



-
- English** /'ɪŋ.gliʃ/ *noun* the language of England, now used in many varieties across the world.
- *adjective* relating to England.
 - DERIVATIVES **Englishness** *noun*.
 - ORIGIN Old English, related to **Angle**
- margin** /'mɑːr.ɪn/ *noun* **1.** an edge or border. **2.** the blank border on each side of the print on a page. **3.** the furthest reach or limit. **4.** an amount above or below a given level.
- PHRASES **margin of error** a small amount allowed for in case of miscalculation or change of circumstances.
 - ORIGIN Latin, *margo* 'edge'
- language** /'læŋ.gwɪdʒ/ *noun* **1.** the method of human communication, either spoken or written, consisting of the use of words in a structured and conventional way. **2.** the system of communication used by a particular community or country. **3.** the phraseology and vocabulary of a particular group: *legal language*. **4.** the manner or style of a piece of writing or speech. **5.** Computing a system of symbols and rules for writing programs or algorithms.
- PHRASES **speak the same language** understand one another as a result of shared opinions or values.
 - ORIGIN Old French *langage*, from Latin *lingua* 'tongue'.
- business** /'bɪz.nɪs/ *noun* **1.** a person's regular occupation or trade. **2.** work to be done or matters to be attended to. **3.** a person's concern. **4.** commercial activity. **5.** a commercial organization. **6.** informal a difficult or problematic matter.

The English Margin

WHAT LANGUAGE MEANS TO A BUSINESS' BOTTOM LINE



- 7. (the business)** *informal* an excellent person or thing. **8.** actions other than dialogue in a play.
- PHRASES **in business** *informal* operating or able to begin operation. **in the business of** engaged in or prepared to engage in. **like nobody's business** *informal* extraordinarily. **mind one's own business** avoid meddling in other people's affairs.
 - ORIGIN Old English, 'anxiety' (from **busy** + **-ness**); the sense 'a duty' from which other senses developed, dates from middle English.
- bottom line** *noun informal* **1.** the final total of an account or balance sheet. **2.** the underlying or most important factor.
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About this report

In May 2015, EF Education First commissioned Redshift Research to survey 510 directors or managers of international businesses with more than 1,000 employees. Our aim was to find out how much, in financial terms, it matters to your customers that your people speak good English.

The sample covered a range of industry sectors, including IT (22%), manufacturing and production (20%), and engineering (12%). Almost half the respondents (46%) came from organizations with more than 5,000 employees. The research was carried out in Brazil, China, France, Germany, Italy, the Middle East, Russia, Spain, Sweden and the United States.

Executive summary

There's an assumption that good English means good business. But is this true? If so – where and why? The core objective of this study was to determine if it is possible to put a financial value on English language proficiency, and to find out what measurable outcomes (productivity, time savings or sales increase) result.

KEY FINDINGS

1. Revenues

English drives sales revenue. A massive 88% of managers and directors of large international companies would consider paying more for a product or service coming from suppliers with higher levels of English proficiency. On average they would be prepared to pay 16% extra for their products and services.

2. Return on investment

Employees with full professional English language proficiency are extremely valuable to organizations. Just one such employee is estimated to contribute an additional \$128,000 of value to the business through top line sales increases and bottom-line costs savings (time and productivity gains).

3. International sales

The idea that English is critical for international sales is confirmed. 60% said they had missed out on a business opportunity due to lack of English proficiency.

4. Supplier relations

Your level of English affects the way you are seen as an international supplier. Four out of five companies would consider discarding a supply chain partner with poor English language proficiency. 35% of respondents said they thought organizations without a good grasp of the language were 'unprofessional'.

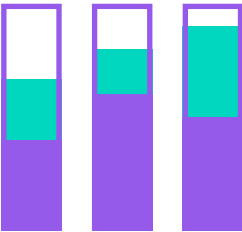
5. Growth

Our research indicated that improved English proficiency could help to grow your business by 31% over five years.

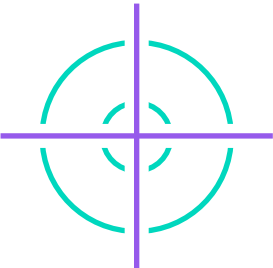
Business customers would be willing to pay 16% extra to a supplier with a high level of English proficiency.

RECOMMENDATIONS

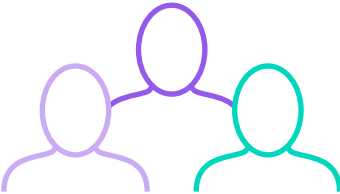
What emerges from the research is a clear mandate for business leaders to embrace English as an important tool in the quest for improved profitability. Based on the findings, we offer the following recommendations to corporate boards:



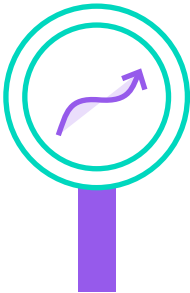
Use established proficiency benchmarks to identify weak points in English skills across the organization.



If shortcomings are apparent, build a business case for improvement, with clear, measurable goals and a stated Return-on-Investment (ROI) objective.



Implement English training across segments of the workforce, based on the level that needs to be reached and the urgency of the need.



Track achievement against the goals and objective, refining as needed. Establish regular English proficiency reviews as a way of maintaining profitability.

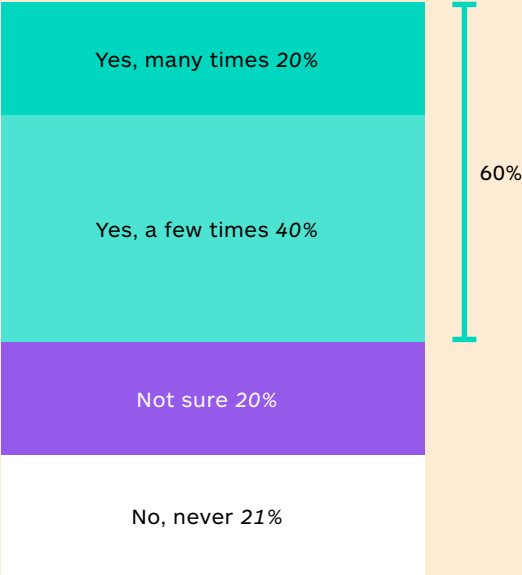
Introduction: does English really matter?

In the absence of specific information on which areas of the business will benefit from language training, it can be hard to make sound decisions on where to invest. There is a risk that money spent on training could go into departments where it is least needed, resulting in a poor ROI. Clearly, business leaders can benefit from hard data on exactly how much English skills could be worth to their business, and what departments should be prioritized for attention.

This report aims to plug the gap with new research to uncover:

- What is it worth from the customer's point of view to speak good English as an organization?
- Where and how does English add value?
- Is it possible to put a price on the value of better English?

60% OF ORGANIZATIONS WORLDWIDE HAVE MISSED OUT ON BUSINESS OPPORTUNITIES DUE TO A LACK OF ENGLISH PROFICIENCY



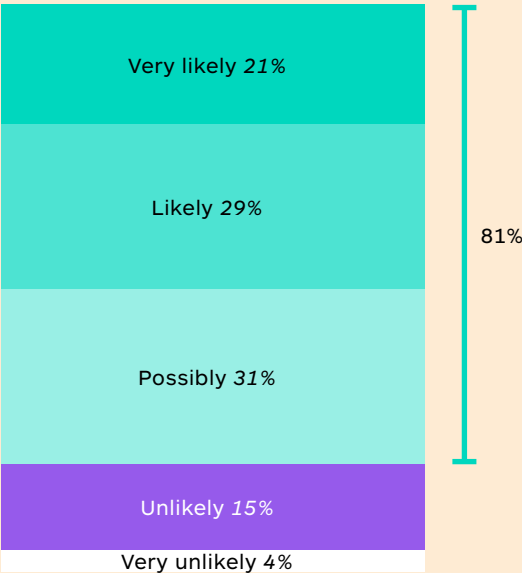
#1

“How language leads to sales and increased efficiency”

Q: Have you ever missed out on a business opportunity with a client/potential client because of a lack of English proficiency within your organization? *[This question was not asked to US respondents.]*

Source: EF

81% OF COMPANIES WOULD CONSIDER DISCARDING A SUPPLIER IF THEY LACKED GOOD LEVELS OF ENGLISH PROFICIENCY



#2

“How language leads to sales and increased efficiency”

Q: What is the likelihood that you would ever discard a potential international supplier because they had a poor level of English proficiency if they were otherwise equal to another supplier?

Source: EF

How language leads to sales and increased efficiency

Recognition of the need to craft compelling sales messages is as old as the art of selling itself. However, business leaders rarely stop to consider whether language skills might be holding up this process. And they are. Our research indicates that three out of five global organizations are missing out on business opportunities because of a lack of English proficiency [FIG 1]. For one in five, this is a regular occurrence.

This is perhaps not surprising when the question is flipped around. When asked about their own supplier relationships, respondents were damning about those where a poor level of English was involved. More than four-fifths (81%) would consider ending a relationship with a supplier because of a poor command of English, and in 21% of cases such an outcome would be ‘very likely’ [FIG 2].

GOOD ENGLISH COMMANDS A PREMIUM

Perhaps even more important is the positive impact that good English can have on international sales. A surprisingly high 88% of respondents clearly indicated that they would be prepared to pay more for services from a supplier with a good level of English [FIG 3]. Given the global spread of respondents in the survey, the implication here is that English is used for international trade even among companies where it is not a native language. A good level of fluency is important for smooth business relationships. But how much exactly would they be willing to pay?

On average, better English could result in a 16.1% uplift in revenue for sellers [FIG 4]. There is wide variation around this figure, however; 44% of managers and directors would be willing to pay more than 10% extra for services delivered in better English, while almost two out of five (18%) might pay more than 21% extra. For companies this could be a game changing discovery: English proficiency adds value to their products and services.

RETURN ON LANGUAGE TRAINING INVESTMENT

Respondents stated that, on average, an employee with a full professional level of English could contribute \$128,000 to the company per year **[FIG 5]**. This figure includes a combination of top line sales increases and bottom line efficiency and productivity improvements.

These figures support recent research by the Economist Intelligence Unit (EIU)¹. In a survey of 572 Executives at multinational companies, nearly half admitted that basic misunderstandings had stood in the way of major international business deals, resulting in significant losses for their companies.

Germans see the least added benefit in improving English language skills, although even this is by no means trivial at an annual value of \$32,000 per employee. At the other end of the spectrum, Italian companies see the largest value in having employees proficient in English, stating that better English skills could add up to as much as \$201,000 per employee per year.

Our research indicates that an employee with full professional proficiency could contribute \$128,000 to a business in terms of sales, efficiency and productivity increases.

The English Margin

What language means to a business' bottom line

1. *Competing across borders – How cultural and communication barriers affect business.* The Economist Intelligence Unit, 2012.

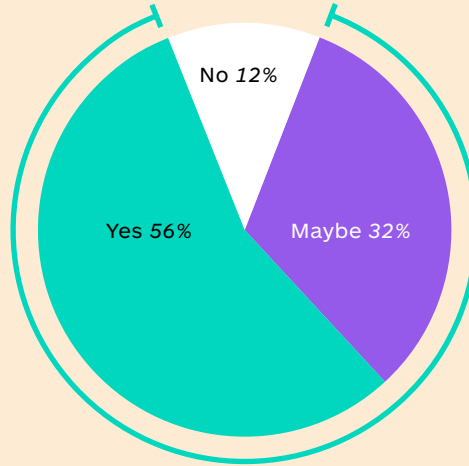
#3

"How language leads to sales and increased efficiency"

Q: Would you pay more for a specific service or product if the organization you were working with had a higher English language proficiency?

Source: EF

88% OF MANAGERS AND DIRECTORS OF LARGE INTERNATIONAL COMPANIES WOULD CONSIDER PAYING MORE FOR A PRODUCT OR SERVICE FROM A COMPANY WITH A HIGHER LEVEL OF ENGLISH PROFICIENCY



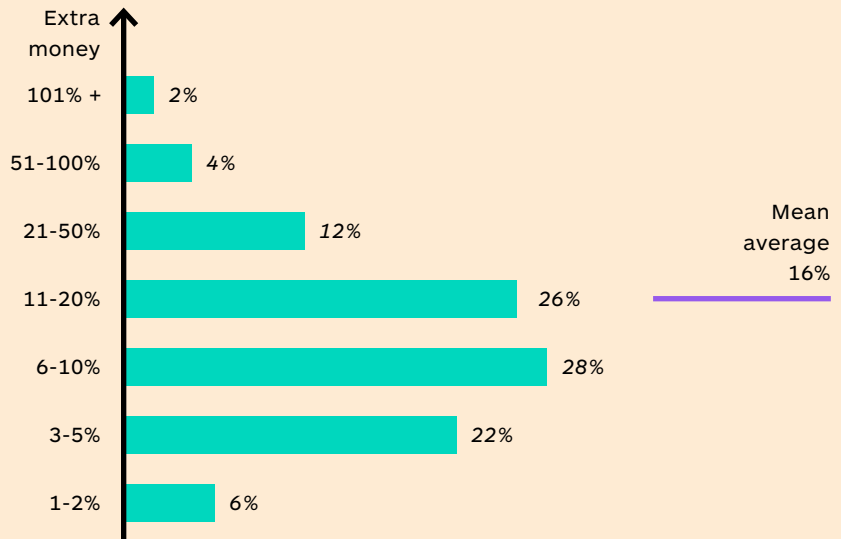
#4

"How language leads to sales and increased efficiency"

Q: How much extra might you pay [to work with an organization with a higher English language proficiency]?

Source: EF

RESPONDENTS WOULD PAY AN AVERAGE OF 16% MORE TO WORK WITH AN ORGANIZATION THAT HAS A HIGHER LEVEL OF ENGLISH PROFICIENCY



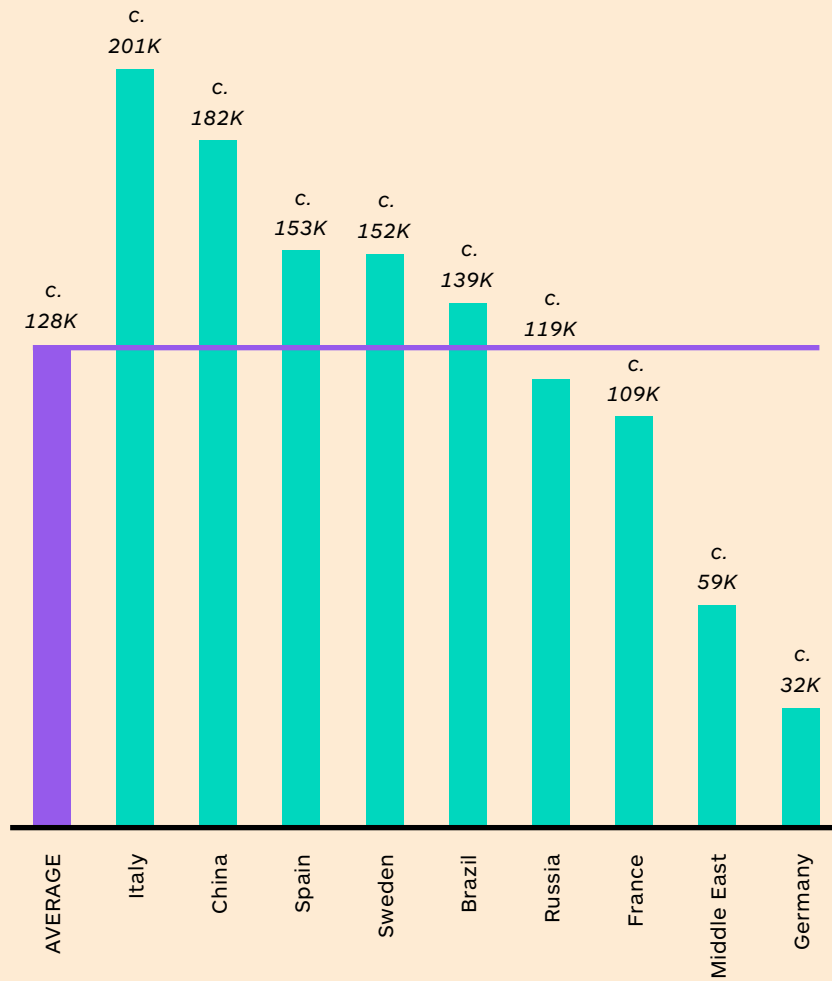
AVERAGE ADDED VALUE OF TIME SAVINGS, SALES AND PRODUCTIVITY INCREASE BY HAVING AN EMPLOYEE WITH FULL PROFESSIONAL ENGLISH LANGUAGE PROFICIENCY

#5

“How language leads to sales and increased efficiency”

Q: Please could you estimate the value in USD of the (a) time savings / (b) increase in sales / (c) productivity increase your organization would experience by having an employee with full professional English language proficiency.

Source: EF



Using English to grow your business

Growth is a primary concern for almost all business leaders. Can English skills help? Resoundingly yes, according to our research. The primary impact is said to be on client-facing business areas [FIG 6], where 58% of managers and directors think better English will definitely contribute to growth. This is 10% above the level for supplier relationships, but it appears improved English could even have a business growth impact internally (cited by 30% of respondents).

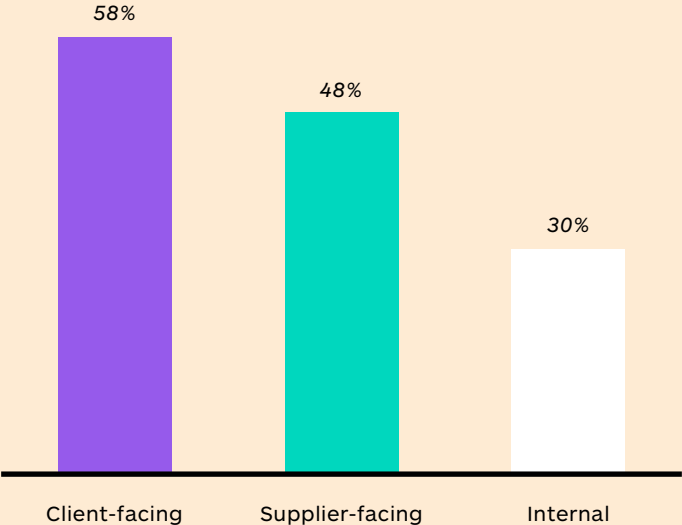
Our survey also asked how much growth better English skills might deliver over a five-year period. Here the results are much more even, with respondents predicting 31% growth from client- and supplier-facing activities, respectively, and 26% from internal roles [FIG 7]. Real-life experience lends credibility to these figures. In 2010, for example, the Japanese online marketplace provider Rakuten chose to adopt English as its official language. 50% of employees were using it habitually two years later. The impact on the business has been startling. The company's consolidated revenue has risen every year, from JPY¥346 billion in 2011 to almost ¥599 billion in 2014.

As might be expected, the exact value of English depends greatly on an employee's level of proficiency. Someone with native or bilingual proficiency, for example, could be worth up to \$138,000 a year to a company [FIG 8]. At the lower end of the scale, the value of English proficiency is still pretty substantial at \$86,000 per person, although businesses see little difference in the value of an employee with an elementary proficiency compared to one with a limited working proficiency. This could be because, at these lower proficiency levels, employees would not be able to hold sales negotiations or presentations in English, so there would not be much of an impact on sales.

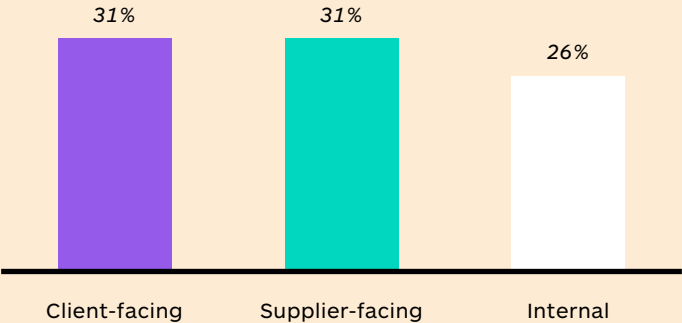
Finally, the research demonstrates that English can contribute to a wide range of activities associated with business growth, from expanding internationally (41%) to internal collaboration (21%). Three of the most cited impacts are in areas directly related to growth: international expansion, access to new clients and professional image [FIG 9]. Of the different growth areas researched, these are arguably the three most closely linked to success in today's competitive business environment.

Client-facing employees proficient in English could deliver 31% growth to a business over a 5 year period.

CLIENT-FACING AND SUPPLIER-FACING ARE BUSINESS AREAS WHERE HAVING ENGLISH-SPEAKING EMPLOYEES WILL DEFINITELY HELP THE BUSINESS GROW ACCORDING TO 58% AND 48% OF MANAGERS/DIRECTORS OF LARGE INTERNATIONAL ORGANIZATIONS



EMPLOYEES IN CLIENT AND SUPPLIER-FACING ROLES WITH GOOD ENGLISH PROFICIENCY WOULD INCREASE BUSINESS GROWTH BY A MEAN AVERAGE OF A THIRD (31%) OVER FIVE YEARS



#6

“Using English to grow your business”

Q: To what extent would you say an increase in English proficiency with each employee type within your organization would improve business growth?
[Graph shows percentage of respondents that answered “definitely”. Mean averages. This question was not asked to US respondents]

Source: EF

#7

“Using English to grow your business”

Q: If each group of employees at your organization were to have a good understanding of the English language, by what % would you expect your organization to grow over 5 years?
[Mean averages. This question was not asked to US respondents]

Source: EF

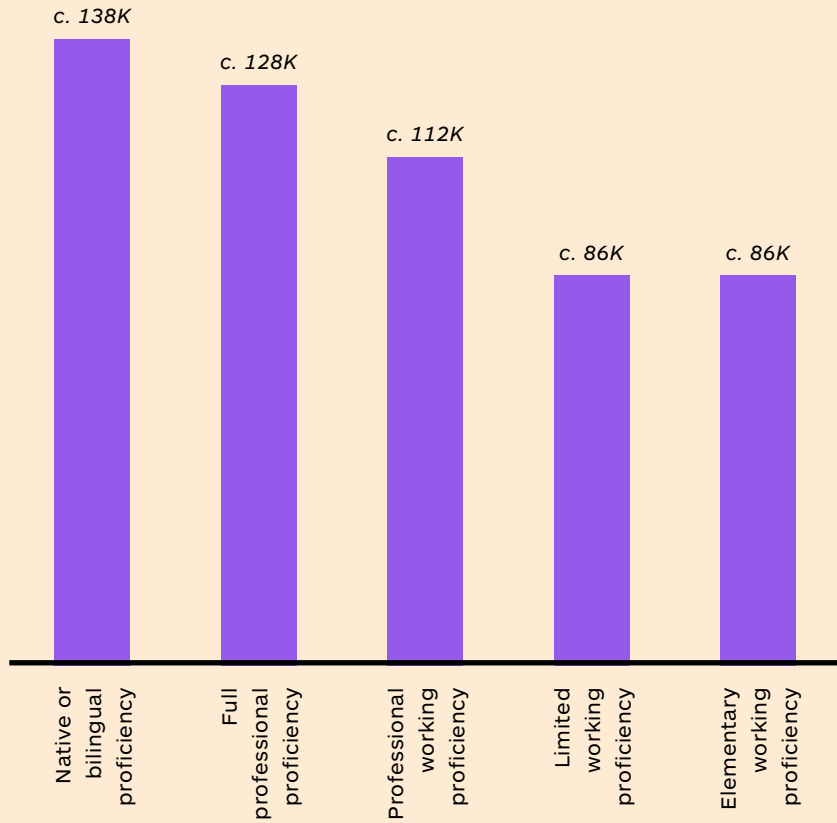
#8

"Using English to grow your business"

Q: Please could you estimate the value in USD of the (a) time savings / (b) increase in sales / (c) productivity increase your organization would experience by having an employee with each of the following levels of English language proficiency.

Source: EF

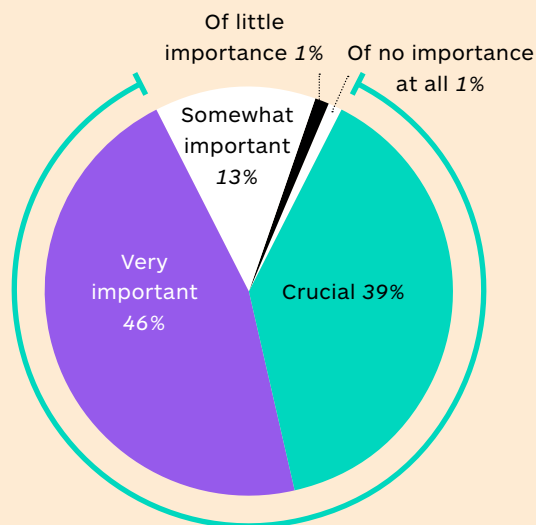
ENGLISH PROFICIENCY AND ROI: ENGLISH SKILLS CAN GENERATE SIGNIFICANTLY INCREASED SALES REVENUES, TIME SAVING AND PRODUCTIVITY GAINS ACROSS ALL PROFICIENCY LEVELS



41% OF DIRECTORS AND MANAGERS SAY ENGLISH PROFICIENCY DEFINITELY FACILITATES INTERNATIONAL EXPANSION



85% BELIEVE THAT HAVING SUPPLIERS WITH A STRONG PROFICIENCY IN ENGLISH IS CRUCIAL OR VERY IMPORTANT



#9

"Using English to grow your business"

Q: Please rate the extent to which you think an increase in English proficiency within your organization would improve the following [areas].

[Graph shows percentage of respondents that answered "definitely". This question was not asked to US respondents]

Source: EF

#10

"The impact on supplier relations"

Q: What is the importance of working with international suppliers that have a strong proficiency in English?

Source: EF

The impact on supplier relations

Understanding the commercial value of English in supplier relations is important for two reasons. The first is that an efficient and effective supply chain is a key ingredient in business growth and success. The second is that supply chain views will tend to mirror those related to sales, since every company that sells a product or service is by definition a supplier to its customers.

Here the first point to note is that our research strongly supports the notion that English is vital to supplier relationships. Only 2% of the sample felt a good knowledge of the language was of little or no importance [FIG 10]. 46% said it was very important and 39% believed it was crucial.

It seems the main reason for this is that good English improves communications [FIG 11]. Approximately half of the sample also appreciated the fact that high English language proficiency could help with customer service and increase the likelihood of forming lasting partnerships, both key goals for any supplier.

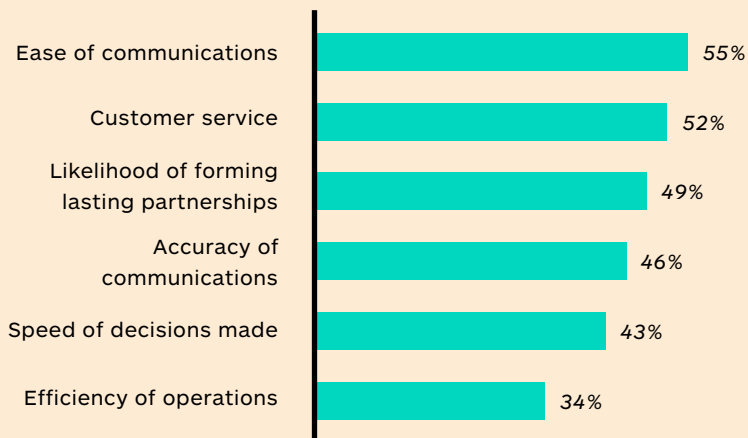
The value of English in customer service, in particular, has been borne out through the experience of companies that have outsourced services to foreign countries and then had to reverse their decisions following complaints. “Service companies ... contract out customer complaints to foreign call centers and then wonder why their customers hate them,” noted The Economist in 2011².

It is worth noting that a significant proportion of interviewees cited other benefits, namely accuracy of communications, speed of decision-making and efficiency of operations (mentioned by 46%, 43% and 34% of respondents respectively). These are all important ingredients for business agility, enabling corporations to respond quickly to changing market conditions, reduce time-to-market for new products and thus improve competitiveness.

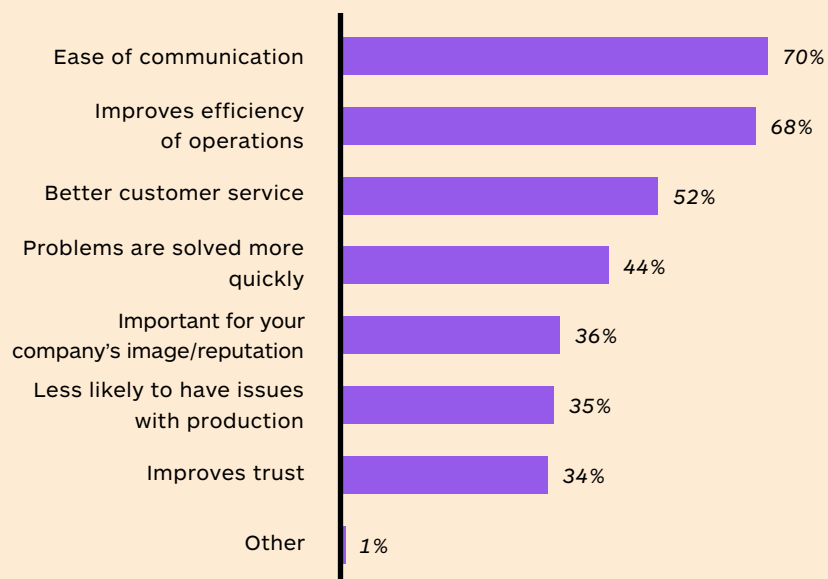
These findings are somewhat mirrored in a separate research question, on the reasons why it might be important to choose suppliers with strong English skills [FIG 12]. Here again the top response is ‘ease of communication’ (70%) and customer service scores highly (cited once more by 52%). In contrast to the earlier question, 68% of respondents mentioned that English skills could improve the efficiency of operations. Faster problem solving also emerges as a strong benefit (44%) and more than a third of those questioned mentioned either better reputation, production or trust as other advantages.

2. <http://www.economist.com/node/21524822>

OVER HALF BELIEVE WORKING WITH COMPANIES WITH GOOD ENGLISH LANGUAGE PROFICIENCY IMPROVES EASE OF COMMUNICATIONS



THE MOST IMPORTANT REASONS TO WORK WITH SUPPLIERS WITH A STRONG PROFICIENCY IN ENGLISH



#11

"The impact on supplier relations"

Q: Do the following improve when working with a supplier that has good English language proficiency compared to one that doesn't?

Source: EF

#12

"The impact on supplier relations"

Q: Why is [it] important [that international suppliers have a strong proficiency in English]?

Source: EF

The effect on your brand

A highly significant area of concern for international business leaders is their company's brand. Although it is by no means exclusively an American concern, US multinationals such as McDonald's, General Motors or ExxonMobil have led the modern trend towards globalization and today most international companies prefer to deal in English.

This means companies where there is a poor level of English proficiency risk being seen as laggards on the global scene, or simply businesses with little or no international profile. In our research, 42% of respondents agreed with that perception [FIG 13]. This data point on its own may not be of concern to companies without international aspirations. But there are other, much more negative impressions of companies that do not have a high level of English. Based on the research, for example, if your employees do not speak good English then around a third of your customers are likely to think your business is unprofessional. About the same proportion will view it as uncompetitive, or a small player, and certainly not a market leader. More than a quarter will assume your people are lacking in business acumen and one fifth will think you offer poor quality. A further 16% may view your business as unreliable. This may seem overly harsh, but these findings mirror research conducted by Grammarly in 2013³, entitled 'good grammar should be everyone's business' which concluded that an individual's good English grammar skills indicate several important traits such as attention to detail, critical thinking and intellectual aptitude. Perceptions of success map closely to English ability on a number of levels, so it is critical for businesses to support a high standard of language achievement.

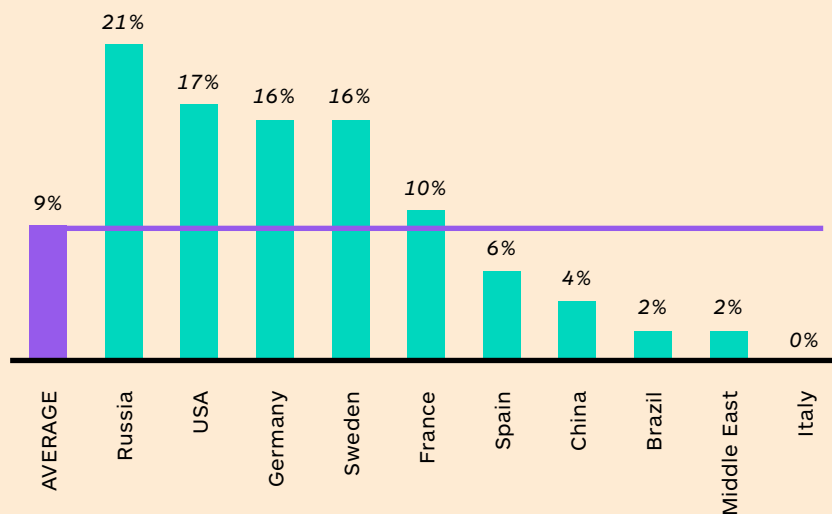
The level to which poor English skills are likely to lead to negative perceptions varies considerably between countries [FIG 14]. In Russia, for example, 21% of those questioned had no negative views of companies with low English proficiency. In Italy, though, you had better be prepared to brush up on your English skills because everyone in the survey harbored some negative perceptions of language shortcomings. In general, Russia, the US, Germany and Sweden emerged as being more forgiving of a lack of English, while in Spain, China, Brazil, the Middle East and Italy a harsher attitude prevails. On average, though, only 9% of customers are likely to think nothing negative of a company where employees cannot speak good English.

3. <https://hbr.org/2013/03/good-grammar-should-be-everyon>

COMPANIES LACKING A GOOD GRASP OF THE ENGLISH LANGUAGE ARE PERCEIVED AS LOCAL, UNPROFESSIONAL AND UNCOMPETITIVE



RESPONDENTS IN SOUTHERN EUROPE, THE MIDDLE EAST, BRAZIL AND CHINA WERE MORE LIKELY TO HAVE NEGATIVE PERCEPTIONS ABOUT COMPANIES LACKING GOOD ENGLISH AS OPPOSED TO THOSE IN NORTHERN EUROPE, THE US AND RUSSIA (% OF RESPONDENTS ANSWERING 'NONE OF THE ABOVE' IN FIG. 13)



#13

"The effect on your brand"

Q: If an organization you are working with does not have a good grasp of the English language, which of the following perceptions might you have about them?

Source: EF

#14

"The effect on your brand"

Q: If an organization you are working with does not have a good grasp of the English language, which of the following [negative] perceptions might you have about them?

[Graph shows percentage of respondents that answered "None of the above"]

Source: EF

Conclusion and recommendations

The findings of this research are sobering for any international business that has doubts about the English language ability of its people. On one hand, it appears that the mere act of improving language skills, particularly in revenue-driving functions such as sales, could lead to very significant bottom-line benefits: no less than 88% of customers could be willing to pay more to buy from organizations with good English proficiency, with 16% being the average extra amount they would pay. Similarly, spending more on English training could help your business grow by 31% over five years.

These figures are surprisingly large. But a quick view of the other side of the language coin reveals why English language acquisition is vital: without it, a significant proportion of customers view businesses as unprofessional, uncompetitive, unreliable or worse. Unless your business makes English skills a priority, this research suggests that you could:

- Face significant barriers to international trade.
- Miss out on business opportunities.
- Have to discount to boost sales.
- Be discarded as a supplier.

However – English training is rarely mandated in the same way as, say, sales or product training. In the absence of clear data on the commercial value of English, businesses have tended to leave responsibility for language skills to individual employees. At most, perhaps, the business might support English classes through time and/or monetary contributions. What this research adds to the discussion is a more detailed view of the potential top and bottom line benefits of English language up-skilling. In particular, business leaders can use this report as the basis for integrating English language into sales growth strategies and making it an essential part of staff training.

Without English skills, a significant proportion of customers view businesses as unprofessional, uncompetitive and unreliable – or worse.

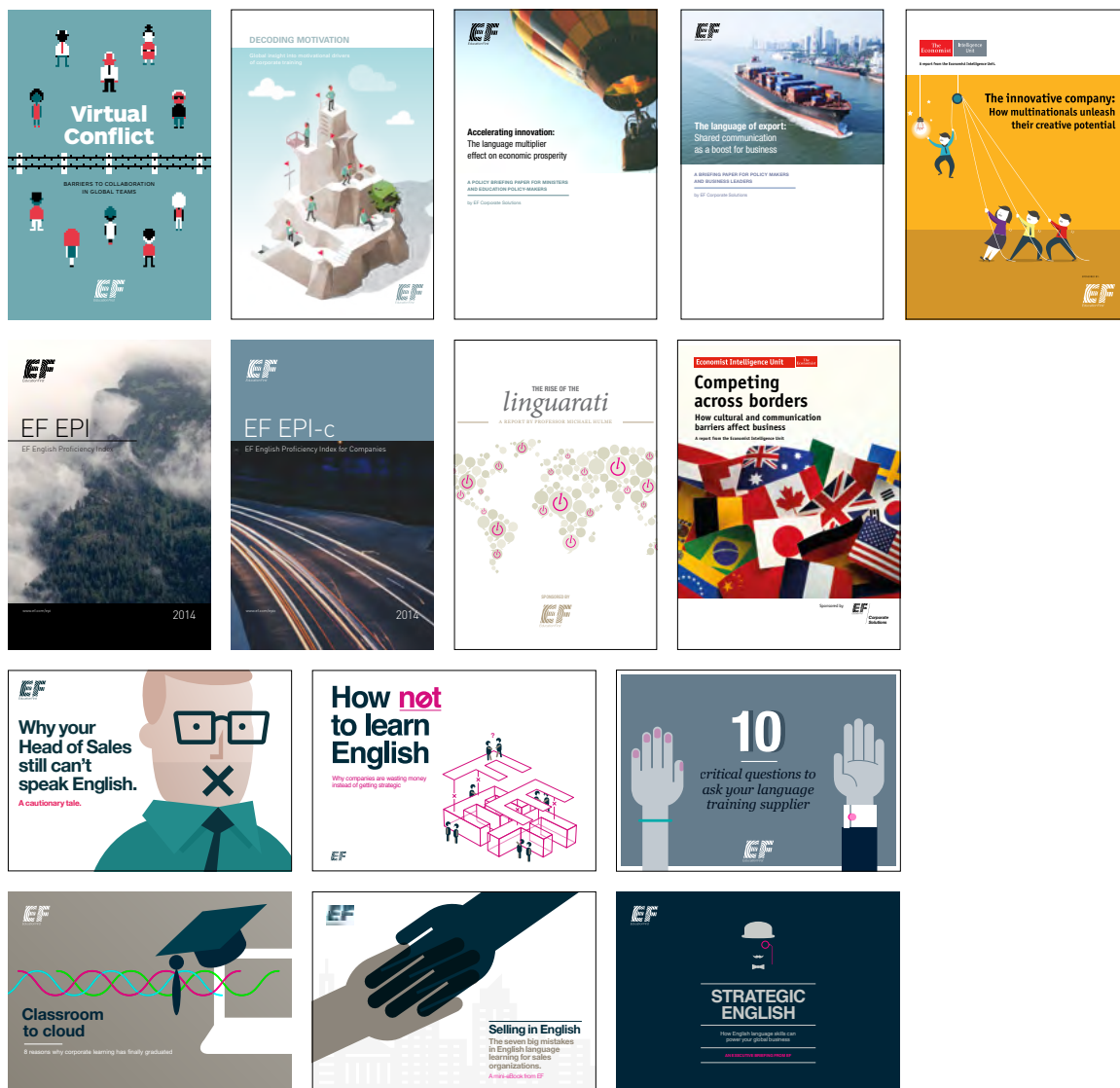
RECOMMENDATIONS

Based on the findings from this research, our recommendations to business leaders are as follows:

- Use established proficiency benchmarks to identify weak points in English skills across your organization. As this research shows, poor English skills can seriously harm your organization's international competitiveness. Lower proficiency can be more easily forgiven in some roles and markets than in others, such as sales versus back-office or Russia versus Italy, so test across your entire organization. Treat English language proficiency as a key element within your business growth strategy.
- If shortcomings are apparent, build a business case for improvement, with clear, measurable goals and a stated Return-on-Investment (ROI) objective. Investment levels can be judged according to expected ROI results and levels of achievement required; remember that even an employee with an elementary knowledge of English could contribute an additional value of around \$86,000 to a business. The business case should include stated milestones and measurable goals.
- Implement English training across segments of the workforce based on the proficiency level that needs to be reached and the urgency of the need. Immersion training abroad is likely to be the best way to train selected employees with an urgent need to improve; the majority of the workforce could be taught through a flexible virtual learning program.
- Track achievements using measures such as improvements in profitability, customer satisfaction or loyalty. Schedule regular (annual or biennial) monitoring to make sure the level of English proficiency in your workforce is on track towards your targets.

Further reading

To read more about communication and language strategies, please visit www.ef.com/loc/resources for free downloads.



About EF

We are the largest privately-held education company in the world with more than 50 years of experience providing language training and other educational programs to young people, adults and businesses around the world.

Over the course of our history, we have developed methods that promote effective and lasting learning in a variety of settings, both online and offline. We have also observed first-hand how changes in traditional, school-based education can lead to dramatic improvements in people's skills.

We are ready to assist any organization that wishes to build a better foundation for future-ready business, innovation, and economic growth.



Is it possible to put a financial value on English proficiency within companies? This report aims to find out.

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