

# **Psychic Distance Dimensions: A Study of French Exporters**

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Psychic distance (PD) is one of the most widely used, researched, and contentious constructs in international business and marketing. In response to inconsistent and often conflicting results and in line with the work of Dow and Karunaratna (2006), who suggest a difference between *perceived* PD and PD stimuli—PD is the decision maker's perception of PD stimuli, which are macrolevel factors, such as culture, business practices, or environmental factors, that form the context in which a manager's perceptions of PD are formed—the aim of this study is to develop a definition of PD based on decision makers' perceptions.

## **Results of the Literature Review**

A review of the relevant literature exposes inconsistencies and weaknesses in three general areas: conceptualization, operationalization, and measurement of PD. Regarding conceptualization issues, a definition of PD must incorporate the essential notion of “perception” because perception is a cognitive process by which stimuli (e.g., sensorial or, in our case, “psychic”) are selected, organized, and interpreted. Perception differentiates between objective and subjective (or perceived) PD. Some researchers specifically mention perception, and others do not (e.g., Bello, Chelariu, & Zhang 2003; Luo, Shenkar, & Nyaw, 2001; Shoham & Albaum, 1995). Furthermore, some use the term “cultural distance” interchangeably (Luo et al., 2001; Shoham & Albaum, 1995; Simonin 1999), whereas others distinguish it from PD (Sousa & Bradley 2006). Two problems can be also outlined with the “distance” concept used in the literature in terms of its managerial relevance. First, most studies consider the home and foreign markets the relevant reference points that managers use to conceptualize PD. However, because most export managers do not manage operations in the home market, they often have no

experiential knowledge of how different the target market may be from the home market. Second, identifying differences that do not create potential difficulties or managerial issues to the decision makers is useless because managers are primarily concerned about distance-creating factors. As Shenkar (2001) suggests, a closer examination of the realities of international business and marketing operations points to interaction as the key issue; that is, distance has little meaning until partners come into contact with each another and such interface produces “friction” or “drag” for those partners’ operations.

Regarding operationalization of PD, several authors (e.g., Lee, 1998; O’Grady & Lane, 1996) outline the need to specify the factors that combine to determine subjective PD. Most definitions refer to three major categories of factors that constitute the distance: differences in culture, business practices, and environment. Unfortunately, such taxonomies of the distance components are not supported by an explicit theoretical basis. Therefore, the heterogeneity of the constituents proposed across the various definitions of subjective PD makes them impossible to compare with one another. Furthermore, terms (especially in the culture and business practices categories) are often poorly defined, and mentioned previously, the term “cultural distance” is often used interchangeably with PD, which tends to confuse the country and individual levels of analysis. In general, it seems that there is no homogeneous conception of the PD construct, and there is confusion and inconsistency in relation to the terminology used.

Regarding the measurement of PD, because PD is a result of decision makers’ perceptions, measures should require decision makers to evaluate subjective PD, not factors determined a priori in previous studies. Because the decision makers themselves

are confronted with potential problems that result from their perceptions of PD, they should be able to identify the differences at the origin of such problems.

A first conclusion based on the review of the literature on perceived PD suggests that multiple conceptualizations have been proposed that sometimes lack managerial relevance, operationalizations show little theoretical foundations, and measurements of the construct are heterogeneous and often employ misspecified instruments. Second, because it is impossible at this stage to ascertain whether variations in research findings are due to the impact of subjective PD or to the great number of subjective PD concepts and the measures employed, it is necessary to go back to the basics of field research and undertake a qualitative approach in which decision makers themselves define the components of PD that are relevant to their specific business context.

## **The Qualitative Study and Findings**

We deemed a qualitative inductive approach to be most appropriate for this study. As Gilliland (2003, p. 57) notes, “Grounded theory methodologies inductively derive frameworks by directly studying the phenomenon of interest. There are distinct advantages to grounded approaches. By coding and categorizing data at a level of analysis closely associated to the phenomenon, the resulting framework ‘fits’ the reality of the phenomenon. In turn, because the framework fits, it has a high degree of practical usefulness.”

We gathered data through depth interviews with export managers in French manufacturing companies. We considered only firms that generated more than 25% of their revenues abroad and exported to more than 10 countries. Our final sample consisted of eight export managers from various French manufacturing firms. This is consistent

with sample sizes that scholars recommend for exploratory research purposes (McCracken, 1988, p. 17). The participating companies ranged from small and medium-sized manufacturers to multinational firms and represented various industries, which allowed for the expression of a variety of potential components of PD.

In the first part of the interview procedure, we asked respondents to formulate factors that caused them difficulties when working with foreign markets. This ensured that respondents had in mind the components of the phenomenon we needed to understand. In the second part, participants described how their exporting activities were affected by each factor they mentioned. This stage facilitated the emergence of the components of PD grounded in the managers' own language, as opposed to merely capturing dimensions previously specified in the literature.

The interviews were analyzed for mentions of PD components. An open-coding procedure was then performed on the selected items. Thirty-four statements were broken down into six categories, which were further organized along two dimensions. The first dimension involved predominantly cultural issues—categories include patterns of thought (difficulties in understanding intentions, adjusting to high- vs. low- context communication styles), patterns of behaviors (differences associated with local habits), and language prevailing in the foreign markets—and the second dimension involved issues pertaining to the business environment and practices—categories include relationships with businesspeople (difficulties in personalization, time horizon, support, trust, conflict, and cooperation), differences in business practices (time management, terms of payment international channels, business-to-business buying processes, and corruption), and macrolevel factors (the local economic, political, and legal

environment). Each of these dimensions and its respective categories contribute unique insights into the nature of PD and the potential problems it can cause in interfirm relationships.

## **Defining Perceptual PD**

The ultimate aim of the qualitative study was to formulate a definition of perceptual PD directly from the foregoing analysis. We suggest the following: Perceived PD is firms' perceived cultural differences and dissimilarities of business practices that make it difficult or problematic to understand a market or operate there.

This definition encompasses the following central aspects: First, perceived PD is grounded in perceived differences and dissimilarities without reference to the home market because the reference anchor point is the firm's experience. Second, perceived PD is defined at the firm level, not the individual level, because the business-to-business unit of analysis is the firm, even if respondents are individuals qualified by the sampling criteria. Third, PD is a multifaceted phenomenon, grounded in both cultural differences and differences in business practices and macro environments. Fourth, this definition emphasizes the managerial relevance of perceived PD by considering only differences and dissimilarities that are problematic to understanding a market or operating there.

The classification scheme of various dimensions and components of PD we identified herein can be used to develop a formative instrument to measure PD. Quantitative investigations should confirm the dimensions and categories we found to establish their relative importance and investigate their sources and effects.

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