



The Concept of Distance in International Management Research



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ABSTRACT

The effect of distance on firms' performance when entering, operating in and across foreign markets is a central issue in international management. However, our understanding of the impact of distance has long been constrained by flawed conceptualizations and unreliable measures. The papers in this issue break new ground both by advancing our theoretical understanding and by introducing new and potentially more useful measures. In this introduction, we provide a brief overview of the evolution of the distance concept before introducing the individual papers. We end by offering observations for future research based on the issues they raise.

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1. Introduction

1.1. Distance in international business research

Since the inception of the field, 'distance' has been central to international business research, both in terms of its possible direct impact on international management activities and as a control variable. The term is typically used metaphorically to denote degrees of dissimilarity and/or perceptions of such dissimilarity, a practice that can be traced to the revival of *Beckerman's* (1956) concept of 'psychic distance' by a group of scholars studying the internationalization of Swedish multinationals (*Hörnell et al.*, 1973; *Johanson and Vahlne*, 1977; *Johanson and Wiedersheim-Paul*, 1975), and was reinforced by *Kogut and Singh's* (1988) introduction of an index for 'cultural distance', based on *Hofstede's* (1980) identification and measurement of cultural dimensions. In apparent acceptance of the authors' claim that "[c]ultural distance is, in most respects, similar to the 'psychic distance' used by the Uppsala school" (*Kogut and Singh*, 1988: 430), the Kogut/Singh index soon became the paradigmatic measure of distance in international business research. A simple citation count illustrates the significance of these contributions. At the time of writing, the seminal contribution by *Johanson and Vahlne* (1977) has, according to Google scholar, been cited 6284 times, and that by *Kogut and Singh* (1988) 3452 times. The rapid adoption of the concept and its widespread use is understandable. As expressed by *Zaheer, Schomaker and Nachum* (2012: 19): "international management is the management of distance".

However, the widespread uncritical acceptance and employment of the psychic/cultural distance constructs have increasingly been questioned. As pointed out in a number of recent reviews, it is unclear what this large stream of papers has collectively accomplished (c.f. *Tihanyi et al.*, 2005; *Shenkar*, 2012; *Zaheer et al.*, 2012). Indeed, a careful reading of the

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critique strongly suggests that the concepts have been subject to “reification” (Lane et al., 2006; McKinley et al., 2000; Thomason, 1988),² a process whereby we come to take constructs for granted, and, by largely forgetting the assumptions and rationale that underpinned them originally, run high risks to derive no useful insights from our studies (Lane et al., 2006).

The reification process can be illustrated by taking a closer look at the numbers and by examining how the notion and use of the concept have moved from the original Uppsala conceptualization over Kogut and Singh's (1988) formulation to its usage today.

For this purpose we conducted an analysis of 285 psychic distance papers from 16 ISI listed journals to assess how the utilization of the construct is.³ Fig. 1 displays the cumulated number of studies citing the concept over the period 1975–2011. As displayed in the graph, the concept initially gained slow but steady acceptance, with the real take off happening around the mid-1990s. In terms of topics studied, our analysis revealed a broad potpourri of applications. While the majority of studies looked at questions related to market selection (29%) and entry mode related outcomes (25%), in more recent research the construct has been applied to all kinds of phenomena, ranging from knowledge flows to the likelihood of visiting foreign (and dubious) websites.

Building on the methodology of Lane et al. (2006), we also examined how central the construct has been to the themes and problems to which it has been applied. Is it the core topic of the paper? Is it part of the hypotheses section, without being at the center of the paper, or is it mentioned only in passing? With the help of these questions, we classified the use of the concept in the 285 papers as (1) key focus, (2) minor focus, and (3) ritual cites (in cases where the construct was typically added as a control with little or no attempt to discuss or interpret its statistical (non-)significance in the results). The resulting classification sends a clear message (Fig. 2). Only a handful of studies treat distance as their main construct (albeit with an increasing trend), suggesting that the field has only recently started to pick up the challenge of pushing our theoretical understanding of its meaning and significance.

1.2. How a concept lost its meaning

For both Beckerman and the ‘Uppsala School’, the invocation of the distance metaphor was deliberate. It served to emphasize the fact that international transactions are determined not only by the costs of overcoming physical distances, such as transportation and tariffs, but also by the costs associated with the collection and interpretation of the information required to effect such transactions. Hörnell et al. (1973) seem not to have been overly disturbed by the dissonance in their operationalization of ‘psychic distance’ as an inherently asymmetric phenomenon, perhaps because of their focus on one-directional distances from a single country. However, subsequent applications of the metaphor have tended to retain a stronger correspondence to the properties associated with geographic distance. This is perhaps most evident in the index of ‘cultural distance’ proposed by Kogut and Singh (1988). Summarizing country differences in the cultural dimensions defined by Hofstede (1980), the Kogut and Singh index has been used as a measure of both managers' ex ante perceptions of foreign countries prior to entry and the ex post ease or difficulty of operating in a foreign environment as well as a mediating influence for a range of other phenomena.

The popularity of the index was primarily due to the ease of its computation with little or no consideration of its validity and reliability, reflective of an attitude evident already in the original contribution:

The indices of Hofstede can be criticized for a number of reasons, especially regarding the internal validity of the dimensions and the method of constructing the scales. Whereas the criticism has a sound basis, Hofstede's study has some appealing attributes, namely, the size of the sample, the codification of cultural traits along a numerical index...

[Kogut and Singh, 1988: 422]

In subsequent decades, international business research became increasingly based on secondary sources, and the lure of an easy to compute and readily available numerical index for cultural distance was irresistible. In the interest of convenience, subsequent applications continued to ignore the problematic validity of the dimensions and the questionable reliability of the measuring instrument.⁴

Moreover, without much evident deliberation and ignoring the metaphorical nature of the concept, ‘cultural distance’ came to assume many of the characteristics of distance concept as employed in physics or mathematics: a numeric quantification of how far apart objects are according to some well-defined measure in some well-defined space, as in the case of the physical separation of two objects expressed in terms of an agreed distance metric. In both physics and mathematics and in line with everyday usage, distance between a and b is always positive, symmetric and stable over time.

² Lane et al. (2006: 835) “Reification is the outcome of process in that we forgot the authorship of ideas and theories, objectify them (turn them into things) and then forget that we have done so”.

³ Journal of Marketing, Journal of Marketing Research, Marketing Science, Academy of Management Review, Academy of Management Journal, Journal of Management, Journal of Management Studies, Journal of International Business Studies, Journal of World Business, International Marketing Review, International Business Review, Management International Review, Strategic Management Journal, Organization Science, and Long Range Planning.

⁴ As Hofstede notes: “...the universe of all human values is not defined... This means that the content validity of measurements of values... is necessarily low” (Hofstede, 2001: 9).

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