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**THE FORMATION OF PSYCHIC DISTANCE:
THE CASE OF FINNISH MANAGERS IN INDIA**

Master`s Thesis in
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ABSTRACT

Purpose: The purpose of this study is to understand the formation of psychic distance and bring clarity to the variations and disagreements that abound in the literature. The aim of this thesis is also to clarify the nature of psychic distance, its key components and measurement methods, and finally to explore the formation of psychic distance in the context of developed country managers doing business in a developing country.

Design/Methodology/Approach: This study has adopted the semi-structured interview method in which four Finnish managers who had direct involvement in setting up their firms in India were interviewed. The managers came from different industrial backgrounds and through the interviews provided insight into their experiences and the environment.

Findings: The findings confirm that psychic distance is fundamentally a subjective concept that is best approached in combination with objective factors. Networks and experience did not play a very big role in reducing PD as indicated in literature. Other factors like values, attitudes and goals were important in coping with difficulties. It also emerged that the degree of involvement of the manager in managing daily operations impacts the experience of PD and that the dimensions of awareness and understanding are more important than simply considering objective and subjective factors.

Research limitations/implications: The small number of managers interviewed, and the lack of variation in the forms of business organization is an important limitation. A lack of generalizability is also inherent in this study.

Practical implications: This paper provides a good insight into the factors that may impact a manager in doing business in a foreign country and cautions the manager against assuming that information is accurate and reliable. Managers must focus more on awareness, the competitiveness of their products and services, and must develop networks. They must also develop the ability to cope with difficult standards of living and different cultural attitudes through respect, trust, transparency and developing mutual goals.

Originality/Value: The research contributes greatly towards demystifying the nature of PD and its measurement. It also explores PD in the rarely studied context of developed country managers in a developing country.

KEYWORDS: psychic distance, developing country, Finland, India, awareness

1. INTRODUCTION

1.1 Background

Doing international business often carries more risk and difficulties when compared to domestic business activities as it is complicated by the influence of international trade laws, cultural differences and communication problems. In international business (IB) literature the term 'psychic distance' (PD) has been used to address and explain the special challenges faced by firms that choose to do business abroad. PD has been used to explain the sequence of countries entered into or the market selection process by internationalising firms (Johanson & Vahlne, 1977; Johanson & Wiedersheim-Paul, 1975; Benito and Gripsrud, 1992; Dunning, 2003; Brewer, 2007), it has been used to explain the choice of entry modes (Johanson & Vahlne, 1977, 1990; Dow and Karunaratna, 2006) and establishment modes (Evans, Treadgold & Mavondo, 2000; Dow & Larimo, 2011) used by firms when entering a foreign country, it is considered to be important in deciding international marketing strategies (Evans, Mavondo & Bridson, 2008; Sousa & Lengler, 2009; Sousa & Lages, 2011) and it is even important in explaining the performance of an internationalising firm (O'Grady and Lane, 1996; Evans et al, 2000; Evans & Mavondo, 2002).

PD is considered to be especially important and relevant in the light of the current global economic scenario wherein vast improvements in technology and communication, the lowering of trade barriers across the world, the dismantling of the USSR and a number of other changes have resulted in the internationalization of firms to foreign countries that were once considered to be too risky, financially and politically, to do business with. Not only do firms traverse the borders of countries that are culturally and geographically distant, but the pace at which they do so is increasing rapidly. Nevertheless, doing IB is fraught with risks and adversities which are being addressed with the help of the PD concept in the IB literature. Hence, understanding the PD concept clearly is important to develop appropriate measures to dealing with IB problems.

The literature on PD can be characterized as ‘prolific, pervasive and provocative’ (Nebus & Chai, 2014), as this concept has been used to explain how and why firms internationalize as they do. In fact ‘more than seventy nine empirical studies include psychic distance or cultural distance as an antecedent or moderator’ (Nebus & Chai, 2014), and the number of studies based on PD are growing. However, in spite of such a vast amount of research, the IB literature on the PD construct is ambiguous, inconsistent and inconclusive with regard to the definition, operationalization and the effects of PD on international market selection, the entry mode choice and the performance of internationalizing firms. The PD construct is ambiguous because various researchers interpret and operationalize PD differently. While Beckerman (1956) introduced the concept to explain that there were certain subjective factors that went beyond purely economic reasons which affected a firm’s decision to choose a supplier, the scholars of the Uppsala University brought PD into prominence by citing PD as a critical factor that greatly impacts the path firms take to internationalize to foreign countries from psychically closer to psychically distant countries (Johanson & Vahlne, 1977; Johanson & Wiedersheim-Paul, 1975). Here PD referred to impediments to information flows that affected a firms’ understanding of a foreign market. Since then, Brewer (2007) argues that the concept of psychic distance has deviated from the original definition and differences between countries are used a surrogates for psychic distance. Thus PD is, at present, an ambiguous term open to interpretation on what it means and how it should be operationalized.

PD is an inconsistent and inconclusive construct because of the problem of explaining how PD affects a firm’s international market selection, choice of entry or establishment mode and performance. Due to the ambiguity of the PD definition, its operationalization is likewise varied across various studies. Due to this inconsistency in defining and operationalizing PD, the results as to whether psychic distance plays a positive, negative or an indifferent role in various IB outcomes such as a firm’s market selection, entry mode choice or performance are inconclusive.

One of the key contentions in defining PD is whether PD is subjective in nature (O’Grady & Lane, 1996, Sousa & Bradley 2006, 2008; Dow, 2000; Stöttinger &

Schlegelmilch, 1998) or objective (Vahlne & Wiedersheim-Paul, 1973; Johanson & Vahlne 1977; Johanson & Wiedersheim-Paul 1975; Nordström & Vahlne, 1994; Brewer, 2007). Some authors even explain PD as a concept that is inclusive of both subjective and objective factors (Child, Sek & Wong, 2002; Dow and Karunaratna, 2006; Brock, Johnson & Zhou, 2011).

PD as a subjective construct is defined as dependent on the decision-maker's perception of the psychological distance between two countries rather than purely external factors such as geographic distance, political and legal environment etc. A subjective view of PD takes into consideration the decision-maker's prior experience, personal and professional relationships, education, background and other relevant factors.

The objective view of PD is conceptualized and measured using aggregate national level factors such as geographic distance, institutional and governmental differences, legal and political environment, differences in language, culture, infrastructural and industrial development and other factors. In contrast to the subjective view, objective PD relies on empirical factors to properly assess the psychological distance between two countries and correctly adopt the appropriate market selection process, entry mode or marketing strategy, and this is expected to lead to better firm performance. This takes no consideration of the firm's experience, network connections, product etc. but is 'computed' and expected to apply to all firms.

Finally, PD has also been recognized as consisting of both subjective and objective dimensions (Child et al, 2002; Dow & Karunaratna, 2006; Dow & Larimo, 2009, Brock et al, 2011). Here, PD recognizes the psychological distance between two countries based on the objective and empirical dimensions such as geographical distance, political and legal differences, language differences, institutional distance, cultural distance etc. However, it also takes into consideration that because decisions are made at the individual level, the decision maker's perception of this distance can be different from the objective measurement of PD and is affected by prior experience, education, network relationships and other relevant factors. This is a broader concept that takes advantage of the benefits of both the subjective and objective views of PD. Hence we

find that the understanding of PD in literature is not very clear and ambiguous at present and needs a better understanding and empirical support for the concept.

Therefore, having a better understanding of what forms PD, which is the focus of this thesis, can lead to a more positive understanding that can help make the process of decision making easier. It can help decision-makers understand more clearly what factors are important and what information is necessary, what changes and adjustments are required and even lead to better decision making where the risks are minimized or reduced.

If PD relies heavily on objective factors then it can arguably make calculating PD easy for any decision-maker and simplify the process of decision making and understanding a foreign context to a matter of simple calculations using available facts and empirical data related to GDP, geographical distance, costs and other differences. But if PD should prove to be more subjective in nature then studying PD can help decision-makers become more aware of how their background and individual firm experiences affects their viewpoint of PD and therefore make more careful decisions. Hence overall the effect and usefulness of studying PD can help decision-makers and companies make more informed decisions, learn how to leverage their strengths and improve on their weaknesses, and successfully establish their businesses in a psychologically distant country and achieve their companies' goals.

Furthermore the effects of globalization and the overall slump in the western macro-economy also pushes firms to search for markets in other countries and find sources of labour and resources that can reduce costs and help their company survive. The movement of firms to more distant and developing countries is becoming inevitable, which makes the study of PD all the more urgent and relevant. In the particular context of this research, the academic studies of Finnish firms in India are very limited and non-existent, furthermore, on the surface there appear to be many differences between Finland and India that would intuitively argue for business between these two countries to be very difficult and risky. Yet there is a strong encouragement for Finnish firms to move to more developing countries like India which makes this study's goal of

exploring PD of Finnish managers in India a very unique research study that can offer interesting insight and new information and thereby also contribute to understanding the role and importance of a critical factor, PD, and its effect on businesses operating in a diverse international field.

1.2 Research Gap

This study fills a gap in the PD literature in two primary ways: firstly by highlighting and explicitly recognizing the role of subjective and the objective nature of PD, which, although largely present, has been only implicitly mentioned in the PD literature, and to understand the role that the aforementioned dimensions have on the formation of PD at the individual level. Hence, this thesis reviews the literature to identify and analyse the relevant research breakthroughs in PD and consolidate them for better understanding. This study adds support to the more recent developments in literature by studying the role of subjective aspects of PD such as the decision-makers' perception, experience, background, networks etc. rather than focusing on static objective and national level factors to explain the 'psychic distance' of a manager. Secondly, the study helps to fill in a gap in the literature by studying the special context of a firm from a developed country dealing with a developing country.

With regard to the first research gap, the literature on PD shows variations in the way PD is defined with the definitions ranging from PD as the impediments to flow of information between key actors in the internationalization process (Vahlne and Wiedersheim-Paul, 1973), to the use of surrogates such as political and legal differences, cultural differences, language, business practices etc. (Sousa & Bradley, 2006 & 2008; Brewer, 2007). In essence, the PD literature shows patterns in which researchers have used varying forms of 'distance' to express PD. Early literature shows that cultural distance and psychic distance has been used interchangeably (Håkanson & Ambos, 2010), while some other researchers focus on geographic distance (Hummels, 2001; Linnemann, 1966; Boeh & Beamish, 2012), institutional distance (Xu, Pan & Beamish, 2004) and even economic distance (Bai, Zhanming & Xiaoguang, 2013).

Using ‘distance’ has been key to explain why firms choose the internationalization paths that they do, especially when it appears that purely economic and objective factors do not successfully explain why firms choose to enter certain countries over others, what modes of entry they use and how successful their performance level is.

Another pattern that can be found in the PD literature is that researchers are not in agreement as to whether PD is to be understood and measured objectively using empirical national level data, or whether a more subjective approach is more adequate i.e. from the point of view of the decision-maker, wherein personal and individual factors like education, experience, network relationships, beliefs and attitudes etc. impact the internationalization process. Thus one very important gap in the literature is an evaluation of the PD literature that rigorously examines PD from its inception into the IB literature to the current understanding of PD, its scope, its operationalization and measurement and its impact on various dependent factors. This master’s thesis will attempt to create a comprehensive literature review of PD in the IB literature to fill this gap, addressing and analyzing the evaluation of PD using relevant academic articles. As the literature review in the following chapter will show, a broader conceptualization of PD has been more successful in consistently explaining the dependent factors of entry modes, marketing strategy and performance of internationalizing firms and is therefore more suitable for defining PD. This has led researchers (Child et al, 2002; Dow & Karunaratna, 2006; Dow & Larimo, 2009; Sousa & Lages, 2011) to determine that both the objective and subjective dimensions are important and when PD is thus operationalized the results are more accurate and consistent.

In the case of the second research gap, the internationalization literature has been criticized for the narrow context within which internationalization and PD studies have been conducted. Axinn & Matthyssens (2002) find that the traditional internationalization theories had been developed to explain the movement of large multi-national corporations (MNCs) in the developed countries’ context, with a focus primarily on manufacturing firms, and state that the fact that these theories have been meaningfully used to explain the how small firms, or firms from developing countries internationalize is “more often an unexpected (and somewhat unintended) consequence

than a planned one”. Ojala (2008) argues that since research has not focused on specific countries, but rather on multiple psychically close countries, the results could be ‘skewed’. Thus the question arises whether current literature on PD can be generalized to firms doing business in the developing world and if it is relevant to business of different sizes as well as industries. Furthermore, a greater PD is not necessarily a deterrent to doing IB, and it is relevant to identify those differences and barriers that cause special problems in the developing country context and how to ‘cope’ with these differences; thus this study examines the rarely addressed phenomena of PD in a truly ‘distant’ context.

To summarize, there is a need for studies to address important gaps in the IB literature; firstly, comprehensively reviewing significant studies on PD by various authors and critically analyzing these studies is important, as is explicitly recognizing important patterns that are passed over in the PD literature. Secondly, adding support and information to the usage of subjective elements that influence the formation of PD, and thirdly exploring the relevance and formation of PD in the context of two very psychically distant countries, i.e. a developed country’s firms doing business in a developing nation.

1.3 Research Question, Objectives and Delimitations

With reference to the research gap described in the previous section, here the main research questions and subsequent research objectives are given and these will form the basis of the practical task of gathering and analyzing data which may yield information filling in the gaps previously mentioned.

1.3.1 The Research Question and Objectives

Research Question

How is psychic distance formed at the individual level for managers from a developed country entering and operating in a developing country?

Research Objective

1. Evaluate and critically analyze the psychic distance literature, identifying the key dimensions that conceptualize psychic distance.
2. Evaluate the operationalization methods of the key dimensions of psychic distance.
3. Identify and analyze manager-related factors such as experience, networking, and education and their possible role in PD formation.
4. Explore how PD is formed at the manager level in the specific context of Finnish firms doing business in India.

1.3.2 Delimitations

Delimitations refer to the choices made by the researcher to set boundaries for the study. This research highlights and describes the relevant PD developments in IB literature but does not suggest any new model of conceptualizing and operationalizing PD. This research will limit its literature review to largely the more recent articles based on PD, however, since distance has been addressed in various forms by other researchers, it is important to note that this research will also consider cultural distance, geographic distance, institutional distance and economic distance wherever necessary as these forms of distance have been understood by researchers to form part of the difficulty of internationalizing to foreign countries.

The literature reviews different concepts and measurement methods of PD, but the final model used for data collection will be the most useful one i.e. a *post hoc* measurement of decision-makers perception as influenced by their experience, network connections, the use of third party agents etc.

Since the data will be collected via semi-structured interview method the population studied is limited to a small population of firms and compares the experiences of four different Finnish managers. Since this study makes use of the recent call to make PD a subjective concept, the focus is largely on the decision-maker, it is also to be noted that at times the terms 'decision-maker' and 'manager' may be used interchangeably and always refer to only those persons concerned with having direct involvement and experience in their firms' internationalization in India. Lastly, the choice of focusing on Finland and India is due to the contrast offered by these two countries in size, culture, infrastructure etc. and also due to the personal interest of the researcher whose educational background is based in Finland, as well due to the strong economic and political ties between Finland and India encouraging mutual trade.

2. PSYCHIC DISTANCE: CONCEPTUALIZATION

PD is a ‘tangled’ concept which is still under development as research, at present, does not show a consistent and unified understanding of PD. It is difficult to ‘untangle’ or delineate between the conceptualization, operationalization and impact of PD on dependent variables, as each aspect is closely linked to the other. Distinguishing PD, its stimuli and its immediate consequences have not been adequately carried out, leading to a number of conceptual problems, which are due to confusion between these three aspects (Prime, Obadia & Vida, 2009).

The literature review is as follows: this chapter addresses the origin, meaning and antecedents of PD. This chapter on PD conceptualisation will describe the original intention when PD was first conceptualised, it will also review the antecedents of PD such as cultural distance (CD) and geographical distance (GD), as these other forms of distance have also played an important role in the understanding of ‘distance’ and its influence on firm behaviour. Here the literature will broadly describe how PD literature is typically divided as to whether PD is a subjective construct or an objective one; the literature will reveal that various authors argue over the necessity to define PD as depending purely on the perceptions of the decision-makers, as opposed to those authors who state that PD must be understood as a construct depending on national aggregate factors that are based on empirical data and are objective in nature. It will also cover the growing call for a more comprehensive conceptualization of PD that is inclusive of both subjective and objective aspects.

2.1 Psychic Distance: Meaning, Origin and Antecedents

Psychic distance is considered to be a key variable that explains a firm’s expansion into foreign markets. (Nordström & Vahlne 1994; Johanson & Vahlne 1990; Child et al 2002). Although PD is widely researched in the IB literature, there is a great deal of inconsistency with regard to the PD concept especially concerning the meaning and operationalization of the term ‘psychic distance’. PD has been described to have a “long

and patchy history” (Child et al, 2009), and to suffer from ‘schizophrenic’ definitions (Nebus & Chai, 2014). This section attempts to demystify the ambiguity surrounding the PD concept by critically reviewing the IB literature to disentangle the origins, antecedents and meaning of PD.

The earliest reference to the term ‘psychic distance’ is attributed to Beckerman (1956) who realized and articulated that there were additional factors that influenced how firms chose their suppliers, these factors went beyond purely economic considerations and were subjective in nature; a well-known example given by Beckerman (1956) describes how even though an Italian entrepreneur incurs equal costs in transporting material either from Turkey, via sea transport, or from Switzerland, the Italian entrepreneur is more likely to develop and have more contacts with Swiss suppliers. Beckerman (1956) coined the term ‘psychic distance’ to explain this somewhat unknown and newly observed factor that affected international trade decisions.

However, it was only in 1973 when the scholars at Uppsala University developed a fully formed concept of PD. PD gained popularity through the seminal work of Vahlne and Wiedersheim-Paul who explained it as the "factors preventing or disturbing the flow of information between potential or actual suppliers and customers." (Vahlne and Wiedersheim-Paul in 1973 as cited by Nordström and Vahlne, 1992). The long-standing contribution of these scholars (Vahlne and Wiedersheim-Paul, 1973; Johanson & Wiedersheim-Paul, 1975; Johanson & Vahlne, 1977) was to impress upon the IB community that the internationalization process (IP) and IB transactions are strongly influenced by firms’ cognitive capacities and the availability of information (Håkanson & Ambos, 2010).

This landmark contribution also introduced ambiguity and confusion with regard to the conceptualization of PD (Håkanson & Ambos, 2010); while Beckerman’s (1956) observation indicates that PD refers to a subjective perceptual construct, the meaning of PD, as given by the Uppsala scholars, indirectly instigated a shift towards external factors and their influence on knowledge flows.

The Vahlne and Wiedersheim-Paul (1973) definition relates to an impediment to the flow of knowledge and can link to the difficulties faced in communicating with potential and existing customers in the target market. Therefore the difficulty and costs associated with gathering the relevant information form the primary determinants of PD and create barriers that prevent the decision-maker from making fully informed decisions. Since it is then implied or intuitively indicated that country differences and cultural differences act as barriers and affect the flow of knowledge, the very differences between countries have since then been used as a surrogates for psychic distance (Brewer, 2007, Håkanson & Ambos, 2010).

Likewise, Sousa & Bradley (2006 & 2008) point out that the differences of language, cultural standards, legal frameworks etc. have been classified into the concept of PD in order to bypass the complexities of such differences in internationalization. Hence ‘differences’ between the home and host countries have been used as proxies for PD and have formed the basis of a number of studies. These studies indicate that a large part of the literature has considered the meaning and operationalization of PD to be objective in nature, depending on national aggregate factors or proxies for PD. The following section explores this objective view of PD more deeply.

2.2 The Objective Conceptualization of PD

An etymological study of the term ‘psychic distance’, especially the ‘distance’ aspect can lead us to understand more clearly about the objective conceptualization of PD. Some authors have argued that in spite of the nature and meaning of the term ‘psychic distance’ the focus has largely been on the distance aspect of PD (Nebus & Chai, 2014) or has focus too much on exclusively either the psychic or distance aspect (Evans & Mavondo, 2002) without taking them jointly into consideration.

The term distance is derived from the Latin root word ‘distare’, which means to stand apart (Prime et al, 2009). Hence distance refers to a separation of two points by space which may be physical, objective and/or subjective. Literature has often defined

distance as ‘differences’ between two countries (Nebus & Chai, 2014). Hence, the use of the terms distance or differences has been used interchangeably and has usually referred to PD as an objective concept which relies on national level aggregate data to express the psychological distance between a home and host country. Hence the objective conceptualization of PD is entirely devoid of any consideration of the individual firm’s factors such as experience, resources, networks etc.

In the argument for the objective definition of psychic distance, Brewer (2007) states that the concept of PD has deviated from the original definition of impediments to information flows, and mere country differences and managers’ perceptions have been used as proxies to operationalize psychic distance, which is incorrect. The connection between knowledge and psychic distance as defined by Vahlne and Wiedersheim-Paul is explained by Brewer (2007) who says that managers incline towards countries that they can understand easily and avoid those countries that are not as easy to get to know.

Thus, the key concept of PD has to do with the ‘familiarity’ a manager may find with the target market, and this familiarity is influenced by a number of different external factors. According to Brewer (2007), this concept of ‘familiarity’ resonates with the original Johanson & Wiedersheim-Paul definition. Using this concept of familiarity which depends on a broader set of factors which include historical and political ties, Brewer (2007) emphasized that a broader level of national level aggregates were key in conceptualizing and measuring PD.

Some of these broader national level aggregates include cultural distance (CD), institutional distance (ID), and geographical distance (GD) amongst others, these factors have appeared as proxies for PD in IB literature several times. However, cultural distance has dominated the literature to conceptualize PD and explain IB phenomenon. In many cases, ‘cultural distance’ has been used interchangeably with the term ‘psychic distance’ (Sousa & Bradley, 2006, Håkanson & Ambos, 2010).

In the studies using CD as the explanatory factor for international business activities, Hofstede’s model (1980, 2001) of CD is prominent, while the Kogut and Singh’s (1988)

index, which is based on Hofstede's work, has prevailed in researchers' operationalization of PD. Kogut and Singh (1988) asserted that "cultural distance is, in most respects, similar to the 'psychic distance' used by the Uppsala school". In research, the primary attraction of using CD is that it has been firmly established and relatively well accepted by the academic community. It is also relatively easy to compute (Brewer, 2007; Stöttinger & Schlegelmilch, 1998). This has led to the dominance of CD in the studies of relationships between 'distance' and IB behaviours.

Cultural distance is important as it affects a decision-maker's ability to understand and relate to the foreign environment both intellectually and emotionally. This becomes more difficult if the cultural and institutional environments are very different between the home and host country. In that sense, when the foreign country appears to be culturally similar to the home country it indicates that the PD is lower. (Håkanson & Ambos, 2010)

However, as a direct proxy or a surrogate for PD, CD has been called into question as a valid and reliable predictive factor. Numerous studies have found CD to be inadequate as a substitute for PD. (Nordström and Vahlne, 1994; Dow, 2000; Brewer, 2007; Sousa & Bradley, 2006; Stöttinger & Schlegelmilch, 1998; Dow and Larimo, 2011). Dow (2000) and Dow and Larimo (2011) argue that CD is a redundant concept because some of the aspects that fall under CD can be covered by other more relevant factors. Evans & Mavondo (2002) also argue the use of CD is limited; that the scores are assumed to be the same today and even though Hofstede's dimensions have been found to be stable, the socio-political environment and will have created some changes in which CD will have a weak predictive ability, furthermore, the Kogut and Singh index is relative to USA and is therefore limited in its applicability.

CD also suffers from the assumption of equivalence, which means that in most studies all the dimensions of CD are assumed to be equally relevant and have equal impact on dependent variables. However this has been refuted and it has been found that the dimensions of CD do not equally contribute to the PD construct (Dow & Karunaratna, 2006). The use of CD as a surrogate also departs from the original definition of PD, as a

focus on CD ‘deemphasizes’ the role of information availability and focuses on costs perceived by decision-makers to operate in a culturally different environment (Håkanson & Ambos, 2010). It has been found that countries can have cultural similarities and still be psychically distance, and the reverse is also true (Nordström and Vahlne 1994). Hence CD is not an appropriate substitute for PD.

These criticisms of CD make it evident that CD has been greatly overestimated, and can act neither as a proxy for PD, nor as a satisfactory explanatory determinant of firms’ international activities on its own. Nevertheless, several authors claim that CD or national culture, as a part of PD, enables a clearer understanding of the PD construct, and that CD and PD are somewhat distinct but related phenomena. (Evans & Mavondo, 2002; Sousa & Bradley, 2008; Child et al, 2009; Dow and Larimo, 2011) Hence, CD forms a relevant part of the PD concept and can be considered an important antecedent to PD.

Likewise, with reference to ‘distance’, GD is intuitively considered to be an indicator of PD, and that firms internationalize to more geographically distant countries later in the IP process. It is, however, generally considered that GD has lost its importance due to factors like advances in technology, communication and transportation, as these factors enable firms to transport information and material more easily than before rendering the concept of PD as irrelevant. On the other hand, Dow and Karunaratna (2006) have shown that GD does account for a greater degree of variance in where firms internationalize, and one study found that GD is three times more important than CD as an antecedent to PD (Håkanson & Ambos, 2010).

On its own, absolute GD will continue to be a barrier although it is argued that the impact of GD as a deterrent to IB activities has lessened and will continue to lessen due to improvements in communication and transportation (Ojala and Tyrväinen, 2006; Håkanson & Ambos, 2010). The problems associated with GD are typically visible when it comes to monitoring activities of dispersed units (Hutzschenreuter *et al*, 2014). GD continues to affect international trade behaviour and cannot be ignored as an antecedent to PD (Håkanson & Dow, 2012).

Institutional Distance (ID) has also been considered as an important factor affecting IB activities. Firms are significantly affected by the degree of transparency in the institutional organizations of a country. Institutional stability can either compress distance (Child et al, 2002) or form a significant barrier to successful IB activities if bureaucracy and corruption are present (Child et al, 2009). Dow and Ferencikova (2010) reference Xu et al (2004) in their assessment of institutional distance (ID) as a substitute for PD. ID is an appealing surrogate for PD as the information available with regard to institutional data is greater and more easily available. However, as the information is largely collected through third party information and the disaggregated ID concept appears to overlap substantially with other PD dimensions. It is therefore suggested that ID is far more useful when considered a subset of PD.

In addition, the influence of globalization has also been found important; the study by Child et al (2002) found that firms from Hong Kong preferred to enter countries like USA and UK, which are conventionally perceived as psychically distant because of exceptional factors like the large number of Chinese immigrants as well as colonial ties with the UK. This lessened the perception of distance; it was also found that institutional factors like a stable economy also created a 'comfort' factor implying safety and closeness. This supports the necessity for using not only general objective assessments of PD but appropriate and relevant ones. The impact of globalisation in the form of convergence of lifestyles, institutional convergence and mutual benchmarking etc. have created additional factors to be considered by the internationalising firm.

In the literature review so far, it has been found that factors like GD, ID and difference in cultural values form *contributing* factors to psychic distance and cannot be considered to be interchangeable or substitutes for psychic distance (Dow, 1998). The assertion by Kogut and Singh (1988) that CD is a good substitute for PD can be considered responsible for the numerous studies that adopted objective country-level factors as the meaning and operationalization of PD (Hutzschenreuter *et al* 2014). Furthermore, they are relatively easy to compute; hence it is appealing to measure PD using these external and objective factors.

However, using merely objective factors to conceptualize PD has been heavily criticised and found inadequate. The problems are evident when PD is operationalized using purely objective factors; the importance of country factors vary with different managerial decisions and contexts, there is the problem of identifying the appropriate unit of analysis (Nebus & Chai, 2014) and does not allow for idiosyncratic factors such as experience and network connections which do play an important role in moderating PD.

2.3 The Subjective Conceptualization of PD

In contrast to the objective view of PD the subjective definition of PD relies on the individual's perception of PD between the home and the host country. This perceptual aspect of PD has been largely neglected by the IB academic community in early literature with the claim that research has focused largely on the distance aspect rather than the 'psychic' aspect of PD (Nebus & Chai, 2014). However recent authors have argued for a shift in the meaning of PD from an objective construct to a more subjective one that focuses on the perceptual nature of PD (Dow & Karunaratna, 2006; Stöttinger & Schlegelmilch, 1998, 2000; Evans & Mavondo, 2002; Evans et al, 2000; Child et al, 2009; Nebus & Chai, 2014; Håkanson & Ambos, 2010; O'Grady and Lane, 1996, Prime et al, 2009).

The word 'psychic' is derived from the term psyche and the Latin word 'psychikos' which refer to the mind or soul (Sykes, 1987; Prime et al, 2009). Hence it is appropriate for PD to be conceptualized as a perceptual construct (Håkanson & Ambos, 2010). However even though a number of authors agree that PD needs to be understood as a subjective phenomenon related to the individual firm's perception of distance, the literature is still lacks consensus and fails to come up with a unified definition of PD.

Psychic distance was first conceived as a moderating influence on objective economic distance or analysis (Beckerman, 1956). IB decisions are not only influenced by purely economic considerations but also by the availability of information and the decision

maker's cognitive abilities (Håkanson & Ambos, 2010). Prime et al (2009) argue that PD is an "internal psychic phenomenon experienced by the organization members, psychic distance as such cannot be observed." As PD is something that can only be explained by its antecedents and consequences, they suggest the definition of PD as follows: "perceived PD is an internal unobservable phenomenon resulting from the firm's perceived cultural issues, and problems in the business environment and practices." Hence, many authors recognise the importance of national aggregate level factors, but argue that the interpretation of these factors ultimately resides with the individual decision-maker, making PD a subjective concept. (Stöttinger & Schlegelmilch, 1998, 2000; Nebus & Chai, 2014)

The importance of perception has also been highlighted by O'Grady and Lane (1996). In this case PD was defined as "a firm's degree of *uncertainty* about a foreign market resulting from cultural differences and other business difficulties that present barriers to learning about the market and operating there" [emphasis added]. Their study is also frequently referred to in PD literature as they highlighted the 'psychic distance paradox' which refers to how the perception of cultural similarity can actually lead to failure in performance as firms underestimate the true differences between the home and host market.

This definition of PD does not go unchallenged; it can be argued that uncertainty has been confused with distance; while distance refers to the degree of similarity or difference that may exist between two places; in contrast, the semantics of uncertainty refer to a lack of sureness about something (Evans et al, 2000) and does not equate perception. This is supported by Prime et al (2009) who note that 'distance' clearly refers to the separation between two points by some objective, psychical or/and subjective factors.

Some of the prominent contributions by researchers to the subjective perceptual argument for PD are highlighted as follows: Evans et al (2000) suggest that it is not merely the presence of external and environmental factors that determines the degree of PD and that "it is the mind's processing, in terms of perception and understanding, of

cultural and business differences which forms the basis of psychic distance.” Another definition offered by Sousa & Lages (2011) is as follows: “as the individual’s perceived differences between the home and the foreign country.” Hence, the perceptual nature of PD is strongly argued for by a number of researchers. Evans & Mavondo (2002) argue that individual perception is a more relevant source of understanding PD as perceived differences between countries arises from the individuals’ perception of the host country’s general values and attitudes. They say that “the focus on the individual’s perception is a critical aspect of the psychic distance construct.” The studies mentioned here are indicative of an approach to PD in which the individual decision-maker’s perception is dependent on recognizable and distinguishable factor i.e. PD is understood or perceived depending on a ‘sum of factors’.

In contrast to the ‘sum-of-factors’ approach to PD, a significant study by Stöttinger & Schlegelmilch (1998) refers to the appeal of PD depending on its characteristic as a *summary construct*. This reference to PD as a summary character is markedly different from how most researchers approach PD. The summary character of perceptual PD refers to PD as an indivisible construct wherein individuals are believed to perceive other countries as images that cannot be decomposed into separate elements (Figueiredo et al, 2012). Most researchers approach to PD as a sum of usually distinct and separate elements, and assume that individuals are able to capture various attributes of the PD phenomenon and make a judgement about distance. In other words, this approach considers an aggregate measure of the differences between two countries as captured by an individual; this is the approach that is largely followed by researchers in PD (Nordström and Vahlne, 1994; Johanson & Vahlne, 1990; O’Grady and Lane, 1996; Dow and Karunaratna, 2006; Dow and Larimo, 2011; Sousa & Bradley, 2006; Sousa & Lages, 2011; Sousa & Lengler; 2010). This is relevant as this shows us that even in the subset of PD being defined as perceptual there are marked differences in how researchers conceptualize PD; the sum-of-factors approach to PD is prevalent in defining PD as compared to the summary concept of PD, even though this is only implicitly mentioned.

More recently, perceptual PD has also been conceptualized by Nebus & Chai (2014) as all “psychic” and no “distance”, completely removing the use of differences in determining PD. Their model of PD also focuses on the decision-maker as the focal point of perception, and relate how the decision-maker’s cognitive abilities, experiences and heuristics to solve problems and make decisions. Their work highlights that PD can be better understood by replacing the use of distance and/or differences with the decision-maker’s ‘awareness, perceptions and understanding’. This study removes all references to ‘country-differences’ from the equation and its operationalization is strongly perceptual.

However, it is important to note that the perceptual subjective conceptualization of PD does have pitfalls; it is extremely difficult to observe at a macro level (Dow & Karunaratna, 2006; Sousa & Bradley, 2006) and it is exceedingly difficult to observe it in a manner that gives a completely clear picture i.e. measuring the perceptions of decision-makers *a priori* (Ellis, 2008) the IP process and raises the problem of finding out the direction of causality i.e. it is difficult to discern whether the experience after making the decision influenced the perception of PD or vice versa (Dow & Karunaratna, 2006). These practical complications of a subjective viewpoint of PD have raised questions with regard to the usefulness and practicality of this definition of PD.

In summary, the subjective concept of PD primarily refers to “the subjectively perceived distance to a given foreign country” and “is a reflection of the perceiver’s knowledge, familiarity and sense of understanding of it” and is in direct contrast to the use of objective national aggregate level factors to conceptualize distance. The perceptual conceptualization of PD recognises that individuals have different perceptions of other countries and these perceptions depend on family ties, vacation habits, education, training and study leaves, expatriate experiences, network connections etc. (Håkanson & Ambos, 2010.)

The perceptual conceptualization of PD attempts to resolve the problems related to consistency in findings in PD literature and make room for contextual factors that can affect the outcome of firms’ behaviours in distant countries.

2.4 Conceptualization of PD Involving Subjective and Objective Dimensions

The literature has largely argued for the exclusive use of either an ‘objective’ or a ‘subjective’ idea of PD, although this has been only implicitly mentioned (Dikova 2009; Håkanson & Ambos, 2010). The previous sub-sections have mentioned that the term ‘psychic’ in PD refers to the mind’s processing and likewise, the origin of the word ‘distance’ literally means to ‘stand apart’. Hence it can be argued that current definitions still fail to adequately include both elements: psychic and distance (Evans et al, 2000). This suggests that it is important to consider PD as being inclusive of both the ‘psychic’ and the ‘distance’ aspect and not just one or the other. A more comprehensive view of PD is determined by the perception of the decision-maker about the various stimuli relating to the target country, incorporating both the subjective perceptual aspect of PD as well as the more objective external aspect.

The argument for a broader, comprehensive and inclusive definition of PD has been only implicitly stated in IB literature. Researchers typically criticise the use of either the perceptual or objective conceptualization of PD and demonstrate how just one or the other is inadequate to conceptualize PD. For example: Evans et al (2000) claim that the presence of environmental factors i.e. objective factors cannot determine the degree of PD. It is the mind’s processing of cultural and business differences that form the basis of psychic distance and therefore, the perceptual nature of PD must not be ignored. However, the purely perceptual conceptualisation of PD has been criticised by Child et al (2002) contending that the mere intuitive assessments of psychic distance between two countries does not give the true picture of PD as external factors have a great deal of impact in firms’ market selection decisions and also cannot be ignored. In line with Child et al (2002), Brock et al (2011) show that external and aggregate factors influence internal assessment of distance, and the experience of the firm’s manager also affect perception, thus making for a subjective assessment of psychic distance which nevertheless does not ignore the importance and relevance of external aggregate factors. These studies indicate that a complete reliance on either perceptual theory of PD or an entirely objective theory of PD can be misleading and inaccurate and this supports a PD framework consisting of both external objective and internal subjective distances.

Some studies that have implicitly conceived PD as consisting of both objective and subjective factors are Child et al (2002) and Ellis (2000) who argue that PD is a subjective construct that is shaped by distance-bridging and distance-compressing factors. Evans et al (2000) emphasize on the perceptual factor which is dependent on two objective dimensions: business and cultural differences. This can be further supported and understood through the work of Dow and Karunaratna (2006), whose study reinforces the idea of PD as being defined by the perceptual construct, which is influenced by relevant external factors referred to as the psychic distance stimuli.

To summarize, the latest development in IB research shows that the most comprehensive and practical conceptualization of PD is a combination of subjective and objective dimensions i.e. a perceptual and factual construct respectively. Hence this section has addressed the main contention between researchers with regard to conceptualization of PD as “alternating between a perceptual, subjective perspective and a factual, objective viewpoint” (Nebus & Chai, 2014). This manner of conceptualizing PD appears to be more practical, useful and inclusive compared to those theories of PD that are confined to either the objective factual viewpoint or the subjective perceptual one. This conceptualization of PD is also more suitable for the kaleidoscopic nature of IB as decision-makers are bound to encounter varying contexts, environments and situations that are more likely to be better addressed by a more comprehensive definition of PD.

3. OPERATIONALIZATION

The operationalization of PD refers to the methodology by which PD is measured. As indicated previously, the operationalization of PD has also been inconsistent and considered “regrettable that, in the more than 30 years since the publication of Johanson and Wiedersheim Paul’s (1975) pioneering work, no consensus has yet emerged regarding the operationalization of psychic distance.” (Ellis, 2008.)

This section on the operationalization of PD explores how PD is measured and discusses whether it is a broad or narrow concept, symmetrical or asymmetrical, a uni-dimensional or multi-dimensional construct and addresses the appropriate use of units of analysis. It also addresses one of the key issues in PD of the misuse of formative and reflective measurement instruments, which is only implicitly acknowledged. In some cases, one form of measurement is used where the other would be more suitable and the correct or incorrect use of formative and reflective scales can alter the research findings (Prime et al 2009).

The operationalization of the PD construct in IB literature has primarily diverged amongst three paths. One being the use of cultural distance as a proxy for PD, the second is the use of national aggregate figures and the third focuses on the perception of decision-makers on the degree of psychic distance (Sousa & Lages, 2011). This chapter is therefore organized as follows: the operationalization of CD is discussed in detail, followed by the broader operationalization of PD as an objective concept, the operationalization of PD as subjective and lastly the operationalization of the PD concept that includes both the objective and subjective dimensions of PD.

3.1 Cultural Distance

CD is considered to be redundant (Dow & Larimo, 2011) but is frequently used as surrogate for PD (Sousa & Bradley, 2006; Prime et al, 2009; Håkanson & Ambos, 2010). This is partly due to the ease with which CD can be calculated between two

countries using the Kogut and Singh index (1988) which has dominated the operationalization of CD, even though the index has been heavily criticized.

The operationalization of CD using the Kogut and Singh index (1988) has been criticized for being restricted to only the original four dimensions of CD (individualism-collectivism; uncertainty avoidance; power distance and masculinity-femininity) and for ignoring the added fifth dimension of long-term orientation (Håkanson & Ambos, 2010). Shenkar (2001) and Dow and Karunaratna (2006) also question the 'assumption of equivalence' wherein it is assumed that all the dimensions of CD contribute equally to a dependent variable. Håkanson & Ambos (2010) have found that using the 5-dimension operationalization of CD has a greater explanatory power than does the 4-dimensional CD construct. When the CD construct is disaggregated, the individual or single dimensions of CD have an even greater explanatory power than does the CD multidimensional construct; with regard to the antecedents of PD, the individualism and long term orientation dimensions are far more significant compared to the remaining dimensions of CD.

Other criticisms of the CD construct as developed by Hofstede (1988, 2001) are that it disregards obvious cultural expressions associated with religion, art and architecture (Håkanson & Ambos, 2010). Finally, Hofstede (2001) himself points out that his development of the CD construct has itself been dependent on his own perspective. The above mentioned arguments emphasise the need to be wary of assuming the usefulness of CD as an antecedent to PD, let alone the substitution of PD with CD as using merely CD misses up to 60% of the effect size of PD (Dow & Larimo, 2011). Nevertheless, the CD construct contributes to PD and is not yet excluded from the meaning and operationalization of PD, and it is necessary to understand its limitations. Disaggregating CD into its individual components and then operationalising it may provide a more useful and reliable form of measurement.

The use of CD to measure differences departs from the focus on costs and availability of information about the other country and focuses on the absolute cultural differences. CD is assumed to be symmetric between two countries thereby implying that the cost

adapting and transferring business knowledge and practises will be the same in either direction. Subsequent studies have shown that this is not the case with PD as PD between nations is asymmetrical (Stöttinger & Schlegelmilch; 1998); this is an indicator that PD and CD represent very different, though related, concepts and results.

CD as a substitute for PD also leads to a confusion with regard to the level of analysis; whether the unit of analysis should be at the country level or the individual level (Prime et al, 2009). Sousa & Bradley (2006) argue that CD represents gaps that divide entire nations, while PD represents individual decision-makers' perceptions which are heterogeneous even within firms. Hence using CD leads to a mismatch of units of analysis. Furthermore, Dow and Ferencikova (2011) have found in their study that another lesser used measure of CD known as the Taras and Steele index appear to be more reliable and useful than the Hofstede measure of CD.

It is evident that the case against the use of CD is greater than the case for CD, and it is surprising that CD continues to hold an important role in the operationalization of PD and the explanation of IB activities. However, since CD measurement as developed by Kogut and Singh (1988) is available for a large number of countries, it remains a favoured measurement form of CD in IB literature.

3.2 Objective Operationalization of PD

The shift towards the understanding of PD from a perspective construct to referring to the 'differences' between countries (Brewer, 2007; Ojala, 2008; O'Grady and Lane, 1996; Sousa & Bradley, 2006 & 2008) has led to using the differences between the home and the host countries i.e. using cultural differences, economic factors, legal frameworks, political stability etc. as means to operationalise PD. This form of operationalization uses factors derived from secondary data and home country environment forms the centre of the operationalization (Nebus & Chai, 2014).

The implicit understanding in the Uppsala contribution to PD is that PD is fundamentally perceptual in nature; however, the operationalization as per the Uppsala scholars is mentioned under this section as it is believed that the shift towards the objective conceptualization and operationalization of PD was indirectly instigated by these studies. The conceptualization of PD as factors disturbing the flow of information (Vahlne and Wiedersheim-Paul, 1973) led to distance being measured as follows: by the various characteristics of the target market, differences between the home country and the target market based on these characteristics, including language and culture, and trade relationships and communication levels. The intention was to add to the traditional economic costs of simply moving goods the cost of also transferring necessary information. However, the perceptual aspect was not measured at the individual level but the firms' behaviour was analysed as the firms' size and experience level and this led to PD being operationalized using differences in the form of external objective factors (Håkanson & Ambos, 2010).

Brewer (2007) recognised the deviation from the original intention to measure knowledge and information flows to using country differences or managers' perceptions as proxies to operationalize PD. Brewer (2007) argued that a decision-maker's familiarity is dependent on relevant external factors and developed an objective index to operationalize PD that included: commercial, political, historic, geographic, social and information ties, and finally, development factors. The primary intention of these factors is that they create greater or lesser familiarity between two countries and are appropriate for objectively measuring PD. The findings in this study too reiterate that cultural distance need not create a wider psychic distance if other factors like the existence of political ties in the form of bilateral trade agreements etc. bridge the gap between the two countries. This broader concept of PD has been shown to have a greater significant on market selection when compared to CD. However, even though this operationalization is objective, it appears to be in conflict with his explanation that international market selection has to do with 'familiarity' which is, arguably, a subjective and perceptive factor. This inconsistency between PD conceptualization, operationalization and consequences is typical of the problems faced in cementing the meaning and measurement of PD in IB literature. Brewer's index (2007) has also been

criticized as it has been created from an Australian perspective and some of its dimensions are unique and not generalizable (Dow & Ferencikova, 2010).

Subsequent studies have proven that using differences as surrogates is inappropriate for measuring PD, and more importantly, seems to miss a large percentage of the actual effect of PD in influencing firm decisions (Dow & Larimo, 2011). Here, PD surrogates have almost always been national aggregate factors that are easily measurable, external and objective, leaving out the internal factors that can affect how PD is perceived. The argument against the use of differences as a measure for PD is also supported by Prime et al (2009) who state that firstly, decision-makers who are not involved in home operations but are almost entirely concerned with international activities (like exporting firms) will not have experiential knowledge of how different a target market is and can form no basis of comparison. And secondly, mere differences on their own are not important unless they actually raise difficulties or managerial problems, thus distance-creating factors are more important than simple 'differences'. This appears to be supported by Child et al (2009) who found that varying 'distances' had varying effects on reducing or increasing PD; in their evaluation of differences between UK and Brazil as expressed by firms' managers, it was found that language, regulations, legal systems, culture, logistical infrastructure and GD created greater distance while technical and education aspects were negligible.

In their study, Nebus & Chai (2014) criticise the use of 'distance'; they equate differences to distance and suggest that distance be dismissed for the following reasons: there is a lack of comparability between the normally used units of measurement i.e. the decision-maker and the foreign country. By its very nature distance inhibits results from being positive; the authors say that achieving positive outcomes would require measuring negative geometric distance. Distance assumes that there is consistent homogeneity within a country (Shenkar 2001), however this may not be the case and also it may be that the location level a decision-maker chooses to analysis may be at a regional level and not a country level. The common measurement of distance assumes that all the dimensions of CD are relevant and this has been disproved, instead decision-makers should decide what elements or dimensions affect their decisions. Distance also

gives the illusion of capturing PD as a single idea or a summary construct, and this needs to be replaced with a broader operationalization of PD.

Although the use of differences to conceptualize and operationalize PD has been criticised, it is not advisable to reject objective factors altogether. O'Grady and Lane (1996) have found that the perceived difference between countries can be different compared to the reality of the differences after establishment of firm operations in the foreign country. This 'misperception' of differences between countries supports the conclusion that the objective aspect of PD cannot be entirely ignored in favour of the perceptual method. Important objective factors include cultural distance, geographic distance, institutional distance, language, colonial ties, political stability, legal frameworks, economic environment such as a country's GDP level, infrastructure, trade relationships etc. (Brewer, 2007; Dow and Karunaratna, 2006)

Other problems involving operationalization is the use of GDP as a rough measure of a country's size. Ellis (2008) argues that it is not realistic to achieve greater explanatory power for PD when market size variables are represented by a GDP figure. However alternatives do not appear to exist and due to problems such as defining boundaries for markets there may never be a good measure for market size.

3.3 Perceptual Operationalization of PD

The operationalization of PD as a perceptual construct necessarily means that the perception of the decision-maker needs to be ascertained in order to measure PD and its impact. The primary argument for using individual firm level or manager's perception level is that the ultimate decision rests on the manager's perception at a certain time; hence the perceptual theory of PD is more accurate and relevant than attempting to understand PD using differences and objective level factors. It is also argued that as PD changes slowly over time and that heterogeneity inevitably exists within firms and countries (Shenkar, 2001); making individual measurement a good unit of analysis.

Therefore, it can be said that the decision maker's perception or process of decision making acts as a surrogate for psychic distance (Dow & Karunaratna, 2006).

The advantage of PD operationalized as perceptual is that it is a straightforward approach and allows for PD to be measured directly by simply enquiring if and to what degree factors such as CD, language, differences etc. impact these perceptions (Håkanson & Ambos, 2010). This is more of a reflective approach to measurement, wherein the construct influences the measurement, as opposed to a formative approach to measurement wherein the measures influence the construct by identifying patterns in data and then refining measurement (Prime et al, 2009).

Many of the recent authors have argued strongly for a perceptual model of PD. However the operationalization of PD is still problematic in spite of its theoretical simplicity. It is important for the decision-maker to be the focus when measuring PD (Prime et al, 2009; Nebus & Chai, 2014) as perception is highly dependent on a person's value systems and personal experiences. However, even though the decision-maker has been recognized as being central to measuring PD, the operationalization still varies.

Some authors supporting a perceptual model of PD use a multi-dimensional model that typically includes the perceptions of decision-makers which are dependent on external factors which are also known as PD stimuli. Additional factors like the decision-maker's experience, background, networking connections etc. are also included as these moderate the decision-makers sensitivity to these external factors. This is for the purpose of broadening the PD concept as well as for an easier or more practical measurement of PD that can overcome the problem of measuring individual perception (Dow & Karunaratna, 2006; Child et al 2009; Dow and Larimo, 2009; Sousa & Lages, 2011; Dow and Ferencikova, 2010).

In other cases, the use of Likert scales is common to capture the distance perceived by the decision-maker (Child et al, 2009; Evans & Mavondo 2002; Sousa & Bradley, 2006; Sousa & Lages, 2011). However this form of measurement can be criticised as being

limiting as well as suggestive, as the respondents are asked to choose from a list of factors that have been based on the researchers' *a priori* understanding of PD (Prime et al, 2009; Nebus & Chai, 2014). Dichtl et al (1990) used a method of self-reporting that enabled respondents to express distance without predetermined factors; respondents were asked to position countries within 14 concentric circles wherein the central circle represented the country of origin and subsequent circles represented an ever increasing distance from the home country. Another well-known operationalization of PD as done by Stöttinger & Schlegelmilch (1998) was based on cognitive mapping and gestalt theory, and built on Dichtl's operationalization; they adopted a free-scale i.e. single scale method without any reference stimulus to identify the varying degrees of PD perceived by the individuals. This measure assumes that people 'develop subjective maps of space and distance that do not necessarily correspond to reality' (Figueiredo et al, 2012). It has to be noted that Figueiredo et al (2012) suggest that the Stöttinger & Schlegelmilch (1998) instrument is the scale recommended to researchers wishing to utilize single-item measures of psychic distance, especially when psychic distance is to be measured with other variables, as an antecedent, a mediator, or a moderator of a given dependent variable.

These forms of measurement, i.e. by Dichtl et al (1990) and Stöttinger and Schlegelmilch (1998) are useful especially if PD is conceptualized as a summary construct wherein decision-makers perceive PD as an indivisible construct in which its components cannot be distinguished and recognised. In contrast to 'PD as a summary construct', the 'sum of factors' approach (e.g. Brewer 2007; Dow and Karunaratna, 2006) is also prevalent. This approach conceives PD to consist of distinguishable elements which can be perceived by the decision-maker and also tends to be operationalized using objective measures (Figueiredo et al, 2012). This is the case even PD is conceptualized as subjective perceptual concept, as this makes it practical to measure subjective perceptions and identify what aspects of the foreign environment affect PD perception and thereby IB decisions and outcomes.

Another form of measuring perceptual PD without limiting the respondents to researchers' pre-determined factors is the use of independent panels to identify the

factors that affect PD (Dow, 2000; Nordström & Vahlne, 1994). Subjective operationalization has also been carried out by asking respondents how similar or dissimilar a foreign country is based on one or more aspects of PD (Håkanson & Ambos, 2010; Sousa & Lages, 2011).

The operationalization of PD by Nebus & Chai (2014) removes 'distance' aspect altogether. The manager is the centre of the PD and his awareness, perception and understanding form the dimensions of PD. Awareness refers to the decision-maker's consciousness of those foreign context elements that are relevant to the firm's current task, context refers to relevant environment and elements to which content will be transferred. Nebus and Chai (2014) refer to content as "what the firm might transfer to, replicate in, build in, or adapt to the foreign context." Instead of referring to any particular element like the establishment of a subsidiary, licencing agreement, export of a good etc., referring to 'content' allows for this model to apply to a number of different international activities. The next dimension is perception which is the interpretation of the importance of the various elements in the foreign environment by the decision-maker, and the third dimension understanding describes how the decision-maker makes sense of the relationships between the various context elements and the firm's current decision.

This model helps identify the possible context traps that occur because individuals may fail to be properly aware, or may misperceive and fail to understand the foreign environment. If the decision-maker fails, in any of these dimensions of awareness, perception and understanding, to realise that moving the content from the original context to the new context results in changing the meaning of the content – then this leads to a context-trap with the potential for problems and even failure. This model also makes room for the particular decision at hand and the decision-maker selects and considers only those elements of the foreign context that are relevant to the decision. During the decision making process the manager's personal abilities, prejudices, experiences and knowledge come to the fore.

Measuring subjective perceptual PD has its drawbacks; the main hindrance with this form of measurement is that measuring such internal, subjective factors like perceptions is difficult as well as inadequate (Dow & Karunaratna, 2006). Nebus and Chai (2014) describe the measuring of individuals' perceptions of the foreign environment and how they understand its various elements as a "the most difficult and laborious of methods". Brewer (2007) argues against the sole use of perception to operationalize PD and states that the measurement of psychic distance have to go beyond mere perceived differences as there is little justification for these perceived differences as a measurement of the barriers or impediments to information flows, even though much of business literature assumes this to be the case. The argument for using objective measures is that in considering the original Uppsala definition, the primary influence of PD is that it affects the cost of or difficulty of obtaining information about business conditions in foreign markets; this prevents the ability to make fully informed and rational decisions (Håkanson & Ambos, 2010). Hence external objective factors do matter, but the use of external factors alone as surrogates is under question.

Dow and Ferencikova (2010) state that IB decisions are infrequent and difficult to predict and it is nearly impossible to predict *a priori* decisions, which are the most valuable and useful as *post hoc* perceptions of distance cause of problems of identifying causality i.e. after the decision and actual execution of IB decisions, the managers may unintentionally alter their perception of whether the host country was very close or very distant.

IB literature also displays inconsistency in the operationalization of PD; even though many authors recognize PD to be a subjective perceptual concept (Vahlne and Wiedersheim-Paul, 1977; O'Grady and Lane, 1996), their operationalization of it is objective (Evans et al, 2000; Håkanson & Ambos, 2010). This and the confusion over using formative and reflective measures form complications in measuring subjective PD. Such inconsistencies and problems relating to operationalization are often only implicitly identified in current literature.

3.4 Operationalization of PD using Objective and Subjective Dimensions

There are numerous weaknesses associated with using only the perceptual subjective factors or only the objective factors. Each form of operationalization appears to miss a portion of the effects on consequences such as entry mode choice, performance and other factors. Using only objective factors to operationalise PD fails to offer consistent explanations for why so many firms are able to successfully enter into and perform in countries that, objectively measured, are vastly distant to the home countries.

Mere perception also fails to present positive outcomes as is proven by the study on the 'psychic distance paradox' by O'Grady and Lane' (1996); they operationalized PD by referring to the perceptions of the decision-makers as influenced by CD. The managers of Canadian retail firms in this study perceived the US to be a 'close' country based on their assumptions that similarities in CD reduce the distance between Canada and USA. However, this study found that industry-related factors created a greater distance between the two countries while firms' managers' experience played an important role in reducing psychic distance. Not only is the aggregate objective assessment of distance using CD inadequate, but perceptions that are formed by considering only a narrow range of external factors can give a wrong view of distance.

In a large number of studies (for e.g. Johanson & Wiedersheim-Paul, 1975; Johanson & Vahlne, 1977; Nordström and Vahlne, 1994; O'Grady and Lane, 1996), the common approach to the operationalization of PD has taken place by asking respondents to indicate the degree of similarity or difference between the home country and the host country. This incorporates the perceptual subjectivity of PD and the objective elements found in the foreign markets.

Many authors have argued for this type of comprehensive operationalization of PD that encompasses the external objective factors as well as the internal subjective factors. Brock et al (2011) operationalise PD as follows: both the external and internal factors are considered i.e. the external objective national level factors influence the decision-maker's internal assessment of distance. This internal assessment of distance is also

moderated by the decision-maker's previous experience. It must also be remembered that basic factors such as costs, risks and benefits also influence the decision to internationalise which feeds back to the aggregate and individual level which makes for psychic distance that can shorten or lengthen in both external and internal factors. Hence, economic distance and business distance still matters in the globalised world and are necessarily a part of any decisions taken with regard to international business activities (Brock et al, 2011).

Child et al (2002) criticise the use of merely intuitive assessments of PD as an unreliable form of measurement; their study found that aggregate factors such as immigrant ties, historical ties such as colonial links, and economic stability reduced the PD between Hong Kong and UK, two countries which otherwise might be intuitively considered vastly distant. Instead of operationalising PD as subjective or objective, Child et al (2002) group the various dimensions of PD as follows: distance-creating, distance-compressing and distance-bridging factors. Distance-creating factors are multidimensional in nature and consist of cultural (language included) distance, level of economic development, level of education, technological development, geographical differences (temporal and climatic), political & social stability, corruption in business and government sectors, transparency in legal systems, host government attitude towards overseas investors.

Distance compressing factors do not have to do with actions taken by the firms themselves but they are concerned with macro developments from social movements, institutional changes, globalisation, and technological advances. In the case of the Hong Kong firms, the migration to western countries, shared institutions and colonial ties, trade ties, spread of information and knowledge due to technological advances formed distance compressing factors enabling firms to internationalise to these countries.

Distance bridging factors enable firms to overcome psychic distance and this takes place at two levels. The first is the strategic level which has to do with choosing an overseas location versus operational level concerning the management of operations at the chosen locations. In the case of strategic level distance bridging, overseas education and

professional management training, the presence of trusted friends, loyal staff, good local partner and good connections with the government helped overcome PD. Thus manager's previous experience, personal networks are influential, and identifying partners, establishing a relationship with them is vital to establishing overseas business as well as bridging PD. Operational level bridging factors refer to how psychic distance is managed: by cooperating with a local partner, sending trusted staff, friends or non-family members to head the overseas operation. Here, networking is vital towards managing psychic distance. Hence, immigrant community, colonial ties, following customers, finding suitable partners, manager experience and foreign education, changes in trade laws, host country's institutional stability and developed status also are distance bridging factors. Essentially, the impact of globalisation in the form of convergence of lifestyles, institutional convergence and mutual benchmarking etc. have created additional factors to be considered by the internationalising firm.

Unlike previous studies operationalising PD as objective and subjective dimensions Child et al (2002) simply recognise both external objective and internal subjective factors based on their characteristics to cause a greater or lesser distance between countries i.e. distance-creation and distance-compressing, and those factors that can actively overcome or *bridge* distance-creating factors. This study developed an operationalization method that recognises that distance can be overcome with the help of moderating factors like experience, networks, the use of trusted staff and agents abroad etc. and this ability to 'bridge' or 'cope' with high PD is of especial interest in this study.

Dow and Karunaratna (2006) suggest splitting PD into related but distinct constructs. Therefore psychic distance is split into the psychic distance stimuli and the decision maker's perception. This operationalization method encapsulates the national or aggregate level variables in the form of PD stimuli, and the manager's perception of distance. In this case, manager's perception of psychic distance is a function of the PD stimuli; however, the manager's perception will be moderated by their sensitivity to the stimuli. A manager's sensitivity is a function of such factors like age, education level and previous experience. Thus operationalization method, as presented by Dow and

Karunaratna (2006), recognizes the dynamic factor of PD and that PD changes over time. PD stimuli and factors determining manager's sensitivity are more stable and hence more appropriate for measuring. The authors find the following as important factors to be considered as psychic distance stimuli: culture, language, education level, industrial development, political systems, religions, time zones, and colonial links. Their study proved that language, religion, political difference, education and industrial development have been found to be relevant and that geographic distance did account for variation. These authors also find that at the firm or the individual level, another factor arises that can radically influence the psychic distance construct. The decision maker's sensitivity to external factors or psychic distance stimuli can lessen or increase the distance between the firm and the target market. Sensitivity to PD stimuli depends on the decision maker's personal background, educational level, social ties, foreign experience and network relationships, and these significantly affect how the decision maker perceives the target market and can directly affect their decision with regard to where and how to internationalise.

Like Dow and Karunaratna (2006), Evans et al (2000) advocate the use of both perceived distance and the factors that create such perception to completely operationalize PD. It is proposed that PD should measure the distance between the home and foreign market resulting from the perception of cultural and business differences. Business differences can incorporate language, business practices, political and legal systems, education, economic development, marketing infrastructure, and industry structure.

Dikova (2009) followed the Dow and Karunaratna's (2006) method of operationalization i.e. she measured PD stimuli along two variables: formal institutional distance and informal institutional distance like CD. This was to bypass the difficulty of measuring the decision-makers' perception as well as avoiding the uncertainty of the direction of causality. Here, firms' sensitivity is moderated by their experience; general operational experience in IB does not reduce PD, but market-specific knowledge as a result of prior experience in a similar location and the use of local partners removes the effect of PD.

Nebus and Chai (2014) argue that in most of the previously mentioned studies, the decision-makers are involved in the operationalization process, but they are mere observers and relate their perceptions without taking into consideration the particular activity that they were undertaking or had carried out. Literature has largely neglected the role of the particular 'decision' relating to whether the activity is exporting, licensing, building, transferring knowledge, an acquisition, using agents etc. These 'decisions' can influence the PD such that they help decision-makers decide which aspect of the foreign environment is important. Nebus and Chai's (2014) operationalization of PD removes distance entirely from the equation and builds wholly on the psychic concept; the decision-maker is at the heart of the operationalization and those environmental elements that affect the decision making process are also captured because the relevant external environmental factors are generated by the managers themselves. The authors suggest a multi-dimensional model wherein the primary dimensions are awareness, perceptions, and understanding; the product, service, information, FDI decisions etc. are the content and the foreign environment is the context. This measure allows the content as well as the particular decision to decide what aspects of the context are relevant to this particular decision. This makes for a very contextual and contingent operationalization of PD, and has the benefit of being applicable under all IB activities.

Sousa & Lages (2011) find the following factors as important in influencing perception: political, legal and education systems, language, economic and industrial development, marketing infrastructures and culture. However much of PD literature has operationalized PD using only a small subset, or just one factor like CD to operationalize PD. These authors suggest that PD being operationalized along two dimensions: country characteristics distance and people characteristics distance. Country characteristics are related to specific aspects of the modernisation of a country and include level of economic and industrial development, communications infrastructure, marketing infrastructure, technical requirements, market competitiveness and legal regulations. People characteristics include per capita income, purchasing power of customers, lifestyles, consumer preferences, level of literacy and education, language, and cultural values, beliefs, attitudes and traditions. These authors strongly

vouch for the assessment of PD at the individual firm level i.e. assessing the country characteristics and people characteristics from the perception of the decision maker. This is in line with the idea that the ultimate decision rests with the manager, and can create a direct link between PD and outcomes.

The operationalization of PD according to Evans & Mavondo (2002) depends on perception as influenced by external elements. Hence they suggest that the elements of PD include: language, business practices, political and legal systems, economic environment, industry structure, and national culture as these enhance the explanatory power of the psychic distance construct.

Håkanson & Ambos (2010) have found that PD stimuli or antecedents to PD such as level of development and the governance structure play an important role in influencing PD, but that the size of the economy did not play as important a role in how individuals assess distance. Geographic distance is an important antecedent to PD, economic considerations are also vital. It is important for managers to consider these as well as historical ties that are represented by the use of common language, political rivalry between countries, geographical distance matters in facilitating the understanding of a foreign country.

Relevant stimuli for PD has also been developed by Prime et al (2009); PD stimuli is divided into broadly two dimensions: the first dimension is concerned with cultural issues such as the patterns of thought, behaviours and the language dominating foreign markets. The second dimension is concerned with business environment and practises such as network relationships, business practice differences, and the host country's legal, political and economic environment.

It is evident that there is a lack of comparability in IB literature; according to Prime et al (2009) generally three categories of distance are used to describe PD: cultural distance, business practises and environment. However, as can be seen from the literature review above, the constituent factors across various studies are not uniform. Hence there is a great deal of heterogeneity that makes it impractical to compare different

operationalization methods. For example: the use of culture is complicated by the mention of values, language, customs or the Hofstede dimensions. Studies also create confusion by using factors like ‘business practises, working styles and organizational practises’ and ‘economic conditions and economic climate’. It is unclear about the similarities and differences between these terms and makes it impossible to compare studies and leads to variations in results.

It is apparent that the operationalization of PD across various studies is difficult to compare and assess. However, recent developments in IB literature appears to agree upon certain aspects of PD; researchers like Sousa & Lages (2011), Dow and Larimo (2009) and Dow and Ferencikova (2010) assert that a primary limitation of most studies is that they attempt to operationalize PD as a uni-dimensional concept which is then measured with a limited number of items. The argument for PD being conceptualized and operationalized as a multi-dimensional concept is elaborated in the following section.

Table 1: Summary of the conceptualization and operationalization of PD theories.

	Objective	Subjective	Combined View
Meaning	Based on country characteristics such as GDP, geographical distance, culture etc. Primarily focused on differences. Does not consider individual manager of firm factors.	Based on the perception of the manager. Primarily focused on perceived differences. Highly dependent on individual manager and firm factors.	Considers objective factors from manager’s point of view. Focused on differences influenced by experience, networks and other factors.
Operationalization	Country differences: CD, GD, ID, language, colonial ties, political stability, legal, economic environment - GDP level, infrastructure, trade relationships etc.	Differences from manager/firm POV including: Likert scales Cognitive mapping, Independent panels.	Country differences moderated by firm experience and networks. Combines objective and subjective methods.
Authors	Brewer (2007), Kogut and Singh (1988), Vahlne and	Beckerman (1956), Stöttinger & Schlegelmilch (1998,	Dow and Karunaratna (2006), Evans & Mavondo (2002),

	Wiedersheim-Paul (1973), Johanson & Vahlne (1977) etc.	2000), Nebus & Chai (2014), Håkanson & Ambos (2010) etc.	Child et al (2009), O'Grady and Lane (1996), Brock et al (2011) etc.
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3.5 Narrow vs. Broad Operationalization of PD

From the previous literature review it would appear reasonable to conclude that PD as a broader multi-dimensional concept is more useful than PD as a narrow or a uni-dimensional concept. This is supported by recent research studies as several authors highlight the usefulness of a broader conceptualization and operationalization of PD.

Prime et al (2009) claim that it is important to have a broader operationalization of PD that is not restricted to either the cultural aspect or the business activity aspect as a broader operationalization of PD can overcome the problem of researchers' generating a limiting and/or unverified set of factors as reference stimulus for decision-makers to make a PD judgement, while ensuring that concepts such as CD and language, values, etc do not overlap. In his study, Brewer's (2007) found that a broader concept of PD has a greater explanatory factor when compared to CD. Along similar lines, Dow and Ferencikova (2010) also suggest that no single factor can successfully capture the essence of PD. They emphasize the need to consider a large range of factors in any international undertaking and the need to reduce an excessive focus on the Hofstede dimensions as they often lead to an underestimation of the importance of distance.

Dow and Larimo (2011), in a review of 26 articles, found a gap in the literature with regards to the psychic distance concept; specifically that the narrow operationalization of psychic distance does not reveal its full importance and influence and also leads to ambiguous results. This is also supported by Dow (2000) who states that PD is a concept that cannot be explained using mere surrogates and proxies; it is a much wider concept that encompasses not only external measureable factors, but also internal factors that are more difficult to quantify such as individual perception. Taking a broader operationalization of PD makes room for decision-makers' experience which is also an important consideration (Ellis, 2008).

Nebus and Chai (2014) support broader operationalization as a multi-dimensional PD construct can resolve much of the problems related to PD and findings. PD as a single number or a summary character is inadequate to capture a decision-maker's perception of complex international environments. They also state that PD is not a one size fits all concept and that there is room under the umbrella concept of PD for many sets of alternative methods, measures and indicators of the environment that depend on certain trade-offs between "simplicity, generalizability, and accuracy". Thus, PD is a contingent phenomenon (Prime et al, 2009).

3.6 Unit of Analysis and Symmetry

One of the important problems identified in PD literature is the misuse of the proper units of analysis in measuring PD. Brock et al (2011) and Dow and Karunaratna (2006) have argued that mixed findings in PD literature can be partly explained by the problem of using inappropriate unit of analyses to the study; the use of country/national level aggregates at the individual firm level is inappropriate as merely applying national culture constructs as the theoretical base and interpreting individual firm's decisions from this can lead to false cause and effect conclusions.

Arguments for using individual firm level or manager's perception level as the unit of analysis are that the ultimate decision rests on the manager's perception at a certain time. Using a perception based unit of analysis avoids generalization of information about other countries. As Shenkar (2001) found – even in a single nation, it is inappropriate to assume that language skills, religion, ethnic backgrounds, and education levels are homogenous, thus even objective measures of psychic distance stimuli will vary across a nation's population. In confirmation of the heterogeneity within countries, Child et al (2009) have also found that decision-makers from UK firms identified that issues of CD were vastly different in cosmopolitan cities in Brazil as compared to other more rural locations.

However, practically documenting and gathering *a priori* perceptions of decision-makers is difficult and hence not always suitable or possible for data collection in PD studies. For this reason, it is argued that country level assessments or the average perception is useful because it is impractical and overly difficult to measure individual decisions and because measuring perception *post hoc* the activity may provide compromised data (Dow & Karunaratna, 2006; Ellis, 2008; Prime et al, 2009).

Dow and Karunaratna (2006) suggest that the unit of analysis should be matched to the right measure i.e. if the study attempts to predict the behaviour of a particular firm, then psychic distance stimuli must be measured with respect to the decision makers within the firm. If the aggregate behaviour of a population of firms is under investigation, then an average measure of psychic distance stimuli is suitable. Dow and Karunaratna's (2006) attempt to counter the difficulty of measuring decision-makers' perceptions at the individual level by assessing macro-level factors that shape perceptions that are referred to as PD stimuli.

In contrast, Child et al (2002) consider PD (outside of managers' perceptions) to be shaped by distance-compressing and distance-bridging factors and not merely objective country level factors. Some others argue that PD cannot be observed at a macro level as it is a perceptual construct (Sousa & Bradley, 2006). Nebus and Chai (2014) also argue that measurement of individual perceptions is possible as there is a wide time-window lasting several weeks to months starting from the initial debates by firms with regard to any IB activity, and that researchers deal with these issues on a routine basis. Hence although individual perception measurement is difficult, it is, nevertheless, possible.

Prime et al (2009) suggest that experience rather than individual decision-maker or home country be used as a unit analysis, this is because exporters (in this case) tend to have experience dealing with foreign countries rather than operating within the domestic market and the appropriate reference anchor point for comparing PD should be the firm's experience. Dikova (2009) also points out that in the case of selecting target markets for comparison or IB activities, it is more useful to consider regions rather than

a single country, as experience or lack of it in one location within a region affects PD when a firm decides to conduct business in another location within the same region.

The problems with considering the right units of analysis are also related to measurement of performance. Using post activity financial data is often the norm, for e.g. Evans & Mavondo (2002) have used financial performance and strategic effectiveness to measure organizational performance. However, Dikova (2009) in the study of MNE subsidiary performance suggests managerial satisfaction of subsidiary performance for use instead of financial information. Usually firms' profits, output or value added are used to measure performance but since such information is affected by transfer pricing, differing methods of reporting royalties, accounting standards and management fees, the author suggests that financial performance cannot be accurately reflected for a number of years after establishment and using subjective management evaluations are useful when the performance being studied is non-financial and when objective data is not available.

These conflicting opinions by various researchers are indicative of the problems inherent in operationalization, it is also difficult for future studies to build on previous literature as concepts and operationalization methods need to be readjusted to the particular case at hand.

Another complication of the extant literature PD is the implicit assumption that PD is symmetric in nature (Håkanson & Ambos, 2010), this is assumed under the Uppsala conceptualization of PD. Symmetry means that countries or firms carrying on business activities with each other will experience equal PD or CD, in contrast asymmetry is where PD maybe greater in one direction in the business relationship between two firms or countries, and lesser in the other.

Research has shown that PD is an asymmetrical concept and the countries may not perceive each other to have the same amount of difference between them (Shenkar, 2001; Stöttinger & Schlegelmilch; 1998, Håkanson & Ambos, 2010; Ellis, 2008). Some reasons for this may be that media coverage of certain countries can affect how firms

from other countries perceive PD between them. Ellis (2008) accounts for distance asymmetries by suggesting that distance asymmetries indicate differences in experiences of different firms and individuals, it is also a logical flaw to assume symmetry in cases where different units of analysis are used, for e.g. a firm vs. target country.

Hence this concludes the extensive review of the PD literature on the conceptualization and operationalization of PD and displays the large amount of variation in research with regard to its understanding. It also reveals the breakthroughs and lasting patterns in PD literature which help understand important factors in the international business environment.

4. NETWORKS, EXPERIENCE AND OTHER INFLUENCERS OF PSYCHIC DISTANCE, AND LITERATURE SUMMARY

While the previous chapters have illuminated the issues of PD conceptualization as objective and subjective, as well as its measurement, this chapter will identify and review the literature specifically regarding those factors previously mentioned that influence the perception of PD in decision makers i.e. networks and experience, education and any other factor that may have an effect on how a decision-maker views PD. This subsequent section in this chapter will also summarize the entire literature review and present the ideas and analysis of the researcher with regard to the framework of PD.

4.1 Network, Experience and Other Influencing Factors

Previous literature has indicated that there exist certain factors that play an influential role in how PD between the home and foreign country is perceived by managers. These factors are largely at work at the individual level; literature has identified some of these factors to be experience, networks, education, personal background, values and attitudes etc. (Child et al, 2002 and 2009; Dow and Karunaratna, 2006; Håkanson & Ambos, 2010). Literature often mentions these factors together as influencing the decision-maker's perception, however, in-depth studies exploring the relationships between PD and networking, PD and education, values and attitudes etc. separately and individually are extremely few or non-existent. The relationship between PD and experience of the firm and manager, however, has been studied more widely in its role of reducing or bridging PD (Dow & Larimo, 2011; Dikova, 2009), while the role of networks has been studied in connection with internationalization but rarely in connection with PD.

The decision maker's personal background, educational level, social ties, foreign experience, network relationships etc. can play a significant role in how the decision maker perceives the target market and if the external psychic distance stimuli affects their decision in where and how to internationalise. Hence, the decision maker's

sensitivity to the external stimuli is also relevant and important in order to understand the formation of PD. These factors are explored in this section to create a better understanding of their role in the formation of distance.

Networks

The study of networks in relationship to PD is limited to mostly the recognition that networks can reduce PD in the process of internationalization (Child et al, 2002). However, IB literature has largely studied network relationships related to their role in internationalization (Coviello & Munro, 1995, 1997; Zain & Ng, 2006; Ojala 2009) and the network model of internationalization says nothing about how markets are entered in terms of PD and GD (Ojala, 2009). Some studies suggest that the firms follow their networks to psychically close countries (Coviello & Munro, 1995, 1997; Zain & Ng, 2006). In most cases the focus in this network model of internationalization has been on knowledge intensive SMEs and it has been found that networks are an important determinant of internationalization (Ojala 2009; Johanson & Mattsson, 1988) and networking has also been linked to decision making and impact on business performance (Coviello & Munro, 1995, 1997; Zain & Ng, 2006). Network has been largely viewed as an initiator, and its direct role in the internationalization and entry of firms to psychically distant market is still unclear (Ojala, 2009).

Networks are usually categorized as formal and informal, (Coviello & Martin, 1999; Coviello & Munro, 1995, 1997) and intermediary networks (Oviatt & McDougall, 2005) or they have been understood to be differentiated as business, institutional and social, and the action of networking itself is viewed as either passive or active (Ojala 2009). Formal relationships have to do with business related activities and informal relationships are related to personal contacts through friends and family (Coviello, 2006; Coviello & Martin, 1999; Coviello & Munro, 1995, 1997). Intermediary relations are third part relationships that help establish a relationship between a foreign buyer and foreign seller (Oviatt & McDougall, 2005). Networking is also described as being passive and active. Networking is active when a company actively seeks and builds

contacts in foreign countries and passive when companies follow their current clients into newer markets.

Studies have indicated that networking is leveraged to enter psychically close countries (Coviello, 2006; Coviello & Martin, 1999; Coviello & Munro, 1995, 1997; Zain & Ng, 2006). It has also been found that networking is also later leveraged to enter psychically distant countries (Ojala, 2008; Ojala & Tyrväinen, 2007). Ojala (2009) finds that firms *use* networking as a *part* of the strategy i.e. active networking, to enter a psychically distant firm and not necessarily because they were following a network abroad i.e. passive networking; in this case it was found that countries were selected regardless of psychic or geographical distance. Håkanson & Dow (2012) suggest that distance still matters and causes problems, in spite of globalization, because GD not only generate transportation related costs but also a subtle but significant costs that are created by the lack of personal contact, trust and supply of information. This disturbance/relevance of distance is therefore suggested to be because of a shift in the trade of goods that require more information exchange and personal contact. Hence this is why social networks are important. They have found that PD is still important in the case of trade in differentiated goods (but not as much for commodity and in-between goods) as it generates significant information costs and impacts trust, monitoring, market information etc. Hence managers are encouraged to build networks with “geographically proximate” but psychically distant countries as a means to reduce PD and deal with the disturbance caused by psychic and geographic distance.

Nordman and Tolstoy (2014) study PD at the relationship level. Networking has existed as a the substitute/alternative explanation for why SMEs do not go abroad in a step-wise manner from psychically close to distant countries (Coviello & Munro, 1995; Knight et al., 2004). They suggest that PD has more of an impact in post establishment and should be studied. They find that PD at the relationship level triggers proactive behaviour leading to learning opportunities for SMEs. Large relationship PD will lead to increased relationship interconnectedness at the foreign level and thereby positively affects knowledge transfer and benefits the company. In the case of SMEs, Child et al (2009) find that small firms do not find it cost effective or efficient to gather country

knowledge, but rely heavily on local networks which are a good way to cope given the SMEs lack of resources. Relationship marketing style based on trust and harmony is more useful in emerging markets where traditional values are strong and formal institutional options are weaker.

This shows us that the literature is limited with regard to the direct relationship between networking and PD, but the studies mentioned here indicate that networks can bridge PD when used strategically, and building a network and contacts are still important for the internationalizing firm. Hence networking is relevant and has rather an indirect influence the formation of PD.

Experience

The factor 'experience' has repeatedly appeared in PD literature to influence or even negate the effects of PD's. Exposure to foreign markets widens managers' personal networks and raises the possibility that new social connections will serve as bridges into otherwise distant markets (Child et al, 2002; Ellis, 2000). With experience, the liability of foreignness is also reduced, leading to greater managerial certainty when making expansion decisions (Child et al, 2002). Studies have shown that experience often plays a key role that can influence firms' performance outcomes and that the *kind* experience a firm or individual has profoundly impacts their experience of PD and how they overcome the complexities brought about by PD and can play an important role in reducing PD. The studies reviewed here show that not merely the duration of the experience of the firm or manager matters but also the *kind* of experience.

The effect of experience on the formation of PD is shown on such study by Dow and Larimo (2011) wherein two types of experience can affect whether a country is viewed as being very close or very different and what modes of control for entry mode is used as a result of this perceived distance. Dow and Larimo (2011) find PD to be important in contexts of grave uncertainties faced by firms seeking to internationalise, they consider experience in countries that are dissimilar to the host market to be a proxy for general internationalization knowledge. A firm with experience in general IB tend to

greenfields as an entry mode to gain more control, while the reverse is true for cluster specific knowledge, wherein firms that have tacit knowledge about a country or a set of countries and this knowledge includes local language, religion, cultural and business practices, political and administrative systems; in such cases a firm will use acquisitions because of their confidence in dealing with the target country. Thus the different types of experience impact how distance is perceived by the firms thereby impacts IB decisions.

The impact of experience was initially recognized by the Uppsala scholars (Johanson & Vahlne, 1977; Johanson & Vahlne, 1990); they first suggested in 1977 that firms choose to internationalize from low risk countries to higher risk countries only after gaining sufficient knowledge and experience in these safe markets; hence PD becomes negligible when a firm is able to gain knowledge and overcomes these barriers through the use of prior knowledge. Their later study in 1990 found that the incremental form of firm resource commitment need not hold true where superior resources and the ability to absorb risk, stable and homogenous market conditions where information and knowledge are easily transferable, and the firm's international experience can be transferred and applied to a similar target market. PD has been found to diminish as a firm improves organizational learning and develops international experience (Johanson & Vahlne, 1990) i.e. experience leads to decision-makers gaining confidence (in dealing with similar markets), increasing personal networks, and reduction of the liability of foreignness (Ellis, 2008).

Ellis (2008) also finds that PD tends to diminish with experience; once familiar and experienced in one market, a manager may be more assured in entering other similar markets. International experience can lower costs and widen the 'set' of countries a firm is willing to internationalize to (Benito and Gripsrud, 1992). In the case of small firms with limited resources, experience can be an invaluable asset for firms that cannot afford risks in the manner of larger firms; Child et al (2002, 2009) find that in small firms, individual managers are able to overcome barriers and perform successfully in distant countries due to their personal networks, experience through foreign travel and education, and by using trusted staff and agents.

Similar to Dow and Larimo (2011), Dikova (2009) suggested that PD is affected by experience. Dikova (2009) opts to use regions rather than specific countries for analysis as regional experience impacts PD and a prior experience in a region removes PD by removing those factors that form barriers to information in another country in the same region. Experience in dissimilar countries is referred to as generalized IB experience.

Dikova (2009) has concluded that having local experiential knowledge for MNEs returns no PD effects and that generalized experience has little to no effect in reducing PD when entering a new country. The practical outcome of such specialized knowledge or lack thereof is that firms with local knowledge will still experience problems caused by PD when moving to another distinct location as general experience does not reduce PD. Although general experience does not reduce PD, it nevertheless creates better 'market-sensing' abilities that makes a firm aware of unique differences and subtleties in different markets or makes them aware of what they do not know and this too results in better performance of subsidiaries. A firm with a lack of local knowledge will have positive performance because firms will be more careful. Accounting for firm sensitivity or experience is more important than the direct relationship between PD stimuli and outcomes. The question of whether firms with local knowledge through agents or prior experience will experience PD paradox because of over-confidence when internationalizing to a similar country does not arise in this study, and may form an interesting future research point. Hence it can be concluded that both general and specific experience have their usefulness and either has no effect on PD or can reduce PD.

With regard to the internationalization of the firm using internet pathways, experience still plays an important role as even the latest communication technology developments may fail to adequately bridge actual PD. Yamin and Sinkovic's (2006) propose that overconfidence will generate 'virtuality traps' that prevent firms from gathering enough relevant data to do business successfully with a psychically distant country. They too suggest that international experience and reliance on partners help reduce PD and cannot be ignored.

It has also been found that experience plays an influence in moderating absolute distance and cultural distance (O'Grady and Lane, 1996; Child et al, 2009), however experience is highly idiosyncratic to the individual decision-maker and the effect of this experience is difficult to gauge as it varies over time (Håkanson & Ambos, 2010).

The literature review in this chapter shows that PD studies have frequently been associated with experience, and there is a noisy relationship between PD and networking. But there are, in fact, other factors are of high relevance to moderating a firms' sensitivity to distance such decision-makers' age, level of education etc. (Dow & Karunaratna, 2006), other factors like affective and attitudinal factors which have not been researched (Håkanson & Ambos, 2010), and aspects of personal experiences such as values, motivation etc. which have only briefly been mentioned in studies (Child et al, 2009; Stöttinger & Schlegelmilch, 1998; Brock et al, 2011). These are important to include in understanding PD as it makes PD as a dynamic and more relevant concept (Dow & Karunaratna, 2006). However the literature on PD has little to no research done on these additional factors and was thereby not possible to add here. Hence, this study will briefly explore the role of not only experience and networking in the formation of PD, but also the role of education, values and attitudes and education in their relationship to the formation of PD in decision-makers.

4.2 Summary

According to the review conducted so far, PD is a rich and provocative construct that attempts to reify the abstract 'feeling' and psychological dissonance that disturbs rational and logical economic decision-making in international contexts into a concrete concept that can explain how decisions are made and what external environmental factors matter such that they lead to positive IB outcomes.

This literature review identifies a number of problems concerning PD which are as follows: since the earliest study of PD, different definitions have been debated (e.g. Brewer, 2007; O'Grady & Lane, 1996; Nebus & Chai, 2014) with the researchers often

divided between focusing on subjective perceptions versus actual objective differences, as well as the interchange between the terms 'distances' and 'differences' (Dow & Ferencikova, 2010). Another frequently discouraging problem in PD literature is the inconsistent findings in the relationships between PD and outcomes (Child et al, 2009) The problems that hinder theory advancement in PD are that the operationalization shows little theoretical consistencies and that the relationships between PD and various different variables leads to different results characterised by the lack of replication and some inconsistencies (Sousa & Lages, 2011; Sousa & Bradley, 2008; Prime et al, 2009). PD also can get lost in semantics with the usage and interchange of terms such as 'uncertainty, learning, experience, risk, knowledge, similarities, dissimilarities, culture, differences, distance etc.' These terms appear frequently when dealing with PD studies and create confusion and disagreements within the literature.

There are several interesting aspects of PD that can be identified from this literature review and they are enumerated as follows: the literature review shows that neither surrogates, nor national aggregates, nor individual perception, nor experience alone account for actual PD and the selection of international markets, entry mode and performance. Suggestions for dealing with this has been outlined by Child et al (2009) who argue inconsistent findings have to do with the use of PD as a uni-dimensional construct, by neglecting the heterogeneity within countries, for failure to account for managers' cognitive abilities, and for limiting the impact of PD to export and FDI choices and not what happens after engaging with a country.

The author of this thesis suggests that the lack of consistency in the literature is inevitable given that IB activities necessarily deal with a wide scope of diversity that cannot be avoided, especially due to the current global movement of manufacturing and services industries to the emerging nations of the world with an especial focus on the BRIC countries. As an example recognising this gap, Sousa & Lengler (2010) state that "firms from developing countries are a growing presence in an integrated global economy", however, most of the studies reviewed here are within the Western context and rarely do they consider developing nations or truly distant nations/regions as target

location studies; this is partly due to the origin of the researchers themselves and the relative ease with which they are more likely to gather data from firms in developed countries, to the restrictions on their resources, as well as their own personal 'psychic distance' which may prevent them from gathering information from farther and developing locations. It is possible just as Hofstede (2001) understood that his own bias could and would skew the CD measurement it is likely that the researcher's own perceptual 'noise' will interfere with the PD construct.

The IB academic community has attempted to create a 'one size fits all' concept and measurement of PD, for e.g. Dow and Karunaratna (2006) and Dow and Ferencikova's (2011) attempted to generate and validate a one-size fits all conceptualization and operationalization of PD which was not validated in the Dow and Ferencikova (2011) study. In their literature review they rebuked Brewer's (2007) index as being too specific to Australia and not being generalizable. This is an example of the effort in the IB academic community to create a single globally applicable PD methodology. This can be considered unrealistic because IB activities necessarily require forays into different environments that cannot be expected to have similar or predictable conditions. Globalization may have created a certain degree of homogeneity (Stöttinger & Schlegelmilch, 1998) but barriers still confound firms where certain aspects of distance are still insurmountable (e.g. the problems posed by Brazilian institutional distance to UK firms, Child et al, 2009). Hence, while it is necessary to develop a common conceptualization and operationalization of PD, it is however recommended that a more open and multi-dimensional understanding of PD is useful.

Hence, as Ellis (2008) has stated, PD will always be 'noisy'; problems such as the use of inadequate data like GDP to represent market size, the tediousness of gathering primary data information from decision-makers *before* the decision of undertaking IB activities, the necessary reliance on secondary data and external factors also limit the PD findings. The limitations of gathering primary data *a priori* is that only a small sample can be gathered, while larger data collections necessarily has to be collected *post hoc* or by means of secondary data and this suggests that a clear and consistent conceptualization, operationalization and outcomes will remain deficient for some time.

Furthermore, it has to be noted that in many cases it appears that PD concept, operationalization and outcomes appear to be inextricably linked and it is difficult to delineate one from the other. While it is logical for them to be linked, in the case of PD there is such ambiguity in its definition and operationalization that the results cannot fail to be inconsistent. In terms of a purely research related methodological approach to resolving PDs dilemmas, it is far more difficult to verify the PD construct simply because it is not yet unequivocally conceptualized by the IB academic community. In order to verify if PD is a useful construct with any relevance and validity it becomes necessary to operationalize PD, apply it in relationship to an outcome and examine the results thereof i.e. the validity of the construct depends on the results of the outcomes generated by the operationalization and conceptualization of the construct. This forms a sort of vicious never-ending cycle.

The literature review has shown that CD is challenged as being *wholly* useful, reliable and relevant in affecting PD and PD outcomes; this was relatively easy to accomplish as it is clearly defined and operationalized and generally accepted by researchers. The use of Hofstede's cultural dimensions and the Kogut and Singh index is dominant in the literature, and also regularly criticised. It is interesting and questionable as to why this concept is still so widely cited in PD literature when much of research deplores its usage; and the explanation may be found in its ease of use. This is in contrast to PD which does not have a widely accepted definition although more recent research leans towards the perceptual concept of it. Separating PD definition, operationalization and impact is remarkably difficult. CD which has a widely accepted definition and operationalization, however inadequate, is relatively easy to test and refute, but this is not the case with PD.

In spite of this overall criticism of PD studies and its apparent inadequacy, there have been certain approaches and ideas most researchers agree upon and these concepts have endured in the literature over a long period time. These aspects of PD can be considered final and applicable to all future PD related studies: the multi-dimensionality of PD (Stöttinger & Schlegelmilch, 1998; Dow and Karunaratna, 2006; Dow, 1998), PD's effect on the ability or lack thereof of firms doing IB in different countries to understand

each other (Dow & Ferencikova, 2010) and the importance of both the cognitive and external environmental aspect (Håkanson & Ambos, 2010) has filtered down into the recent studies and are thus applied in this thesis in the conceptualization and operationalization of PD.

An interesting pattern found in the PD literature is also that PD can be largely viewed at two levels or dimensions. One level is at the national aggregate level which is objective and the other is the individual level which depends on the perception of the firms' managers and is subjective; it has been found that that both dimensions of PD are important. Ignoring either dimension can lead to misunderstanding PD, as numerous studies have shown that using mere perceptions limits the ability of the decision-maker to accurately understand the foreign environment and make appropriate decisions which may lead to poorer outcomes or missed opportunities. However, in case of target locations with seemingly higher distance, depending purely on external objective aspects can prevent decision-makers from actively countering these barriers by using 'bridging' and 'coping' tools, as well as neglect to use their personal experience and network connections which have been found to be extremely effective in overcoming PD barriers.

As it is not within the scope of this thesis to develop a new framework, but rather to work with the latest developments in PD research, the PD framework used here is one that encompasses national aggregate figures i.e. the relevant PD stimuli, together with internal subjective factors. Important PD stimuli include but are not limited to: cultural distance, geographic distance, political and legal systems, language, religion, educational levels, industrial development levels, colonial and historical ties and immigration, depending on the study from which they are derived and the context in which they are to be applied. When considering national level aggregate factors, the following stimuli have been repeated often; in CD the disaggregated model of CD is preferred to the aggregate model i.e. using Power distance, Uncertainty avoidance, Individualism, Masculinity and Long – term Orientation based on the criticism that CD measures often forget or avoid the added long-term orientation aspect, as well as how each dimension of CD cannot be assumed to contribute equally to PD. Business distance

is also found to be important although there are some overlapping factors, this includes: legal and political environment, market structure, business practices and language elements, economic differences. In this study, as the context involves a developing nation, it is advisable to especially include economic environmental differences (Evans & Mavondo, 2002).

Purely economic factors like costs, location advantages, availability of skilled labour and strong market are important to decision makers when selecting a market and choosing a mode of entry and establishment, and must be considered. Some studies have even found that PD is not a driver but a moderator that influences the degree to which PD can reduce or increase the attractiveness of a market that is appealing purely due to economic/financial reasons (Ellis, 2008). Brock et al (2011) too claim that such basic economic factors such as costs, risks and benefits also influence the decision to internationalise which feeds back to the aggregate and individual level which makes for PD that can shorten or lengthen in both external (objective) and internal (subjective) factors.

The decision maker's perception is the next aspect to be taken into consideration with reference to the PD stimuli and their sensitivity to the above mentioned stimuli must be moderated by taking into account their personal background, network relationships, educational background, foreign experience etc. This framework is used not only because it is the most practical one for the scope of this thesis as it is best suited for a study that will explore the post hoc understanding of decision-makers who have established their businesses in India, it is in alignment with the latest developments in PD research and it can be applied to the study of individual firms through case studies, wherein the suitable unit of analysis is at the individual level as is recommended by Dow and Karunaratna (2006). This model of PD has been suggested by Dow and Karunaratna (2006), has been supported by Brock et al (2011), Child et al (2002, 2009) and other researchers (e.g. Dikova, 2009) even though the terminology and approach used to describe this basic model is varied.

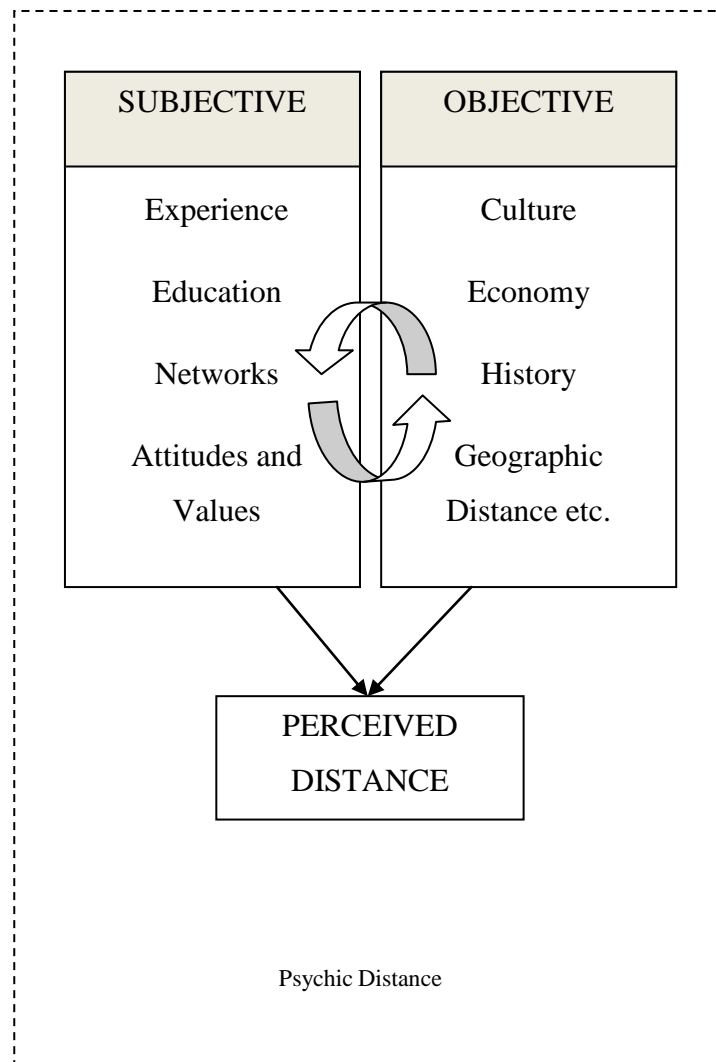
In this study an attempt will be made to ask the decision-makers to identify and generate the relevant environmental stimuli on their own based on the suggestion by Nebus and Chai (2014). This is because even the *decision* being taken is relevant to operationalizing PD correctly (for e.g. whether it is an exporting decision or licensing or setting up a subsidiary etc.) and it is a truer operationalization of PD as a subjective construct. In this methodology the decision-makers' personal experience, background, coping tools etc. come to the fore as they are explained by the decision-makers themselves. This model of PD is in line with the latest developments in PD, includes a broader multi-dimensional aspect that includes the objective and subjective factors and adapts to the contingent (Nebus & Chai, 2014) and noisy (Ellis, 2008) aspect of the nature of PD.

An interesting find in PD literature is that researchers do not assume that PD is an insurmountable barrier to doing IB across very distant nations. In fact, Sousa and Lengler (2010) Child et al (2002, 2009) and others suggest that greater distances and nations offer advantages to first movers as well as an opportunity to verify the generalizability of PD theory. O'Grady and Lane's study shows that entering psychically close countries does not guarantee success (closeness leads to managers making assumptions about similarities and leading to not being prepared for actual differences). Perception of cultural and business differences can actually enhance performance (uncertainty leads to better research and planning and therefore improve the strategic decision making and ultimately performance.) This more so in firms that entered first in psychically close countries first and encountered problems that they did not expect, making them more cautious about the more psychically distant countries that they enter next. They talk about success as a function of prior learning. This suggests that experience plays a substantial role in moderating PD and that doing IB in distant and/or developing countries should be attractive and advantageous to firms.

To conclude, while the problems in PD have been substantial there has nevertheless been a forward movement in the development of the PD construct. It has been found that a multidimensional concept that is inclusive of the objective dimensions and subjective dimensions of PD is the most meaningful and useful model that can be

applied in this case. This thesis aims to especially understand the formation of PD in managers and especially the role of its constituent dimensions of objective and subjective factors i.e. to understand how a manager perceives and copes with the host country external environment using their personal experience, background, networking connections etc.

Figure 1. Model depicting psychic distance formation.



5. RESEARCH METHODOLOGY

This chapter on research methodology outlines the methodological choices of this master's thesis; it elaborates on the strategies and approaches adopted as well as the reasons for such decisions. Other aspects will also be discussed such as the data collection process, reliability and validity of the study, and finally the data analysis.

5.1 Methodological Approaches

Based on pragmatic philosophical groundwork, this study is best suited for a combination of **deductive** and **inductive** approaches. It is partly deductive because just as a deductive approach moves from theory to data, this study is based on a strong foundation of PD literature; the primary source of knowledge and information is the theory of psychological distance as developed by researchers described in the literature review.

A deductive approach requires an in-depth and appropriate operationalization to ensure clear definition of the key concepts that leads to quantitative and replicable measurements as this plays an important role in ensuring reliability. Hence a deductive approach is also a highly structured approach. In this case it will not be very highly structured as the research questions prove to be partly exploratory in nature. There is, nevertheless, a certain degree of structure to the operationalization and hence allows for this study to be replicated making it deductive in nature.

As this study continues or partially replicates previous studies, but in a new context, it is reasonable that generalization of the findings is possible although that is not the primary aim here. Since generalizability of the findings is not possible or appropriate in this case, the study is not entirely deductive in nature and does incorporate aspects of an inductive approach to research methodology. Saunders et al (2007) have suggested that combining research approaches is not only acceptable, it is also encouraged; hence adopting an inductive approach to this study is also appropriate.

It can be argued that this study follows, in part, an inductive approach as it attempts to explain the meaning humans or decision-makers attach to the events; in this case the process of internationalization and the formation PD. An inductive approach takes the research context into consideration, which is an important aspect of this study i.e. the special context of a developed country's firm doing business in a developing country, which is a high distance context. Although the operationalization of the theory adopted in this study is somewhat structured, the nature of the relationships explored here may lead to new information which can feed back to the theory and lead to readjusting the theory in part. Due to the need to gather specific and rich information about the particular context of this study, a smaller sample size and a qualitative data collection method is appropriate. Taking context into consideration, generating new information which feeds back to theory and the use of a smaller sample size are features of an inductive approach and thus form the inductive aspect of this study. Since the context of the developed country firm entering a developing country is of some importance here and there is importance placed on gathering information in this rarely studied context in PD, this study is thus partly **exploratory** as well as **explanatory**; also the nature of the research questions leads us to adopt a methodology that permits alternative explanations that can help understand how PD is formed when managers from a highly developed country have to deal with a distant/developing country.

To reiterate, this study is partly deductive and inductive because even though it has been developed from theory and utilizes a largely structured operationalization, the key idea behind this study is to find out any new information that may arise out of a new context which can be added back to the theory. A combination approach is also appropriate here because this study is concerned with both the 'hows' and the 'whys' of the causal relationships which are what inductive and deductive approaches are concerned with respectively. The argument for a combination approach is also because the PD studies which have a vast source of research (deductive) nevertheless also have scope for new theories and debate (inductive). Hence this is a **qualitative** research study. Here it is necessary to understand the reasons for the attitudes and opinions of the decision-makers and this makes a qualitative study necessary.

5.2 Research Design

The study is conducted in the context of firms from a developed country entering a developing nation where the perceived psychological distance is normally considered to be high. The nature of the research question makes for a qualitative study. The research choice for this study is to follow a mono-method choice and it will use a single qualitative data collection technique: in-depth semi-structured interviews which will correspond with the qualitative data analysis procedures. The reasons for this choice are elaborated below.

As previously mentioned, although this study is in part deductive i.e. developed from theory and is structured, it is nevertheless concerned with a specific and unique context in which the theory applied may lead to new information or understanding i.e. the context of developed country's firms doing IB in a developed country is rarely found in literature and this makes the study exploratory. However it is also an explanatory study as well as it aims to establish an understanding into the relationship between the objective and subjective dimensions of PD, and the formation of PD in decision-makers.

Hence this study adopts the method of primary data collection using **semi-structured interview** form of research strategy which is a non-standardized form of interview data collection and is also generally referred to as a qualitative research interview method. Semi-structured interviews are suitable for exploratory and explanatory studies and are also best suited to answer the research question and main objectives of the thesis. Here, since the primary goal is to understand the reasons for the decision-maker's perceptions, attitudes as well as their decision-making rationale it is necessary to conduct a more qualitative interview. Using a qualitative research interview allows the interviewer to go deeper into the respondent's answers and these answers can be explained and built on more clearly to get the relevant information. This form of data collection also makes room for new areas and ideas to emerge that may not be previously considered or found in the literature, but are important for understanding the topic being explored. It also enables the respondents to freely elaborate on their experiences as well as allows the interviewer to bring in additional questions if the context of the interview makes it

necessary. Thus, semi-structured interviews allow for a collection of rich and detailed information. From a practical perspective this form is very suitable where the questions and topic concerned are open-ended and complicated, and where the questions may not be asked in the same order and sequence.

The time horizon followed here is **cross-sectional**. A cross-sectional study is suitable as the study is going to gather information after the event of the Finnish firms having entered in India and experienced post-entry failure or success and the relevant interviews can be conducted and information gathered over a short period of time.

5.2.1 Reliability

Usually, in semi-structured interviews, the lack of standardization leads to concerns about the reliability of the study and whether other researchers can yield similar results. In this case, the interviews follow an interview template which is adjusted depending on each interview, and this does yield a certain degree of reliability as the basic template will be the same in all the interviews. The interview questionnaire is appended to this thesis under Appendix 3 and can be used by other researchers in attempting to replicate similar information.

Other issues regarding reliability have to do with *interviewer bias*; in this case the interviewer made every attempt to remain in line with the predetermined questions, asking only objective and relevant additional questions wherever necessary. Comments made by the interviewer were kept to a minimum unless it was necessary to explain the questions more clearly to the interviewees. The researcher of this thesis refrained from suggesting ideas to the interviewees and allowed the participants to elaborate freely on their thoughts with minimum or no interruption unless it was to clarify any part that was obscure. Non-verbal behaviour of the interviewer was non-existent as the interview was conducted over the phone or by using internet applications. Also there was no mistrust between the participants and the interviewer as the researcher sent the emails requesting their participation using the university student email which gained trust and verified the

authenticity of the researcher. Furthermore, the researcher also sent relevant material to the participants in advance such as: the interview questions, a short introduction about the researcher and the topic, which is appended to this study under Appendix 4 and also a draft version of the thesis to all the potential participants. The credibility of the researcher was further supported by the interest shown by Finpro, India whose Head of Trade Centre recommended some decision-makers as participants in the study.

Due to the information supplied as mentioned above, the participants were eager to contribute and did not find the interview completely unstructured, furthermore, the questions being discussed did not really involve very sensitive and confidential matter but relied largely on the decision-makers' aspects and personality, hence *interviewee bias* was also reduced as much as possible. Special care was also taken to ensure that the data collected was only from those persons in the organization who were directly concerned in setting up their operations in India, ensuring that the data collected was authentic and relevant.

5.2.2 Validity

Validity is not usually considered a problem or an issue as a high degree of validity is considered possible in non-standardized interviews (Saunders et al, 2007). Validity refers to the degree to which the interviewer is able to get access to the interviewee's experience, knowledge and gather the meaning as it is meant to be understood by the interviewee's language. Because of the flexible and interactive nature of a semi-structured interview method it is possible for the concerned topic to be discussed deeply and from different angles, furthermore the topic and questions can be more clearly explained to the interviewee and their answers can be clarified in case of any confusion. Hence the data collection of this research can be said to have a high degree of validity.

5.2.3 Generalizability

The degree of generalizability of this study is limited as this research is based on a very small number of firms and this is naturally not a good representation of the entire population of firms doing international business. While this is a disadvantage, this is nevertheless highly suitable to the topic, and also inevitable due to the nature of psychic distance which varies greatly from firm to firm, as the literature review has shown. Hence while the generalizability of this study is poor, it nevertheless adds a greater and richer understanding to the topic of PD which has been vastly explored in the IB literature.

5.3 Data Collection

The data for this research was collected by conducting interviews with Finnish persons at the manager level and who have done business in India. The process for identifying and collecting information about the Finnish firms was as follows: general search on popular search engines using keywords such as 'Finnish companies in India' generated mostly news articles with information about companies in Finland entering India. Searching on Finnish sites like Finpro, Tekes and others also revealed the presence of Finnish companies in India, however the most useful source of information came from the website of the Indo-Finnish Business Forum which had a business guide with a list of 90 Finnish business firms established in India, their organizational details and contact numbers. Other companies were located through the websites of Indian consultancies with Finnish clients. It is estimated that there are about 100 Finnish companies doing business in India directly, while perhaps 300 or more Finnish companies are doing indirect or infrequent business in India.

The list of companies identified were further researched and understood using the companies websites, they were listed with information about their size and industry as well as the form of business organization i.e. wholly-owned subsidiary, joint ventures etc. in India. Wherever possible, key people such as CEOs, managing directors or

business development managers were identified using the company websites; also news articles were examined to identify the key people who were involved in establishing the Finnish company's presence in India. A rigorous attempt was also made to find out the concerned key people's email addresses and using these or company contact forms a number of people were contacted directly and indirectly to participate in this study.

Using the sources mentioned previously 107 companies were identified across various industries and finally emails were sent to 92 companies when it was found that some of the companies did not exist or have email addresses, some were not suitable when researched further and some companies' emails did not appear to work. The first email sent to all the companies is appended to this thesis as Appendix 1 and the second and final follow up email sent to the companies is also appended as Appendix 2; this was sent a month later to generate more responses. The emails also included attachments containing the interview questions and a brief introduction to the thesis and researcher which are appended as Appendix 3 and Appendix 4 respectively, and in some cases a draft of the thesis was also included.

Out of the 92 companies, three declined to participate due to lack of time and interest. Initially two respondents agreed to participate and later decided to drop out due to lack of time and concern for confidentiality and finally a total of 7 interviewees agreed to participate, but there was miscommunication with one participant and his position in the company and work experience was not appropriate for this study and another two participants were only available too late to be included. The remaining companies did not respond to the emails and hence finally only 4 interviewees were interviewed for this thesis.

These four Finnish persons were directly concerned with setting up their organization's presence in India. All of them held a high position of authority within their companies as either managing directors, or owners or both, while one person was the vice-president. The names of the persons interviewed as well as the companies are kept anonymous to preserve confidentiality. Since this study is concerned with the formation of distance with the decision-maker at the centre; the importance here is placed on the

profile of the person interviewed especially with regard to experience, education, values and attitudes, which are revealed in the following chapter.

Interviewee A is working at a cleantech company that deals with electrical systems and supplies. He was the ex-managing director of the India operations resided in India for three years, during which he was directly concerned with the setting up of the factory as well as the running of the day-to-day operations. This firm is a wholly owned subsidiary.

Interviewee B first dealt with India while setting up the company's presence in India in 2007 which was a wholly owned subsidiary and he was the managing director in India. This company does not exist at present, but has been sold to an Indian firm; it dealt with plastic components and mobile parts. This managing director has resided/worked in India for six years, and is currently heading another Indian firm in plastics manufacturing.

Interviewee C is experience in the healthcare technology industry and has over 20 years of experience in dealing with India. He first began to deal with India under his company with strong connections with Indian distributors. Later on he established his own healthcare technology company in India in a joint venture form. He has largely dealt with India in the form of collaborations.

Interviewee D has over 27 years of experience as Vice President in his company and has been involved in all the company's expansions in several countries; the company deals in professional workwear. He was directly involved in setting up the company in India and it is in the form of a wholly owned subsidiary.

The following table describes the profile of the firms interviewed.

Table 2. Information about the companies and interview dates and timings.

	Size	Industry	Organization Form in India	Date of Interview	Length of Interview
Company A	Large, Multi-national	Cleantech, Electrical Systems and Supplies	Wholly Owned Subsidiary	21-01-2015	1:20:24
Company B	Large, Multinational	Plastic components and Mobile Parts	Wholly Owned Subsidiary	25-01-2015	1:20:42
Company C	Large	Healthcare Technology	Joint-Venture	05-02-2015	1:20:25
Company D	Large, Multinational	Professional Workwear	Wholly Owned Subsidiary	11-02-2015	1:13:28

The decision-makers who agreed to participate in this research have been directly involved in setting up their companies' presence in India, although the level of experience of each person and their degree of involvement, as well as the industry in which they work is varied. In case A and B the managers were residing in India for several years and were deeply involved in setting up the companies as well as running the day to day operations, in the other two cases the degree of involvement and actual time spent in India was lesser and more intermittent over a limited span of time.

The interviews were conducted using VoIP (Voice over Internet Protocol) internet applications and were digitally recorded using available third-party software. The interviews were then carefully transcribed, irrelevant introductory and concluding conversation was excluded as it did not contribute anything to the study. The transcribed scripts were then double-checked against the audio recordings to ensure accuracy. In each transcription a very few words were unintelligible but did not in any way hamper or invalidate the data. The analysis of the data is described in the following section.

5.4 Data Analysis

A general outline of this data analysis is as follows: a combination of deductive and inductive approach was used to analyze the data. The analysis of the data was begun

using a deductive approach; this was due to the study being strongly founded in theory and literature and due to the nature of the research questions.

Broadly and generally the process of analyzing interviews is as follows: first, categories, also synonymously referred to as themes and codes, are generated from the literature; these categories will be used to group the data from the interviews. Secondly, the interview transcripts are then unitized; they are broken down into suitable words, groups of words, phrases, sentences and paragraphs i.e. they are separated into meaningful units which can be then attached to suitable categories. The third steps involve assigning the various units to the appropriate categories. Throughout this process new categories may also be emerge as the transcripts are read and analyzed. As needed, the categories derived from literature and the categories that emerge from the data are arranged into hierarchies with broad categories and sub categories. Here, the various categories developed earlier may be further divided, or grouped together, or discarded all together depending on the content of the data and the relevance of the codes. The unitized interview data across all the interviews are gathered under the respective categories; these are then analyzed first, each category on its own and then the relationships between the categories are analyzed to verify if they support the research questions developed earlier.

As data collection and data analysis are reiterative, interrelated and interactive (Saunders et al, 2007), during the data collection process and during the analysis of the first interview transcript, it was found that introducing an inductive analysis process was necessary as there were many themes that emerged from the data that could not be easily assigned to a suitable category. Thus, many other units of data also emerged that indicated new categories. These would be added or later merged with some other predetermined categories. Following a reiterative and interactive method of analysis makes it possible to reveal not only data that supports or negates the research question but also gives rise to new information that can be valuable.

Hence a strictly deductive approach was not suitable or appropriate as the disadvantage is that it creates a limitation wherein data that does not come strictly under the generated

categories and labels may appear, and thus an inductive approach was also included so that any data that does not fit the predetermined categories can also be considered. Hence, the inductive and deductive approaches are merged and the remaining transcripts were analyzed using this method

The initial broad categories and their sub categories derived from the literature are as follows:

Objective: National Factors, Information, Communication, Barriers, Differences, Culture, Geographical distance, Institutions, Technology, Transportation/Logistics, Language, Commercial, Political, Historic, Social, Development Factors, Regulations, Legal Systems, Culture, Infrastructure, Education, Industry.

Subjective: Attitudes, Values, Personality, Education, Experience, Network, Third Parties.

The categories that inductively emerged from the literature review were as follows:

Objective: Business practices, Diversity.

Subjective: Understanding, Awareness.

Hence the interviews were analysed based on categorization mentioned above, and the findings are related in the following chapter. Here it is also important to mention that due to problems with language, some of the quotes that are given in the following chapter are paraphrased a little to be more grammatically suitable and understandable.

6. THE FORMATION OF PSYCHIC DISTANCE OF FINNISH MANAGERS IN INDIA

The aim of this thesis is to find out the formation of PD based on the literature review which says that the most useful conceptualization of PD is the combination of subjective and objective factors. This chapter relates the findings as per the information provided by the managers interviewed.

Based on the interpretation and analysis of the interviews by the researcher, who considered the content of the interviews and also the manner in which the content was delivered, the level of PD of each of the managers is found to be as follows:

Table 3. The level of psychic distance experienced by the participants.

Participant	Degree of Psychic Distance Experienced
Interviewee A	Medium to High
Interviewee B	High
Interviewee C	Low
Interviewee D	Low

It is important to note that the participants themselves may disagree with the researcher's assessment of their distance perception; however, in comparison with each other and after careful analysis of their responses the PD experienced by them is assessed to be at the levels mentioned above. Further explanation will be provided at the end of this chapter as a summary, and the findings themselves will show a great deal of relevant information also answering the question as to what goes into the formation of PD.

6.1 The Role of Objective Factors

In this section the various objective factors are explained from the viewpoint of the managers and the impact of these factors on their perception.

Information

Two of the interviewees expressed that information about India and Indian environment and Indian companies are not easily available, and if they are available they are not necessarily accurate and comprehensive enough. As India is still in a developing stage, there is not a wide enough spread of internet connection, nor do many Indian businesses set up their own websites. Often, information can be found via third party sites or through European sources themselves and market studies can give "too rosy a picture" and not provide enough information about the environment.

"... but I have to say that even though information is available [a lot] it's not very easily available because lots of Indian places, wherever it is, are not necessary having their own websites. If you Google something here, you get a lot of that kind of a commercial places or [auxiliary] places and learn something, but you don't necessarily easily get [enough information]... So, I'm finding it at times difficult to find that original source which I like to have rather than, you know, read it from somebody else's place."-

Interviewee B

Interviewee D said that there is no clear picture about the reality of doing business in India; many challenges had to be uncovered and addressed post establishment in India. Furthermore the media both in Finland and India do not cover enough about the Indian business environment and Finnish sources tend to focus on culture and festivities or recent headlines relating to crime, and do not prepare a businessperson or manager for the reality of challenges faced in India. Even visiting as a tourist, although helpful, offers limited information. The companies interviewed used market studies to identify clients well ahead and gather information as much as possible, even this has limitations as this does not go deep enough.

"Actually, expectations were not very clear because really it's far away, earlier I was visiting once in India like tourist and then following media, so I got some kind of picture how is it going there and somehow it was not very clear what kind of reality will be there because [of] lack of any information and know-how and of course there were many, many challenges what we have not faced in any the other country." - Interviewee D

On the other hand, in the case of the Interviewee C with the healthcare technology background, it was found that due to both the Indian and Finnish government's mutual knowledge transfer and commercial ties and agreements, it was considered that there was ample information available which was disseminated in English and this made getting information about India and Indian businesses and environment easier.

“...the common language English is very good between India and Finnish people. Because people share so much information on the internet in India and it's very easy to begin. And once again English being the language of law and society since long time, so that helps us ... So definitely, it has been easy to find information. I have really been able to do that and then when you know what you doing then you can start working with your Indian partners and go in there, take a project and set up project and get things done.” - Interviewee C

Hence it appears that a lack of information does cause difficulties and creates a higher PD in the manager's mind and that this is also subject to the industry in which they are dealing. The presence of English as a language of business and law does lighten PD depending also on the industry concerned. Information can influence PD in the mind of the manager to a greater or lesser degree but also in relationship to the concerned industry. Not all companies can broadly assume PD is higher based on information availability in other industries. Also, it has been found that even a lack of information did not deter the decision to enter India since other economic factors and motivations were more influential. Thus PD was not considered or experienced prior to establishment but was found to be important during and post-establishment of the firm.

Culture

Another important objective factor is culture, all the interviewees acknowledged that there are substantial cultural differences that actively affect business life in India and can be a source of discomfort and PD, albeit manageable ones. All the interviewees

expressed a greater cultural distance between Finland and India. In terms of Hofstede's 5 dimensions, it is indicated that in the Indian workplace there is a higher power distance and lower individuality index. Also, the influence of religion was found to strongly affect work culture, attitudes and even the everyday running of businesses.

Interviewee A expressed that employees' belief in their way of life, attitudes was resistant to change and often there was no other course but to accept these beliefs. He also found that firms, employees and also governmental policies were all oriented in the shorter term and towards lower prices. Work decisions take into consideration only immediate consequences and not necessarily a long term view. In his own words, he considers PD to refer to as “light signals” referring to traffic signals. As he relates:

“One difference in India was that the people [were] looking [at only] the next light [signals], but it's important to look after [this signal as well]. And this I was always discussing with my team that ‘Please look a bit more far, try to estimate what is there behind the corner.’” – Interviewee A

Interviewee B finds that Indian firms are very hierarchical and have a top-down approach in manager-employee relationships, which is associated with a higher power distance. This higher power distance may also be the reason why there is a lack of trust and communication in manager-employee relationships in Indian firms. Also, the influence of religion was found to be quite strong; even in businesses and business decisions taken by managers.

“They have religious advisors, they have business advisors, they have mentors, I mean, all kinds of a thing influencing in there and besides that of course Hindu [religious] things. Finnish people don't believe in such things, we are very much down to earth and we believe in things that we would rather do by ourselves and our own actions whereas in here people are taking advice even from god.” - Interviewee B

Interviewee C expressed that a lack of homogeneity between Finland and India definitely leads to cultural differences that affect a decision-maker's PD on the surface level. Interviewee D also agrees that there is a difference in culture without elaborating

on the exact aspects. Hence this shows that CD is a very relevant and strong contributor to a manager's experience of PD.

“So there are very many difficulties in culture, in the society, how [the] people are coming along with others and the big social groups that the Indians have with families, with relatives, and in work, and in villages and cities and so on. And that is different to the Finns. Because we are not so many people and our societies are more you could say, individualistic and without so large communities to deal with. So out of the truly different or cross cultural on surface big cross cultural differences that you have in the globe, I have learnt India is among the 5 most challenging.” – Interviewee C

“India, I would say that it’s so different, but somehow the market is different, the customers are different and the culture is different, people are different and [there is a] big difference.” – Interviewee D

However, interestingly, three of the four interviewees also expressed that cultural differences, although vast and holding a lot of influence, are very much on the surface level and two of the interviewees suggested that over time and with experience these cultural differences become lesser and lesser and soon many similarities emerge between Finland and India, and common sense can also help deal with cultural and business practice differences and there are common business practices around the world.

“What I’m trying to say is that [...] Indian people are still readable, still possible to understand where they are aiming, what they’re trying to say [and] what they’re trying to do [...]I think that [the] people who are coming, [like] the average Finn [who comes] to India, it’s [really] important to teach, to give the guidelines and acts, and discuss about these differences, but this opinion change [will] not happen during one meeting, it takes a minimum of one year... six months is not enough. [...]So, when you’re staying in the country long enough ... then you slowly start to understand that there is no big difference between two countries.”- Interviewee A

“[...] of course it’s important to understand and respect the local culture and actually we had some cultural trainings earlier in Finland where we

were learning the differences, but I would say some kind of common sense and common business practices what work in all countries we operate [in] now and when you respect other people and you are polite and things like this. So, it works everywhere.” - Interviewee D

The pattern of the interviewees responses show that they are very affected by cultural distance and experience discomfort at the work place, but nevertheless insist that: human beings are the same everywhere and can be understood once their motives are understood, that time and experience can help deal with CD and that there are similarities to be found between diverse cultures provided one is ready to 'dig in' to these aspects, and finally that even though such differences exist they need not be accepted but can be dealt with gradually and through example. This strongly implies that CD is important in the formation of PD, but that individual attitudes and experience can help deal with, if not reduce, cultural differences. On the more objective level, the few advantages of the cultural differences in India are that Hinduism is one common belief and hence can be used to understand people.

Language

An important objective factor that can influence PD is language. All the interviewees find that language is an important objective factor that can affect their understanding and communication. Out of four interviewees, three considered that the common use of the English language in businesses and law made it easy for foreign firms to deal with India and Indian companies. Language appeared to lower PD in some aspects as the common usage of English made it easier to communicate and understand the Indian environment.

“Finnish companies can benefit from that because there's lot of very well English speaking people [who are] good in writing as well”- Interviewee B

*“In India, the people who do business and who are international like yourself, so there is no issue because English is the language of international business or your law and your societies since long time back”
– Interviewee C*

“Actually I would say that the benefit is that the India speak very good English [...] So it’s like our corporate language and I would say that helps in communication and other cultural similarities or differences I don’t see that they effect very much.”- Interviewee D

However, even though English is widely spoken and used in businesses, differences and complications appear at different levels; such as the case of the cleantech firm based in a region where English was not common, here it was difficult to find workers communicating in English.

“You know, [a]surprise for me was that all people are not talking English. [It] was maybe to my estimation near 10%. [...] I was going through 300 people, before I found the 30 out [who spoke English]. So there are different quality people [...]” – Interviewee A

Hence there are layers even in dealing with English, in some regions and the main cities English is widely spoken and easy to communicate with. However in some cities it is not so; within a great cosmopolitan city itself visiting some parts of city and using local transport showed difficulty in communicating with English, and in one case driving out 200 kms from the city also showed a lowering of English speaking ability as well as low English skills at the operator level.

“So then you know operator level people and even manager level people, then the skills are not that good anymore.” – Interviewee B

Hence although generally English is considered to lower PD in direct business activities and issues, there are layers depending on the region, level of management, position in the company and even aspects of everyday life like using local transport. It is interesting to note that awareness of such layers and perception of higher distance appears to depend on the degree of involvement of the Finnish manager. If the Finnish manager is involved at the ground level of an Indian company, like Interviewees A and B, and has to deal with local and operator level people, as well as living in a less cosmopolitan or prominent part of the country (e.g. Interviewee A) then PD can be high and common language offers little benefit. If the manager concerned is only involved in part, either

using partners or being more distant from lower staff i.e. having less contact, spending less time in the country or handing over the business issues to hired management then English might be viewed as being a positive and bridging aspect (e.g. Interviewees C and D).

Geographic Distance

Geographic distance appears to have little effect on PD, in one case the manager describes the effect of PD as a loss of eye contact and personal contact rather than a logistical issue, which is solved by simply meeting the concerned person. Another manager finds that GD is not much, given that India is just beyond Russia and considers India to be physically close to Finland. In the other cases the availability of transport such as daily flights and logistical solutions make GD a very negligible issue and none of the managers consider it to be a great hindrance to understanding.

“You know, when we lost our eye contact, the physical distance is going to influence very, very strongly [...] is there any way to solve it? Meet each other!” – Interviewee A

“Then India is not that, in the end, far away and it's only 2 and a half or 3 and a half hours outside [Russia], maybe, at least its more convenient to deal with India, because this physical distance to me is not that big, as it would be if it was to [be on] the other side [like] US. Not a big difference but it makes things slightly easier.” – Interviewee B

Institutional Distance

On the other hand institutional distance seems to be highly important and plays an important impact on their experience of working in India. Here, corruption, regulations and policies, taxation, educational levels are explored. The primary institutional factor that interviewees brought up was the issue of corruption. However it has been found that corruption has more of a broader and general level impact rather than a very direct one. While Finnish firms claim to not deal with corruption there is nevertheless an

influence which is indirect and impacts the infrastructure and the clients which affects the businesses indirectly.

“But that can be a problem, it can be a big problem, and of course in India, it has a big influence. Because that it is one of the reasons in general the infrastructure and things are like they are, because corruption, money goes somewhere else than where it's supposed to go” – Interviewee B

“And corruption, yes, there is corruption and of course, maybe, if there would not [be] corruption at all then we would have more customers and maybe we would get faster some permits and these kind of things but anyway we have been living without that.” – Interviewee D

Regulatory and policy related issues can also be considered as institution related, Brewer (2007) suggested that commercial ties can lead to familiarity and thereby reduce PD. Here, it is found that commercial ties and trade relationships and other government level policies and regulations are very industry related. Since India is now an open economy, most companies in any industry do not face any impact from particular regulatory or policy related issues. Although Interviewee C who has had over 20 years of experience and has seen India before and after the opening up of the economy in the 1990s, finds that the policies and regulations set up by the government do have an important role in affecting companies and their decisions. In more recent times foreign firms will not experience as much impact of policies and regulations because the economy is more open and carry on as most other countries. Government level agendas and policies in this case encourage Finnish-Indian collaboration, facilitate businesses, provide information and thus aid in reducing PD.

“And then in some places like Soviet Union, China, India in end of 80's and 90's it was not possible to go [by] yourself only. You had to have a local partner and then you could go there and set up a joint venture. That's my background in the joint venture. And the same in business long time back in India, so it's the Indians only do the business and there are some guys from Europe who need the local partner there to really explain, especially in healthcare systems where, wherein it's very strategic and the government

wants to control. So if you try to bring some foreign products and so on. It's very often a no-go situation.” - Interviewee C

In the other cases of the plastics manufacturing firm, cleantech firm and the professional workwear firm the interviewees find that there is little or no effect of the regulations and policies directly, but indirectly they may have an effect. Such as in the case of the electricity firm that says that sustainable development is difficult due to the government's policy of granting projects to the lowest bidder. Hence the analysis suggests the interplay of objective factors themselves i.e. industry and institutions.

“Let's say our customer base is little bit different we are not dealing with government owned companies and somehow [our] services are so different than I don't see that [commercial ties] would [have] any relevance.” – Interviewee D

Another institutional factor that has risen from the interviewees' own experience is the issue of taxation in India, three of the interviewees referred to case of Nokia's tax issue in India and say that this factor has reduced trust and raised questions about the safety of doing business in India. Hence PD is definitely related to taxation and all the Finnish managers experienced difficulties related to taxation.

“And, of course, then comes the bureaucracy like taxation and this kind of things which are trying to cut behind every corner. So [it is the same with] import tax, duties department; they [all have] their own rules for pricing, like Nokia had those difficulties [with the Tamil Nadu taxation issue]. And then, you know, foreigners - they don't trust when [the government] handles things as [the way] Nokia experienced.” – Interviewee A

“It is quite safe place, but there is one thing that has created a lot of thinking in Finnish companies and that is this this Nokia problem with the Tamil Nadu government. [...] Finnish people are thinking that now [...] Tamil Nadu government has just changed the rules all of a sudden. [...] But surely it has a small impact and influence, [...] to come to India. And I know it's not easy for Finnish companies to deal with these things in India, because they are kind of organized [...] but there is some uncertainty in Finns.” – Interviewee B

“First we thought that India one country, but in reality it is many countries and many counties inside of the big India. And there are different kind of taxes and different persons. So it’s not so harmonized like in some other big country.” – Interviewee D

Education is considered to be an institutional factor and here too are some mixed responses. In Case A, which was an electricity related firm, the establishment was in a region where the level of development and local education levels are known to be lower than in the more prominent and cosmopolitan cities of India. Here there was low level of English speaking and education skill level amongst the workers or employees. The interviewee expressed that there was a surprisingly low level of educated and English speaking workers and it was difficult to find them and communicate with the rest.

In the case of B, the manufacturing firm, his view of education was related to the level of skills and it was found that surprisingly that it is not that high in the manufacturing sector. The interviewee said in India the population are skilled in theoretical aspects such as the IT sector, but in comparison to Finland there is little or no practical experience and the Indian manufacturing workers are not very skilled. In India they are less practical and deal with a lot of theory, so there is a preference for the Indian population to educate themselves through books and schools and not as much through practical experience.

“It’s not really [very good in] manufacturing here, it’s very good when it’s IT related or something that can be learned from books and such, [but] when it comes to manufacturing things are not good. [...] people like to put their money to this kind of education in schools and this is kind of a side-thing, but they don’t have proper machines and they don’t have proper technology. – Interviewee B

Hence in these two cases, A and B, there is an implication that education also refers to skills and that it is not high, at least in the manufacturing sector and at the worker levels; firstly, because the previous employers did not encourage skill development, and secondly, because there is a huge theory orientation rather than practical experience in

the employees. On the other hand in the healthcare technology case, Interviewee C has a high opinion of Indian education.

“I would say one of the best in the world. 43% of the medical doctors in the US have their private training in India, and was it 27 of the NASA engineers in space craft technologies and they have their basic training in India [...] Education is very much in English and it’s kind of transparent global international and [there is the] Indian hard-working mentality [...] my Indian partners, people and even some friends with excellent training really know what they are talking about [...] in 1990s in China we took our Indian team to China and they trained the Chinese people [in our business]. So, we saw that the Indian people are the best ones to do marketing communication and campaigns.”

An important strength in the educated population in India is the ability to teach, this was evidenced by the use of Indians as trainers for Chinese set ups of the same firm. In the case of Interviewee D, it was also found that the top management had good education.

“Yes, actually I would say that the when we are looking for top management people [...] there is good educational level and [...] they are also competent and [...] we have some 15 key people there. I would say that they have very good education and they have graduated from good schools and [are] quite easy to find [educated people] because there is so big markets [and] there are millions of people [from which] we can also choose” – Interviewee D

Hence this implies that education level does impact the decision-maker and can create or bridge distance based on the industry. It appears that theoretical knowledge in IT, medicine, pharmaceuticals, marketing, management etc. are strong points in India, while technical and practical skills are rarer or poorer. Furthermore the degree of education appears to drop down the further down the hierarchy one observes in a business.

One interesting observation to be made here is that some objective factors such as education and culture appear to depend on the degree of involvement of the managers concerned i.e. the managers found to have been involved in setting up their company’s

subsidiaries or branches from the inception to full operation have a lower regard for the education level in India (e.g. Interviewees A and B) than when compared to those who had a somewhat lighter degree of involvement (Interviewees C and D). It is possible that those decision-makers (such as A and B) who were concerned with dealing with more of the employees and staff, as well as manage multiple issues find a greater distance in education, skills and culture than the ones who had strong network based relationships and businesses and ones who relied on a strong local manager (like C and D respectively) to deal with the operations soon after setting up. It can be argued that those managers involved more deeply may have more awareness of the problems of the environment. But these are not the only factors to take into consideration, the industry also matters, the managers who were involved more deeply also belonged to a more common sector such as electricity/cleantech and plastics manufacturing and did not necessarily have to deal with more specialized workers and staff, leading to their experience of education and skills as poor at the operator level.

Commercial Ties

‘Commercial ties’ was proposed by Brewer (2007) to be an important factor that leads to greater familiarity and lower PD. Here it is considered a separate factor that is nevertheless related to institutional distance. In three of the four interviewees commercial ties were found to be of minor or negligible impact that had very little influence aside from offering a small degree of familiarity and acting as a “supporting net”. In one case to do with the healthcare technology, it was found that commercial and research ties mattered very much and that these ties encouraged and strengthened participation in doing business in India by more firms.

“Not directly. Of course, [it is]like this supporting net, which is maybe influencing then what we’re doing, what kind decisions we are doing but there’s not so much direct influence or direct help in our line of activity.” – Interviewee A

“Maybe these kind of a thing has a very, very minor impact, just to decision making. I mean it helps that there are relationships, it helps that there are

Finnish companies in India, it helps if there are Indian companies in Finland so, it helps when you know let's say that you are somewhat familiar with the other, so it helps, little.” – Interviewee B

“Healthcare, IT all these are being supported quite heavily by the Finnish government. There is a Tekes program especially in healthcare business in diagnostics in the Finnish project supported both by the Finnish government and the Department of Biotechnology in Delhi, in science and technology. Tekes and Finnish government is quite strong, strongly supported imperative initiatives in my view.[...] So in the old time there was, [there were] several project that that the Finnish government was on board and that's why I learnt to rely on that side as well.”- Interviewee C

Development

In relation to development, the standard of living in India is relevant as manager's have to deal with living conditions personally as well as at the work place, in the case of Interviewee A there was a personal and mental discomfort, while B said that it was important for a manager to have a strong attitude and ability to cope with difficulties encountered in living in a developing country. This is important enough that it should be a serious consideration for a company to send persons who have mental and psychological strength to deal with a developing country environment where the standard of living is low. In all the cases the interviewees did appear to experience difficulties with the lower standard of living and development in India but they also had an equal ability to deal with these issues and did not consider them to be very difficult to deal with. Hence the impact of Standard of Living appears to have a small level of importance in forming PD.

“ [...] when you stayed 3 years , your whole mind is closing out there , [I] tried to avoid those difficulties but always was difficult when I [leave] my [home] to normal Indian day [outside]; from this luxury down to no money. It's not easy to accept that people has to be a bit poorer. – Interviewee A

“I mean it makes things difficult, because the industrial development and also lack of infrastructure, I mean it overall it is challenging and depends on which locality where you are” – Interviewee B

“So India was so different, so incredible and exotic at that time [...] there was a beautiful chaos all the time and places were a bit kind of dirty and there was a lot of waste everywhere, and their morning traffic with Autos or Rikshaws , with Bicycles and Motorcycles, that time it was incredible.”- Interviewee C

“I am very positive on India and India market and I like to work with Indian people and it’s nice to visit there and see different people and locations, so, somehow yes its very different but on other hand people are living there and they are happy and they have they got used to that living and then many people don’t know anything else [...] I would say that the level of development in India. I think it’s going to the right direction but the of course there is still long way before it’s developed to that level and some other countries.” – Interviewee D

Political Stability

Political stability is another important factor and here it is separate from institutional factors but it is still linked to them. Most of the interviewees find that the political situation in India is quite stable but not completely perfect or as good as it can be, and it is quite favourable compared to the other developing countries such as the BRIC nations. When asked about their opinion of the recent political parties come to power and the new prime minister in India, two of the interviewees felt that it is important and can lead to an overall growth and development while two felt that it has very little role in their businesses. However better political stability can encourage more Finnish firms to come to India. Hence political stability does not seem to be a big issue in this case; political stability matters but it is considered to be indirect and to a lesser degree.

“I feel [the political situation in India is] much more stable than in China or Russia or many other growing countries.” – Interviewee A

“Does [political stability] have a big impact on decision making? Not necessarily. But, you know, but if things are going the right direction, news are also positive, it encourages Finnish companies to come to India. - Interviewee B

Political stability is there. But, when you are in broad sense, when you look at in too much there is always normal uncertainty that is there in all the political systems [...]now I am so relaxed because Narendra Modi and BJP have taken over and it seems [...] India will really clear a lot of the bureaucracies and barriers, so now there is political stability. – Interviewee C

“I would say that [the political situation is] enough safe, and I would say that the also may be because of the industry we are in I don’t feel or see that there is anything what would affect [our company]. So in generally, yes its fine. No issues”. – Interviewee D

Here we see the role of awareness, it can be argued that interviewees consider matters like political stability, regulations and policies, and commercial ties to be negligible based on their own awareness and understanding, because arguably these factors do matter, but they don’t seem important because over time in India the rules and political aspects have become more stable and more similar to western nations. They would find it a problem if it had been different, which adds some support for Nebus & Chai’s (2014) suggestion that the manager’s perception, awareness and understanding are important.

Also in the case of D the political stability issue did not matter as much, because they were more focused on their overall company commitment to expand to a new country every year, they are already operating in another country under the threat of war and are still functioning, at the group level they can deal with the worst case scenario. Hence we see here the economic reasons and company goals and motivation also leads to the perception of political stability as being an important factor or not.

Infrastructure

In exploring the impact of developmental and infrastructural factors the managers reported that in India it is quite problematic and it affected their businesses as well as personal comfort, but it appears as if none of them perceived this to be an unsurmountable issue but rather a country characteristic that was unavoidable and a part of the environment that had to be dealt with. The managers expressed that in spite of such problems finding a solution was also easy to do. Hence this resonates with Child's (2009) argument that mere differences are not always important, but their impact is. Here is also to be found a certain attitude of coping amongst the managers that will be described and analysed later.

“For example, when we are starting our service centre or laundry, then in all other countries it's quite easy to get infrastructure there like enough electricity, water and gas in case we need, but in India actually it was like surprise that the infrastructure was so weak and in reality, today, in many locations we have to bring the water with tanks and in many cases also the sewage water we have to deliver by tanks to some treatment plant and there are lot of electricity cuts so we have those generators, and we are constantly using those. So that was not expectation that the infra would be so bad. But on another hand there were ready solutions to tackle those issues. So, then I would say that the I didn't see it like bottleneck because then it would require little bit more investment to ensure that we will have a reliable and operating laundry.- Interviewee D

Industrial Factors

One of the more relevant and important factors emerging from the analysis of the data collected is to do with industrial factors as an objective factor influencing PD. As can be expected, industrial factors and their importance or influence varies through the different industries. Both Interviewee A and B expressed that the market in India is very difficult and challenging to do business in, the “common sectors” such as electricity, manufacturing, metal-works, plastics etc. have a high degree of competition and the price levels are very low compared to more developed western markets.

“This was the main question, you know when we are doing a bit higher standard product than the others, how we are going to find a buyers when

we are in a common sector. We are selling these things to state owned electricity board companies, and the owners [...] – Interviewee A

“Unless the company is really having something unique, something very special to offer, I can say that in nowadays world, there are only few companies in Finland who really have that kind of a big competitive edge compared to Indian companies and unless they don't have it, then why, when they come to India they are not going to survive it. It takes much, much more to establish in the environment than Finland or Europe or US. That's my experience.” - Interviewee B

They agree that getting a positive cash flow, becoming successful and achieving sustainable growth in India is extremely difficult and even local companies find it difficult. Hence it emerges that those firms in those industries which are unique rather than generic and possess a competitive product or service that is superior or different to other local firms' products are vastly more likely to succeed than generic firms from Finland.

In the case of Interviewee C and D dealing with healthcare technology and professional work-wear respectively, it was found that the industry did not have much competition as their products and services were new, unique and did not have much competition. In the case of C, the governmental agenda of encouraging knowledge transfers, the encouragement and support of healthcare products and services, the lack of structure and lack of dominance of any business over the market share offered a lot of opportunities.

“So [the company products] came from [the founder's] kind of innovator mind and thinking, [it was] the best product in the world against any competition and then because of this he had to have access to every single customer in the world and there was no competition, so...there is lots of opportunities [in India] and none of the Indian markets or businesses is not yet in a way so structured and so big and market shares [are not] so clearly already established that [it] is difficult to get in all of the markets.” - Interviewee C

In the case of D, competition was nearly non-existent and the more challenging issue was dealing with the mindset of the local businesses and making them understand the value of their work-wear services.

“But I would say that the market is so big, we have not really faced those competitors in many places. So, it has been only few places we have recognized that yes, customer had some other alternative there. But I would say that there is no direct competition, but of course, bigger competition we are having [is] with [the normal customers] because normally customers are anyway [...] washing [workwear] at home or in some cases they use a local laundry and that’s the biggest competition; to change the mindset of our customers that they get benefits using this kind of full service” – Interviewee D

Hence in the Case of C and D, PD was somewhat diffused by the market potential and economic benefits which was due to the uniqueness and competitiveness of their products and services. The business sense and scope of the demand for their products and services reduced or removed any discomfort with regard to the industry in India they were dealing with.

In the case of Interviewee C, there was also the support of the governmental agendas between Finland and India encouraging knowledge transfers and collaborations. Interviewee C, however, in alignment with A and B, suggests that firms entering India to aim for a “frugally innovative” process rather than a generic one and to find a local partner to lower prices. Hence the issue of lower prices seems to be a common factor across industries in India.

“And what you need to do in India when you go there, you need to understand that either you need to do a frugally innovative process on your products. Or then you need to find a partner and reduce the costs as much as possible. Because the price levels and the market expectations for the product, even if they are foreign products, they need to be competitive. Because there is not too much money available in India and the price levels are totally different than in Switzerland or Germany or Finland” – Interviewee C

Hence industrial factors influence vary, it is found that there is a great deal of competition at the generic level, but more opportunities for success more specialized and unique industries such as IT, medicine, healthcare technology etc. The current global perception as described by news and media that because India is a large country with a large population and with a high GDP growth rate, and therefore there must be ample opportunities and guaranteed success is not necessarily true. Other industry level factors are interrelated to institutional factors and the difficulty of sometimes gaining permits, or changes in taxation as well as the changing demands of customers.

Hence the role of industrial factors in influencing PD is important and complicated. It has been found that in the case of A and B, the reality of the difficulties of operating in their respective industries (electricity and manufacturing) was different are more difficult than their expectations. In the case of C and D (healthcare and work-wear) their expectations were quite high and the reality, although problematic, ultimately lived up to it in terms of positive results. Here it emerges that a manager's *awareness* of the environment is important because even though market studies, media and other sources of information available should help reduce PD and make good decisions, in the case that these information are not accurate, relevant or go deep enough, they can distort PD to be lesser than it *ought to be*. Thus not only is information about the environment important but the manager's awareness and understanding of the potential of their product, service, industry and market is very much important as well. This is very interesting as this goes beyond subjective perception, experience, networking as well as objective factors and information but the dimensions prescribed by Nebus and Chai (2014) of awareness and understanding also emerge from the data.

Business practices

Business practices are another important factor that can cause higher PD. In some cases different business practices may overlap with cultural differences, but there are some that are different to place under the 5 cultural dimensions. Work practices in this case also refer to work or organizational culture, business practices etc. In the case of

interviewee A and B, work practices were found to be quite different and even problematic.

“Finland is more walk and India is more talk and more promises.”-
Interviewee A

Interviewee A found that plans were often made that were seldom carried out, resources were shifted from one project or subject to another. Likewise Interviewee B also found that there is a great deal of “talk” that did not always necessarily come to any practical purpose in the functioning of Indian firms. Furthermore, in the relationships between employees and management there was a top down approach and communication was not good

“... if a manager says or if MD of a company says something, people down-down the stream, I mean, they will just nod their heads and say ‘Fine, fine, fine, fine. Everything is okay. We’ll do it. Yes, we will take care of it.’ I mean, they [do] not even necessarily understand what needs to be done. And Indian managers may come the next day and [say] ‘No, no, no. We need to do it this way.’ And again the people are nodding their heads. ‘Yes, yes, yes, we will do it.’”- Interviewee B

A lack of organization was also described to be the case by Interviewee B as meetings may not have an agenda set in advance and the discussions could be different from the original aims and the outcomes may be completely different and timelines are often missed. Both A and B have found that there is a low degree of individualism and responsibility amongst the workers of the organization they were involved in, in one case employees frequently came to ask questions and permission for almost every task, while in another case there was little trust between managers and employees, with managers often micro managing and overseeing employees over very task. Both interviewees encouraged their staff and members to adopt more responsibility, take decisions and be a little more individualistic. It is also important to note here that these two interviewees spent a number of years living and working in India on a full time basis and were involved in the setting up and management of their businesses from the ground up.

“Because they always came to ask from [their] post that, “Can I make this decision or can they settle it? That this is the paper, and this is the other paper, how to make this?” But in Finland, we have to make [our own] decisions and this I was trying to teach also for our people that you have to find engine from your own body. Don’t come to ask for motivation from me. And when you can find this motivation, then you’re also able to build yourselves for decision maker.”- Interviewee A

In the case of Interviewee C, there was a very positive feedback about working with Indian partners as he considered working with Indian partners better than with those from some other developing countries.

“Well in India, incredible and different because the Indian people always think about the other party as well as their own [...] no way in India that you can do it on your own only.” – Interviewee C

In Case D, it was found that business carries on as usual, and that ordinary common sense, mutual respect and politeness works everywhere implying that business practices are the same and not the cause of any discomfort. Here it is interesting to observe again that the degree of involvement of the concerned managers shows different degrees of difficulties experienced. Using networks and hiring staff to take care of business can soften PD while working at the ground level with varying staff members can make managers more *aware* of problems and issues in work place culture that may not be visible or may not have a heavy impact on a manager who is reliant on networks and the use of staff. Thus once more the issue of *context* and *awareness* emerges.

Diversity

A factor which is probably unique to India is the factor of diversity. Interviewee A described it as:

“Also India is so large country and there are so many backgrounds behind those people that it’s difficult to understand how rich that country is, culturally. [...] So you have to [take] care, you have to be careful what you

are talking with other person you [don't] know very well; who is coming from East maybe and you are from West or you are South , those people differ very much from [each other]" – Interviewee A

In three out of four cases, the interviewees expressed that India is a very diverse country with a great deal of heterogeneity within its borders. Interviewee A and C find that it is important to be aware of whether a person comes from the North or South, whether one's religion is Hinduism, Islamic or Buddhist and to be aware of the different rules or traditions of the country. There is a great deal of diversity in terms of where a person is from, which region, which language they speak and what religion they follow and Interviewee A finds that it is important to try and understand these things in order to make sense of the personalities and backgrounds of the employees and thereby lead them.

"The cities all are different and then depending whether you are from the North or you are Kerala guy or whether you're Tamilian in Chennai, so it's bit different. But you need to be so much in India to really start seeing and understanding [the] differences there are between the cities and the people;, people say that there are 50 languages, 50 different people over there and it is one of the biggest [and] one of the earliest civilizations" – Interviewee C

In the case of Interviewee D it appeared that the diversity of people did not have a great impact as much of the interactions were dealt with by strong managers hired to handle the business.

"Of course the markets are different and the customer, potential customer base and the of course in the beginning I was more involved in those processes to look for the premises and start the operations in those new units but then later on when we appointed local managing director who is reporting to me, today he is more handling all those, let's say, start-ups" – Interviewee D

Finally some other important objective factors that have arisen from the data are the factors of economic motivation as well as global events and environment; Global forces have an indirect but recognizable impact on firm decisions. And economic goals of

expansion, backed by financial resources can be more important than any consideration of PD. In the case of D, a number of global events affected their decision to go to India. In such cases the decision to enter and do business was certain before the gathering of any information.

“So we already, on that time we saw that to get growth in long term we really need to expand to other countries otherwise Finnish small economy will not give us the growth potential and on that time actually 1991 when we started in Estonia it was just after Soviet Union collapsed. [...] And from the growth point of view we wanted to expand and start new countries. [...] we chose that the we want to grow with those developing countries like Russia, like Ukraine, those new EU member countries [also] China, India, because there normally when we start this kind of service we are the first one and off course it's more difficult to be the pioneer and start business when no one knows that this kind of service exists and then but another hand when we start the enough early then we can also go together with huge potential. [...]

And then if we see changes in Europe [in the] last 15 years the macro economy is not growing so fast and also quite many industries have been closing factories in Western Europe and moved to Eastern Europe and Asia. So, actually, then we saw that it's better that if we have some customers for example in Finland or in Germany and if they are expanding their business to China or India or they are transferring production to those countries. Then we would like to serve them also in those locations.”- Interviewee D

In the case of Interviewee C the opening up of countries like China and India were very significant in allowing the set-up of foreign companies in these countries, in this case the uniqueness of the product and the early company goal of expanding were more important than any difficulties to be encountered. Hence it is important to note that when a firm has financial resources or a unique product and service, these factors may be more influencing in making decisions rather than any other objective factor relation to the country in question. In such cases, whatever PD may exist is pushed aside in the greater intention of expansion and growth.

6.2 The Role of Subjective Factors

This part of the analysis reviews the data collection on subjective dimensions of PD.

Attitude

The overall impression from the interviews has been that all the managers interviewed demonstrated indirectly through speech and examples that a manager's personal attitude is very important in dealing with differences and PD, according to the interviewees' input, what mattered was not merely the formation or existence of PD, but rather what to do when the decision has been made already to do businesses with a psychically distant country and how to deal with differences and difficulties. So here the implication is that objective factors can cause PD, but some aspects of attitude reduce them and can help cope with them.

Attitudes have not been explored in the literature of PD. Here they are briefly related as per the input by the managers. Interviewee A insisted that people and situations are the same everywhere, and that differences are very few. This can be understood as differences being superficial i.e. different from place to place in terms of different languages, cultures, behaviours, laws etc. But A insists that everywhere people have very basic human natures and that understanding their motivation and goal is the key understanding them and working with them. This indicates a very open attitude. He also points out that even moving from one city to another in Finland itself can be difficult but that in time it can be understood and adapted to.

“You know if you look at human beings, [they] very similar everywhere, we have our own needs and important is to understand each other and where you are targeting. When you understand where the others are targeting, where I am targeting then you can communicate and clear it between people.” – Interviewee A

However, during the interview he also expressed a feeling of being a foreigner and an outsider during his experience in India, but that this is the same everywhere. This contradiction between insisting that people are the same, yet experiencing difficulties

and feeling outside is important, it indicates that having a personal strong attitude to survive and move forward is important and relevant.

“Of course I felt [from] time to time to time [I’m] not human being, I’m out from the team, I’m out from the country, I’m outsider. So, I felt this very strongly that it’s difficult to get into this ring and it’s same here, it’s everywhere same.” - Interviewee A

Interviewee A believes that even though there are different rules in different countries, understanding the goals and motivations of people, helping and supporting each other and moving together in the right direction is important. He finds that openness is an important tool i.e. “having an open mind and eye”.

In case of B, the impression from his speech was that he experienced a high level of discomfort and a reluctance to initially work in India and cope with the environment. It was implied that he was sent to India due to his prior experience in setting up his company’s subsidiaries in different locations, indicating that it was not his voluntary choice at first.

“I [said] many times that I was more or less pretty much sent to India [to] go and set up our factory in there. Our aim was to employ around 20,000 people. [But] I [said] to many of the people that setting up something [in] India is [...] I mean people in Finland don’t realise how challenging it is and I really can’t help [but] compare it to [going to] Africa, [like] something in the middle of the jungle. So it feels like that.” – Interviewee B

In spite of this evidence of PD and reluctance, he also displayed a strong personal ability to not only cope but also make changes in the companies he worked in. His suggestion was to stop and think when it came to coping with ‘hassles’ in Indian work life and that having a personality that does not show or feel anger and disappointment very easily is very good and useful. His way of making changes in the organization is to make use of his position and authority and lead by example, starting from top-down. He encourages his company to speak out and communicate as well as express any

disagreement and reluctance to do a task. Interviewee B said that being adaptive is important in many aspects in working and living in India, but not all things should be accepted at the work place. He said also that respecting the people, opinions, viewpoints, not pushing his own viewpoints as well as not insisting his own way is right and the local way is wrong is important.

“If a person comes in here with that kind of a mind-set that he or she [have] that anger inside when things are not working, you don't get hot water from your-your shower or you run out of electricity every day for few hours or it is hot and you are sweating and it's dirty outside and cows are walking on the street, if you start thinking on that kind of a thing then it's a lost case, you are never going to survive it.” – Interviewee B

Similar to Interviewee A, Interviewee C agrees that looking after the interests of both parties and having a win-win approach where the mutual goals of the parties involved are considered are very important. He suggests that setting up joint targets as well as being as transparent as possible with partners and clients is also important.

“If you take care of both sides win-win situations and success jointly experienced is very good. So, you need to set joint targets that this is how you need to do things and you need to be very transparent. [...]the more transparent you are then the more successful you are normally in business. And then normal friendly positive approach to everything. So, if you start being too negative, too critical, referring to too much to the law and yourself being right on your side and in a way not hurting the other party but not really listening and appreciating, respecting the other guys as well then we end up in difficulties.” – Interviewee C

He gave the example of an acquaintance that did some business in India who had a negative viewpoint towards the country even though he was successful in international business and had substantial international experience, indicating that attitude plays a very important role.

“I have a very good friend from my time of studies in the 80's in [my] University, he has visited India a few times and he said that nobody can live

there because there is so much chaos, so many people, so much noise and so dirty. So he couldn't believe, he couldn't figure out how to live in there. And this is not the guy who is [inexperienced]. He has been living in Singapore, he has been living in USA. He is very successful businessman. But his experiences from India are rather, I don't say even constructive. They are quite negative.” – Interviewee C

This supports the idea that attitude and personal capability is also important and not just experience when it comes to dealing with a developing country. Taking the most positive approach, seeking opportunities and working on them and not being too conservative and taking a lot of risk assessments is important. D finds that being open minded is necessary and says that:

“[Being] open-minded and somehow even if there are challenges there are always also some solutions and the solutions might be different in any other country”- Interviewee D

Such input by these decision-makers indicates that having the right attitude is considerably important. The implication is that differences are superficial in different countries and that different countries also offer different solutions provided the manager and the firm are ready to make an effort to deal with them. This shows that one must have a personal capability that comes from within to deal with and work in such a different country and that other aspects are more important such as attitude, the product, company goals and resources than simply differences.

Personality

An attempt is made to understand the relevance of personality on PD. Interviewee A describes himself as having a strong personality to get his way, however language differences have proven to be difficult to deal with. His personal interest in learning new things and this is helpful in having an attitude to deal with different people and cultures. Interviewee A also suggests that certain aspects of personality that have to do with managing people in international business is having an inborn ability to read people and understand their motives which is something that cannot be learned. He feels

that having sensitivity is important and understands PD to refer to ‘light signals’ which are indications of what is really being said and understood.

“‘Eye’ is very important thing [to] have; [the] possibility to read others. In business it is very important to be that sensitive that you can read others, how to go to your own goal. And you're not able to do it without others. And then when you're able to read others, then it's much more easy and guided way. And this you can't learn; you have to get it from mother milk” – Interviewee A

“But I would say that way that companies in Finland should be more careful selecting the people before coming here and quite often they don't have much of a choice because they are sending technical skills or technical people so that is the criteria who you select and who you send; [depending on] the skills rather than this kind of a personal capability to cope with and managing. Maybe that is an area that companies should little bit think about.” – Interviewee B

Interview B said that companies need to not only look at technical skills when sending a person to India but also a personal capability to cope with the environment in India. Interviewee B describes being not very social, but that he likes to deal with people and mingle with them, he has an interest in learning about Indian companies and the environment. Interviewee C also described his hobby as being history and anthropology indicating a personal interest in people; he has also travelled to “difficult” places such as the Soviet Union and China. Hence it appears here that most managers have a personal interest that is strongly oriented towards people, understanding them and different cultures, and indicates aspects of personality that include a sense of adventure, ability to cope with difficulties and change, respect and learning.

Values

Values have also not been very well explored in PD literature, but a PD concept that is centralized around a subjective view or a manager should consider values. The interviews conducted here indicated that values can be from the manager alone and it

can also be based on the company's overall value system and goals, and both the manager's personal value system and the company driven goals can and do overlap.

In the case of A, company values of working from top-down and down-up were encouraged in working in India, Interviewee A also said that Finnish people are known to be honest and this was also important in dealing with clients; being honest, being respectful, dealing with each other carefully, developing trust, helping and supporting each other and open-mindedness are important values. He did not feel that there was a very great difference in value systems in India as it is a very family oriented culture and this was also the case in the company background. Interviewee B agrees that values make a great difference and Interviewee C also said that trust is one of the most important elements, along with careful social interactions and teamwork.

“But our strength is that we're quite easy people. We are honest, we try to be honest, and we try to be friendly. [...]people like us [because] we're honest, we don't try to make any tricks for our old clients, so they feel that we're reliable.[...] we have to be [especially] careful to handle each other because otherwise, it's possible that we're destroying something which we can't build any more back. [If] trust has gone, so we've to build up trust slowly [gain], little-by-little. And then we have to help each other” – Interviewee A

“In India the situation was that, as I found out in my PhD thesis, the trust needs to be there. Always, of course, there are so many other elements but the trust is always very, very essential and in the core or-or the social connections and social interactions and team work” – Interviewee C

Education

Education is one of the important facets of a manager's background that needs to be understood to see how it influence's manager's experience of PD. Here all the interviewees pursued studies in technical fields that were oriented towards their respective industries and all of them agreed that education played little or no role in reducing their perception of PD. In Case of A, he found that education was important in

terms of having a strong technical knowledge that enabled him to handle the operations of the company. Education forms a strong foundation and guideline on which new knowledge can be gained by referring to books and files, but in dealing with India and working internationally in a number of cultures, he had to learn for himself through time, effort and experience. Interviewee B also agreed that education was important in terms of honing technical skills and managing the technical aspect of business, but he felt that he did not gain anything from his studies that could prepare him for international business issues, cultural differences or working in India.

“This technical background helps you to do things the right way. And then you know where [to] get more information when you have some [basic] guidelines, there already, then you can find the right books, right files where you can get more information. And for this, you need the education.” – Interviewee A

“I would say it's more about my technical ability, so that I understand technology and that kind of a thing, so it helps in that [way] ... But related to India, I don't feel that I [ever] gained anything from this kind of a studies. It has, it has not really prepared myself in India as a Finn, [for the] culture.” – Interviewee B

Interviewee C had the highest educational qualification and pursued his PhD relating to cross cultural barriers to international business, he found that education did and did not have an impact on doing business internationally. He describes studying as paper work and that it gives some degree of understanding but that ultimately practical experience is more important. Interviewee D described education as being very general and that it does not give any deep understanding of business life, although this may depend on the industry, but that the ability to go abroad and set up a company and deal with the problems that result requires experience rather than education.

“Yes and no. When you do something, when you do something in school then that's a kind of bit paper work and you had a understanding but then you need to go there into the real life and start working.” – Interviewee C

“And I would say that our school in Finland they are quite general so there are a lot of [things], they are quite general so it gives some basics for the working life. But not really very deep. And off course it also depends in the industry very much.” – Interviewee D

Experience

All the interviewees had substantial international experience in a number of countries before and after dealing with India, the interviewees had travelled to many countries for both work and leisure. All the interviewees considered India to be a uniquely different country compared to all the previous countries they had worked in and did express that experience was important but that it did not necessarily reduce PD to a great extent. It has been suggested that experience in certain regions means that experience in one country in such a region or country cluster will lead to a firm experiencing no PD when entering another country in the same region or cluster (Dikova, 2009; Dow and Larimo, 2011).

In terms of regional or geographical proximity, Interviewee A had experience in Pakistan and nearly all the Arab countries. All the four interviewees had had experience in China and other developing countries prior to doing business directly in India. They found that in spite of geographical proximity the experience and knowledge gained in China and other developing countries did not necessarily transfer to India, neither was PD greatly reduced. This could be reasoned as being caused by the this can be due to the lack of experience of the interviewees in countries like Bangladesh, Sri Lanka etc. which can be clustered with India due to regional proximity, or perhaps the reason could be that India is quite unique and there are not many such countries with like characteristics in religion, language, size and diversity. Overall it was found that prior experience could provide tools and skills that enabled a manager to understand people and environments, understand underlying motives in people, improve technical knowledge as well as how to manage operations abroad.

In the case of Interviewee A, it can be said that experience helped developed the techniques and abilities to read people and understand their motivations. According to

him, in spite of surface differences people are all the same and experience in various countries can help when meeting new people in different places by understanding their demands, targets and how these can be used for mutual support and goal achievement, experience also helps to find solutions through trial and error.

“Experience helps a lot. When you first [...] meet new people [who have] different demands and different targets, experience helps you understand, ‘How [is he] living, how [am I] living? Why I’m climbing? How we can help [each other] climb there, how I can help you to do to your own thing?’ So, we’ve to always concentrate for these small things. So, experience helps you find all these narrow lines one-by-one and then follow that, maybe the right one, or maybe the wrong one, but you have to chose one.” – Interviewee A

Interviewee B found that experience is important as it helped him adapt and become more mentally prepared. In his case, in spite of experience in a number of countries including China and Russia, he described his initial experience of India as a “shock” and that there was a lot of “chaos” and “it was like going to Africa or to the moon.” He found it difficult to compare India to any other country and did not consider India to be an Asian country the way China can be considered an Asian country. Hence the question arises whether India can be clustered with any other country that is close by like China, or even countries like Sri-Lanka, Pakistan and Bangladesh since these other countries have never been projected to have a large economy is Asia, nor are they as heterogeneous or diverse within their borders.. Interviewee B was uncertain about the benefit about experience in different countries with regard to doing business in India, but finds that such experiences can help a decision-maker develop the ability to adapt.

“Well, I would say that way that I believe that it always helps when you see different places and then come to India, so that's that helps. I don't know if there is any benefit in [living in other countries], but surely I mean in different places, always, you adapt. Well, yeah, let's put it that way that we are mentally more prepared” – Interviewee B

In the case of Interviewee C, his early career began with a company with already established relationships with distributors in India. This interviewee has had over 20

years of experience in a number of countries, some of the locations closest to India were Hong Kong and Indonesia also with experience in doing healthcare projects in developing countries like China and Russia. It can be said that initially he experienced little PD because the relationship was mutually satisfying and based on trust and it was indirect i.e. in the form of distributorship. In his first experience directly in India he expressed that there was a “beautiful chaos” and that it was very hard to cope with the environment. Since then over 20 years of experience which later evolved into having direct operations in India through joint ventures, the interviewee expressed little PD due to the long-term trustworthy relationships and experience developed in India. Hence it can be said here that early experience with India and networks had made PD very little in comparison.

“So, my background in US [and] of two years in UK has helped [to know] the general processes [of] how to do a joint venture, set up a factory [...] and working on big healthcare projects and so on - that I have gained in Soviet Russia and then in China. These have been helping in India and then Indian and Finnish people [get] along quite nicely because neither have this kind of too big an ego. They are kind of humble and taking into consideration also the other party. So also Finnish experience has helped in India. You need to take the best from the experience that you have.” – Interviewee C

Interviewee D did not feel that his experience in other countries were useful in India as India was quite a different market with different people and different solutions. Rather his experience and knowledge of the company itself was very valuable and meant that he could sell and market his company well. Here the focus is not so much experience in international business, but rather the focus is on the value of the company’s services which in themselves appear to override the difficulties inherent in a different country. The manager acknowledged the presence of some PD, but that it did not have enough influence in the face of the company’s goals and strengths.

“Yes I would say that [China and India] are so different that that there is not very much experience to transfer between those two big markets. [...] I would say that for me, maybe beneficial was that I have very long experience working at (Company D) and I know quite well our business and

I know quite well how to sell it so I think that was the key way for me, it [is] easier than if someone else would start [setting up our business abroad]. –

Interviewee D

Hence the interviewees expressed that experience helped them become mentally prepared, adaptive and develop the capacity to cope with different environments, it also helped them understand how to set up a factory or a joint venture and to manage operations and large projects, as well as how to sell and market their firm. But such firm and operation related experiences in different countries do not reduce PD to a great extent in the case of doing business in India. Hence general international experience has been found to play only a slight role in reducing PD, and if the interviewees' experiences in China and Pakistan can be considered as 'region specific or cluster specific' experience then it is found that even region specific experience has little impact on PD. Hence it is important for context and contingency to be considered in analysing PD, and general international experience is important in at least developing skills and tools to cope with whatever differences are present in next countries entered into.

It is important to mention here that subjective factors at the firm level also emerge from the data, such as the in the case of B, the firm that he worked for first simply followed Nokia into India and it was a client-led network form of internationalization. In the case of C, the company's products were so ground-breaking and unique that due to its market potential anywhere in the world, it had a strong international orientation from the first and PD was not considered as important as the market potential of the product itself. In the Case of D there was a pull and push of economic and global factors, the firm also had a unique service with strong potential in India, strong resources as well, this together with the slump and low forecast in the European markets as well as the fall of the Soviet Union and independence of their former member nations led to the firm having a strong international orientation that appears to be more relevant and important than considerations of PD. Hence there are multiple factors such as economic costs as well as the indirect effects of globalization that can effect firm decisions and motivations, which can thereby reduce or influence PD.

Staff

The use of staff as a means to deal with the Indian environment is a firm-led action that can 'bridge' PD according to Child et al (2002, 2009). It was found that in general that having a good staff is important and a normal strategy of the firm but was not deliberately used by most of the interviewees as a means to reduce PD, even though it ultimately played an important role as one of many tools to deal with PD. In the case of Interviewee A, it was found that having a good staff support formed one of the tools to help deal with problems in India, he said that an important person in his staff as well his supporting Indian team provided him with every necessary information and that it made it easy then to make decisions for which he was then accountable and responsible. He finds that due to good staff support that good decisions were made and if things did not go negatively it was because of having vital information and guidance from strong staff members.

“Other tool [that] helped me was my back team or supporting team in India, [it] is very important. So, [the team] put [the information] on the table and say that ‘It is here, make your decision’. It was very easy because then, if I was blaming somebody, I was blaming only myself! So, in many countries, they were trying to hide some information [so] that I’m doing the wrong choice, but India, it was more open; settling everything more openly.”- Interviewee A

Interviewee D also referred to staff as being a very important element in setting up the business in India, it appears that hiring the local top management early in the setting up of the business is the key element and part of the company strategy. Top management are hired in the beginning stages of the operation and are well trained, and soon they are responsible for all aspects of the business including networking with clients, government etc.

“Of course, very important is to get the right people there especially top management that’s the key.”- Interviewee D

Interviewee C had a long relationship with his partners in India and used their lawyers, HR staff etc. to help set up and manage his business, this seemed to be part of the whole process, but the focus was on networks. Hence it is found here that every company manages their business differently and has its own styles and a strong staff may or may not help in reducing and coping with PD. In the case of A and B, some difficulties were also *created* due to differences in work culture, practices and beliefs of the local staff for which the direct quotes have already been previously mentioned.

Networks

The role of networks has not been well studied in PD literature, here the opinion of the interviewees on the role of networks is explained; first is the role of third parties and then the various networks and relationships important in dealing with India. Finnish companies often use the help of third party agents such as Finpro to help in establishing themselves in India. Interviewee A said that his boss received training from Finpro, and through this third party the company made use of their services for various reasons.

“Then, we're getting right support [to set up our] policies fast enough; and for this we have chosen Finpro, their social network was helping us a lot. [Their] lawyers, they had the specialties around the city. So, we're using [Finpro] for logistics, for different things their knowledge.”

Third party agents of Finpro and others did provide helpful information that helped reduce PD a little. Interviewees C and D were also involved with Finpro, by meeting with their staff and getting information, and a market survey in the case of D. They found that Finpro was helpful and supportive in gathering information and generating contacts. Interviewee C also had third party contacts with relevant people from Tekes as well as different institutional bodies and governmental persons which was necessary for the industry he was in.

“Actually Finpro made the market study. And then I think they were helping also in the recruitment in Chennai but afterwards we have not used them very much. [We also found] as well as some times some Finnish local

network or association because very often in in all countries those expats are creating some kind of association.”- Interviewee D

Interviewee B initially did not have any need of third party agents as his firm simply followed Nokia into India and did not need any outside help. Interviewee B also observed that in Indian businesses there is a tendency to rely on outside help or advice such as from religious advisors; he believes that Finpro and third party agents can be very valuable to a firm entering into India for the first time in order to know companies and people and to build contacts, however he does not see the value of third parties in the day to day running of the business and feels that market studies do not go deep enough for the business to get any real information, furthermore some market studies may paint “too rosy a picture” and cannot be relied upon. Hence here we see third party agents can provide information and help, at least in the beginning, the remaining information gathered so far indicates that firms will still have difficulties dealing with India and that PD is only slightly reduced.

“Finpro helps, when people come in here, when companies come in here first time, they can provide good contacts, at least, that's the main value... I know that they do market surveys and other kind of studies. Maybe it helps, I mean, it gives an overview, but companies should go much more deeper... I want more to criticise the companies who are analysing these studies and then creating their own plans based on that, so they should be more careful.”- Interviewee B

Interviewee A found that networks are valuable as they can be helpful, but he believes that a combination of experience, following guidelines, education and skills, experience, respecting culture and especially networks are very important in dealing with a distant country. In the case of Interviewee B, he had had no need for networks when first entering India as his company was simply following Nokia – their goal was to simply set up a subsidiary and they did not need any local partnership or support as their major client Nokia was already confirmed. But Interviewee B finds that networking and socializing is important, and by mingling with people a manager can learn more about the local culture and people and even learn to deal with the differences. He finds that rather focus on third party agents and services firms should build strong networks and

contacts at the very beginning of planning to enter India, he recommends a personal relationship and contact with an Indian person or someone from the government to give realistic views and information that goes deep enough.

“That way that Finnish company wants to succeed here, there should be some contact with persons, local people or someone who understands this place, this needs to be there. If you coming here just randomly and even if you study the market well, if you go through the numbers well, that-that's not enough, you need to have that kind of a deeper understanding.”-

Interviewee B

Interviewee C's experience has been strongly founded in network relationships from the initiation of his career; at first networks already existed as his company was already dealing with India, the management of these networks soon came to him and he found it easy to pick up the work. Interviewee C has been heavily reliant on networks and the impression is that he experiences lower PD due to having a strong trust in the networks and believes that they are important for doing business in India. In his case using networks was also a necessity as the law prior to 1990 in India did not permit firms to enter independently in India and the government wanted control over the healthcare industry, also due to the multinational aspect of the company and its presence in many countries, using collaborations enables him to get information and manage his business in different places around the world.

“So definitely you should do it in India but not on your own but get the network to support you.”- Interviewee C

In the case of Interviewee D there is no reliance on networks and it was not found that networks influenced PD, as the company had enough resources, its strategy was to maintain control and the uniqueness of their service meant that there was no need for any local collaboration. Hence networks were limited to clients and governmental contacts relating to permits and normal business operations, all of which were handled by the local top management and staff. Hence here networking was not viewed as reducing PD or even necessary for setting up a business in India. Hence in most cases it was found that network helped, but played a small role in reducing PD. It was also

found that formal relationships and intermediary relationships were more relevant than personal/informal relationships which did not appear in the any of these cases. The networking was also active in nature is the case of C and passive at first in the case of B. Here also there was not necessarily any relationship between a differentiated good and service and networking as was indicated by the Hökanson and Dow (2012) study.

“I had connections but they were mainly inside of Europe [...] but not [anyone] who would have connections to India. In the beginning it was minimal but after, of course, it has increased [and it is] actually very much responsibility of the local top management. [...] Of course, sometimes when I am travelling I meet some Finnish ambassadors and some Finnish businessmen in some countries and then also very often in India I visit some customers but they are more like individual customers and not like networking.” – Interviewee D

In the case of B, whose company followed Nokia into India without any consideration beyond supplying to India, the company soon died out just as Nokia did and it could not survive because it had not considered alternative clients. In this case blindly following the client proved to be disastrous.

Hence this concludes the relevant findings of the interviews; the findings have been simply described in as much detail as possible but their interpretation and understanding will be carried out in this next section as well as the next chapter.

6.3 Summary of the Findings

The findings in this chapter have given a deeper insight into the experience of PD in managers as well as offered new and relevant information to enrich the PD literature. Overall it has been found that the formation of PD is quite complicated and that is a highly contextual concept.

Firstly the impact of the objective factors is discussed; Table 2 attempts to show how the interviewees experienced the various factors of the Indian environment. In the table

the terms ‘negative’ and ‘difficult’ clearly indicate that the managers found these factors difficult to cope while ‘positive’ indicates that these objective factors were helpful, useful and even bridged PD. ‘Neutral’ or ‘Negligible’ indicates that the managers did not find this aspect to have any significant impact on their experiences and was a simply minor factor in the Indian environment.

Hence it becomes clear that in the objective environment there are more factors that create distance than factors that reduce distance; however it is also important to note that there are some factors that are entirely neutral in their effect on the managers’ perception of PD. The table also makes clear that the experience of these objective factors are highly contextual and do not have the same or equal impact on all the firms and managers.

The managers unanimously agreed that the most difficult aspects of the Indian environment were to do with culture, corruption and uncertainty over taxation. Most of the interviewees, three out of four, also experienced or expressed difficulties regarding the infrastructure and diversity of the country. Hence one finding is that culture, institutional factors, level of infrastructure and diversity in India cause a greater experience of PD across all or most of the managers. However, even though the factors of culture, diversity, corruption and poor infrastructure caused difficulties the managers also showed an equal capability to manage these issues through their open-mindedness, common sense, adaptive nature, strong ethics and experience and were able to cope with such problems.

Table 5. The experience of managers related to the various environmental factors in India.

	Interviewee A	Interviewee B	Interviewee C	Interviewee D
Information	Neutral	Negative	Positive	Negative
Culture	Difficult	Difficult	Difficult	Difficult
Language	Negative	Positive	Positive	Positive
Geographic	Neutral or	Neutral or	Neutral or	Neutral or

Distance	negligible	negligible	negligible	negligible
Regulations/Policies	Neutral or negligible	Neutral or negligible	Positive and Important	Neutral or negligible
Taxation	Negative	Negative	Negative	Negative
Education	Negative	Negative	Positive	Positive
Commercial Ties	Neutral or negligible	Neutral or negligible	Positive and Important	Neutral or negligible
Development/SOL	Negative	Negative	Neutral	Neutral
Political Stability	Fairly good	Fairly good	Positive	Positive
Infrastructure	Negative	Negative	Neutral	Negative
Industry	Negative and/or Difficult	Negative and/or Difficult	Positive	Positive
Work Practices	Negative and/or Difficult	Negative and/or Difficult	Positive	Positive
Diversity	Important and/or Difficult	Important and/or Difficult	Important and/or Difficult	Important and/or Difficult

On the other hand all the managers agreed that geographic distance had a negligible or non-existent impact. Commercial ties and relationships were found to also have a negligible and very indifferent effect on the managers, with the exception of C who found it to be very important and useful. Most of the managers found that language helped bridge distance as English was the common language in India, with the exception of Interviewee A. Hence it can be said that Language alone is the common objective factor that reduced or bridged PD even though it must be remembered that there are layers to it; the remaining objective factors varied in their impact on the interviewees.

Other factors such as Information Availability, Education Levels, Development, Political Stability, Infrastructure, Industrial Factors and Work Practices found the managers divided over the impact of these objective factors on their perceptions. Hence these factors are found to be more contextual. This is an important finding that shows that not all objective factors have an equal impact on PD perception and this conforms with Child et al's (2009) findings as well. However in Child et al's (2009) study between UK and Brazil language, regulations, legal systems, culture, logistical

infrastructure and GD created greater distance while technical and education aspects were negligible. In this context of Finland and India, culture, institutions were found to be consistently problematic while the other factors varied across different managers, in the case of India, education and technical skills were also varying. Hence the theory that PD should be operationalized and conceptualized as only objective clearly cannot be supported here. The variations on the impact that these factors have had on the managers' decisions, as well as common effect of culture and institutional factors support the theory that PD should be conceptualized as both objective and subjective.

With regard to subjective factors, it was found that factors at both the firm level and the individual manager level impact the perception of PD; in terms of attitudes, personality and values, in all the cases the managers displayed a strong attitude of open-mindedness, interest in travelling, human nature and culture, respect and acceptance of local religions and belief systems, a strong personal ability to cope with lower standards of living, ability to adapt and to learn, common sense and wide experience in multiple countries. Interviewees A and C highlighted the importance of trust, transparency, mutual goals and taking care of both sides while D appeared to be strongly aligned with the company's goal and attitudes of handling any problem that appeared.

With regard to networks, it was found that in most cases networks and third parties played a small role in reducing PD and had a minor impact on the experiences of Interviewees A, B and D. Interviewee A mentioned that he maintained few active networks, but that it was important in order to get information or some help and Interviewee D had no networks related to India and used staff as a strategic means to manage operations. Interviewee B's first company initially entered India by just following their client Nokia, and there was no need to much networking with local people and bodies even later on. In this case merely following the networks was unwise as when Nokia shut down this company shut down as well because they did not build up a local customer base.

In case of Interviewee C, networks were found to be vitally important and can be considered a reason for his experience of PD being lower. It must be noted that in this

case networks were initially adopted because of the barriers to setting up an own business in India as well as to diminish other risks. Interviewee B also strongly suggested building networks in India during the study phase as this can help get clearer information. Hence it appears that networks can have an effect in many ways: as a small source of information, as a strategic means to enter a foreign country when there are barriers and it can also develop into a means to reduce PD. Third parties were also used as a small means to gather information, but it was not found to reduce PD to a great extent and that it did not go deep enough.

An interesting finding is that experience did not appear to help reduce the PD of managers in India even though all the managers had substantial experience in China which is in close proximity to India, and in other developing countries. They found that their experience helped them adapt, be more mentally prepared, understand the more business aspects of setting up a factory or a joint venture, understanding how to market and how to “read people”. Hence the theory of grouping countries into clusters and regions and expecting knowledge and experience to transfer from one place to another and reduce PD is *not* found to be the case here. This is possibly due to fact that most of the managers did not have much experience in countries like Bangladesh, Pakistan, Sri Lanka etc. but this can be dismissed because they cannot be grouped with India due to their small sizes, scope of their economies and lesser diversity. Another reason why experience did not appear to greatly reduce PD is that India is a unique country, and hence firms should be aware that they cannot expect similar experiences everywhere.

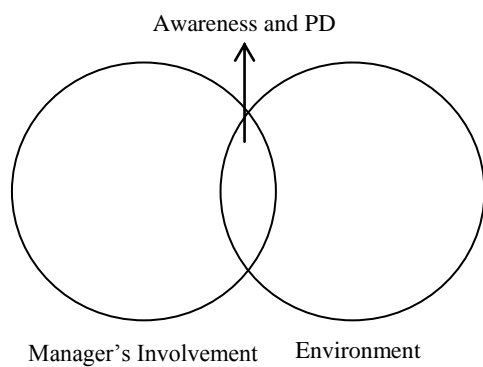
The table also shows why the PD perception of the managers was assessed as it was in the beginning of this chapter. The columns of Interviewees A and B clearly indicate that they experienced many more of the objective factors as negative or difficult than did Interviewees C and D, who demonstrated the most number of positive or neutral impacts of objective factors. Hence it appears that having a greater involvement in the business from establishment to daily management makes managers encounter more issues directly, furthermore being in a more common sector such as electricity/cleantech that is sold to the government or dealing with manufacturing may also lead to greater difficulties, so these two factors may create greater PD.

Also important is that there are factors such as purely economic motives of expansion and growth, as well as the impact of globalization that can push firms to internationalize and make PD a minor consideration. Often the decision to go to India has already been made based on such economic reasons without considering PD, this leads to a number of interesting suggestions: that the lack of information is not a deterrent to internationalizing, which does not agree with the theory that lesser information leads to lesser familiarity and therefore greater PD and less success. This leads to the realisation that when information is unavailable or inaccurate like in India, it may not be possible to get necessary or relevant information. A manager may only begin to understand and gather information about the environment during or post-establishment. Hence prior or during establishing in India, it appears that a manager cannot know what he does not know. But rather his experience of PD will depend greatly on his *awareness* and *understanding* of the environment. Hence, an important unexpected finding that has emerged is that Nebus and Chai's (2014) model of awareness, perception and understanding is relevant, perhaps more so than mere knowledge of objective differences. This also supports the call for post-establishment studies of PD (Child, 2009) as these give a more in-depth and clearer understanding. It can be argued here that *a-priori* studies cannot give an accurate understanding of PD since managers cannot know what they do not know; or rather their awareness is limited at the beginning but can increase only during and after the establishment of their firm in another country. Another important finding is that an important determinant of the perception of PD may depend on the level of involvement of the manager like A and B who lived in India for several years and were involved from the very setting up of their business to managing daily operations. A manager who is more involved over a long period of time may experience greater PD due to an increased awareness and understanding of the environmental problems, finally whether the firms' services and products have a market in the common sector may lead to a higher degree of difficulty, while a firm with more unique and competitive products and services could experience lower degree of PD. Figure 2 represents the awareness and perception of PD of the managers according to the degree of their involvement in India. The Venn diagrams indicate the extent or degree that a manager is aware of the environment and also the extent to which they experience PD is a result of greater involvement in the environment. Managers with

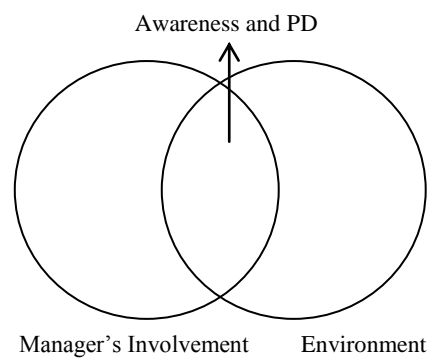
little or no involvement in India, such as only through news or internet search etc. will have lesser awareness and lesser PD than compared to managers who have more involvement in the environment either through joint ventures, through communication with local staff or through daily management of affairs; these managers who are more active and involved will have even more awareness and experience of PD due to their greater involvement in everyday life and management.

Figure 2. Diagrams depicting manager's awareness and PD perception dependent on their degree of involvement.

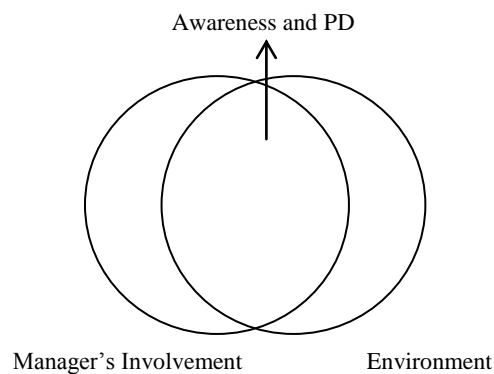
Managers with little to no involvement in India.



Managers using networks and staff.



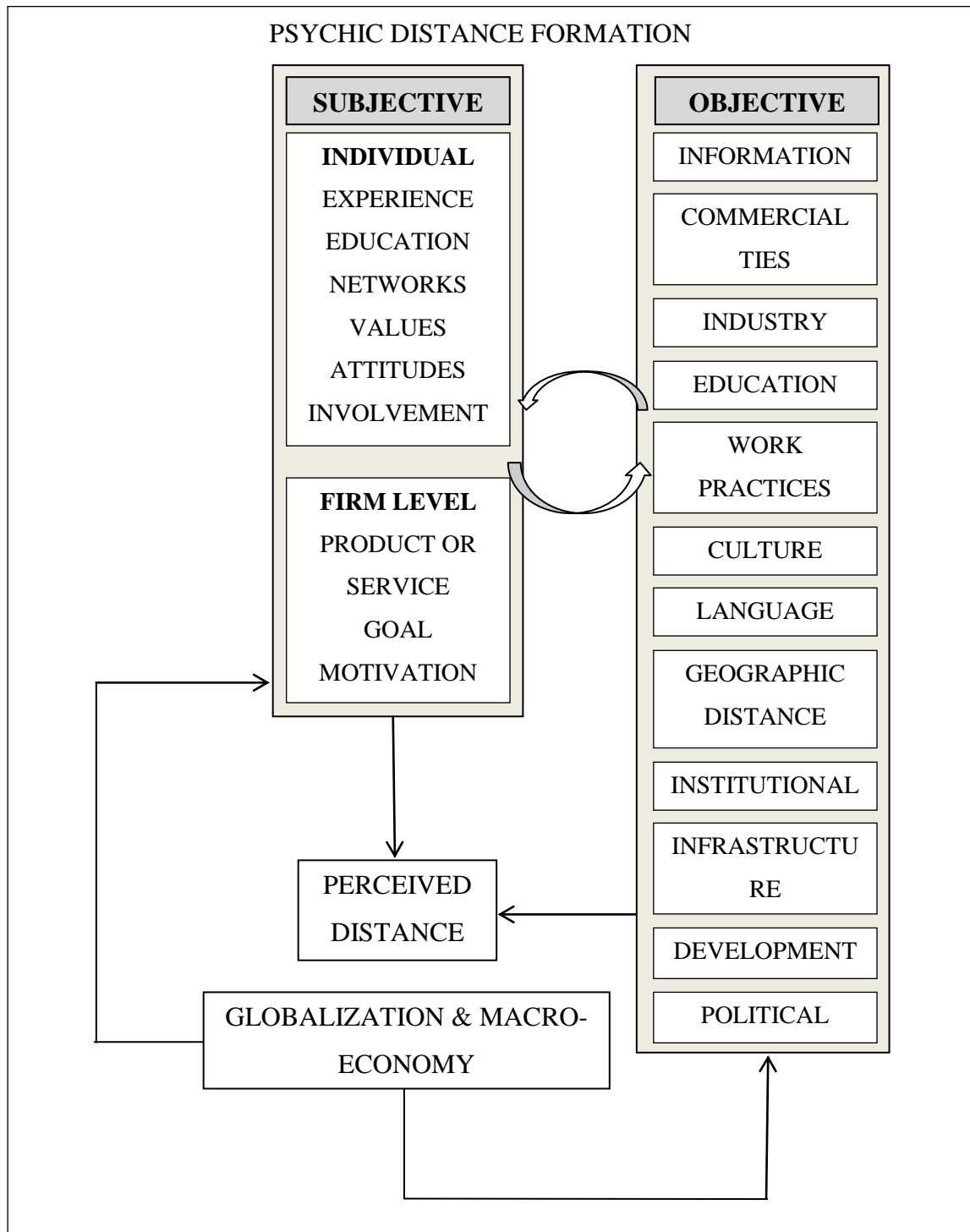
Managers involved in daily management in India.



The normal perception that India is a good place to do business in because of its large market can have two sides to the same coin: if the firm in question has products and services in the common sector then a large market may actually be a source of greater competition. But a firm that offers specialized and unique services and products can have the benefit of a large target market with little or no competition. It has also been found that globalization plays an important albeit indirect role in PD and must also be considered. These findings indicated in this chapter have been depicted in the modified Figure 3 which attempts to show the entirety of the interplay and complexity of the various factors interrelation with each other.

Figure 3 which is a modified representation of Figure 1 shows the influence of globalization and the macro-economy as well in the formation of PD; it must also be remembered that the interplay of subjective and objective dimensions should not only be considered as a whole, but that there are even more complex interactions and influences between various elements in each dimension (for e.g. the interrelation between products/services and industry, the dependence of commercial ties and education on industry, or the dependence of work practise difficulties or ease on degree of manager's involvement and even the relationship between globalization and economic events and the company's goals). Hence this model can be said to be more clear and comprehensive as it includes not only the important aspects of globalization and macro-economic factors but also the internal factors of the product's and service's viability in the foreign market and the company's own goals and motivations. Hence this concludes the presentation of the findings from the data collection; the summary and conclusion continue to discuss the findings and their relevance in the next chapter.

Figure 3. Modified figure depicting formation of PD in India.



7. SUMMARY AND CONCLUSIONS

7.1 Summary

The PD concept, operationalization and its influencing factors have been thoroughly explored and analysed and even observed in the context of Finnish managers doing business in India. This section summarizes the main findings of this thesis in relation to the research question and objectives put forth in the beginning.

The concept of PD has been widely studied and cited in IB literature, but even though PD is used to explain a number of consequences and decisions of firms doing business in foreign countries, the very foundation of PD i.e. its basic meaning and conceptualization as well as its operationalization are uncertain and varied. The primary aim of this thesis is to understand what goes into the formation of PD by examining the patterns and trends in literature and by examining the formation of PD in real life context of Finnish managers in India. This also fills in a gap where PD was not studied in the context of high distance where developed country managers do business in a developing country.

In this thesis, the main goal or focus has been to understand more clearly what goes into the formation of PD in the minds of decision-makers; the question is whether PD should be 'computed' by simply assessing the objective differences between two countries or whether it is something formed at the individual decision-maker level, and if so how is this influenced by networking, experience, education, values etc. This chapter will make sense and discuss the findings of this research and whether it departs from or resonates with the findings of the literature review.

First the answers to the research objectives are examined: with regard to the first research objective regarding the conceptualization of PD, the literature was thoroughly reviewed in Chapter 2 and highlighted the main patterns and trends taking place in the IB literature which have been only briefly glimpsed in many PD studies. It showed the

origin of the term ‘psychic distance’ and the movement from conceptualizing PD as subjective to objective concept and back to subjective all over again. It explained how PD began as a ‘psychic’ and abstract construct that eventually became construed into ‘differences’ and country level objective factors that could make PD a concept that can simply be ‘computed’ and applied to all firms. Subsequent studies have been highly critical and argued back and forth over the validity of PD as either objective or subjective and finally the major breakthrough and agreement of many studies were that PD is centrally subjective but also needs to consider objective factors together with the influence of factors like experience, networks, etc.

Hence the literature review on Chapter 2 answers the first research objective by reviewing and analysing the literature and coming to the conclusion that the main dimensions of PD are the objective and the subjective dimensions, and also that they are found to be most useful when they considered combined rather than separate approaches to conceptualising PD. Within these dimensions, the objective dimensions were found to have the following factors as the key elements: Information, Political Stability, Institutional Factors, Culture, Geographical Distance, Language, Commercial Ties, Education, Work Practises, Infrastructure, Industrial Level and others. The important elements of the subjective dimensions were found to be values, attitudes, personality, experience, networks etc.

In fulfilment of the second research objective regarding the operationalization of the PD concept, Chapter 3 carefully and thoroughly reviewed the literature to understand and enumerate the ways in which PD has been operationalised in the past. It was found that the operationalization of PD is quite complicated, inconsistent and varied. In many previous studies cultural distance was used to measure PD or differences between countries was used to calculate it and these methods also corresponded with the objective conceptualization of PD. Other researchers criticised the use of such measurement methods stating that CD is not a substitute for PD, nor do mere objective figures give an accurate picture of PD due to problems of symmetry, mismatched units of analysis and other reasons. Subjective methods were also developed in correspondence with the subjective view of PD, and even here there were variations and

criticisms over the various methods of operationalizing perceptual PD. Finally the literature review also identified a combined approach which has been recently developed and supported by a number of researchers in which the objective factors are considered in conjunction with subjective perception of the managers and includes the influence of experience, networks and other factors. This combined approach has also been adopted in this study.

In response to the third research question factors that influenced the perception of PD were more deeply discussed and analysed in Chapter 4. Hence the roles and influence of networking, educational backgrounds and experience were explored in greater detail. The literature review revealed that experience has been widely studied in literature, while the link between networking and PD has not been studied very deeply. Other factors like values, educational background, attitudes etc. were neglected altogether and there was no research available at the time of the review that dealt with how these other factors affected the perception of PD. It was found however that experience in specific clusters or regions could eliminate PD altogether if a firm internationalized another country in the same region, but general international experience did not reduce PD even though it helped in managing business very generally. Networking was found to be used strategically to go to other countries even though there was high psychic distance rather than a means to reduce PD. Hence this literature review helped answer Research Objective 3 and explored the role of various factors that influenced the impact of objective factors and the manager's perception of PD. The literature reviews on the conceptualization, operationalization of PD and on the factors experience, networking etc. formed a strong foundation of theory and provided a basis on which the formation of PD could be studied in the context of Finnish managers in India.

Finally, with the answers derived from the previous research objectives the final objective was answered by exploring the formation of PD in the context of firms from a developed country doing business in a developing nation i.e. Finnish firms and managers in India. Chapter 6 revealed the findings from the interviews conducted of four Finnish managers with varying backgrounds and the PD concept was thoroughly examined through the viewpoints and experiences of the participants of this study. The

findings explored the concepts put forward in the chapters of conceptualization, operationalization, networks and other influencers and attempted to find out what goes into the formation of PD in a manager.

The research objectives together answer the larger research question which enquires into the formation of PD at the individual level in the high distance context of developed country managers doing business in a developing country. The findings are that PD is a complex concept that is extremely contextual and contingent and varies from individual to individual. Hence PD is centrally a subjective concept and this study confirms that both objective and subjective dimensions of PD are very important and they both play roles in how managers perceive PD. However the influence of experience, networks, the managers' personal backgrounds etc. did not fully agree with the findings in the previous literature review. It was found that experience did not reduce PD a great deal but rather armed the managers with business-related knowledge and the ability to cope. Networks were found to be useful only in one case and in the remaining three cases networks and third-parties played minor roles, however it was found that all the managers had strong attitudes of coping, adaptation, respect, tolerance and open-mindedness and they espoused values of good ethical behaviour and trust with locals.

There were three important factors that *emerged* from the findings that also appeared to play a significant role on the perception of PD and they are: the degree of involvement of the managers in the establishment and running of the firms, the degree to which the product or service was specialized and unique and lastly the role of globalization and macro-economic events. It is self-evident that managers who live in a foreign country and manage daily operations thereby dealing more with locals and staff will be more aware and exposed to various differences and challenges. The remaining two factors may need more studies to confirm their relationship to the formation of PD, nevertheless the indications are that firms that have a unique product or service with great profitability and market potential will encounter fewer challenges and competition and therefore have a more positive outlook that can either reduce PD or lead to an attitude that is determined to overcome difficulties especially when there is a strong motivation

to make profit. Globalization and macro-economic events can push companies experiencing a slump in their own economy and seeking new markets in opening developing countries to develop a formidable attitude to grow. Here it is a combination of external factors which are met with internal attitudes and value systems and there is an interplay of both external and internal factors that are complicated. Hence profit motivation and growth motivation overcome or ignore the impact of PD *initially* and hence this supports the need for post-establishment studies to understand and spread knowledge of dealing with PD after the decision has been made to go abroad.

The data analysis also revealed additional findings which are not directly related to the objectives and research question but which emerged from the findings to add to the topic of this thesis. The finer details of the findings are related as follows: not all objective factors have equal impact on firms and firms cannot expect information flows that are relevant for other firms and other industries to be relevant for them. There is often an interplay of subjective and objective factors and even interplays between objective elements themselves. For example, the perception of education levels, language, commercial ties and information have been found to be dependent on the industry in which the firm deals with. The data collection showed that all the firms entered India based on economic reasons and that the other factors of PD such as culture, commercial ties etc. played more of a secondary role or no role at all, at least in the beginning. Hence the question of whether PD was of any impact or importance at all at first is questionable. However, during establishment and post-establishment the experiences of PD were unavoidable and were dealt with as they appeared.

The literature review has shown that a lack of information is thought to lead to lesser familiarity and greater PD, and firms will avoid such places where information is lacking. However, in this case many of the firms did not have sufficient information at all and discovered challenges only *after* initiating the firms' establishment in India. In the case of India, it was found that information generated through tourist visits, market studies, the media and internet did not provide sufficient, accurate or relevant information. When the nature of the information flows themselves are limited and flawed it is not possible for a manager to know that he or she does not know. Hence this

becomes a matter of awareness of the manager than merely gathering information about another country assuming that information is accurate and reliable. From this emerges support and evidence that the model of PD developed by Nebus and Chai (2014) is important and relevant.

The Nebus and Chai (2014) model look at PD as a product of the managers' awareness, perception and understanding and it has emerged in this study that awareness and understanding were important factors that either helped or hindered managers in their dealings with India. Adopting or recognising this model of awareness, perception and understanding can help managers and researchers identify those factors both objective and subjective which are relevant to the individual firm rather than try and understand PD from a list of theory-generated factors. This allows more individual factors such as experience, networks, attitudes, education etc. to come forward and understand PD in a manner that is more 'customized' and truly relevant.

Hence, the initial model of PD as a combined construct consisting of subjective and objective dimensions is supported, but conditionally; objective factors themselves are vary based on their relationships with each other, experience offers limited PD reduction while network is useful as in reducing PD as long as it is used strategically, education has no impact on PD and values, attitudes and other personal aspects help cope with challenges and are not really concerned with reducing discomfort. New factors such as the nature of product i.e. whether it is common or differentiated and the degree of involvement of the manager, and the influence of globalization on company motivations and decisions are also important.

7.2 Conclusion

This section will elaborate on the theoretical contributions of this study as well as the managerial implications, the limitations of the research and finally the suggestions for future research.

7.2.1 Theoretical contribution

This section addresses the contribution of this study to the academic literature in psychic distance and international business. This study adds a level of clarity, organization and understanding of the major patterns, trends and breakthroughs in PD literature by explicitly exploring and highlighting the major divisions in research especially with regard to the objective versus the subjective view of PD. This thesis supports the theory that PD is centrally a subjective concept which is in agreement with the findings of a number of authors such as Håkanson & Ambos (2010), Nebus and Chai (2014), Dow and Karunaratna (2006), Evans and Mavondo (2002) and many others. However it also supports the importance of objective factors as elaborated by Child et al (2002) and Brock et al (2011). Hence this study also supports the call for a multi-dimensional view of PD in conceptualization and operationalization such as by Brock et al (2011), Child et al (2002, 2009), Dow & Karunaratna (2006), Evans et al (2000), Sousa and Lages (2011) and many more. However, this study encourages a far more contingent view than compared to other studies and this study also contributes to the literature through findings that disagree with the studies of other researchers.

In the argument for and against the importance of GD in the formation of PD, it was found that GD was unimportant to managers and hence disagrees with the findings by Håkanson & Ambos (2010) and Dow & Karunaratna (2006). Another disagreement was with regard to the role of experience; especially experience that is categorised as cluster/region specific and general experience as suggested by Dow and Larimo (2011) and Dikova (2009). It was found that experience played a limited role in India even though the managers had vast general experience as well as experience in countries close to India; rather it was found that experience only helped know the business better and create an attitude of adaptation and understanding.

The study also agrees with Shenkar (2001) and Dow & Karunaratna (2006) and finds that it is inappropriate to make the assumption of equivalence with regard to the impact of the various dimensions of CD and PD, and also that there is a great deal of heterogeneity within a country itself and it cannot be assumed that PD can be calculated

and applied to all regions within a country. This is also in line with the findings of Child et al (2009) who found that rural and cosmopolitan regions in Brazil were vastly different and heterogeneous, it also agrees with the suggestion that a relationship style marketing approach is used in developing countries as traditional values are strong, institutional options are problematic and therefore trust and harmony are important. This study also contributes to the literature due to its post-establishment context which has been called for greater research by Nordman & Tolstoy (2014).

It was also found that globalization played an important role in PD as was also found in the study by Child et al (2002) and this may be relevant in developing nations. It was also found, in resonance with the study by Child et al (2009) that institutional factors can form a significant contributor to PD. The study also adds support to Brock et al (2011) and Ellis (2008) who state that basic economic costs and considerations are very important. An important contribution of this study is that it inadvertently and unexpectedly gives support to the model of PD by Nebus and Chai (2014) and finds that conceiving PD through the dimensions of awareness, perception and understanding is a powerful means for managers to truly take context into consideration.

Finally, this study contributes to the literature by adding the elements of managers degree of involvement and the nature of the product and service as important considerations to be considered in the operationalization of PD. This finding will need more research to verify its validity and generalizability and offers more scope for research to explore PD and hence this concludes the theoretical contribution of this thesis.

7.2.2 Managerial implications

This study provides some insight for managers and third-party organizations like Finpro into what to expect when dealing with a developing country like India through the lens of the PD concept as well as how to cope with the challenges.

Managers planning to do business in developing countries like India should not assume that the information they will initially find will be sufficient and relevant, and they should consider a very contextual view of PD by considering their own company's products, strengths and weaknesses as well as the degree to which they plan on being involved in the country; hence, it should not be assumed that general country information will be applicable to their situation. However, using the PD concepts outlined here can help managers broadly consider all the important factors and use them as guidelines to understand their position and make decisions.

One of the important findings here is that a large market can have both positive and negative aspects, where a product is general and is sold in a common sector it can have greater competition and struggle to make money, whereas a company with unique competitive products are likely to find the market size a huge potential for profits and growth. This means that there has to be a very complete and in-depth understanding of economic costs and potentialities. Managers should try and become more aware of what they do know and what they do not know, leading to a search for deeper information.

Since information is not easily available, developing good networks and having a relationship with persons within the country is vital, such as with someone in the government or at least with experience third parties like Finpro. Managers should focus on developing long-term trustworthy relationships through fulfilling mutual goals and transparency, and should have a strong personal attitude to cope with a chaotic environment, different business practices and a lower standard of living. Managers can also strategically manage to reduce distance by hiring local staff and training them very early on and also through trustworthy networks. It is also preferable that persons with experience are sent to work or establish the business in India, although it has been found that experience cannot reduce PD very much since the environment in India is quite unique, but managers with experience will find it more easier to be prepared, adapt faster and run the actual technical and business aspect of the firm.

Managers are suggested to deal with local parties with respect for their differing beliefs and opinions, to listen to the other party, be aware of cultural and religious differences,

diversity and religious practices of various people as well as their origins. However this does not mean that there cannot be disagreements or criticisms in business life, and changes must be introduced and pushed wherever necessary for the survival of the business. Finally, the company itself must have a strong and positive attitude to do business in the foreign country; it has been found that the company's support and attitude can be very valuable in motivating and encouraging the manager who is in India.

For third party organizations like Finpro, it is suggested that managers and firms are made to fully understand the differences and difficulties to be faced in a developing country like India, and to not only present the opportunities available but also to clearly show the difficulties to enable firms to be more aware and therefore prepared for any issues that they may face. Third party organizations can also help managers by recommending local networks and trusted partners for managers to work with and by generally offering support and information,

7.2.3 Limitations

There were some limitations to the study that will be related here; to begin with the number of firms interviewed was quite few and hence this places a limit on the generalizability of the findings. Another limitation was that there was limited variety of the type of firms interviewed as all of them were large firms and three were wholly-owned subsidiaries and only one was a joint venture firm; a greater variety including more joint venture firms, licensing firms and exporting firms could have led to more interesting comparisons.

The study also lacked the input from small sized firms which could have given a different insight in the role of experience and networks since their limited resources and experience may have led them to use these factors more effectively than the firms interviewed here. Finally, another limitation was that only one member or representative of each firm was interviewed, if more than one member had participated then it would have given a basis of comparison with regard to the perception of PD in relation to the

degree of involvement and managerial position in the company. The study is also limited as it is a post-establishment study and gives the viewpoints of those firms that already made the decision to enter India, the findings may have been different or there may have been a clearer picture if firms could be studied prior to establishment.

7.2.4 Suggestions for future research

The suggestions for possible future studies are as follows: researchers are called to study the formation of PD in 'unique' countries such as India and Japan, which are generally considered unsuitable to cluster into regions due to their size, differences in language, ethnicity etc. Research also needs to go in-depth into the role that values and attitudes of managers play in reducing PD or coping with the difficulties in a different environment. Researchers could also attempt to repeat this research with greater empirical numbers to find out the generalizability of these findings.

The study of PD certainly needs to be explored in other developing country contexts to find out if the same factors create the same challenges. Also finding out the relationship between a firm's products i.e. whether it is in the common sector or a unique one and whether it has an impact on PD perception needs to be verified to find out if this is the case in different contexts.

It is also suggested that researchers attempt to carry out studies that cover both the pre-establishment and post-establishment impact and formation of PD in order to observe, record and understand the changes in PD before and after entering a country and to give a greater view and understanding. Also researchers are called to study how small and medium firms with limited resources and experience manager PD in very high distant and developing country contexts. It would also be interesting to interview several managers at different organizational positions at the same firm having different degrees of involvement in doing business in a foreign developing country, this can help find out and verify the role that one's involvement plays in PD and whether one company can have different viewpoints at different levels. The literature review and findings indicate that the globalization can have an effect on firms and their decisions directly and

indirectly and this shows the possibility of interesting research. Hence these are some of the future research possibilities that this study can instigate which can lead to greater and richer understanding of the PD construct and influence.

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APPENDIX 1. First Letter To Companies Requesting Participation

Subject: Request to Participate in Interview about ‘Company’ in India - Master's degree student – University of Vaasa

Dear XYZ,

My name is Debashri Mishel Dutta, I am an Indian student at the University of Vaasa. I lived in Vaasa for two years and during that time I developed an interest in how Finnish firms do business in India, especially when the two countries are so diverse in many aspects such as culture, language, infrastructure etc.

I am currently in Bangalore writing my thesis and my focus is on how Finnish managers experience 'psychic distance' when they deal with India i.e. how they perceive differences between India and these countries and whether this affects their business decisions.

I would be very interested in having your feedback about what makes it difficult to do business in India so I request you to be a part of my study, wherein I would not take up *more than one or two hours* of time via Skype or phone call, asking questions about your experiences in India. This requires no sensitive business information but rather depends on the personality of the manager who made the decision to 'go to' India.

It would be very helpful to me if you would agree to be an interviewee and I would be glad to share the results of my research with you. My research could contribute to resolving the difficulties faced by Finnish managers in India and help future managers.

I have attached the interview questions I would like to ask you for your reference, and also some extra information about myself and my research. Please do write back to set a date and time that would be suitable for speaking with you. Looking forward to your reply. Thank you.

RESEARCH QUESTION

How is psychic distance formed at the individual level for managers from a developed country entering and operating in a developing country?

RESEARCH OBJECTIVE

1. Evaluate and critically analyze the psychic distance literature, identifying the key dimensions that conceptualize psychic distance.
2. Evaluate the operationalization methods of the key dimensions of psychic distance.
3. Identify and analyze manager-related factors such as experience, networking, and education and their possible role in PD formation.
4. Explore how PD is formed at the manager level in the specific context of Finnish firms doing business in India.

Best Regards,

Debashri M Dutta

Phone Number

Skype Address

APPENDIX 2. Second and final letter requesting participation

Subject: Urgent request to participate in research

Hello,

I am Debashri. I previously sent an email detailing a research about the 'psychic distance' problems faced by Finnish firms in India.

I once again request you and your firm to kindly consider being a part of this research as there are almost no studies concerning Finnish firms in India with regard to international business, and also because the outcome of this research could help other Finnish managers to better cope with doing business in India. Finpro, India is also interested in the result of the study and your participation is valuable.

Here are a few practical details:

- The Finnish manager concerned with India needs to participate
- An interview lasting 1.5 hours via Skype or phone call will be conducted
- It will be anonymous and confidential

This is an urgent final request to be made as the research is about to close soon, so please do consider being a part of this study. Details about me, the research, my CV as well as the interview questions are attached to this email. If you can participate please do let me know a date and time convenient for you. Thank you very much.

Best Regards,

Debashri M Dutta

Phone Number

APPENDIX 3. Interview Questionnaire

GENERAL QUESTIONS	
i.	Name (This remains confidential)
ii.	Current Company (confidential)
1	What was your position and role in India? Please mention the company if it was different from your current company.
a	What was the entry mode or organizational form set up in India and the name of the organization? E.g. JV, Wholly owned subsidiary, etc.
2	What languages do you speak?
PERSONAL VIEW VS. RATIONAL VIEW	
	The objective of this study is to find out what creates 'distance' in the minds of foreign managers doing business in India, or what makes India seem like a very different and difficult country to do business in, with respect to this please answer the following:
3	Important question! Please take the time to answer with length, do not worry about particulars. Please describe India, especially from the viewpoint of doing business in India.
4	Did you experience any changes in your perception of India? i.e. Did you change your viewpoint during and after working in India? What were the changes in your perception?
5	Please describe what is more important: your own personal judgment and viewpoint when doing business in India or objective data, like research? Is it more useful to rely on your personal judgment or on hard facts and data? Or both?
WORK EXPERIENCE	
6	This section is about your work experience before working in India
a	Did you work in other countries before (except for your home country)? Please name them.
b	Did you work in countries that are extremely similar to your home country? Or extremely different? Please mention the countries you have worked in.
c	Did you work in other countries in Asia? Or other countries similar to India?
7	Was there a difference between your domestic (home country) work experience and international work experience with regard to how it affected your ability to work in India?
8	Any further comments regarding your previous work experience and whether it helped you to do business in India? Or did you find that there were certain aspects that you were not prepared for?
EDUCATION	
9	Please describe your educational background briefly
10	Did you study subjects related to international business and culture?

11	Describe if your educational background helped you or had no effect on understanding and doing business in India
NETWORKS	
12	During your previous work experience and education did you have colleagues and classmates of different nationalities? Did this impact your viewpoint of India in any way? For e.g. you felt confident or uncomfortable about entering and doing business in India?
13	Does your social circle or social media (Facebook, Twitter etc.) have people of other nationalities? If yes, Did this make you feel more comfortable about India? Or did you still experience discomfort when starting operations in India?
14	Do/Did you actively seek out and build contacts in India to aid setting up your business in India? Did you build contacts with locals, expats or institutional bodies like Finpro, Tekes, Government bodies, industry associations etc.? Please elaborate.
15	Were you approached by agents, distributors, consultants in India? Did they help you and your company?
ATTITUDES AND VALUES	
16	Please describe your personal attitude or values that you feel make you different from other domestic (Finnish/Home country) managers and capable of dealing with a very different country like India?
17	Are personal attitudes and values relevant when dealing with a foreign country?
18	Why do small Finnish firms struggle to do business in other countries especially different countries like India, what can they do to succeed and enter a country like India?
OBJECTIVE ASPECTS: THE INDIAN ENVIRONMENT	
19	Did you/your company conduct intensive research and created a strategic plan for doing business in India? What did the research focus on? Culture, infrastructure, economy? Please comment
20	Please read the following list of environmental factors which are said to affect 'psychic distance' i.e. your perception of whether a country is very similar and easy to work in or very different and difficult to operate in. Are any of the following relevant? Please comment and explain if any of the elements below made it easy, difficult or did not affect your operations in India.
	a Commercial ties/Bilateral trade relationships between Finland and India
	b Finnish govt investment in India
	c Political Ties between Finland and India
	d Political Stability of India
	e Development aid by Finland to India
	f Trade representation offices like Finpro
	g Historic Ties (if any) between Finland and India such as colonial relationships and shared wars

	h	Geographic distance
	i	Cultural similarities
	j	Religions
	k	Language
	l	Sport preferences
	m	Availability of Secondary information
	n	Immigration: Finns in India, Indians in Finland
	o	Level of development in India
	p	Level of corruption in India
	q	Education Levels in India
	r	Industrial development
	s	Time Zones
	t	Media (Newspapers, online articles, academic research)
	u	Any other not mentioned here?
ADDITIONAL COMMENTS		
21	In case you believe that I have missed any relevant questions regarding 'psychic distance' or perceived differences that affects doing business in India please enter your comments here:	
	ADDITIONAL QUESTIONS	
i	Has globalization made India closer, is India more understandable and reachable?	
ii	How accurate is this statement: The success and ongoing smooth workings of your firm in India rests largely on you individually.	

APPENDIX 4. Information about Self and Thesis sent to Managers

About me

I am Debashri Mishel Dutta, residing in Bangalore, India and am currently enrolled in the Masters in International Business Programme at the University of Vaasa, Finland.

I am working on my master's thesis which focuses on "Psychic Distance" experienced by Finnish managers who set up operations in foreign countries, especially in a diverse and 'difficult' country like India.

I lived and studied in Vaasa, Finland for two years from 2010-12. During the summer of 2011 I did a CRM internship in International Venture Consultants, Madrid, Spain. In the summer of 2012 I worked as a marketing intern in Welas Oy, Vaasa.

My Indian roots as well as personal love for travel and culture has led me to focus on international business problems especially with regard to foreign firms interested in doing business in India. My strength lies in the ability to bridge two worlds effectively; that of Indian culture and working environment, and foreign national and business cultures. I have always worked well with colleagues and superiors at the work place and in academia and am keen to work for an international company.

To know more about me professionally please scroll down to the next page. To find out more about the thesis/research, please keep reading.

Contact me: xxx@yyy.com, +xxxxxxxxxxx, Skype: xxxxxx

RESEARCH ABOUT DOING BUSINESS IN INDIA

RESEARCH TITLE: THE FORMATION OF PSYCHIC DISTANCE IN MANAGERS: THE CASE OF FINNISH FIRMS IN INDIA

About The Thesis

Studies in international business have found that decisions are not always made on purely objective and rational data; a manager's personal perceptions and previous experience also affect the decisions made by a firm as well as the performance.

This is important because:

- Countries that appear to be easy to work in may actually be difficult and different in reality
- Countries that appear to be hard to do business in may nevertheless offer opportunities for performance and success if the manager is aware of psychic distance coping mechanisms.

This research explores the perception of Finnish managers dealing with India and finds out why and how India is perceived to be a difficult country to work in and how to overcome such perceptual differences. The main focus of this study is the manager, together with their experience, attitudes and values.

Your Role and Involvement In This Research

You can help demystify the difficulty of working in India by being a part of this research. This simply means that you will be interviewed via Skype or by phone call and will have to answer questions about your experience in India. The interview will last between 1-2 hours, often less. Your input can help understand the problems associated with working in India, how to deal with them, and also contribute to scientific and academic research.

Hence you are kindly requested to participate as an interviewee, your feedback and experience can provide valuable information that could help make India a more accessible and 'closer' market for Finnish businesses.

MY CURRICULUM VITAE

Personal Information	
<i>Name</i>	Debashri M Dutta
<i>Contact No</i>	+xxxxxxxxxx
<i>Email</i>	xxxxxx
Academic Qualification	
<i>Current</i>	<i>Ongoing:</i> Masters in International Business
<i>University</i>	University of Vaasa, Finland
<i>Thesis</i>	"The Formation of Psychic Distance in Managers: The Case of Finnish Firms in India"
<i>Subjects</i>	Global Marketing Management, International Business Management, Mergers and Acquisitions, Internationalization Strategies of the Firm
<i>Previous</i>	Bachelor of Business Management
<i>University</i>	Christ University, Bangalore
<i>Thesis</i>	The Impact of Web Design on Firm Branding
Work Experience	
<i>Previous</i>	Marketing Intern – Business Development
<i>Company</i>	<u>WELAS OY, VAASA</u>
<i>Duration</i>	2 months: June - July, 2012
<i>Tasks</i>	Business Development for Welas Oy, in USA. Identifying direct clients for Welas

	<p>Identifying Manufacturer's Representatives</p> <p>Database creation, Data mining</p> <p>Content creation for promotion, soliciting offers</p> <p>Telephone calls to direct clients and manufacturer's reps</p> <p>Social media management</p> <p>Additional tasks related to business development for Welas in USA</p>
Previous	Marketing Intern – Customer Relationship Management Department
Company	<u>INTERNATIONAL VENTURE CONSULTANT, MADRID, SPAIN</u>
Duration	3 months: May 23, 2011 – Aug, 30 2011
Tasks	<p>Bringing European visitors in the Energy and Electronics Industry to India for world's largest power transmission and distribution – IEEMA 2012</p> <p>Telemarketing to 300 European companies</p> <p>Social Media Marketing</p> <p>Marketing messages content writing</p> <p>Communication agent between client company and target customers</p> <p>Using CRM software to manage the marketing campaign</p>
Personal Goal	
	To play a key role in helping people and companies do business internationally in a diverse and challenging environment. My goal is to help businesses expand and to act as a bridge between two different cultures and organizations.