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DISTANCE IN INTERNATIONAL BUSINESS RESEARCH:
ARE WE REALLY MAKING ANY PROGRESS?

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Introduction

Within the realm of international business research (IB) the importance of the
distance construct has been echoed by numerous commentators over the past two
decades. For example, Cho and Padmanabhan (2005: 309) conclude that "almost . . .
no international business study can be complete unless there is an explicit variable
controlling for cultural distance". Similarly, Zaheer, Schomaker, and Nachum (2012:
19) claim that "essentially, international management is [the] management of
distance". They argue that distance is the defining characteristic that distinguishes IB
from the discipline-aligned forms of research. Measuring the pervasiveness and
popularity of the construct in another way, the incidence of various forms of distance
being included in international business research has more than doubling in the
Journal of International Business Studies (JIBS) between 2005 and 2010 (Em, 2011).
Looking slightly more broadly, in the Web of Science database, more than 1,500
peer-reviewed articles published in 2012 cited some form of distance (Figure 1).
Indeed, the two most highly cited articles in the history of JIBS are both inextricably
related to the concept of distance. The most cited JIBS article - Johanson and Vahlne
(1977) - is renowned for resurrecting, defining and popularizing the concept of
psychic distance; and the second most cited JIBS article - Kogut and Singh (1988) - is
famous for the creation of the now ubiquitous 'national cultural distance index'. As a
result, the pervasiveness of the distance concept is hard to dispute; however, just
because a concept is pervasive does not mean it is necessarily without controversy,
and it is no guarantee that we are making progress in the way we deal with it.

In parallel to the legions of authors who have embraced and incorporated some aspect
of distance into their research, an equally vigorous, though numerically smaller
legion of authors have lamented about how their colleagues have conceptualized,
measured and incorporated the more abstract forms of distance into their research
chapter joins that stream of literature in terms of being a critique of how the
measurement of distance has been practiced, but with a subtly difference twist. First
of all, rather than just repeat criticisms already eloquently explained by others, this chapter focuses on what subsequent progress has been made in each area of criticism, and what the implications are for future research.

In addition, this chapter is intended to highlight one specific issue. Many commentators (e.g. Evans & Mavondo, 2002, Sousa & Bradley, 2006) claim that the superior approach to measuring the more abstract forms of distance is in terms of individual-level perceptions, rather than in terms of exogenous national-level metrics. However given the difficulties inherent in measuring a priori perceptions of key decision makers, it is critical that we have theoretical frameworks to explain what drives these perceptions, and are able to understand when, how and why they diverge from the more widely available national-level factors. Without such an understanding, our ability to appropriately model and incorporate the distance construct into our research will be severely hampered.

In the remainder of this chapter, the history of the distance construct as it has been used in IB research is briefly summarized. Then each of the major criticisms of the literature, as drawn from the major commentators, are addressed in turn with particular focus on what progress has been made in correcting the situation, and what are the implications for future research. The final criticism raised brings us to an
extended, and as yet unresolved, debate within the field - the use of exogenous national-level measures of distance versus individual-level measures of perceptions of distance. Here we focus on a particular implication of this debate: how and why these two approaches may yield different results, and what the implications are for future research.

A Brief History of the Distance Construct in IB Research

Arguably the earliest application of the distance construct in IB research was as a surrogate measure of transportation costs in bilateral trade flow studies. In conjunction with the size of the respective markets, usually measured in terms of GDP, geographic distance formed the cornerstone of the now famous gravity equation (see Anderson, 1979 for a more detailed explanation of these models). Anderson (1979: 106) describes it as "probably the most successful empirical trade device of the last twenty-five years". However, even in the earliest years of this literature, Beckerman (1956) and Linnemann (1966) were suggesting that in addition to transportation costs, cross-national differences may be influencing trade flows; and used distance as a metaphor for the magnitude of these differences. Indeed, Beckerman (1956) is generally credited with coining the term 'psychic distance' to describe this effect.

Unfortunately, despite the early recognition of these factors, the more abstract forms of distance did not gain significant attention in the IB literature until Johanson and Vahlne (1977) included Beckerman's psychic distance as one of the key constructs in their internationalization process model. They argued that psychic distance, arising from differences in language, education and industrial development, creates uncertainty about foreign markets; which in turn may influence a firm's choice of markets, and it's degree of commitment to those markets. However, despite the importance and emphasis that Johanson and Vahlne (1977) gave to the construct, the incorporation of more abstract forms of distance did not really gain prominence in the empirical international business literature until Kogut and Singh (1988) created their now ubiquitous 'national culture distance' scale by collapsing four of Hofstede (1980) cultural dimensions into a formative index. It is from that point onwards that the inclusion of cultural and/or psychic distance in research agendas began to grow rapidly. In particular, over the past decade the number of Web of Science articles citing cultural, psychic or institutional distance has grown 25% per year. Moreover,
during this period, the Kogut and Singh index quickly became the dominant instrument for measuring abstract forms of distance – be it cultural, psychic or instrumental distance (e.g. Harzing, 2003, Yiu & Makimo, 2002, Zhao, Luo, & Suh, 2004).

In the mid 2000's, in response to mounting criticism of the Kogut and Singh index (e.g. Shenkar, 2001), a number of alternative distance scales began to emerge – most notably the GLOBE effort (House, Hanges, Dorfman, & Gupta, 2004) to create a revised set of cultural dimensions, and several efforts to broaden the range of distance dimensions beyond just culture (Berry, Guillen, & Zhou, 2010, Brewer, 2007, Dow & Karunaratna, 2006). A third stream of researchers (e.g. Brouthers, 2002, Dow, 2000, Evans & Mavondo, 2002, Håkanson & Ambos, 2010, Luo, Shenkar, & Nyaw, 2001, Sousa & Bradley, 2005) also began to explore more direct approaches of surveying people's perceptions of distance. However, despite the merits of all these efforts, to date the Kogut and Singh index has continued to dominate the field in terms of usage (Em, 2011).

In terms of the business issues to which the distance construct has been applied, it covers an extremely broad range, varying from predicting export market selection (Ellis, 2008), trade flows (Dow & Karunaratna, 2006), FDI flows (Davidson, 1980), entry mode choice (Hennart & Larimo, 1998), establishment mode choice (Brouthers & Brouthers, 2000), adaptation in foreign markets (Dow, 2001), and performance in foreign markets (Evans & Mavondo, 2002) to the use of HRM practices in international settings (Boyacigiller, 1990). In light of the depth and breadth of the settings in which the distance construct has been applied, it is not surprising that commentators such as Zaheer, et al. (2012: 18) have referred to it as “the much-loved construct”. Nevertheless, as argued earlier, this extremely broad and deep application of the construct does not guarantee that it is without controversy.

The Criticisms of How Distance is Operationalized in IB Research
Subsequent to Johanson and Vahlne (1977) and Kogut and Singh (1988), one of the most significant turning points in the conceptualization and application of distance in IB research is the seminal article by Shenkar (2001) for which he won the JIBS decade award. In this article, Shenkar laid out eight main criticisms of the way in which distance research has typically been conducted; several of which have been subsequently echoed, endorsed and enhanced by other commentators (e.g. Harzing,
For the remainder of this chapter these critiques, and particularly the seminal paper by Shenkar (2001) will form the basis of our review. For each of the major criticisms, the subsequent research and corrective action will be discussed, and implications for future research will be addressed.

1. Neglecting the Underlying Mechanisms
The first major criticism of the field is not one originally raised by Shenkar (2001), but rather by Zaheer, et al. (2012) in their tribute to Shenkar's earlier work. They argue (2012: 19) that one of the major problems underlying the entire field is that "most distance constructs have been used in a fairly superficial manner in research, without much attention paid to exactly what mechanisms are at play in the influence of distance, or to its underlying conceptualization". In essence, too often researchers rush to apply the concept of distance to their work and neglect to carefully consider the underlying theories of why distance matters in the first place.

The empirical literature that explicitly employs 'cultural distance' as an explanatory variable seems particularly prone to this weakness. The vast majority of this research simply cites previous empirical work that has used the same metric and is entirely silent on the underlying mechanisms. Most often the implicit assumption in these works is that cultural distance is a source of transaction costs as argued by Kogut and Singh (1988). This view is reinforced by Zhao, et al. (2004) and Tihanyi, Griffith, and Russell (2005), who in their meta-analyses categorize cultural distance as an indicator of 'internal uncertainty' within a transaction cost framework and use this literature as evidence of the importance of internal uncertainty.

Within the empirical literature that explicitly cites 'psychic distance' (e.g. Ellis, 2008) the situation is substantially simpler and more explicit, thanks to the early work of Uppsala researchers. Johanson and Wiedersheim-Paul (1975: 308) lay down a reasonably concise definition of psychic distance:

“The sum of factors preventing or disturbing the flow of information between firm and market. Examples of such factors are differences in language, culture, political systems, level of education, level of industrial development, etc.”
This definition has been frequently criticised (e.g. Evans & Mavondo, 2002) for not emphasizing the perceptual nature of psychic distance, a curious omission given that even Beckerman’s original 1956 paper emphasized the perceptions of individuals; however it does have one very strong positive aspect in that it clearly identifies the critical mechanism – factors which disturb the flow of information. For this segment of the literature the theoretical underpinnings tend to be more explicit, but unfortunately it has tended to be less than a quarter of the total literature.

The third and final theoretical perspective with respect to the role of abstract forms of distance in IB research is institutional theory. The concept of institutional distance was first suggested by Kostova (1999) and initially showed much promise in providing a new perspective on the debate (Xu & Shenkar, 2002). In particular, institutional theory predicts that a firm's desire to attain 'legitimacy' is a key mechanism driving various aspects of MNE behaviour such as market selection and entry mode. Unfortunately, the sad reality is that subsequent applications of institutional distance have tended to make identical predictions as the cultural distance and psychic distance perspectives, as well as frequently using the same indicators. As a result, to date, the results from an institutional distance perspective are essentially indistinguishable from those of the psychic distance and cultural distance perspectives.

In terms of implications for future research, the first step is to encourage researchers to take heed of the calls of Harzing (2003), Zaheer, et al. (2012) and others in being more explicit about what are the underlying mechanisms that the various forms of distance are intended to represent. Are they talking about difficulties in people communicating with and understanding one another, is it about the desire of people and organizations gaining legitimacy in the eyes of those around them, or is it something else? In essence before we even start measuring any forms of distance, we need to ask ourselves ‘why are these differences important?’ On top of that, more work needs to be done to help discriminate between these three perspectives (i.e. transaction costs, the need for legitimacy and barriers to information flows). Institutional distance in particular was initially embraced as a fresh new perspective, but unless it can attain some level of discriminant validity, and generate new predictions about firm behaviour, it will not advance our understanding of
international business. This may require more creative research designs, and possibly more qualitative and/or experimental approaches.

2. The Assumption of Equivalence

Shenkar (2001) and others (e.g. Zaheer, et al., 2012) have argued that a broader range of distance dimensions beyond just the classic Kogut and Singh index should be considered in most distance-related research. Tung and Verbeke (2010) characterise this as the '[non-] equivalence of cultural distance and psychic distance' in acknowledgement of the fact that even Johanson and Wiedersheim-Paul (1975) explicitly cited a much wider range of factors such as differences in language, education and industrial development as antecedents of psychic distance. As Tung and Verbeke (2010) argue, concept of distance is so much broader than just the original four dimensions of culture popularized by Hofstede (1980), and yet the vast majority of researchers default to this narrow set of indicators, presumably for the sake of convenience and expediency. In many respects it is a sad comment on the state of our discipline. In a related criticism, Shenkar also argues that not all dimensions of distance, even within the original four Hofstede framework, are equally important. In effect, not only should we consider other new dimensions, but we should also turn a critical eye to the salience of the existing dimensions. Shenkar labels this as the 'assumption of equivalence'.

Both of these issues have subsequently been addressed by multiple researchers such as Dow and Karunaratna (2006), and Berry, et al. (2010) who have proven that indeed the Kogut and Singh index only seems to be capturing a small fraction of the total effect (also see Dow & Ferencikova, 2010, Dow & Larimo, 2009, Dow & Larimo, 2011). On top of that, they also find that the relative contributions of each dimension do differ dramatically and the relative proportions can vary depending on what criterion variable one is investigating. Furthermore, Larimo and Dow (2009) found that when tested separately, rather than as a combined index, only two of the four Hofstede dimensions are significant predictors of entry mode.

In terms of future research, to some extent the initial work on this issue has already been done. There may be other new dimensions out there, and researchers should keep an open mind to such innovations, but the major challenge is to ensure that the main stream of distance research continues to move away from excessive reliance on
the Kogut and Singh index and embraces a broader set of dimensions. So far this perspective has been gradually gaining wider acceptance (e.g. Avloniti & Filippaios, 2014, Castellani, Jimenez, & Zanfei, 2013, Malhotra & Gaur, 2014, Martin & Drogendijk, 2014), but the trickle needs to be converted into a flood. The biggest constraint here is that many researchers simply want to 'control' for distance; and thus, they have a preference for a single formative index. On this particular issue, a pragmatic approach is probably optimal. While Shenkar and others are correct in cautioning us against the 'assumption of equivalence', once there merits of each individual dimension has been tested and endorsed, the use of a formative index is quite appropriate.

3. The Illusion of Stability
Similarly, Shenkar (2001) also highlighted the ‘illusion of stability’ – i.e. challenging the argument that culture is relatively stable over time and very slow to change. This is a particularly relevant criticism given that the dominant scale is more than 40 years old. In response to this criticism Taras, Steel, and Kirkman (2012) have used a meta-analytic approach in order to provide updated estimates for each of the original Hofstede (1980) dimensions. Their analysis does indicate some statistically significant movement across the decades; however, in contrast to the previous issue, there does not yet appear to be any evidence as to whether these more recent estimates significantly improve the predictive power of the index.

In some respects, the recent efforts by the GLOBE team (House, et al., 2004) could be interpreted as addressing both of the preceding issues. Their revised cultural dimensions are certainly more recent than Hofstede (1980), and quite intentionally cover more dimensions, although they still constrain themselves to aspects of culture. Unfortunately, subsequent analyses have shown that the GLOBE 'values' and 'practices' dimensions are frequently negatively correlated (Maseland & van Hoorn, 2008, Taras, Steel, & Kirkman, 2010), and this has created substantial controversy and uncertainty over their use. At this stage, the limited evidence available (Meschi & Riccio, 2008) does not provide any clear evidence as to whether the GLOBE scales provide superior predictive power relative to the original Hofstede-based scales.

Overall it is quite apparent that the prevailing sentiment of the commentators (e.g. Tung & Verbeke, 2010) is that these forms of distance do change substantially over
time. However, Table 1 shows two very opportunistic comparisons that cast doubt on that assumption. In 1991, a PhD student at Uppsala surveyed Swedish managers for their perceptions of the psychic distance of a selection of foreign countries (Nordstrom & Vahlne, 1994). Roughly 15 years later, Håkanson and Ambos (2010) conducted a somewhat similar survey amongst Swedish teachers. Despite almost two decades and differences in both instrument design and sample population, the two scales are amazingly similar with a Pearson Correlation between them of $r = 0.952$. Indeed if they were placed in the same measurement model, most researchers would typically examine the Cronbach Alpha (0.966) and conclude that they are extremely reliable indicators of the same construct. A similar comparison spanning over a 10 year gap can be made with respect to Australia. In 1994, Australian Trade Commissioners were surveyed about their perceptions of the psychic distance from Australia of a selection of countries (Dow, 2000). Roughly 10 years later Håkanson and Ambos (2010) conducted their survey. Once again the two scales are remarkably similar ($r = 0.954$) and under most circumstances would be considered effectively identical.

This data presented in Table 1 is obviously opportunistic, and is in no way comprehensive enough to draw firm conclusions; however, it does signal that more work does need to be done in this area. Not only is the ‘illusion of stability’ unsubstantiated, but the limited evidence available does seem to indicate that Hofstede may have been correct about the stability of these metrics over time.

4. The Illusion of Symmetry
A fourth criticism raised by Shenkar (2001) and echoed by others (Tung & Verbeke, 2010, Zaheer, et al., 2012) is the ‘illusion of symmetry’. The argument here is that the direction of a difference may matter. For example while English and Japanese may be dramatically different languages, it may be much more difficult for an English speaking person to master Japanese than for a Japanese speaking person to master English. Adapting the ‘distance’ metaphor, while the distance between two cities is technically symmetric, it still matters whether they are at the same elevation. The journey uphill may be substantially more difficult than the journey downhill.

Table 1. Surveyed Perceptions of Psychic Distance (on a 0-100 Scale)
To date the empirical investigations into the issue of symmetry have almost exclusively been conducted by Häkanson and Ambos (2010), with interesting results. By surveying the bilateral perceptions of psychic distance across 25 different countries, Häkanson and Ambos (2010) were able to demonstrate that there are significant asymmetries in those perceptions, and in contrast to the aforementioned data on the temporal stability of the various distance measures, the asymmetries seem
to represent a substantial portion of the total variance. For example, within the Håkanson and Ambos (2010) dataset, if one regresses the distance from country A to country B on to the distance from B to A, only 48% of the variance is explained. It is tempting here attribute the remaining 52% of the variance to asymmetries but in reality it represents both the asymmetries and the measurement error. Nevertheless, it is reasonably strong evidence that the asymmetries may be substantial.

This presence of potential asymmetries represents an important new research agenda for the distance literature. While at an anecdotal level it is easy to acknowledge asymmetries, provided a consistent and broad based approach for quantifying them is much more difficult. If one is directly employing a measure of people's perceptions of distance, then any asymmetries are implicitly incorporated in the instrument; however, if one is employing exogenously measured differences, such as linguistic distance or religious distance (Dow & Karunaratna, 2006), then compensating for asymmetries is problematic. The potential solution here is for a new stream of research that investigates when, how and why asymmetries might arise. Håkanson and Ambos (2010) and Håkanson (2014) have begun this investigation; however, substantially more work needs to be done.

5. The Illusion of Homogeneity
The fifth, and for this chapter, the final criticism of how distance has been measured is the ‘illusion of homogeneity’ (Shenkar, 2001). At face value this criticism simply reflects the fact that no matter which dimension one chooses to investigate, most approaches to measuring distance in the IB literature neglect the fact that there are likely be within-country variations. However, this criticism almost inevitably leads into, and overlaps with a discussion of whether one should measure psychic distance in terms of the perceptions of the individual.

A number of commentators (e.g. Evans & Mavondo, 2002, Sousa & Bradley, 2006) have strenuously argued the need to measure distance as an individual-level perception. Indeed, they go so far as to redefined psychic distance as an individual-level perception. Conceptually this line of argument is particularly strong if one is applying the distance construct to explain choices made by managers. For example, distance has frequently been cited as a predictor of entry mode choice (Tihanyi, et al., 2005). The logic here is that decisions are not made by firms but rather by managers,
or small subsets of managers. As a result, it is the perceptions of those managers that is most critical. Exogenous 'facts', such as the differences in language, religion or culture are only inputs into the formation of those perceptions. Thus, it is most appropriate to measure the perceptions of the key decision maker, or the top-management-team involved in the decision. This perspective is empirically bolstered by the findings of Zhao, et al. (2004) that the entry mode – distance relationship is much stronger when distance is measured as a perception, rather than using exogenous national-level indicators.

The major limitation in terms of researchers heeding the call to measure distance at the level of the individual is a practical one. While the decision maker's perception of distance at the time he/she makes a major decision is arguably the most appropriate metric, given the infrequent and erratic nature of these decisions (at least in terms of when they are made), it is virtually impossible to capture the manager's a priori perceptions (Dow & Karunaratna, 2006). In addition to that, there are methodological concerns about measuring post hoc perceptions since the post-decision experiences are almost certainly going to influence the manager's perceptions. A second concern with the approach of directly measuring the decision maker's perceptions is that it may provide a more powerful predictor variable, but if one stops there we are left in the quandary of not knowing what factors are shaping those perceptions.

As a result, in terms of research agendas, the major issue here is understanding what factors are shaping individual-level perceptions of distance, and in particular what is causing them to deviate from the commonly used exogenous national-level indicators (e.g. Berry, et al., 2010, Dow & Karunaratna, 2006). To a large extent this issue is virtually unexplored to date. However we can propose three broad reasons why individual-level perceptions of distance may deviate from exogenously derived national-level indices: within country heterogeneity, the international experience of the individual, and biases in the formation of people's perceptions. We will briefly discuss each of these in turn.

**Heterogeneity within each country:** The first and most obvious explanation as to why an individual’s perception of distance might deviate from exogenously derived national-level indices is the fact that there is substantial heterogeneity within many countries (Shenkar, 2001, Sivakumar & Nakata, 2001, Tung & Verbeke, 2010). As noted earlier, Shenkar (2001) labels this the ‘assumption of spatial homogeneity,’
although the issue had been acknowledged much earlier (e.g. Welch & Luostarinen, 1988). This might be manifest in terms of within-country variations in dimensions such as spoken language, religious affiliation, and the presence of minority ethnic groups. For example India and South Africa are highly multilingual countries; whereas Japan and Portugal are largely unilingual countries. Similarly Malaysia and Ukraine are highly diverse in terms of the religions practiced; whereas Yemen and Peru are relatively homogeneous in terms of religion. All three of these factors may be strongly linked to high levels of immigration; and thus, countries with high levels of immigration may have greater within-country heterogeneity. This same issue has also been long acknowledged in the cross-cultural literature (e.g. Wallace, 1970).

Nevertheless, despite the fairly broad acknowledgement of this issue, empirical investigation into just how much intra-country heterogeneity causes individual perceptions to deviate from national averages (i.e. how much information is one sacrificing if you employ a national average) seems to be exceptionally rare. Moreover, the limited research in this area does not yet yield a consistent pattern of results. In one of the few studies addressing this issue, Au (2000) found that the intracultural variance (using the World Value Survey) can differ dramatically across countries and dimensions. However, Dow (2009) when examining the perceptions of psychic distance by Australian managers, found that individual-level factors (e.g. if the respondent spoke another language or practiced another religion different from the national norm) only explained one tenth the variance in perceptions as national-level factors (e.g. differences between countries in official national languages and religions). With similar, though slightly less extreme results, Smith and Schwartz (1997) found in their 13 country study that the respondent's home nation as a factor accounted for three times more variance in the Schwartz value survey than any within-country variable.

Notwithstanding the preceding results, we still find the advice of Tung and Verbeke (2010: 1267) – i.e. that national-level averages “should not be blindly adopted in micro-level studies” to be sound. The concern is that researchers need to be applying data at the appropriate level of analysis. This is not an issue of ‘perceptions’ deviating from ‘reality,’ but rather, that the ‘reality’ for any given manager may differ from the ‘reality’ of the national average, and that selection bias may magnify the frequency of such events. Note that we are not suggesting that one must necessarily measure each and every manager’s perception of psychic distance - that is not always possible on
an *a priori* basis, but it may be possible to measure the educational, linguistic, religious, cultural and ethnic backgrounds of key decision-makers. Where possible this should be preferred over using national averages.

**The International Experience of the Individual:** The second potential explanation as to why an individual’s perception of psychic distance might deviate from exogenously derived national-level indices is the fact that knowledge is not a static concept (Shenkar, 2001, Tung & Verbeke, 2010). As managers operate in the international environment they gain tacit knowledge both about specific countries and about techniques for dealing with different cultures and environments. This increase in their stock of tacit knowledge will reduce their difficulties in communicating with and understanding foreign markets. Thus, in turn, this experience should reduce their perceptions of the psychic distance of those markets. As with the preceding ‘heterogeneity’ argument, we are discussing here a very real and rational change in perceptions of psychic distance (as opposed to a behavioral bias). It is not an accident that this very argument is a cornerstone of the Uppsala internationalization process model (Johanson & Vahlne, 1977).

At the empirical level this issue has been implicitly reflected in the broad-based use of firm-level international experience as a control variable to complement cultural and/or psychic distance (Zhao, *et al.*, 2004); however, in most instances these studies have not directly modelled the mediating role that perceptions of psychic distance play in say the international experience – entry mode choice relationship. Sousa and Bradley (2006) completed one of the few empirical investigations into how international experience influences perceptions of psychic distance. In their 2006 article, they explored how the classic national cultural distance index (Kogut & Singh, 1988) predicts perceptions of psychic distance, and in the process confirmed that international experience plays a statistically significant role in reducing those perceptions of distance.

In a more indirect fashion, Håkanson and Ambos (2010) noted a similar effect when studying the antecedents of national perceptions of psychic distance across 25 countries. They found that for their data set, the size and GDP per capita of a target country is directly related to lower perceptions of distance. They attributed these effects to respondents being better informed about larger and higher income countries due to economies of scale and better developed infrastructures for the collection and
dissemination of information. Hence, indirectly confirming that people’s perceptions of distance can and do change as they gain more information about the countries in question.

**Biases in Perceptions:** The third and final potential explanation as to why an individual’s perception of psychic distance might deviate from exogenously derived national-level indices is potential biases in the development of people’s perceptions and/or beliefs. This is the point where our arguments depart from the classic assumption of a rational decision maker and move into the realm of cognitive biases. It is here we need to draw heavily from the field of social cognition, which has a much deeper history in such issues.

At both the empirical and theoretical level, this topic has remained virtually unexplored in the international business literature. At the empirical level, the only study we are aware of is once again the work of Sousa and Bradley (2006). In addition to international experience, Sousa and Bradley found that the ‘conservation values’ (Schwartz, 1992) of the respondents have a tendency to magnify their perceptions of psychic distance. While Sousa and Bradley were not explicitly citing social psychology theories, their work was implicitly building on similar issues; and thus, their study is the only empirical international business research that we are aware of, to explicitly investigate such biases.

Nevertheless, there is one qualitative international business paper, which has implicitly explored the issue of cognitive biases in the perception of distances. In 1996, O’Grady and Lane published an exploratory paper based on Canadian retailers entering the US market. In this paper they proposed there might be systematic biases causing the Canadian firms to underestimate how different the US market is from Canada. While O’Grady and Lane (1996) did not specifically cite any social cognition literature, their arguments have strong parallels with the concept of confirmation bias (Klayman, 1995). This thesis of the ’psychic distance paradox’ has been subsequently expanded and explored by other researchers (Evans & Mavondo, 2002, Magnusson, Schuster, & Taras, 2013); however, to our knowledge no published paper to date has explored the perceptual bias underlying that thesis1.

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1 One paper currently under review – Baack et al. (2011) – does explore this issue but is yet to be published.
It is for these reasons that we argue that the international business literature can learn a great deal about the factors that shape perceptions of psychic distance by drawing on the existing and extensive social psychology literature. As noted above, the issue of confirmation bias may go a long way to explain the psychic distance paradox. If a person initially believes that a particular country is psychically distant, then they will tend to be more accepting of and place more emphasis on information that confirms that belief. Similarly, with countries that they believe are psychically proximate, they will tend to ignore and dismiss any information that is contrary to that belief. As a result people will eventually over-estimate the distance of psychically-distant countries and underestimate the distance of proximate countries.

Another social psychology concept which may have relevance here is the concept of cognitive complexity (Bieri, 1955, Levy, Beechler, Taylor, & Boyacigiller, 2007). Psychic distance is undeniably a complex and multidimensional construct. However, when managers have a low level of international experience they may have a more simplistic view of psychic distance, and may use simple heuristics such as geographic distance. This in part may explain one of Håkanson and Ambos (2010) unusual results – where geographic distance is far and away the strongest predictor of their estimates of psychic distance (their sample population was school teachers). In contrast, when they gain more international experience the managers may develop a more complex and nuance view of the construct. In keeping with Johanson and Vahlne (1977), we might conjecture that their perceptions of psychic distance would decline as they gain international experience; however it might also be the case that they gain a greater appreciation of the complexity and magnitude of the challenge. Eventually this should improve their ability to deal with this distance, but it may not necessarily cause them to rush into such situations more quickly.

At this stage the number of potential new research ideas that can be drawn from the social psychology literature seems quite substantial; however the major challenge is that researchers may have to begin embracing different research techniques – specifically experimental methods. Many, if not most of the social psychology concepts are sufficiently subtle that the classic IB approach of analysing large-scale surveys, or secondary-source panel data will not suffice. New techniques and approaches will have to be adopted.

**Conclusion**
As argued at the outset, distance has played a pervasive but contentious role in IB research. In many respects most of the major problems and concerns about how we collectively have employed distance in our research have been highlighted multiple times over the past decade – but have we made any progress since then? I would argue a tentative 'yes, but with a significant caveat - we still have a long way to go'. Some of the prescriptions and recommendations going forward are merely cautionary – such as paying more explicit attention at the theory development stage to the underlying mechanisms of why distance is important. The same applies to encouraging researchers not to just use the Kogut and Singh (1988) national cultural distance index ‘because everyone else does’; but rather, to consider using other broader measures of distance that are freely available.

Nevertheless, two more substantial, but so far unfulfilled research agenda’s, lie in confirming and exploring the stability and symmetry of the various dimensions of distance. These are issues that most commentators agree are important, and yet there is a dearth of research on them. The first step is in confirming the magnitude of the issue/problem – i.e. is it really as large a concern as initially feared or is the effect size trivial? This is an important first step. Following on from that - if it is sizable effect - then we need to explore what is driving the change over time and/or asymmetries?

However, across the broad spectrum of issues relating to the role of distance in IB research, I would have to rate the final issue as the most critical. To what extent do individual-level perceptions of distance deviate from the commonly used, exogenous national-level indicators of distance, and what is causing those differences? In essence, we need to have a better understanding of what is shaping those perceptions. This is particularly critical given the inherent difficulties in directly measuring a decision-maker's a priori perceptions. It is only on a rare occasion that we will have the luxury to directly measure them. Thus it is only by understanding the antecedents and moderators that we will be able to estimate what those perceptions might be, and compensate for those factors. However, this may force many of us to explore new territory in terms understanding the rich history of social psychology and learning the methodological techniques that go along with them.
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