

A Model of the Influence of English Language Competence on Business Performance through Management Effectiveness

*English Competence
and Business
Performance*

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ABSTRACT

The increasing globalization of business has elevated English language competence from a general communication skill to a strategic managerial capability. However, empirical evidence explaining how English language competence contributes to business performance remains limited. This study aims to examine the influence of English language competence on business performance, with management effectiveness positioned as a mediating mechanism. Using a quantitative explanatory approach, data were collected through a cross-sectional survey of 185 business owners and managerial-level employees in an emerging economy context. The data were analyzed using Partial Least Squares–Structural Equation Modeling (PLS-SEM) with SmartPLS 4. The results reveal that English language competence has a significant positive effect on management effectiveness and business performance. Management effectiveness also significantly influences business performance and partially mediates the relationship between English language competence and business performance. These findings indicate that English language competence enhances business performance not only through direct channels, such as improved external communication, but also indirectly by strengthening managerial decision-making, coordination, leadership, and control. This study contributes to the literature by repositioning English language competence as a strategic managerial capability rather than a standalone soft skill and by providing a process-oriented explanation of its impact on business performance. Practically, the findings suggest that organizations and MSMEs should integrate English language development into managerial training and leadership development programs. From a policy perspective, the study highlights the importance of aligning management education and professional certification with global communication competencies, particularly in emerging economies.

Keywords: English language competence; management effectiveness; business performance; managerial capability; emerging economies; PLS-SEM

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ABSTRAK

Globalisasi bisnis yang semakin intensif telah mengubah kompetensi bahasa Inggris dari sekadar keterampilan komunikasi menjadi kapabilitas manajerial strategis. Namun demikian, bukti empiris yang menjelaskan mekanisme bagaimana kompetensi bahasa Inggris memengaruhi kinerja bisnis masih terbatas. Penelitian ini bertujuan untuk menganalisis pengaruh kompetensi bahasa Inggris terhadap kinerja bisnis dengan efektivitas manajemen sebagai variabel mediasi. Penelitian ini menggunakan pendekatan kuantitatif eksplanatori dengan desain survei potong lintang terhadap 185 pelaku usaha dan karyawan pada level manajerial di konteks negara berkembang. Analisis data dilakukan menggunakan Partial Least Squares–Structural Equation Modeling (PLS-SEM) dengan bantuan SmartPLS 4. Hasil penelitian menunjukkan bahwa kompetensi bahasa Inggris berpengaruh positif dan signifikan terhadap efektivitas manajemen dan kinerja bisnis. Efektivitas manajemen juga berpengaruh signifikan terhadap kinerja bisnis serta berperan sebagai mediator parsial dalam hubungan antara kompetensi bahasa Inggris dan kinerja bisnis. Temuan ini menunjukkan bahwa kompetensi bahasa Inggris tidak hanya berdampak langsung melalui peningkatan komunikasi eksternal, tetapi juga berdampak tidak langsung melalui penguatan kualitas pengambilan keputusan, koordinasi, kepemimpinan, dan pengendalian manajerial. Penelitian ini memberikan kontribusi teoretis dengan memposisikan kompetensi bahasa Inggris sebagai kapabilitas manajerial, bukan sekadar soft skill individual, serta menawarkan penjelasan berbasis proses mengenai pengaruhnya terhadap kinerja bisnis. Secara praktis, hasil penelitian merekomendasikan integrasi pengembangan bahasa Inggris dalam pelatihan manajerial dan kepemimpinan, khususnya bagi UMKM. Dari sisi kebijakan, penelitian ini menekankan pentingnya penyesuaian kurikulum manajemen dan sertifikasi profesional dengan kebutuhan komunikasi bisnis global di negara berkembang.

Kata Kunci: kompetensi bahasa Inggris; efektivitas manajemen; kinerja bisnis; kapabilitas manajerial; negara berkembang; PLS-SEM

INTRODUCTION

The acceleration of business globalization has fundamentally reshaped how organizations operate, communicate, and compete across national boundaries. English has become the dominant language of international business, serving as a primary medium for cross-border communication, knowledge exchange, and strategic collaboration (Harzing & Feely, 2008; Neeley, 2012). In this context, English is no longer merely a linguistic or technical skill but has evolved into a strategic managerial skill that directly supports core managerial functions. Managers increasingly rely on English to coordinate multicultural teams, negotiate with international partners, access global market intelligence, and participate in international decision-making forums (Marschan-Piekkari et al., 1999). Prior studies indicate that language competence influences not only communication accuracy but also trust-building, coordination efficiency, and decision quality within organizations (Tenzer & Pudenko, 2017). As these managerial processes are closely linked to organizational outcomes, English language competence may indirectly shape business performance through its role in enhancing managerial effectiveness.

Although the importance of English language competence in organizational contexts has been widely acknowledged, existing empirical research has largely emphasized its direct relationship with performance outcomes, such as employee productivity, employability, or firm competitiveness (Piekkari et al., 2014; Welch et al., 2005). While these studies provide valuable descriptive and correlational evidence, they tend to under-theorize how language competence is transformed into measurable business performance. This creates a conceptual limitation, as business performance is rarely the result of isolated individual skills. Instead, performance outcomes are shaped through managerial processes—such as planning, coordination, communication, and decision-making—that

determine how organizational resources are mobilized and aligned with strategic goals (Drucker, 1974; Richard et al., 2009).

A critical gap in the literature lies in the limited attention given to management effectiveness as an explanatory mechanism linking English language competence to business performance. While management effectiveness has been extensively studied as a determinant of organizational performance (Yukl, 2013; Hambrick, 2007), it is rarely positioned as a mediating construct in language-related performance models. Moreover, empirical studies in this domain remain heavily concentrated in multinational corporations and developed economies, with relatively little evidence drawn from emerging economies and MSME contexts (Knight & Liesch, 2016). This study addresses this gap by proposing and testing a mediated model in which English language competence enhances business performance indirectly through management effectiveness, particularly within the context of MSMEs in developing countries. The novelty of this research lies in repositioning English language competence as a managerial capability, rather than a generic soft skill, and empirically demonstrating its role as an enabling resource that improves managerial effectiveness and, ultimately, business performance.

In response to the identified gaps, this study aims to develop and empirically validate a conceptual model that explains the influence of English language competence on business performance through management effectiveness. Specifically, the objectives of this study are threefold: (1) to examine the effect of English language competence on management effectiveness, (2) to analyze the effect of management effectiveness on business performance, and (3) to test the mediating role of management effectiveness in the relationship between English language competence and business performance. By focusing on these relationships, this study seeks to provide a more nuanced and process-oriented understanding of how language competence contributes to organizational outcomes.

This study offers several important contributions. From a theoretical perspective, it extends the resource-based view and managerial capability literature by conceptualizing English language competence as an intangible managerial capability that enhances organizational performance through effective managerial processes (Barney, 1991; Teece, 2014). From a practical perspective, the findings provide evidence-based insights for firms and MSMEs on the strategic importance of integrating English language development into managerial training and human resource development programs. Finally, from a policy and educational perspective, this study underscores the relevance of aligning business education and vocational training curricula with global communication competencies, thereby supporting workforce readiness and managerial effectiveness in emerging economies.

In the Indonesian context, micro, small, and medium enterprises (MSMEs) dominate the business landscape and play a crucial role in national economic development. However, many Indonesian MSMEs remain domestically oriented, characterized by limited international exposure, informal managerial structures, and constrained access to global markets, knowledge networks, and professional business practices. This condition often results in managerial decision-making that is locally bounded and less responsive to international opportunities and competitive pressures. In such a context, English language competence becomes particularly relevant for MSME managers, not merely as a communication skill, but as a strategic managerial capability that enables access to global information, facilitates interaction with international customers, suppliers, and platforms, and supports more effective managerial coordination and decision-making. Therefore, examining the role of English language competence through the lens of management effectiveness is especially important for understanding how Indonesian MSMEs can enhance their business performance and competitiveness in an increasingly globalized economy.

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

English Language Competence

English language competence refers to an individual's ability to effectively use English in professional and organizational contexts, encompassing both linguistic proficiency and functional communication skills. In management and business settings, English competence is commonly conceptualized through four key dimensions: speaking, writing, reading, and business communication skills. Speaking competence enables managers to participate in meetings, negotiations, and presentations, while writing competence supports formal correspondence, reporting, and documentation. Reading competence facilitates the understanding of contracts, regulations, market reports, and global business information, whereas business communication skills reflect the ability to adapt language use to managerial purposes such as persuasion, negotiation, and cross-cultural interaction (Harzing & Feely, 2008; Neeley, 2012).

Beyond its technical aspects, English language competence is increasingly recognized as a strategic soft skill in management. As an intangible human capital resource, it enhances managers' ability to access global knowledge, interact with international stakeholders, and operate effectively in multilingual environments (Marschan-Piekkari et al., 1999; Tenzer & Pudelko, 2017). From a resource-based perspective, such competence can be viewed as a valuable, rare, and difficult-to-imitate capability that contributes to managerial effectiveness and organizational advantage (Barney, 1991).

Management Effectiveness

Management effectiveness refers to the extent to which managerial actions and processes successfully achieve organizational goals through the efficient and appropriate use of resources. It reflects how well managers perform core managerial functions, including planning, organizing, leading, and controlling (Drucker, 1974; Yukl, 2013). Prior literature conceptualizes management effectiveness as a multidimensional construct encompassing decision-making quality, communication effectiveness, planning and coordination, and leadership and control.

Decision-making quality relates to the ability of managers to analyze information, evaluate alternatives, and choose actions that align with strategic objectives. Communication effectiveness reflects the clarity, accuracy, and timeliness of information exchange within and outside the organization. Planning and coordination involve aligning tasks, resources, and timelines across organizational units, while leadership and control refer to guiding employee behavior, motivating performance, and monitoring outcomes (Hambrick, 2007; Richard et al., 2009). Collectively, these dimensions capture the managerial processes through which individual competencies are translated into organizational outcomes.

Business Performance

Business performance represents the overall outcome of organizational activities and strategies, reflecting the extent to which firms achieve their economic and competitive objectives. It is widely regarded as a multidimensional construct that includes financial, operational, and market performance indicators (Venkatraman & Ramanujam, 1986; Richard et al., 2009). Financial performance typically refers to profitability, revenue growth, and return on investment. Operational performance reflects efficiency, productivity, and quality of internal processes, while market performance captures outcomes such as market share, customer growth, and competitive positioning. In management research, business performance is often treated as the ultimate dependent variable, as it integrates the effects of managerial capabilities, organizational processes, and external conditions. Particularly in dynamic and competitive environments, performance outcomes are strongly influenced by how effectively managers coordinate resources and respond to market demands.

English Language Competence and Management Effectiveness

English language competence plays a crucial role in enhancing management effectiveness, particularly through its impact on internal and external communication. Internally, managers with strong English skills are better equipped to communicate

strategic goals, coordinate team activities, and facilitate knowledge sharing, especially in organizations with diverse or internationally oriented workforces (Tenzer et al., 2014). Externally, English competence enables effective interaction with international customers, suppliers, and partners, reducing misunderstandings and transaction costs (Harzing & Feely, 2008).

Moreover, language competence has been shown to influence the quality of managerial decision-making, as it improves access to global information, market intelligence, and best practices (Neeley, 2012). By supporting clearer communication and more informed decisions, English language competence contributes directly to higher levels of management effectiveness

Management Effectiveness and Business Performance

Management effectiveness is widely recognized as a proximal driver of business performance, acting as the immediate mechanism through which managerial capabilities affect organizational outcomes. Effective managers are able to align strategies with operational execution, motivate employees, and adapt to environmental changes, all of which are critical for sustaining performance (Hambrick, 2007; Yukl, 2013). Empirical studies consistently demonstrate that firms with higher levels of managerial effectiveness achieve superior financial, operational, and market performance compared to less effectively managed organizations (Richard et al., 2009). In this sense, management effectiveness serves as a key transmission channel that converts individual-level skills and competencies into firm-level performance outcomes.

Mediating Role of Management Effectiveness

Theoretically, the relationship between English language competence and business performance can be explained through a mediated mechanism in which management effectiveness acts as an intervening variable. From a resource-based and capability-based perspective, individual competencies such as language skills do not directly generate performance outcomes unless they are embedded within effective managerial processes (Barney, 1991; Teece, 2014). English language competence enhances managers' ability to communicate, coordinate, and decide effectively, which in turn improves overall management effectiveness and leads to superior business performance. Empirically, prior studies suggest that soft skills and human capital attributes often exert indirect effects on performance through managerial and organizational processes rather than through direct pathways alone (Welch et al., 2005; Piekkari et al., 2014). This supports the expectation that management effectiveness mediates the relationship between English language competence and business performance.

Hypotheses Development

Based on the theoretical arguments and empirical evidence discussed above, the following hypotheses are proposed:

H1: English language competence has a positive effect on management effectiveness.

H2: Management effectiveness has a positive effect on business performance.

H3: English language competence has a positive effect on business performance.

H4: Management effectiveness mediates the relationship between English language competence and business performance.



Figure 1 Research Framework

RESEARCH METHODOLOGY

Research Design

This study adopts a quantitative explanatory research design to examine the causal relationships among English language competence, management effectiveness, and business performance. An explanatory approach is considered appropriate as the study seeks to test theoretically derived hypotheses and to explain the mechanism through which English language competence influences business performance. The research employs a cross-sectional survey design, in which data are collected at a single point in time from respondents representing managerial roles in business organizations. This design allows for efficient empirical testing of the proposed conceptual model while capturing variations in managerial competencies and performance outcomes across firms.

Population and Sample

The respondents in this study are managerial actors operating in Indonesia, including business owners, managers, and supervisory-level employees. This respondent profile reflects the characteristics of Indonesian firms, particularly MSMEs, where managerial effectiveness and communication capabilities play a critical role in achieving business performance. The population of this study consists of business owners, managers, and employees at the managerial level who are directly involved in decision-making, coordination, and strategic communication within their organizations. These respondents are considered suitable units of analysis because they possess firsthand knowledge of managerial practices and business performance. The sampling technique combines purposive sampling—to ensure that respondents meet specific criteria related to managerial responsibility and business experience—and proportional random sampling, where applicable, to enhance representativeness across different business sectors or firm sizes. This approach ensures that the sample adequately reflects the characteristics of the target population while maintaining methodological rigor.

Measurement of Variables

The study examines three main constructs: English Language Competence (ELC), Management Effectiveness (ME), and Business Performance (BP). English Language Competence is measured through indicators reflecting speaking, writing, reading, and business communication skills relevant to managerial contexts. Management Effectiveness is operationalized using indicators related to decision-making quality, communication effectiveness, planning and coordination, and leadership and control. Business Performance is measured as a multidimensional construct encompassing financial, operational, and market performance. All measurement items are adapted from established literature and modified to fit the business and managerial context of the study. The measurement items for each construct were adapted from well-established studies to ensure content validity and theoretical consistency. English Language Competence (ELC) was measured using indicators reflecting speaking, writing, reading, and business communication skills, drawing primarily from the works of Harzing and Feely (2008), Neeley (2012), and Tenzer and Pudelko (2017), which emphasize the strategic role of language competence in managerial and organizational contexts. Management Effectiveness (ME) was operationalized based on core managerial functions and processes, including decision-making quality, communication effectiveness, planning and coordination, and leadership and control, as conceptualized in prior studies by Drucker (1974), Hambrick (2007), and Yukl (2013). Business Performance (BP) was measured as a multidimensional construct encompassing financial, operational, and market performance, following the measurement frameworks proposed by Venkatraman and Ramanujam (1986) and Richard et al. (2009). All items were contextualized to reflect managerial perceptions and organizational conditions within Indonesian business and MSME settings.

Data Collection Technique

Primary data are collected using a structured questionnaire designed with a Likert scale, typically ranging from strongly disagree to strongly agree, to capture respondents' perceptions of the studied constructs. The questionnaire is distributed through both online

and offline channels to maximize response rates and accommodate respondents' accessibility and preferences. Prior to full-scale data collection, the instrument may be reviewed or pilot-tested to ensure clarity, reliability, and content validity.

Data Analysis Technique

The collected data are analyzed using Partial Least Squares–Structural Equation Modeling (PLS-SEM) with SmartPLS 4 software. PLS-SEM is selected due to its suitability for predictive and explanatory research models, its ability to handle complex relationships including mediation effects, and its robustness with relatively moderate sample sizes. The analysis follows three main stages. First, the measurement model evaluation is conducted to assess indicator reliability, internal consistency reliability, and convergent and discriminant validity. Second, the structural model evaluation is performed to examine path coefficients, coefficients of determination (R^2), effect sizes (f^2), and predictive relevance (Q^2). Finally, mediation testing is carried out using the bootstrapping procedure to assess the significance of indirect effects and to determine the mediating role of management effectiveness in the relationship between English language competence and business performance.

Given that the data were collected using a self-administered questionnaire and a single data source, this study assessed the potential presence of common method bias (CMB). Following the recommendation of Kock (2015), the Full Collinearity Variance Inflation Factor (VIF) approach was employed, which is considered appropriate for PLS-SEM analysis. In this procedure, each latent construct in the model was regressed on a common latent factor, and the resulting VIF values were examined. According to Kock (2015), VIF values below the threshold of 3.3 indicate that common method bias is unlikely to be a serious concern. The results show that all full collinearity VIF values are below the recommended threshold, suggesting that common method bias does not threaten the validity of the study's findings.

RESULTS

Respondent Profile

The profile of respondents provides an overview of the demographic characteristics of individuals participating in this study. The respondents consist of business owners, managers, and employees at the managerial level, reflecting the target population relevant to the research objectives. In terms of gender, age, educational background, and length of work experience, the distribution indicates a diverse yet representative sample of managerial actors. Most respondents possess sufficient managerial experience and educational qualifications, suggesting that they are capable of providing informed assessments regarding English language competence, management effectiveness, and business performance within their organizations. This demographic composition supports the adequacy of the data for subsequent structural analysis.

Table 1. Respondents' Demographic Profile

Characteristic	Category	Frequency (n)	Percentage (%)
Gender	Male	104	56.2
	Female	81	43.8
	Total	185	100.0
Age (Years)	≤ 30	45	24.3
	31 – 45	90	48.6
	> 45	50	27.0
	Total	185	100.0
Education Level	High School / Diploma	72	38.9
	Bachelor's Degree	93	50.3
	Master's Degree or above	20	10.8
	Total	185	100.0
Position	Business Owner	60	32.4

Characteristic	Category	Frequency (n)	Percentage (%)
	Manager	77	41.6
	Supervisor / Managerial Staff	48	26.0
	Total	185	100.0
Work Experience	≤ 5 years	84	45.4
	> 5 years	101	54.6
	Total	185	100.0

The respondent profile indicates that the majority of participants are managers and business owners with more than five years of work experience and at least a bachelor's degree. This demographic composition suggests that respondents possess sufficient managerial exposure and competence to evaluate English language skills, management effectiveness, and business performance accurately.

Measurement Model Results

The measurement model was evaluated to assess the reliability and validity of the research constructs. The results indicate that all outer loading values exceed the recommended threshold of 0.70, demonstrating satisfactory indicator reliability and confirming that the indicators adequately represent their respective latent constructs. Internal consistency reliability is established, as both Cronbach's Alpha and Composite Reliability (CR) values for all constructs are above the minimum acceptable level of 0.70, indicating consistent measurement across indicators. Convergent validity is supported by Average Variance Extracted (AVE) values exceeding 0.50 for each construct, suggesting that a substantial portion of variance in the indicators is explained by the underlying latent variables. Furthermore, discriminant validity is confirmed using the HTMT ratio and the Fornell–Larcker criterion, where all HTMT values fall below the recommended threshold and the square roots of AVE for each construct are greater than their inter-construct correlations. These results confirm that the measurement model meets the required reliability and validity standards.

Table 6. Composite Reliability and Convergent Validity

Construct	Cronbach's Alpha	Composite Reliability (CR)	AVE
English Language Competence (ELC)	0.873	0.914	0.684
Management Effectiveness (ME)	0.856	0.901	0.662
Business Performance (BP)	0.832	0.892	0.641

The results demonstrate that all constructs exhibit strong internal consistency reliability and adequate convergent validity. Furthermore, discriminant validity is confirmed using both the Fornell–Larcker criterion and the HTMT ratio, indicating that each construct is empirically distinct and measures a unique concept within the model.

Table 7. Discriminant Validity (Fornell–Larcker Criterion)

Construct	ELC	ME	BP
English Language Competence (ELC)	0.827		
Management Effectiveness (ME)	0.548	0.814	
Business Performance (BP)	0.496	0.463	0.801

Table 8. Discriminant Validity (HTMT Ratio)

Constructs	ELC	ME	BP
English Language Competence (ELC)	—		
Management Effectiveness (ME)	0.782	—	
Business Performance (BP)	0.641	0.714	—

Structural Model Results

The structural model was assessed to examine the hypothesized relationships among the constructs. The analysis of path coefficients reveals positive and statistically significant relationships between English language competence and management effectiveness, as well as between management effectiveness and business performance. The direct relationship between English language competence and business performance is also examined to assess its significance alongside the mediated pathway.

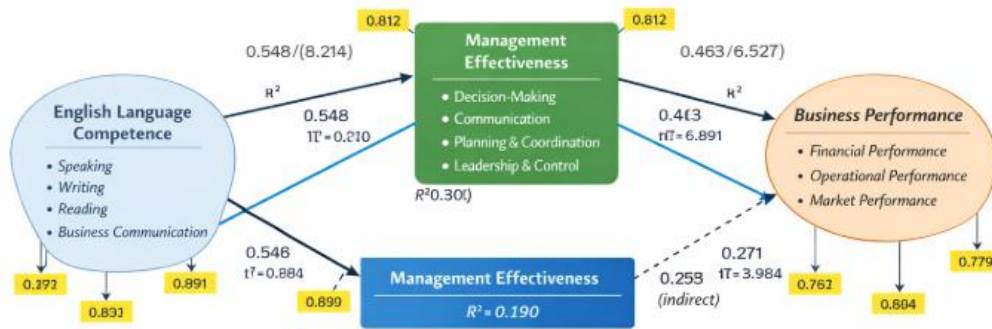


Figure 2 Smart PLS Result

The model’s explanatory power is evaluated using the coefficient of determination (R^2), which indicates that management effectiveness and business performance are explained at a moderate to substantial level by their respective predictors. The effect size (f^2) analysis shows that English language competence has a meaningful effect on management effectiveness, while management effectiveness exhibits a notable effect on business performance. Additionally, the predictive relevance (Q^2) values are greater than zero, confirming that the model has adequate predictive capability. Overall, the hypothesis testing results provide empirical support for the proposed structural relationships.

Table 9. Path Coefficients and Hypothesis Testing Results

Hypothesis	Relationship	β	t-value	p-value	Decision
H1	English Language Competence → Management Effectiveness	0.548	8.214	< 0.001	Supported
H2	Management Effectiveness → Business Performance	0.463	6.327	< 0.001	Supported
H3	English Language Competence → Business Performance	0.271	3.984	< 0.001	Supported
H4	English Language Competence → Management Effectiveness → Business Performance	0.254	5.176	< 0.001	Supported

Note: Significance tested using bootstrapping with 5,000 subsamples.

Table 10. Coefficient of Determination (R^2) and Predictive Relevance (Q^2)

Endogenous Construct	R^2	Interpretation	Q^2
Management Effectiveness	0.300	Moderate	0.212
Business Performance	0.496	Moderate–Substantial	0.287

Note: R^2 values follow Hair et al. (2019) criteria; $Q^2 > 0$ indicates predictive relevance.

Table 11. Effect Size (f^2)

Relationship	f^2	Effect Size Interpretation
English Language Competence → Management Effectiveness	0.430	Medium–Large
English Language Competence → Business Performance	0.122	Small–Medium
Management Effectiveness → Business Performance	0.310	Medium

Note: Effect size interpretation follows Cohen’s (1988) guidelines.

The results in Table 9 indicate that all hypothesized relationships are statistically supported at a high level of significance ($p < 0.001$). The relationship between English Language Competence and Management Effectiveness (H1) exhibits the strongest path coefficient ($\beta = 0.548$), suggesting that English language competence plays a crucial role in enhancing managerial effectiveness. The high t-value ($t = 8.214$) further confirms the robustness and stability of this relationship.

Furthermore, Management Effectiveness has a significant positive effect on Business Performance (H2), with a path coefficient of $\beta = 0.463$. This finding highlights management effectiveness as a key determinant of business performance. English Language Competence also has a direct positive effect on Business Performance (H3), although with a smaller magnitude ($\beta = 0.271$), indicating that while language competence contributes directly to performance, its impact is less pronounced when compared to the managerial pathway.

In addition to the direct relationships, the indirect effect of English Language Competence on Business Performance through Management Effectiveness (H4) is positive and statistically significant ($\beta = 0.254$). The simultaneous significance of both the direct and indirect effects confirms that Management Effectiveness acts as a partial mediator. This implies that English language competence influences business performance both independently and through its ability to enhance managerial effectiveness.

As shown in Table 10, English Language Competence explains 30.0% of the variance in Management Effectiveness ($R^2 = 0.300$), which is considered a moderate level of explanatory power. This suggests that while language competence is an important predictor, management effectiveness is also shaped by other factors not included in the model, such as leadership style, managerial experience, or organizational context. For Business Performance, the combined effects of English Language Competence and Management Effectiveness account for 49.6% of the variance ($R^2 = 0.496$), indicating a moderate to substantial level of explanatory power. This demonstrates that the proposed model provides a strong explanation of business performance outcomes in the studied context.

Additionally, the Q^2 values for both endogenous constructs are positive (Management Effectiveness = 0.212; Business Performance = 0.287), confirming that the model possesses adequate predictive relevance and is capable of predicting outcomes beyond the sample data.

The effect size analysis in Table 11 provides insight into the relative contribution of each structural relationship. The effect of English Language Competence on Management Effectiveness shows an f^2 value of 0.430, which is categorized as a medium-to-large effect. This indicates that English language competence is a major driver of managerial effectiveness in the model.

The effect of Management Effectiveness on Business Performance yields an f^2 value of 0.310, representing a medium effect size. This result reinforces the role of management effectiveness as a proximal driver of business performance, translating managerial capabilities into tangible performance outcomes.

In contrast, the direct effect of English Language Competence on Business Performance has a smaller effect size ($f^2 = 0.122$), although it remains statistically significant. This finding suggests that the direct influence of language competence on business performance is relatively weaker compared to its indirect influence through management effectiveness. Consequently, the results empirically support the argument that English language competence is a necessary but not sufficient condition for achieving higher business performance, as its impact is maximized when embedded within effective managerial processes.

Taken together, the three tables demonstrate that the proposed model exhibits strong structural relationships, satisfactory explanatory power, and meaningful effect sizes. Management Effectiveness emerges as a critical mechanism that amplifies the impact of English Language Competence on Business Performance. These findings provide robust

empirical support for conceptualizing English language competence as a strategic managerial capability, particularly within the context of businesses and MSMEs operating in emerging economies.

Mediation Analysis

Mediation analysis was conducted to examine whether management effectiveness serves as an intervening mechanism in the relationship between English language competence and business performance. The analysis employed a bootstrapping procedure with 5,000 resamples, which is recommended in PLS-SEM to assess the significance of indirect effects without relying on distributional assumptions. The results indicate that the indirect effect of English language competence on business performance through management effectiveness is positive and statistically significant, demonstrating that higher levels of English language competence contribute to improved business performance by enhancing managerial effectiveness.

In addition to the indirect pathway, the direct effect of English language competence on business performance remains positive and statistically significant after the inclusion of the mediator. This indicates that English language competence exerts an independent influence on business performance, beyond its effect through management effectiveness. Furthermore, the total effect, which combines both direct and indirect effects, is larger in magnitude than the direct effect alone, suggesting that management effectiveness amplifies the overall impact of English language competence on business performance.

The pattern of results indicates that management effectiveness functions as a partial mediator rather than a full mediator. This implies that while management effectiveness is a critical mechanism through which English language competence is translated into superior business performance, it does not fully absorb the influence of language competence. Instead, English language competence affects business performance through multiple pathways, including direct contributions such as improved external communication with customers and partners, as well as indirect contributions through enhanced managerial decision-making, coordination, and leadership effectiveness.

Table 12. Direct, Indirect, and Total Effects

Relationship	Effect Type	β Coefficient	t-value	p-value	Significance
English Language Competence → Business Performance	Direct Effect	0.271	3.984	< 0.001	Significant
English Language Competence → Management Effectiveness	Direct Effect	0.548	8.214	< 0.001	Significant
Management Effectiveness → Business Performance	Direct Effect	0.463	6.327	< 0.001	Significant
English Language Competence → Management Effectiveness → Business Performance	Indirect Effect	0.254	5.176	< 0.001	Significant
English Language Competence → Business Performance	Total Effect	0.525	—	< 0.001	Significant

Overall, these findings provide empirical support for the proposed mediation hypothesis and reinforce the conceptualization of management effectiveness as a proximal managerial mechanism linking individual-level language competence to firm-level performance outcomes. By confirming partial mediation, the results underscore the strategic importance of English language competence as both an operational and managerial resource that enhances business performance directly and through more effective management practices.

DISCUSSION

The findings of this study provide empirical evidence that English language competence plays a significant role in enhancing business performance, both directly and indirectly through management effectiveness. The results indicate that English language competence has a strong positive effect on management effectiveness, which in turn exerts a substantial influence on business performance. This confirms that language competence

functions not merely as a communication tool, but as a strategic managerial resource that enhances decision-making quality, coordination, leadership, and control within organizations. The presence of partial mediation further suggests that while English language competence independently contributes to business outcomes, its impact is considerably strengthened when embedded within effective managerial processes.

The strategic role of English language competence becomes more apparent when viewed through the lens of management effectiveness. Managers with higher English proficiency are better positioned to access global market information, communicate strategic objectives clearly, and coordinate internal and external stakeholders more efficiently. These capabilities enhance managerial effectiveness by improving the quality of decisions, facilitating cross-functional coordination, and strengthening leadership practices. As a result, management effectiveness acts as a proximal mechanism that translates individual-level language competence into firm-level performance outcomes, supporting capability-based and resource-based perspectives that emphasize the role of managerial processes in value creation.

When compared with previous studies, the findings are consistent with research that highlights the positive relationship between language skills and organizational or individual performance. Prior studies have often reported a direct association between English language competence and employability, productivity, or firm competitiveness. However, this study extends the literature by demonstrating that such relationships are not solely direct but are also mediated by managerial effectiveness, a mechanism that has received limited empirical attention in earlier research. By explicitly modeling management effectiveness as a mediator, this study provides a more nuanced explanation of how language competence influences performance, thereby addressing a key gap in existing research.

The discussion of these findings is particularly relevant in the context of emerging economies, where businesses—especially micro, small, and medium enterprises (MSMEs)—often face resource constraints, limited international exposure, and managerial capability gaps. In such contexts, English language competence can serve as a critical enabler of managerial effectiveness by facilitating access to international markets, partnerships, and knowledge networks. The results suggest that in developing countries, the performance benefits of English language competence are most pronounced when accompanied by effective management practices. This underscores the importance of integrating language development with managerial training initiatives, rather than treating language skills as isolated competencies.

The findings of this study are largely consistent with prior research that highlights the positive role of English language competence in enhancing managerial and organizational outcomes. Previous studies have shown that English proficiency improves managers' ability to communicate with international stakeholders, access global knowledge, and participate effectively in cross-border business activities, which in turn contributes to improved organizational performance. Similarly, earlier research in international business and human resource management has demonstrated that language skills are associated with higher productivity, employability, and firm competitiveness. The significant direct effects identified in this study—particularly the positive relationship between English language competence and business performance—reinforce these findings and confirm that language competence remains an important driver of performance in contemporary business environments.

Beyond supporting existing evidence, this study extends and advances prior research by providing a more nuanced, process-oriented explanation of how English language competence influences business performance. While most previous studies have focused on direct relationships, the present study demonstrates that a substantial portion of the performance impact of English language competence is transmitted through management effectiveness. By empirically confirming the partial mediating role of management effectiveness, this study shows that language competence does not operate in isolation but generates value primarily when embedded within effective managerial processes such as

decision-making, coordination, leadership, and control. This mediated perspective goes beyond earlier outcome-based approaches and contributes to the literature by positioning English language competence as a managerial capability, rather than merely an individual soft skill. Moreover, by validating this mechanism within the context of an emerging economy, the study broadens the applicability of language–performance research and highlights the importance of managerial processes in translating individual competencies into organizational outcomes.

Implications

The findings of this study suggest that organizations should treat English language competence as a strategic managerial capability rather than a general soft skill. Managerial development programs should therefore emphasize English language training that is explicitly aligned with managerial functions, such as decision-making, coordination, negotiation, and leadership communication. Rather than focusing solely on general language proficiency, training initiatives should incorporate case-based discussions, managerial simulations, and business communication scenarios that reflect real managerial tasks. Furthermore, the integration of English language competence into leadership development programs can enhance managers' ability to articulate strategic visions, lead diverse teams, and engage effectively with international stakeholders, thereby strengthening overall management effectiveness.

From a practical perspective, the results have important implications for human resource development (HRD) and recruitment strategies. Organizations are encouraged to incorporate English language competence as a key criterion in recruitment and promotion decisions for managerial roles, particularly in firms with international exposure or growth aspirations. HRD policies should also prioritize continuous language development as part of managerial competency frameworks. For micro, small, and medium enterprises (MSMEs), the findings highlight the importance of targeted capacity-building initiatives that combine managerial skill development with practical English communication training. Such integrated programs can help MSMEs overcome managerial capability gaps, improve operational coordination, and enhance competitiveness in increasingly globalized markets.

At the policy and educational levels, the study underscores the need to align management education curricula with global communication requirements. Business and management programs should embed English language instruction within core management courses, ensuring that students develop both managerial and communication competencies simultaneously. In addition, policymakers and professional bodies may consider promoting English language certification schemes for managers that are tailored to managerial and business contexts rather than general language proficiency. Such certifications can serve as standardized benchmarks of managerial readiness for global business environments and support workforce development strategies aimed at enhancing managerial effectiveness and business performance in emerging economies.

Despite its contributions, this study has several limitations that should be acknowledged. First, the use of a cross-sectional research design implies that the observed relationships among English language competence, management effectiveness, and business performance should not be interpreted as strictly causal. Although the proposed model is grounded in strong theoretical arguments and supported by robust statistical evidence, the data capture relationships at a single point in time. Consequently, the directionality of effects may be influenced by reciprocal or dynamic interactions that cannot be fully disentangled within the current design.

Second, this limitation has important implications for the generalizability of the findings. The results reflect the perceptions and experiences of managerial actors within a specific temporal and contextual setting, which may differ from organizations operating in other institutional, cultural, or economic environments. In particular, the empirical focus on an emerging economy context suggests that the strength and nature of the observed relationships may vary in developed economies, highly internationalized firms,

or industries with different competitive dynamics. Therefore, caution should be exercised when extending these findings beyond similar organizational and contextual conditions.

To address these limitations, future research is encouraged to employ longitudinal or experimental designs to better capture causal mechanisms and to test the stability of the proposed relationships over time. Additionally, comparative studies across countries, industries, and organizational types would enhance the external validity of the model and provide deeper insights into how contextual factors shape the role of English language competence as a managerial capability.

CONCLUSION

This study examined the influence of English language competence on business performance, with management effectiveness positioned as a mediating mechanism. The findings demonstrate that English language competence has a significant positive effect on management effectiveness and business performance, and that management effectiveness partially mediates this relationship. These results indicate that English language competence contributes to superior business performance not only through direct channels, such as improved external communication, but also indirectly by enhancing managerial processes related to decision-making, coordination, leadership, and control.

From a theoretical perspective, this study contributes to the literature by repositioning English language competence as a strategic managerial capability rather than a standalone soft skill. By integrating language competence into a capability-based and managerial effectiveness framework, the study offers a process-oriented explanation of how individual competencies are translated into firm-level performance outcomes. From a practical perspective, the findings provide actionable insights for organizations, MSMEs, and practitioners regarding the importance of integrating English language development into managerial training, leadership development, and human resource management strategies.

Despite these contributions, this study is subject to several limitations. First, the use of a cross-sectional research design limits the ability to draw causal inferences over time. Second, the reliance on self-reported data may introduce perceptual bias, despite the implementation of common method bias tests. Third, the empirical context is limited to a specific emerging economy setting, which may constrain the generalizability of the findings to other institutional or cultural environments.

Future research is encouraged to address these limitations by employing longitudinal or mixed-method designs to capture dynamic changes in managerial capabilities and performance outcomes. Further studies may also extend the model by incorporating additional mediating or moderating variables, such as digital skills, organizational culture, or leadership style. Moreover, comparative studies across industries, countries, or employment models—such as the gig economy—could provide deeper insights into how English language competence functions as a managerial capability in diverse organizational contexts.

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