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LINGUISTIC AND CULTURAL DIVERSITY AS INTANGIBLE CAPITAL IN INTERNATIONAL ECONOMIC RELATIONS

DIVERSITATEA LINGVISTICĂ ȘI CULTURALĂ DREPT CAPITAL INTANGIBIL ÎN RELAȚIILE ECONOMICE INTERNAȚIONALE

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Abstract: *În cadrul procesului actual de globalizare și al intensificării relațiilor economice internaționale, resursele nemateriale (capitalul uman) devin factori esențiali ai competitivității. Diversitatea lingvistică și culturală este conceptualizată ca fiind catalizator al succesului pe piața în continuă schimbare, asigurând capacitatea indivizilor și a companiilor de a se adapta la noile cerințe. Prezenta cercetare are ca scop analizarea diversității și definirea acesteia drept capital intangibil, evidențiind mecanismele prin care aceasta poate fi categorizată drept avantaj economic: inovarea, accesul pe piețe străine, actualitatea culturală a produselor/serviciilor și consolidarea încrederii în negocieri. Metodologia de cercetare utilizată combină analiza teoretică a literaturii de specialitate cu studii de caz la nivel microeconomic (compania multinațională Unilever) și macroeconomic (Singapore, Canada). Rezultatele obținute în urma analizei reflectă ipoteza că gestionarea eficientă a diversității contribuie la performanța organizațională, creativitate și inovație. În același timp, cercetarea demonstrează că diversitatea lingvistică și culturală poate fi valorificată ca un avantaj competitiv durabil, iar state precum Singapore și Canada oferă exemple clare prin care diversitatea este transformată într-un motor al dezvoltării economice și influenței internaționale.*
Cuvinte cheie: *Capital intangibil, diversitate culturală, diversitate lingvistică, relații economice internaționale, avantaj competitiv*
JEL CLASSIFICATION: J24, F23, M16, Z13

INTRODUCTION

In today's global economy, factors driving competitiveness have seen a dramatic shift. While traditional economic theories focused on tangible resources like land, labour, and capital, more recent theories, such as human capital theory by Gary Becker in 1964, have widened our understanding of what creates value. In the fast-paced 21st century, this shift has been escalated by the rise of the knowledge economy and the growing interconnectedness of international markets. Building upon Becker's framework, linguistic and cultural competencies can be defined as specific forms of intangible capital integrated within individuals and organizations. While human capital focuses on skills and knowledge overall, and social capital emphasizes networks and trust (Putnam, 2000), linguistic and cultural capital refers to the set of language abilities, cultural knowledge and awareness, and cross-cultural adaptability that enables effective management across diverse environments.

Unfortunately, linguistic and cultural diversity are often perceived as a challenge, implying a hurdle in communication, a source of misunderstanding, and a factor that makes organizational management more difficult. The differences in direct and indirect feedback used by high-context and low-context communication (Hall, 1976) can be a source of conflicts. Moreover, Hofstede's (2001) power distance dimension illustrates that individuals from opposing cultures have a different understanding of leadership, meaning that in a multicultural environment, expectations might clash and disputes may arise. Thus, diversity is not an automatic source of added value, it requires investment, competence, and conflict resolution, making it uncomfortable or costly for some. This said, it doesn't mean that diversity isn't important, it is a vital resource for long-term efficiency and profitability. Therefore, this paper argues for a reconceptualization: linguistic and cultural diversity

should be seen as intangible capital, a source that can generate economic growth and improve cooperation, if managed properly. Innovation and creativity happen through the combination of diverse perspectives; market access improves by using cultural knowledge as a way to adapt and create suitable products and services; trust in international economic relations can be built on cultural mindfulness and mutual respect.

The importance of this research derives from multiple interconnected factors. First, the intensification of international economic relations has made cross-cultural awareness and competence a critical skill for companies operating globally. Second, migration and labour mobility have determined the increasing diversity of workforces in many countries. Third, multinational companies that look to expand or operate in new markets must understand the cultural context of those countries.

The main objectives of this paper are:

- to define the concept of intangible capital and apply it to the linguistic and cultural diversity field;
- to analyze the mechanisms through which diversity generates economic value;
- to examine relevant case studies that reflect the success of diversity policies;
- to draw conclusions regarding the strategic management of this resource.

CONTENT

Brief analysis of bibliographical sources

In conducting this research, several theoretical sources of economic and social thought were analysed. The modern concept of human capital, introduced by Gary Becker (1964), is the pillar for understanding and defining individual skills and knowledge as economic assets. Becker's work explained how investments in intangible assets, such as education, training, and language skills, can generate measurable returns. Based on this, linguistic and cultural capital can be understood as an extension of human capital: language skills and cultural competencies are assets that can be invested in and leveraged as economic advantages.

Geert Hofstede's (2001) theory of cultural dimensions in business provides the framework for understanding how behavior within organizations and interactions at an international level can be influenced by cultural values and differences. Edward T. Hall (1976) introduces the concept and distinction between high-context and low-context communication, making it an essential idea for understanding cross-cultural misunderstandings and conflicts, which are a natural part of diversity, although perceived negatively.

Moreover, empirical research in the McKinsey report "Diversity Wins" (2020) shows how diverse leadership teams outperform homogenous ones in terms of profitability. Sonia Akter (2025) has conducted research specifically on Unilever, revealing how diversity influences creativity and innovation. The Unilever report (2024) strongly confirms that the use of their internal policy acts as guidance in operating with diversity.

Description of research methods

The present study uses qualitative research methodology, combining the analysis of theoretical sources with relevant case studies. The theoretical analysis is based on the academic literature cited above, along with official reports, academic works, and various insights from economics, sociology, and management studies, to properly assess the value of linguistic and cultural diversity as intangible capital.

The case study method was selected due to its effective capacity in examining complex theoretical information in its real-world context. The analysis was conducted at two levels to better understand the influence of diversity in the actual state of the world. For the microeconomic level, the multinational company Unilever serves as an adequate example, able to portray the effects of linguistic and cultural diversity on an economic entity. At a macroeconomic level, Singapore and Canada were chosen as examples due to their multicultural character and supporting policies.

Results obtained

The analysis reveals several mechanisms through which linguistic and cultural diversity can generate economic value as intangible capital.

Unilever is a multinational company that sells products in 190 countries, making it a perfect example for observing how it operates in terms of diversity. According to their 2024 Annual Report, the company has a vast clientele of 3.4 billion people, meaning that their products align with buyers from various cultural backgrounds.

Empirical research on Unilever confirms the relationship between cultural diversity and the capacity to innovate, reflecting the positive outcomes diversity brings inside teams. A study by Akter (2025), based on the surveys of 84 team members from multicultural environments and interviews with managers, found that cultural awareness and intelligence, along with flexible and adaptable leadership, are positively associated with better creativity, innovation, and overall better engagement within the company. Unilever's operational practices and policies reflect this principle.

Moreover, the cultural diversity within the organisation functions as a form of market intelligence. Unilever has a practice of employing managers who align with the cultural and linguistic setting of each market. This ensures that products, marketing strategies, and distribution complement each other, and the whole process is culturally appropriate to the region. This is directly supported by their internal policies: "We strongly believe that having people who represent the consumers we serve in fast-moving market conditions, enables us to perform better" (Unilever, 2024, p. 35); "We continue to strengthen our approach to engaging with rightsholders, including individuals who live and work in the communities where we operate or source from" (Unilever, 2024, p. 37). A direct example of this market intelligence is the promotion of skin-lightening products in Asian markets, where it most appeals to customers. The Glow & Lovely (formerly Fair & Lovely) skin care range has been designed for Asian consumers and has maintained its presence in the market since its launch in 1975 in India.

Research shows that businesses with diverse executive teams generally outperform homogenous ones. Specifically, organisations that are in the top quartile for ethnic and cultural diversity are 36% more likely to achieve better financial performance (Figure 1). This aligns with Unilever's Leadership Executive team, which consists of members from different cultures and backgrounds: Argentina, United States of America, Brazil, Singapore, India, Ireland, United Kingdom, Netherlands, Italy (Unilever, 2024).

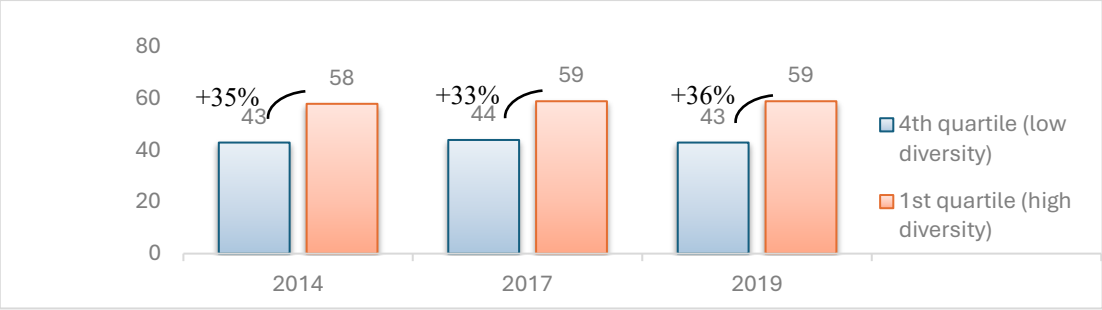


Figure 1. Likelihood of financial outperformance between low and high diversity executive teams, 2014-2019

Source: "Diversity Wins", McKinsey & Company, (Hunt et al., 2020)

The results prove that a culturally and linguistically inclusive environment inside a company promotes the quality and relevance of its products in various markets across the world. This environment creates a space for collaboration, adaptability, and innovation brought on by different perspectives of the members of the company.

The case studies at the macroeconomic level reveal how cultural competence facilitates international economic relations and builds trust in economic negotiations.

Singapore is known as a successful financial hub and trade center at a global level. Its multilingual and multicultural workforce plays a significant part in this success. The country has four official languages (English, Singaporean Mandarin, Tamil, and Malay). The population is very familiar with diverse cultural norms, making Singapore a trusted intermediary in East-West business negotiations. The World Bank's Ease of Doing Business rankings consistently place Singapore in the top countries globally (number 2 out of 190 countries, with a score of 86.2 in 2020). Moreover, Singapore has maintained its position as the most influential ASEAN nation in the Brand Finance Global Soft Power Index 2025. In 2025, the country ranked 21st overall among 193 nations, having improved from 22nd place in 2024, with a score of 55.6. Singapore has outperformed its regional peers (Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Thailand, Vietnam, and Timor-Leste), excelling in pillars such as Business and Trade, Governance, and Education and Science. Thus, Singapore has solidified its reputation as a country with effective leadership, economic dynamism, and innovation. Consequently, this makes Singapore a vital player in international economic relations as a gateway to Southeast Asia.

According to Immigration, Refugees and Citizenship Canada (IRCC), Canada was the first country in the world to adopt a multiculturalism policy. It was declared in 1971 and passed in 1988. The policy embraces inclusivity and even frames diversity as an economic asset. The bilingual and multicultural environment of Canada makes it a perfect space for embracing diversity. The country has an exceptional ability of attracting and further maintaining skilled immigrants, many of whom possess linguistic and cultural ties to their original countries, making the most of their knowledge in terms of diversity as intangible capital. "The main objectives of Canada's immigration policy are to promote economic development by selecting immigrants with high levels of human capital" (Carey, 2018, p. 6). Moreover, experts have concluded that diversity brings benefits to the Canadian workforce as well. Individuals have more to gain by working alongside people who may have different perspectives and methodologies influenced by their original cultural and linguistic backgrounds. "The focus on economic immigration reflects the view that it improves the quality and productivity of the Canadian labour pool over the long term, leading to higher potential growth" (Carey, 2018, p. 6). The active practice of their multiculturalism policy ensured inclusivity amongst people, making Canada an attractive destination for skilled immigrants, thus enforcing its diverse environment. This has played an important role in positioning Canada as a bridge economy that connects North American markets with emerging economies from all over the world, building its power in international economic relations.

CONCLUSIONS AND RECOMMENDATIONS

This paper demonstrates that linguistic and cultural diversity is indeed a form of intangible capital that acts as a competitive advantage in contemporary markets, generating innovation, better market access, and facilitating international economic relations between countries. The case studies of Unilever, Singapore, and Canada provide compelling evidence that effective management of diversity contributes to economic development.

For companies, the results suggest that diversity shouldn't be managed solely as a means of complying with social norms, but as a strategic resource. Investment in human capital (language training, cross-cultural competence development, and diverse hiring practices) can produce significant results in terms of market intelligence and overall economic performance.

For countries, the research shows that diversity and inclusion policies can be used to generate economic benefits. Singapore's and Canada's examples demonstrate that cultural diversity can become a means of attracting investment and a skilled labour force, developing export markets, and positioning countries as international commerce hubs. Several strategies can be implemented in order to complement the positive aspects of diversity, instead of going against this phenomenon altogether: supporting multilingual education, attracting human capital through immigrants, and embracing cultural differences in negotiations.

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