

Media Release

The official language used by companies can shape corporate future orientation and future-oriented practices, such as CSR and R&D

Research found that companies with strong future-time reference (FTR) language as their working language engage less in CSR and R&D by 7% and 40.6% respectively, as compared to those in weak-FTR language environments

Singapore, 11 July 2018 (Wednesday) – Decades of research on organisational behaviour have shown that it is strongly influenced by the socio-economic environments in which firms operate. Little is known, however, about how organisations consider ‘time’. Taking a completely fresh approach, a group of researchers led by Singapore Management University’s (SMU) Assistant Professor of Finance Hao LIANG looked into how the language spoken in an organisation affects its corporate future orientation, i.e. how it perceives the future and prioritises practices such as corporate social responsibility (CSR) and research and development (R&D).

In this study, which is based on the Sapir-Whorf hypothesis that argues that language has an influence on people’s behaviour and way of thinking, Asst Prof Hao LIANG and his collaborators found that **companies with strong future-time reference (FTR) languages (such as English, French and Spanish) as their official / working language have less of a corporate future orientation and so they perform worse in future-oriented activities such as CSR and R&D**, as compared to those in weak-FTR language (such as German) environments.

Entitled [*Future-Time Framing: The Effect of Language on Corporate Future Orientation*](#), the study was jointly conducted by Assistant Professor Hao LIANG of SMU Lee Kong Chian School of Business as the lead author, together with Professor Christopher MARQUIS of Cornell University, Professor Luc RENNEBOOG of Tilburg University and Professor Sunny Li SUN of University of Massachusetts Lowell. The paper was recently accepted by *Organization Science* and will soon be published.

Specifically, the study found that companies using strong-FTR languages as their official/working languages on average engage 7% less in CSR and 40.6% less in R&D. It also found that this effect is weakened when the company has greater exposure to multilingual environments, such as operating in a more linguistically diverse and globalised country, and having more foreign institutional ownership.

Assistant Professor Hao LIANG said, “We know that organisational behaviour and management practices vary significantly across countries, and these differences can be attributed to laws, regulations, cultures and social norms; however, what this research uncovers is a simple but deeper cognitive mechanism: the grammatical feature of the an organisation’s working language – whether it differentiates between future- and present-tense – is a strong predictor of the organisation’s future-orientation.”

“For some languages, such as English, French and Spanish, grammatically separating the future and the present is mandatory, while for others, like German, Japanese and Mandarin, such is optional. The obligatory FTR in a language reduces the psychological importance of – and hence concern for – the future, as it makes the future more distant,” he explained.

Methodology

Using the MSCI Intangible Value Assessment (IVA) data as the main data source for a firm's CSR performance, together firm-level R&D expenditure, the team analysed 5,500 large public companies from 39 countries between 1999 and 2014. The companies comprised constituents of the MSCI World Index, the MSCI Emerging Markets Index, the Financial Times Stock Exchange (FTSE) 100 and the FTSE 250, as well as the Australia Securities Exchange (ASX) 200.

The authors used longitudinal data on a large international sample, and conducted standard regression analyses. To test that it is indeed a language effect, they also explored the conditions under which such effect weakens, by interacting the language FTR variables with variables measures multilingual exposure (country-level linguistic diversity and globalisation, and firm-level foreign ownership).

Implication

Commenting on the implication of the findings, Assistant Professor Hao LIANG said, "Language use is essential in daily communication within and across organisations. Large corporations nowadays are frequently exposed to multilingual environments through having international sales, subsidiaries, investors and employees. Therefore, the findings in this study are of significant relevance to regulators and policymakers when promoting sustainability and organisational long-term orientation, and to corporate executives, including Boards of Directors, CEOs and divisional managers, across all industries and particularly in sectors where information-processing is more crucial thus more prone to cognitive influences."

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More information:

1. Full article entitled '*Future-Time Framing: The Effects of Language on Corporate Future-Oriented Orientation*' - https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2403878
2. Profile of Assistant Professor Hao LIANG: <https://www.smu.edu.sg/faculty/profile/130396/Hao-LIANG>

About Singapore Management University

A premier university in Asia, the Singapore Management University (SMU) is internationally recognised for its world-class research and distinguished teaching. Established in 2000, SMU's mission is to generate leading-edge research with global impact and to produce broad-based, creative and entrepreneurial leaders for the knowledge-based economy. SMU's education is known for its highly interactive, collaborative and project-based approach to learning

Home to over 10,000 students across undergraduate, postgraduate professional and post-graduate research programmes, SMU, is comprised of six schools: School of Accountancy, Lee Kong Chian School of Business, School of Economics, School of Information Systems, School of Law, and School of Social Sciences. SMU offers a wide range of bachelors', masters' and PhD degree programmes in the disciplinary areas associated with the six schools, as well as in multidisciplinary combinations of these areas.

SMU emphasises rigorous, high-impact, multi- and interdisciplinary research that addresses Asian issues of global relevance. SMU faculty members collaborate with leading international researchers and universities around the world, as well as with partners in the business community and public

sector. SMU's city campus is a modern facility located in the heart of downtown Singapore, fostering strategic linkages with business, government and the wider community.

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