Are We at a Turning Point for Distance Research in International Business Studies?

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Running Head: A Turning Point

Abstract

In this chapter I argue that the distance research in international business studies is at a turning point, not in terms of its popularity, nor the quantity of articles published; but rather, in terms of the types of issues that are explored. Past distance research has largely been conducted at the level of the firm and/or the market – i.e. linking national-level measures of distance with specific firm behaviours and outcomes. However, the seminal paper by Shenkar (2001) represents a shift in focus that is only just beginning to gain traction. This shift involves stepping back and beginning to unpack the black box we call ‘distance’ by exploring the micro-level mechanisms involved. In essence, it is about digging deeper in multiple aspects, to understand when, why and how distance matters in the IB context. These are issues that until now have typically been neglected. A metaphor borrowed from the social psychology literature, known as Coleman's Boat, is used as a vehicle to explain the key issues involved in this shift, and the opportunities for future research.

Keywords: cultural distance, psychic distance, multi-level analysis, micro-foundations
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Introduction

As has been chronicled many times over, the concept of distance as a metaphor for cross national differences has been dramatically rising in popularity in the international business (IB) literature (e.g. Beugelsdijk & Mudambi, 2013; Cho & Padmanabhan, 2005; Dow, 2014; Em, 2011; Ghemawat, 2016; Zaheer, et al., 2012). Indeed Ghemawat (2016) goes so far as to argue that, based on article counts in the Journal of International Business Studies, distance may now outrank internalization and transaction cost theory in terms of being one of the dominant perspectives in IB research. However, in this article I argue that distance research may be at a critical turning point not in terms of the amount of attention it attracts, but rather in terms of the types of issues that are explored. In order to explain this thesis, I draw upon and adapt a metaphor from social psychology, sometimes colloquially known as ‘Coleman’s Boat’ (Coleman, 1994). In the process, I hope to not only show how the strands of research relate to one another, but to also highlight the existing research in these areas and comment on the potential for future research. However, first I will provide a brief overview of the history of the distance literature in IB over the past 60 years.

A Brief History of Distance Research in IB

Phase 1: Gravity Models

The initial use of the concept of distance in international business research was first as a surrogate measure for transportation costs in the gravity models used to explain and predict bilateral trade flows (Anderson, 1979; e.g. Beckerman, 1956; Linnemann, 1966). In these models, mirroring the Newtonian equation for gravity (1686), the size of the economies exporting and importing the goods takes on the role of the ‘mass’ of the two bodies, with the
distance between the two playing the same role in both the Newton's original formulation and in the bilateral trade version of the model. As noted by Anderson (1979: 106) this adaptation of the gravity model to an IB context is "probably the most successful empirical trade device of the last twenty-five years". This research is what I refer to as the ‘first phase of distance research in IB’. It involves the use of geographic distance as a surrogate measure of transportation costs to predict trade flows. Nevertheless, even in one of the earliest papers of this stream (Beckerman, 1956), the seeds were sown for the first turning point in the literature. Specifically, Beckerman (1956) speculated that an additional unmeasured factor, which he coined as psychic distance, appeared to be influencing a significant portion of the intra-European trade.

**The 1st Turning Point**

For the next two decades, with the exception of a brief mention in passing by Linnemann (1966), the concept of psychic distance remained dormant, and geographic distance as a surrogate for transportation dominated the literature. It was not until the confluence of three separate research agendas spanning a 13-year period that the first major turning point in distance research in IB occurred. The first of these research agendas was development of the Uppsala internationalization process model in Sweden (Johanson & Vahlne, 1977; Johanson & Wiedersheim-Paul, 1975). As part of the development of their model, the Uppsala researchers resurrected the concept of psychic distance, providing a formal definition, giving examples of some of the possible underlying dimensions, and taking the first steps in broadening its application to firm specific decisions. Johanson and Wiedersheim-Paul (1975: 308) defined psychic distance as: "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."

Nevertheless, while the Uppsala researchers are certainly responsible for resurrecting and popularizing the concept of psychic distance, their contributions with respect to the concept of distance did not begin to substantially influence the empirical literature until they intersected
with two other research streams. The first of these was Hofstede's (1980) seminal work where he created and disseminated empirical measures of national culture. This provided a rich and easily accessible dataset covering 54 countries and regions. Kogut and Singh (1988) were then able to take Uppsala theoretical contributions, and marry them with Hofstede's data to create their now ubiquitous 'national cultural distance index'. It is the intersection of these three agendas that I would describe the first major turning point in distance research.

**Phase 2: The Kogut & Singh Index**

From this point onwards research concerning the role of distance in IB began to flourish, at least in terms of the sheer quantity of peer-reviewed articles (Em, 2011). However, there are also some fundamental differences in the nature of the post-1988 distance research. The first critical difference is a shift in what the term 'distance' conceptually represents. Thanks to the contributions of and Johanson and Vahlne (1977); Johanson and Wiedersheim-Paul (1975), the term distance conceptually now represented much more subtle barriers to international activities, such as difficulties in different parties communicating with and understanding one another; and began to include a much broader range of factors including differences in culture. However, at the empirical level the shift in focus was much simpler – the Kogut and Singh (1988) index essentially replaced geographic distance as the de rigour measure of distance in IB research (Harzing, 2003).

The other major defining aspect of this new stream of distance research was the dramatic expansion of its application to a broad range of firm level issues. While Kogut and Singh (1988) began the flood by applying their index to entry mode choices, many others soon followed applying the concept to explain preferences for joint ventures versus wholly-owned subsidiaries (Chang & Rosenzweig, 2001; Erramilli & Rao, 1993; Hennart & Larimo, 1998) and preferences for acquisitions versus greenfield start-ups (Brouthers & Brouthers, 2000; Cho & Padmanabhan, 1995). Similarly others applied it to firm level entry decisions via exporting (Benito & Gripsrud, 1992; Erramilli, 1991), and via foreign direct investment (Flores & Aguilera,
2007; Grosse & Trevino, 1996). In a different direction, numerous researchers applied the Kogut and Singh index to the survival of foreign subsidiaries (Barkema, et al., 1996; Li, 1995; Vermeulen & Barkema, 2001), the survival of international joint ventures (Barkema & Vermeulen, 1997; Lu & Hebert, 2005; Park & Ungson, 1997), as well as other forms of firm performance (Fey & Beamish, 2001; Pothukuchi, et al., 2002). In addition to all that, the Kogut and Singh index has at times been applied to other management issues such as human resource management practices (Boyacigiller, 1990), the degree of adaptation in foreign markets (Dow, 2001) and the technology transfer issues (Minbaeva, et al., 2003).

The 2nd Turning Point

The next turning point in the distance literature is the one that I argue we are already in the middle of, although this is often hard to confirm except in hindsight. Like the first turning point, the second turning point may actually span over a relatively long period of time – but it clearly begins with the seminal conceptual paper by Shenkar (2001). Shenkar identifies eight ‘illusions’ or ‘assumptions’ relating to the existent distance research; however, the significance and implications of his paper can be examined at two different levels. The first level is the specific assumptions and illusions that Shenkar nominates; and I will briefly discuss them next with respect to the literature that has emerged over the last 15 years in response to them. However, using the Coleman’s Boat framework, I also want to highlight a more broad-based underlying implication, that is common to many of the Shenkar’s specific illusions and assumptions; and which I believe may become the common theme to the third phase of distance research.

In terms of the number of publications addressing the issue, one of the main responses to Shenkar’s work is a stream of literature arguing that distance, or more specifically psychic distance, should be measured at the level of the individual. Although there are some scholars who emphasized this issue before the publication of Shenkar’s (2001) paper – e.g. Dichtl, et al. (1984); and Evans, et al. (2000); Holzmuller and Kasper (1990); Stöttinger and Schlegelmilch (1998) - this
stream of literature is broadly consistent with Shenkar’s assumptions of corporate homogeneity and spatial homogeneity, and certainly gained momentum with the publication of Shenkar’s (2001) paper. In particular two sets of authors - Evans and Mavondo (2002), and Sousa and Bradley (2008; 2006; 2005) - have vigorously argued that given the high levels heterogeneity within each country, the best approach is to measure the perceptions of psychic distance at the level of the individual, rather than the country. Empirically this approach appears to yield larger effect sizes (Zhao, et al., 2004); however, it is substantially more labour intensive when investigating actual decisions by firms; and in such settings it is close to impossible to obtain a priori, and thus unbiased perceptions.

More directly related to Shenkar’s assumptions of corporate homogeneity and spatial homogeneity is another stream of literature that has focused explicitly on the issue of ‘within country diversity’. Unfortunately, to date, most of this literature has been at the level of broad commentary endorsing this importance of the issue of diversity (Beugelsdijk & Mudambi, 2013; Luiz, 2015; Tung, 2009; Tung & Verbeke, 2010; Zaheer, et al., 2012), with only a handful of studies addressing it empirically (Beugelsdijk, et al., 2015; Dow, et al., 2016).

The same broadly holds true for Shenkar’s illusion of symmetry (i.e. that the distance from A to B may not be the same as the distance from B to A), and his illusion of discordance (i.e. the assumption that the effects of distance are always negative). While some commentators such as Tung and Verbeke (2010), and Ambos and Håkanson (2014) have echoed Shenkar’s concerns about asymmetry, the quantity of actual investigation into the issue of asymmetry has been extremely sparse (Håkanson & Ambos, 2010; Håkanson, et al., 2016; Yildiz & Fey, 2016). Similarly, a number of commentators (Stahl & Tung, 2015; Tung & Verbeke, 2010) have endorsed Shenkar’s concern about researchers assuming that distance always has a negative effect; however, even a JIBS special issue on the issue only generated three articles, and only two of those are empirical investigations (Lisak, et al., 2016; Nurmi & Hinds, 2016). Thus once again the literature seems to conceptually endorse Shenkar’s concerns, but at the empirical level the moves to actually investigate them have been glacial.
On a more positive note, a fifth issue identified by Shenkar (2001) that has sparked at least a modest level of new research is his *illusion of causality*. Despite the slightly misleading label, this illusion mainly concerns the fact that, at least at the empirical level, the IB literature has focussed too heavily on cultural differences as measured by the Kogut and Singh index to the exclusion of other dimensions of distance such as those identified by Johanson and Wiedersheim-Paul (1975) and Johanson and Vahlne (1977). In response to this, a variety of authors such as and Berry, et al. (2010); Brewer (2007); Dow and Karunaratna (2006); Xu, et al. (2004) have developed a much broader range of instruments. While it must be said that a disappointingly large number of authors still continue to rely exclusively on the Kogut and Singh index, at least on this issue there is a modest shift in behaviours of the empirical researchers, and the range of potential instruments has broadened sufficiently that the availability of appropriate measures is no longer the limiting factor.

A sixth issue raised by Shenkar is the *illusion of stability*. In many respects this is a conceptually simple issue – researchers need to be diligent in ensuring that the metrics they are using are up-to-date. For instruments drawn from secondary sources that are revised regularly, such as the economic and demographic statistics provided by the United Nations, the political stability metrics provided by various organizations such as Freedom House and the Economist, and perceptual dimensions drawn from sources such as the World Values Survey, this is no longer a concern. However for issues such as national culture, obtaining such updates is in general problematic because the data collection process is extremely onerous – usually well beyond the means of a single group of researchers. Nevertheless, two notable efforts in this respect have been made. Most famous of these is the GLOBE effort to create an expanded and update set of culture dimensions (House, et al., 2004). However, taking a different approach Taras, et al. (2012), using meta-analysis techniques, provided a comprehensive update of the Hofstede dimensions for each of three decades (the 1980s, 1990s and 2000s). Sadly, despite the huge efforts made by both of these sets of authors, the vast majority of empirical work involving national cultural distance still relies exclusively on the Hofstede data collected in the 1970s.
The final two concerns put forward by Shenkar (2001) – specifically the *illusion of linearity* and the *assumption of equivalence* – are more straightforward methodological issues. One, researchers should always be cognizant that the relationships that they are investigating may not be linear; and two, when collapsing multiple dimensions into a single factor they should avoid blindly assigning equal weight to each dimension. On this later issue, a recent paper by Williams and Gregoire (2015) takes a novel approach and begins to provide a theoretical explanation as to why some dimensions may have a greater or lesser impact than others. However, in reality, researchers do not need any new tools, or instruments in order to avoid these pitfalls; but, as I have noted with respect to several of the preceding issues, that does not guarantee that the uptake of the new approaches will be rapid.\(^{ii}\)

As foreshadowed earlier, I argue that the implications of Shenkar’s seminal work (2001) can also be viewed in terms of a broad underlying theme that touches on most of the eight issues he raises – a desperate need to step back and begin unpacking the black box we call ‘distance’ by exploring the micro-level mechanisms involved. In one sense this is already reflected in the move towards measuring an individual’s perception of distance (Sousa & Bradley, 2006), and it has implications for the issues of asymmetry and diversity, but they only represent the tip of the iceberg. It is about digging deeper in multiple aspects to understand when, why and how distance matters in the IB context; issues that until now have typically been neglected.

**Applying Coleman’s Boat to Distance Research in IB**

In order to frame this discussion, I adapt a metaphor put forward by Coleman (1994), also known as *Coleman’s Boat*.\(^{iii}\) In this framework there are two main dimensions. The vertical dimension concerns the unit of analysis, and reflects the fact that quite often the issues we deal with in management are inherently multi-level. In the case of distance research in IB, the lower half of the boat concerns issues at the level of the individual, and the upper half concerns issues at the firm and/or the national level (Figure 1).
The importance of considering psychic distance at the level of the individual has been highlighted by numerous researchers such as Stöttinger and Schlegelmilch (1998), Evans, et al. (2000), and Sousa and Bradley (2006); and is a direct implication of Shenkar’s (2001) concerns about the assumptions of Corporate Homogeneity and Spatial Homogeneity. Decisions are ultimately made by individuals; and even if a relative large top management team (TMT) is involved in a decision, to assume that they mirror the average characteristics of a country’s population is at best contentious.

Nevertheless, for the majority of IB research issues, the ultimate action of interest is typically at the level of the firm or company subsidiary (e.g. market selection, entry mode, performance). It is also an unavoidable fact that large parts of the environment (e.g. legal & political systems, financial & monetary factors, and even language, religion) are either determined at the level of the nation, or are heavily aligned at the national level. Thus, while we need to be cognizant of individual level perceptions, we cannot ignore firm and national-level factors. The vertical dimension of Coleman’s Boat captures these aspects.

*** Take in Figure 1 about here ***

The horizontal dimension in Coleman’s Boat reflects chronological cause & effect relationships. Specifically in the context of distance research, the environment and an individual’s past experiences will shape their perceptions of other countries. Thus, while national-level differences between two countries \(A_i\) are not the sole determinant of an individual’s perceptions of the distance \(B_j\), they are potentially a major factor stimulating those perceptions (Dow & Karunaratna, 2006). Similarly, an inherent assumption in essentially all distance research is that perceptions of distance \(B_j\) are likely to influence a person’s preference for a specific alternative or course of action \(C_i\). And finally, as is true of virtually all management literature (e.g. Dean & Sharfman, 1996; Papadakis, et al., 1998), and is more specifically debated in the consumer behaviour literature (Armstrong, et al., 2000; Juster, 1966; Morwitz & Schmittlein, 1992), an individual’s
preference for a specific alternative \((C_i)\) is assumed to be ultimately related to the action taken \((D_f)\).

Although once again, we need to be clear, especially in the cases where decisions are jointly made by TMTs, that these espoused preferences may only be one of many factors influencing the final action. As a result the chain of cause and effect relationships that lead up to an IB decision are almost inescapably multi-level.

Now placing the existing IB distance literature in the context of Figure 1, I would argue that the vast majority of distance research in the second phase – i.e. the phase dominated by the Kogut & Singh index - can be best represented by the dotted line from \(A_c\) to \(D_f\). Researchers essentially assume away three critical mediating relationships: \(A_c-B_i\) – how perceptions of distance are formed, \(B_i-C_i\) – how and why perceptions of distance influence preferences for particular courses of actions, and \(C_i-D_f\) – how individual preferences for particular courses of action come together to determine what action a company actually takes. Now in saying this, I do not want to denigrate this substantial body of work. It is a necessary part of the progression of our field. Indeed, if the overall relationship \(A_c-D_f\) were not confirmed, one would have to question whether any deeper investigation of the mediating relationships is even necessary. However, I believe that for the most part, we have already reached that tipping point.

While many researchers may have not yet fully embraced the newer techniques and approaches discussed above; by and large the tools necessary to do so are all available. Moreover, the multiple meta-analyses on the topic of distance (Magnusson, et al., 2008; Tihanyi, et al., 2005; e.g. Zhao, et al., 2004) would seem to indicate that there is a substantial body of exiting research confirming the \(A_c-D_f\) relationship on a variety of fronts. It is now time for a broad-based shift in focus to the underlying mediating and moderating relationships. In some cases this will imply a shift in the unit of analysis from the firm to the individual, and in other cases it may imply more multi-level analyses; however the unifying issue is a shift from exploring whether distance matters, to unpacking the black box and understanding why and how it matters. In the next three sections I will discuss each of the three stages in the model
presented in Figure 1 – highlighting the early research that has been conducted in these areas, and discussing the implications for future research.

How perceptions of distance are formed

What might be termed the 'bow' of Coleman's Boat \((A_C - B_I)\), is essentially the issue of what factors and processes shape an individual's perceptions of distance, and most critically is whether national-level differences – or psychic distance stimuli (Dow & Karunaratna, 2006) – are appropriate indicators of individual level perceptions of distance. Now despite my comments that I believe we are only partially through the 'second turning point', there have been several empirical papers that have explored the latter issue. The earliest of these is Sousa and Bradley (2006), who confirmed in a very simple model that, for their sample of Portuguese managers, the Kogut and Singh index is a statistically significant predictor of individual level perceptions of the psychic distance of other countries. Working on a much larger dataset of bilateral perceptions of psychic distance amongst 25 countries, Håkanson and Ambos (2010) and Dow, et al. (2014) have confirmed that the Kogut and Singh index is a statistically significant predictor of perceptions of psychic distance; however they also find its effect size to be relatively small compared to other types of cross-national factors such as differences in language, religion and industrial development. In a subsequent investigation Håkanson, et al. (2016) find that the predictive power of the Kogut and Singh index disappears once institutional distance is accounted for. Collectively these findings lend strong support to the concern Shenkar (2001) refers to as the Illusion of Causality. While the Kogut and Singh index might be a predictor of perceptions of distance, it is only one of many, and is arguably one of the weaker metrics.

Nevertheless, the Håkanson and Ambos (2010) analysis also highlights an unexpected result – that geographic distance itself appears to be the single strongest predictor of perceptions of psychic distance. This result is itself somewhat ironic given that Beckerman (1956) coined the term psychic distance in order to explain patterns of trade that geographic
distance could not account for. While it is not inconceivable that geographic distance does inhibit cross-national communication to some extent; in this day and age, with a plethora of advance telecommunication options and relatively easy international travel, it is surprising that geographic distance would be the strongest factor. One alternative explanation for this result is that geographic distance and other cross-national differences are historically correlated due to migration patterns. However, more detailed analysis of the data (Dow, et al., 2014) shows that even after accounting for any collinearity, geographic distance still a statistically significant predictor of perceptions of distance. A third possible explanation for the importance of geographic distance is that the degree to which people are well informed about foreign markets. It may be the case that less internationally experienced individuals may be using geographic distance as a simple heuristic in the absence of better information (Dow & Pekerti, 2015). This possibility leads us into the realm of ‘other factors’ that might either directly influence people’s perceptions of distance, or moderate the impact of cross-national differences.

While direct empirical exploration of how factors other than cross-national differences may influence perceptions of distance has been quite limited until recently, for one dimension the issue has a long history in the distance literature. A core element of the original Uppsala model (Johanson & Vahlne, 1977) is that while psychic distance is one of the factors limiting entry into distance markets, international experience is a key releasing mechanism. Indirectly this is reflected in the wide spread practice of including international experience as a control variable whenever testing for the impact of distance (Tihanyi, et al., 2005). In terms of more direct exploration the issue, the results are both more limited and slightly ambiguous. Sousa and Bradley (2006) finds a direct negative relationship between general international experience and perceptions of distance; however, Evans, et al. (2008) find no such relationship, and Yildiz and Fey (2016) find that it holds for Swedish managers but not Chinese managers. In part these ambiguous results may be due to the fact that concept of experience is arguably multidimensional; and to the nature of the relationship - e.g. whether it is a direct effect or a moderating effect (Dow, 2008; Dow, 2009). This issue is illustrated in Figure 2 with point $A_i$. 
representing individual-level factors such as prior experience. $A_i$ may directly influence $B_i$, or it may be moderating the relationship $A_fB_i$.

***Take in Figure 2 about here***

The idea that some factors ($A_i$) may be moderating the relationship $A_fB_i$ is in many ways one of the more fruitful areas for future distance research. One such paper is Baack, et al. (2015) which draws on the social psychology concept of confirmation bias (Klayman & Ha, 1987) and suggests that managers’ prior experiences may bias their perceptions of foreign markets. The results indicate that if a manager already believes that a market is proximate to them, they are more prone to accepting and incorporating into their belief set information that confirms their prior beliefs. Similarly they will tend to reject information that disconfirms their prior beliefs. These findings imply that managers are very likely, over time, to underestimate the distance of proximate markets and overestimate the distance of distant markets. This prediction corresponds directly to the underlying assumptions of the Psychic Distance Paradox (Evans & Mavondo, 2002; O’Grady & Lane, 1996); and has implications for Shenkar’s (2001) Illusion of Linearity in that the relationship between exogenous cross-national differences and perceptions of psychic distance may be ‘S’ shaped, rather than linear.

Another recent paper in this area by Yildiz and Fey (2016) takes a slightly different tack and draws upon Approach Inhibition Theory (Anderson & Berdahl, 2002; Keltner, et al., 2003) to explore when and why perceptions of psychic distance might be asymmetric. They argue, and demonstrate using a two country sample, that the relative status of the two countries tends to moderate the bilateral perceptions, with higher status countries perceiving lower status countries as relatively psychically closer than the converse (i.e. the perceptions of the high status countries by the lower status countries). Interestingly Håkanson, et al. (2016) tackle the same issue using a much larger population and focusing on reputation, rather than status; and appear to find a slightly different relationship (‘U’ shaped). However, as will be discussed in the next section, Yildiz and Fey (2016) draw upon Social Identity Theory (Hogg & Terry, 2000) to
argue that status also modifies the relationship between perceived distances and preferences for a specific course of action. Thus in the end, the two studies do predict broadly similar outcomes, but differ in terms of which stage in the decision process they believe the moderators are operating.

While at this stage there do not appear to many other papers empirically exploring potential moderators \((A_i)\) of the \(A_f-B_i\) relationship, there is no shortage of potential moderators. For example, Dow, et al. (2016) explore how within-country diversity moderates the relationship between linguistic and religious distance, and the ownership structures of cross-border acquisition - a classic \(A_f-D_f\) study. However the underlying logic of that moderating effect is that people from more diverse environments have a higher level of cognitive complexity (Bieri, 1955) with respect to the relevant dimension, and that in turn may moderate their perceptions of the situation. Indeed Håkanson and Ambos (2010)’s finding with respect to geographic distance, mentioned earlier, may be another example of this. Individuals with a lower level of cognitive complexity with respect to foreign markets seem to put more emphasis on simple heuristics, such as geographic distance, when they are forming their views about another country. Conversely, individuals with a higher level of cognitive complexity seem to take into account more dimensions, and more subtle dimensions, when forming their views about a country. The preceding discussion also raises the issue of other related constructs: cultural intelligence (Thomas, et al., 2008) and biculturalism (Benet-Martinez, et al., 2006; Brannen & Thomas, 2010). What role might they play in terms of moderating perceptions of distance?

Similarly, the third independent variable in Sousa and Bradley’s (2006) early investigation into the antecedents of psychic distance - the other two being the Kogut and Singh index and international experience - was the manager’s Conservation Values (Schwartz, 1992). This raises the issue of what other aspects of a manager’s personality (Barrick, et al., 2002), such as their Openness and/or their Neuroticism may moderate their perceptions of distance.
How and why perceptions of distance influence preferences for particular courses of actions

What might be termed the ‘bottom’ of Coleman’s Boat (B_i-C_{i-1}), is essentially the issue of how and why perceptions of distance influence preferences for particular courses of actions. This stage of the process can be broken into two distinct issues.

The first issue is characterized by the mediating variable - Med_{bc} - in Figure 2, and raises the question: why does distance matter? In the case of the Uppsala model, Johanson and Vahlne (1977) quite explicit argue that psychic distance is relevant because it increases the perceived risk of certain alternatives; and that in turn will influence managers’ preferences for particular alternatives. Subsequently, they have updated their model to acknowledge that distance may also influence a manager’s awareness of alternatives (Johanson & Vahlne, 2006). Conversely, the institutional distance scholars (Kostova & Zaheer, 1999; Xu & Shenkar, 2002) typically draw upon Institutional Theory (Scott, 1995); and as a result are implicitly assuming that the key mediating variable is legitimacy. In essence greater distances reduce a firm’s potential legitimacy. And of course in some settings, authors such as Thomas (1999) draw on social psychology theories such as the Similarity Attraction Paradigm (Byrne, 1971) and Social Identity Theory (Tajfel, 1974) to explain the importance of various forms of distance; which in turn implies that constructs such as attraction, trust, a willingness to cooperate with, and frequency of interaction may be key mediating factors. The sad issue here is that despite the broad range of theoretical perspectives that authors have to draw upon, the issue of which ones actually underlie the effects we so often report is virtually unexplored within the IB literature.

The second issue with respect to the link between perceptions of distance and preferences for a particular alternative or course of action (B_i-C_{i-1}) is the potential moderators in the process (Mod_{bc}). As Maitland and Sammartino (2015) argue the "boundedly rational decision-maker is underspecified in international business". In some cases these moderators may parallel the ones discussed with respect to the A_{c-1}-B_i relationship, such as status. Indeed,
one awkward issue that researchers will need to address here is: where in the process does a particular moderator intervene? And again, as Maitland and Sammartino (2015) highlight, differences in a manager’s mental models and decision-making styles may heavily influence the outcomes. At this stage, that aspect of distance research is virtually untouched.

**How Individual Preferences Determine What Action a Company Takes**

What might be termed the ‘stern’ of Coleman’s Boat ($\mathbf{C}_i-D_f$), is essentially the issue of how an individual’s preference for a specific alternative ($\mathbf{C}_i$) ultimately influences the action taken $D_f$. As with the previous section, this can be divided into two issues.

The first issue is one that researchers in marketing, and particularly consumer behaviour and choice modelling have struggled with for many years (Armstrong, et al., 2000): are professed preferences a reasonable predictor of how the individual will ultimately act? On this front one could ask whether there is any potential for a unique contribution from the IB perspective, but nevertheless we need to be cognizant of the assumptions and biases inherent in this stage. The good news is that while espoused preferences are never a perfect predictor of actual behaviour, the link is well proven (Juster, 1966; McNeil, 1974; Morwitz & Schmittlein, 1992; Tobin, 1959).

Nevertheless, a second issue arises concerning the link between an individual’s preferences and the ultimate action of the firm because major IB decisions are seldom made by one individual. It is far more common that a team of individuals will either collectively make the decision, or advise the key decision-maker. It is here that our model begins to blend into the broader management literature about group decision-making, which has quite a long and diverse history (Black, 1948; Converse, 1993; Gruenfeld, et al., 1996). Once again one could ask whether there is any potential for a unique contribution from the international perspective; however some IB scholars have already begun to push those bounds (Aharoni, et al., 2011; Barkema & Shvyrkov, 2007; Buckley, et al., 2007). In particular, for firms that are already multinational in nature (MNE), the degree of diversity in their TMTs may be higher than found elsewhere. As a result,
research into the roles of fault lines (Lau & Murnighan, 1998; Van Knippenberg, et al., 2011) and the impact of diversity on decision-making may be a fruitful area for further research. Similarly the head office – foreign subsidiary structure of MNEs may present a novel environment for examining issues such as the relative power of stakeholders in the decision making process (Baaij & Slangen, 2013; Mudambi, et al., 2014).

Conclusions

In summary, I reiterate that I believe the IB literature concerning distance is at a turning point. Conceptually, the seminal paper by Shenkar (2001) has provided the initial spark, but in terms of actual change in the nature of the research topics investigated, we are only just beginning to gain traction. For the past three decades, the vast majority of the empirical IB research concerning distance has focussed on linking national-level differences with organizational outcomes. We, as a discipline, have certainly broadened the number of distance-outcome relationships investigated; and to a more limited extent we have begun (very slowly) to move away from an excessive reliance on the Kogut and Singh index. However what is truly needed next is for us to step back and begin unpacking the black box we call ‘distance’ by exploring the micro level mechanisms involved.

The shift to using individual-level perceptions of distance (e.g. Evans & Mavondo, 2002) is a tentative first step, but I believe we need to go much further. As illustrated through the adaptation of Coleman’s Boat, we first need to begin looking at the factors and processes that shape a person’s perceptions of a foreign market. What factors moderate those perceptions, and what factors introduce potential biases into those perceptions? This is a rich area for future research. In part these are critical issues because, as I have said before, actually being able to measure the a priori perceptions of the key decision-makers is a luxury we will rarely have - the events that are typically investigated in IB are just too infrequent, irregular and hard to predict in terms of their timing. As a result, the best and most realistic option available to us is to understand what are the key
moderators and biases that influence a manager’s perceptions of distance. We can then incorporate
them into our analyses; thus allowing us to more accurately model what a manager’s perceptions for
distance might be.

A second key area that needs investigation is to better understand the factors that mediate
the relationship between managers’ perceptions of distance and their preferences for a particular
course of action. In effect, we need to understand why distance is important. Is it primarily an
indicator of potential disruptions and misunderstandings in the communication process, as argued
by Johanson and Vahlne (1977)? What role does an organization’s desire for legitimacy play here
(Kostova & Zaheer, 1999)? Or is the impact of distance mainly a subconscious bias that managers
should guard against (e.g. Byrne, 1961)? For too long the distance research in IB has glossed over
the fact that we do not honestly know what are the underlying mechanisms. This research is critical
to the field, but it will also be challenging to execute; particularly when one of the potential
explanations is a subconscious bias.

The issues relating to the ‘stern’ of the boat – i.e. the connection between one manager’s
preference for a course of action, and the action that the firm actually takes – are undeniably
important, but I argue that these issues are equally relevant to almost all branches of management
literature. Thus, while there may be some opportunities for research from an IB perspective, it may
be more a matter of IB researchers being cognizant of the relevant work in areas such as group
decision-making processes (Papadakis, et al., 1998) and fault line research (Lau & Murnighan, 2005).

Lastly, while the main point of this article is to highlight areas of potential new research for
distance in IB and to be a rallying cry for more micro-level and multi-level research, I also want to
encourage researchers who do continue to investigate the macro-level relationships (i.e. the impact
of national level distance on organizational outcomes) to heed Shenkar’s (2001) warnings. Don’t just
blindly adopt the Kogut and Singh index as your sole metric of distance simply because so many
before you made the same mistake; and be cognizant the degree to which Shenkar’s other assumptions and illusions may be biasing your results.
Figure 1: Coleman’s Boat Adapted to Distance Research in IB

Figure 2: Further Modifications to Coleman’s Boat Adapted to Distance Research in IB
References


I do not want to trivialize Beckerman’s (1956) contributions to distance research, but I would categorise it as being part of the origins of distance research in IB, rather than a turning point.

I should note here that two recent and important innovations in distance research are not discussed here. Specifically, Berry, Guillen and Zhou’s (2010) use of Mahalanobis distance, and Hutzschenreuter and Voll’s (2008) concept of added distance. These innovations are certainly worthy contributions to the field but they are not direct responses to one of Shenkar’s eight illusions and assumptions; and do not directly relate to the subsequent discussions facilitated by the Coleman’s Boat metaphor. As a result they are not discussed here.

I would like to thank here a colleague associate Professor Emre Yildiz of the University of Uppsala for making me aware of both the Coleman’s Boat metaphor and the idea of applying it to distance research in IB.

Håkanson and Ambos (2010), Dow, Håkanson and Ambos (2014), and Håkanson, Ambos, Schuster and Leicht-Deobald (2016) all rely on the same dataset of perceptions of distance. Although they are exploring subtly different issues and using different techniques, their findings in this respect should be considered as one.