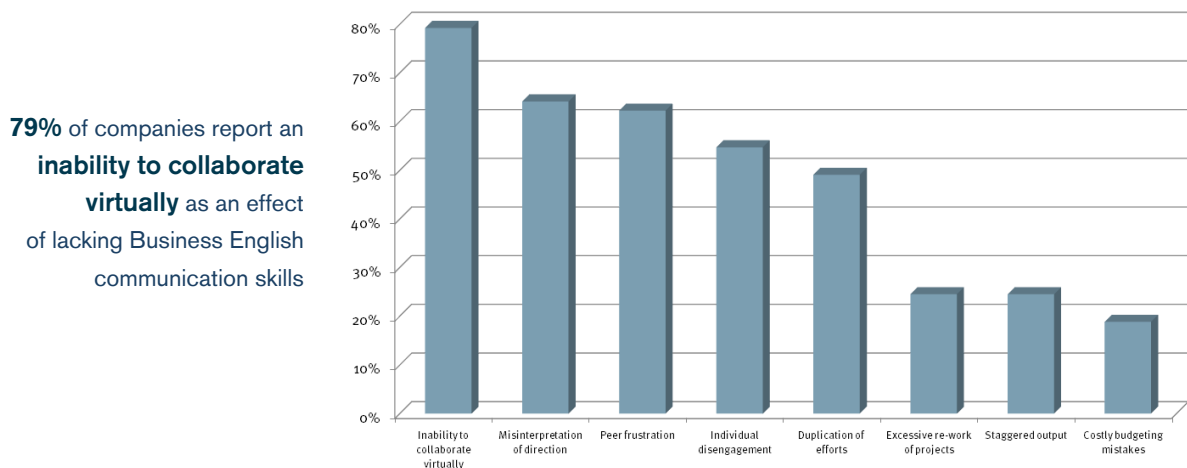


A lack of Business English skills negatively impacts employee productivity

If employees are not able to communicate productively in order to innovate or work effectively as teams, sales will be lost, production will suffer and customer service will be poor. An organization's level of Enterprise Fluency has a direct correlation with outward-facing effectiveness, such as communication with customers. Feedback from customers often must be shared with internal colleagues, and the result of internal collaboration will eventually be shared back with the customer, whether in the form of a new product delivered or support for a customer's problem. Sales and customer satisfaction are just two of the many instances of how a low level of Enterprise Fluency impacts the bottom line.

Just as with the physical infrastructure of communication, lapses in human infrastructure also have negative, inward-facing implications on enterprise productivity. When business leaders were asked which areas of operation were negatively impacted by a lack of Business English communication skills, a majority cited the inability to collaborate, increased peer frustration and individual disengagement.

PERCENTAGE OF COMPANIES THAT IDENTIFY SPECIFIC SYMPTOMS THAT NEGATIVELY IMPACT DAY-TO-DAY OPERATIONS DUE TO A LACK OF BUSINESS ENGLISH COMMUNICATION SKILLS



Furthermore, the April 2011 survey of global business leaders found a substantial impact on day-to-day operations due to the Enterprise Fluency Dilemma. Nearly 80 percent of those surveyed cited an inability for global teams to collaborate virtually, and nearly two thirds of multinational leaders noted a misinterpretation of direction and peer frustration as a result of poor Business English communication skills.

These issues, which cost global companies millions of dollars every year, are all symptoms of a lack of Enterprise Fluency. Poor Business English communication, which is at the center of Enterprise Fluency, translates into inefficiencies, mistakes and lost opportunities in every area of business, including design, engineering, sales and marketing, and customer service.

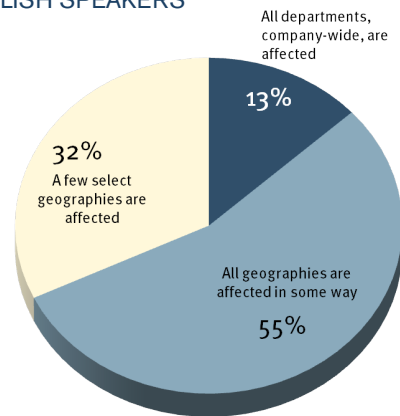
Yet, despite the universal recognition that English is the most important language of global business, there are serious concerns among executives that their companies will not be able to attract and retain employees who have these crucial Business English skills.



Poor communication skills: A major challenge for global businesses

The inaugural GlobalEnglish Business English Index⁴ showed that in 2010 global businesses rated an average of 4.46 for Business English skills on a scale of 1–10, confirming that most in the global workforce can understand basic information only on the telephone or in person, but cannot understand most business presentations, take a leadership role in business discussions or perform relatively complex tasks.

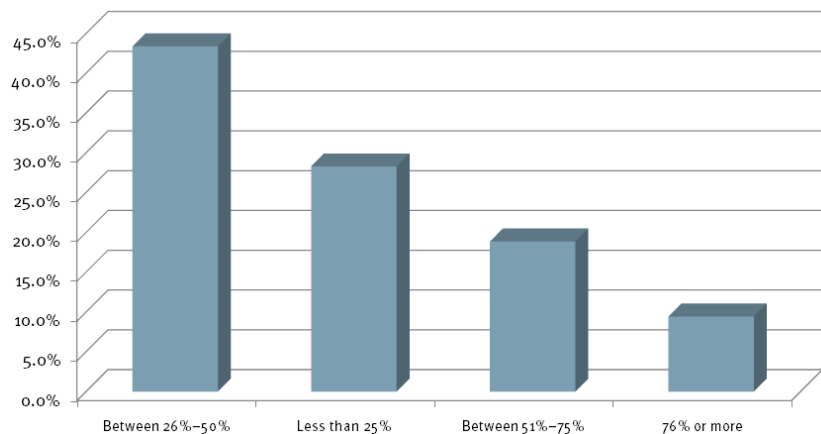
PERCENTAGE OF COMPANIES THAT REPORT OPERATIONS BEING AFFECTED BY A LACK OF BUSINESS ENGLISH COMMUNICATION SKILLS FROM NON-NATIVE ENGLISH SPEAKERS



This Enterprise Fluency gap is experienced across a broad swath of companies as well with 72 percent of businesses saying that more than one-quarter of their entire workforce needs to improve their skills in Business English.

THE PORTION OF THE GLOBAL WORKFORCE THAT MUST IMPROVE ITS BUSINESS ENGLISH COMMUNICATION SKILLS

43% of executives report that up to **50%** of the company's **global workforce must improve** its Business English skills



Earlier this year, GlobalEnglish published the Globalization of English report⁵, based on research with 26,000 employees from global companies across 152 countries. Respondents overwhelmingly agreed that Business English proficiency was critical to

⁴ Business English Index: http://www.globalenglish.com/m/why_globalenglish/business_english_index

⁵ Globalization of English report: http://www.globalenglish.com/m/why_globalenglish/globalization_of_english/



advancing their career—92 percent of global employees report that English is required or important for their jobs, and 93 percent say that English is required or important to get a promotion. Alarming, only seven percent of those same respondents strongly agree that their current English communication skills are sufficient to do their jobs.

Investing in Building a Competitive Advantage:

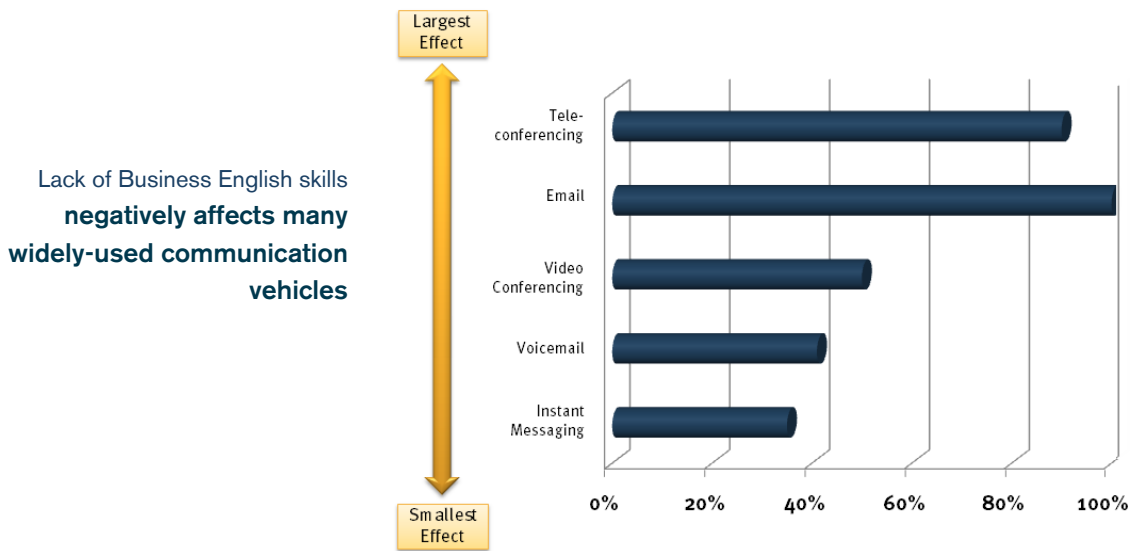
The Next Global Business Imperative

Ironically, global organizations have developed the systems to communicate globally, but they are not leveraging that expenditure by investing in the development of effective communication skills for their workers who are using the technology!

Companies have historically invested in systems such as telecommunications infrastructure to address a dispersed workforce and client base. In fact, companies around the globe spent more than U.S. \$267.9 billion on telecommunications equipment last year⁶, totaling trillions of dollars spent over the last few decades on the technical foundation to allow employees, customers and others to communicate. Despite this massive infrastructure investment, only a fraction of that amount was spent on supporting and training those individuals who need to use that infrastructure.

It should be no surprise that companies use a number of different technologies—pieces of this crucial infrastructure investment—for day-to-day business operations. Among the companies GlobalEnglish surveyed, 100 percent reported using email as an internal communication tool, 91 percent use teleconferencing and more than 50 percent reported using videoconferencing.

THE PERCENTAGE OF COMPANIES THAT USE EACH PARTICULAR COMMUNICATION TOOL FOR DAY-TO-DAY BUSINESS OPERATIONS AND PROPORTIONAL EFFECT OF POOR BUSINESS ENGLISH SKILLS ON VERTICLE



When asked whether the lack of Business English skills negatively impacts the effectiveness of these communication tools, there was a high correlation between the

⁶ Yankee Group Research, 2011 Global Telecom Capex Forecast

impact level and the criticality of such tools. For email and teleconferencing (the most-used systems), the negative impact was the greatest—averaging over a three rating based on a 1–4 scale. In other words, the most commonly used communication tools and systems were negatively impacted the most by a lack of Business English communication skills.

The Enterprise Fluency Dilemma: An Urgent and Mission-Critical Strategic Imperative

In a world where barriers have fallen, what separates the new global leaders from the ones getting left behind, and how do companies differentiate themselves against ever-increasing competition and ever-decreasing customer loyalty? Every aspect of global business—whether it is sales, customer service, engineering or operations—is based on the assumption that the people executing the business strategy have the ability to communicate, collaborate and operate in a diverse world. This is the core issue at the heart of the current Enterprise Fluency Dilemma and yet, in many cases, making investments to close the growing communications gap is entirely missing from strategic business plans.

In conclusion, whether it is Albanians working together with Argentineans or Taiwanese trying to close a major deal in Brazil, global business is performed in English. Accordingly, global companies are required to have a Business English–proficient workforce if they are to overcome the Enterprise Fluency Dilemma and reap the many benefits that bridging the communication skills gap can provide, which is quickly becoming the most important strategic imperative for global business. In the next decade, any global company that fails to make Enterprise Fluency one of its top strategic initiatives may find it loses its competitive edge, reduces market share and profits, or in a worst-case scenario is forced out of business or acquired by stronger, more effective competitors.

The Impact of Enterprise Fluency™

