PSYCHIC DISTANCE IN INTERNATIONAL MARKETS:
A STUDY OF UK MANUFACTURERS OF MEDICAL EQUIPMENT

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PSYCHIC DISTANCE IN INTERNATIONAL MARKETS: 
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A study of the French, Japanese, West German, Italian, Swedish and United States of America markets.

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1. INTRODUCTION

The impetus for the study reported here of psychic distance in the internationalisation of the firm comes as a result of the apparent lack of knowledge about export market selection and the role that various personal and organisational factors play in this process. Paradoxically, this lack of insight exists at a time when world trade is increasingly important and almost no nation can now exist without participating to a certain extent in international trade.

Expanding a company's activities into an international arena exposes the company to a multitude of new problems and pressures, such as different market structures, where the channels of distribution and business practices vary and there are also different economic, political, legal, social and cultural environments in which to operate. Furthermore, organisational problems of communication and control as a consequence of the geographic and cultural distance and inter-governmental pressures exerted at an international level, create an international environment fraught with problems. The ability to foresee these obstacles and to overcome them will determine the future course of the organisation.

In spite of these problems, exporting and international growth are still seen as popular routes to long-term organisational profitability, growth and stability. Previous studies have focused on the motivation to export (Pavord and Hogart 1975, Simpson 1973), pre-export activity of an organisation (Welch and Wiedersheim-Paul 1977) and models of export behaviour and internationalisation (Johanson and Wiedersheim-Paul 1975, Johanson and Vahlne 1977, Bilkey and Tesar 1977).

The route that an organisation takes in the international environment, be it opportunity-seeking or to achieve strategic objectives, is influenced by individual decision-makers. The influence on these decision-makers are considered to range from economic factors, affecting the long-term future of the organisation, to the prestige of exporting to, and an affiliation towards certain countries. These latter personal preferences are related to the subject of psychic distance in the individual's decision-making process, as studied by Hornell, Vahlne and Wiedersheim-Paul, (1972), Johanson and Wiedersheim-Paul (1975), Wiedersheim-Paul, Olsen and Welch (1975) and Johanson and Vahlne (1977). These studies of psychic distance have identified three categories of distance:

1. Inter-country distance
2. Inter-firm distance
3. Intra-firm distance

It has been suggested that organisations tend to establish export agencies in countries perceived to be psychologically close but that the establishment of sales subsidiaries and manufacturing subsidiaries is influenced by a greater number of factors and no significant relationship with psychic distance can be observed (Johanson and Wiedersheim-Paul 1975).

Given the importance of these early studies it is surprising to note that little work had been conducted in the United Kingdom on the elements of psychic distance and its relative importance at different stages of the organisation's internationalisation. The purpose of the research reported here, was to determine the important elements of psychic distance and to analyse their relative importance when considering various countries as export market opportunities for the suppliers of medical equipment.

2. INTERNATIONALISATION

2.1 Motivation to Export

Explanations of the export initiation process have centred on two issues: external and internal change agents. Pinney (1970) suggests that important external change agents can be chambers of commerce, industrial associations, banks, government agents and other firms whilst Bilkey and Tesar (1977) suggested that the effect of other firms is the most important. Other firms can produce an orientation to exporting through acquisition and subsequent pressure to export, or through unsolicited interest from overseas companies requiring product, or through foreign importers and export agents. These forms of export
intitiation are generally passive and will often be motivated by short-term profit maximising constraints.

The internal change agents generally take the form of the firm's top management (Pinney 1970) and will depend upon management's impression of the attractiveness of exporting (Simpson 1973), the degree of international orientation within the firm (Wiedersheim-Paul, Welch and Olson 1975) and its confidence in the firm's competitive advantage.

Cundiff and Hilger (1984) analyse the circumstances which may motivate the company into making export marketing decisions according to whether or not the initial decisions to move into an export market is to solve a problem or to seek an opportunity. Motivation is then combined with the external or internal stimulation concepts applied at an operational or strategic level within the organisation. At a strategic level, export decision making may be based on growth, diversification or return on investment objectives whilst at an operational level venturing into a foreign market may be to overcome the problem of inadequate domestic demand.

Other studies of motivation for export, as summarised by Bilkey (1978) suggest that motivation changes with the condition of the economic climate. Tookey (1964) found that manager's subjective estimates of exports were that they contributed little to profits. Tookey's study was carried out in the UK when sterling was strong and Darnhart's was conducted in the US when the dollar was strong. Finally, Simpson (1973) in a study of 120 Tennessee manufacturing firms concluded that managers considered exporting to be a high profit earner. This study was carried out when the dollar was relatively weak.

2.2 Models of Export Behaviour

There is considerable debate about how firm's develop their international marketing activities (Turnbull 1986). Johnson and Wiedersheim-Paul (1975) proposed a model of the firm's internationalisation process as a 'stepwise extension of operations' with internationalisation occurring gradually rather than as a result of spectacular foreign market investments. The internationalisation of the firm describes:

"... either an attitude of the firm towards foreign activities or to the actual carrying out of the activities abroad".

Assuming that firms firstly develop in their domestic market and that the major obstacles to internationalisation are lack of knowledge and resources, which create a perception of risk associated with foreign market entry, the following four stages, 'the establishment chain' were proposed:

1. No regular export activities
2. Export via independent representatives (agents)
3. Sales subsidiary
4. Production/manufacturing subsidiary

Each stage represents an increase in the commitment to a foreign market and progression depends on the level of uncertainty present about the market and its environment and the firm's experience from previous export ventures. Each stage also represents a greater flow of information from the market so that the firm can utilise its resources in a more reliable manner.

A study by Johanson and Vahlne (1977) of the Swedish pharmaceuticals company, Pharmacia, illustrated the process of internationalisation. Pharmacia had operations in nine countries and in eight of these the process started with the receipt of orders from the country followed by the establishment is an agency. In seven instances the agency was followed by the establishment of a sales subsidiary and in the other case a manufacturing company was acquired. Two of the sales subsidiaries then went on to extend operations into the least complicated manufacturing process, gradually becoming more complicated. In the ninth country, a sales subsidiary was established immediately, owing to the large level of demand from that market for Pharmacia's products.

Johanson and Vahlne (1977) developed a model to explain the steps in the internationalisation process of a business (Figure 1). The model assumes that a major obstacle for potential exporting firms to overcome is lack of
Objective knowledge can be taught whilst experiential knowledge can only be gained over long periods of time through conducting business with that country. As this experiential knowledge is difficult to obtain, it becomes a valuable resource to an organisation and consequently may make an organisation more oriented towards a particular market. General knowledge concerns areas of technical know-how that may be transferable across international market segments whereas market specific knowledge relates more on knowledge of the business climate, culture and market structure and individual customers.

Figure 1: The Basic Mechanism of Internationalisation

<table>
<thead>
<tr>
<th>Commitment</th>
<th>Market Knowledge</th>
<th>Current Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Market Commitment</td>
<td></td>
</tr>
</tbody>
</table>

Source: Johanson and Vahlne, 1977

In this dynamic model, the outcome of a cycle of events serves as an input to future decision-making. The output is the present state of internationalisation which, in turn, affects decisions taken concerning the further internationalisation of a company.

The decisions to commit resources to foreign markets depend on perceptions of problems, opportunities and risk associated with a particular market. It is suggested that if the existing market risk situation poses less risk than the latter, risk reduction strategies involving greater interaction with the market may be more appropriate.

Bilkey and Tesar (1977), suggested the following stages of internationalisation behaviour resulting from their study of Wisconsin manufacturing firms.

1. Management is not interested and would not even fill an unsolicited order.
2. Management is willing to fill unsolicited orders but makes no effort to explore the feasibility of active exporting.
3. The firm actively explores the feasibility of exporting to some psychologically close markets.
4. The firm exports experimentally to some psychologically close markets.
5. The firm is an experienced exporter to that country
6. Management explores the feasibility of exporting to additional
countries, psychologically more distant

Johanson and Vahlne (1977) studied a firm going through the internationalis­
ation process and followed its acquisition of international market
knowledge and how it used this increasing knowledge to undergo greater
foreign market commitment. In developing this model to describe the
internationalisation process of a firm they assumed that ...

"... a lack of knowledge (about foreign markets) is an
important obstacle to the development of international
operations and that the necessary knowledge can be
acquired through operation abroad".

The importance of market knowledge as a stimulus to export will vary with
the level of managerial knowledge, attitudes and motivation (Reid 1981).
These elements are shaped by the education, the international disposition
in terms of ability to speak a foreign language, holiday experiences and
nationality combined with one's present market knowledge, attitudes and
preferences.

Research carried out by Simmonds and Smith (1968) and Langston and Reas
(1976) also showed that experiences of having lived abroad or a knowledge
of foreign languages were extremely prevalent in individuals concerned with
taking the initial export decisions for British firms.

2.3 A Criticisms of the Steps Models of Internationalisation
As we have seen there is strong support for the belief that internationali­
sation of business occurs in a sequential manner. However, Turnbull
(1986) suggests that the sequential or stages model for describing the
internationalisation of the firm was not universally applicable and that
care should be taken when trying to predict export behaviour and future
organisational developments. Turnbull (1986) also identified
methodological problems in research design. For example, analysis of the
internationalisation of the firm may be based on one of several measures:
the number of foreign markets served, the percentage of profit or

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turn-over from foreign markets or it could be a description of the way in
which foreign markets are served.

Defining the internationalisation of the firm is also complicated by the
existence of international companies and the part of the organisation
chosen for consideration will affect the measure of internationalisation of
that company. In addition to this, the degree of internationalisation of
a company will also vary within the organisation where that company is
multi-product or multi-divisional.

Based on the results of the International Marketing and Purchasing Group
Turnbull (1984) argues that the international process is determined by a
wide range of market and company specific variables and that the process is
not stepwise and cannot be predicted by any kind of stages model.

Despite the rejection of the stages process Turnbull does not, however,
challenge the underlying concepts of Johanson and Wiedersheim-Paul's (1975)
contribution in relation to market knowledge and commitment. It is clear
that cultural, as well as market structural, issues are a major determinant
both of perceptions and of actual organisational behaviour. What is not
clear is the degree to which, and how, experience of foreign markets
influence the process of internationalisation.

2.4 Perceived Problems of Exporting
The international market itself is characterised by a diversity of
technical, social, legal, political, economic, cultural and financial
environments. These diversities are likely to be much greater than in the
domestic market in which the company is used to operating (Wind and Douglas
1972) and therefore the complexity and uncertainty of operation will also
be greatly increased.

Previous studies have been inconclusive in deciding whether or not export
experience reduces the perceived obstacles to exporting. Alexandrides
(1971), de la Torre (1972) and Simpson (1973) found that non-exporting
firms perceived significantly more serious obstacles to exporting than did
exporting firms. Bilkey (1970), however, found that non-exporters
perceived fewer obstacles to exporting than exporters. Those
non-exporters with some export experience may perceive more serious 
problems existing than exporters but equally non-exporters with no 
experience may perceive fewer obstacles simply because of lack of 
experience.

A study of Australian manufacturing firms (Wilkinson and Barratt 1980) 
investigated top managers’ perceptions of the problems involved in 
exporting and whether previous export experience or company size 
significantly affected these perceptions. The major perceived problems in 
exporting were divided into three groups:

1. cost related problems concerning factors such as freight costs, 
competitors’ prices, lack of information on foreign markets and 
exchange rate fluctuations,
2. foreign ownership constraints, covering areas such as market 
boundaries, restrictions on products and constraints due to 
patents,
3. knowledge constraints about foreign markets on how to locate good 
overseas agents or how to obtain an export manager.

The study then sought to investigate whether the perceived problems 
resulted from international operations or whether they actually explained 
the international behaviour undertaken initially. Results showed that the 
perceived problems varied greatly with stage of internationalisation, 
company size and export experience.

Patterson (1986), in discussing the problems associated with exporting, 
centrated on small businesses and their particular problems. He 
identified barriers preventing small businesses from exporting grouped 
under three headings of risk, time and trouble. In addition to these 
three categories can be added lack of export experience and the cost of 
entry into export markets. In their study of small manufacturing firms, 
Roy and Simpson (1981) discovered that if the chief executive, the owner or 
a partner failed to be interested in exporting, major problems occurred. 
However, it was suggested that after the initial experience of exporting 
the amount of risk associated with exporting was reduced, the costs were 
lower than anticipated and profits were often higher.

2.5 Psychic Distance

It is clear from the discussions so far that a dominant variable in 
decision processes and operational behaviour related to international 
marketing is that of psychic distance which has been defined as:

"... those factors preventing or disturbing the flow of 
information between the firm and its market". 
(Hornell, Vahlne and Wiedersheim-Paul (1972))

It is a function of language barriers, cultural differences, political 
systems, educational levels and industrial development. This psychic 
distance can be both real and perceived and will vary, usually decreasing, 
as the company gains experience in the international market place and the 
trust and confidence between trading partners increase.

3. THE RESEARCH STUDY

3.1 Research Objectives

The research reported here arose as a consequence of there being a lack of 
understanding of psychic distance, its constituent elements and its 
importance in the internationalisation of the firm. Greater insight was 
also sought into the measurement of the level of psychic distance present 
in an individual who is concerned with making important decisions in a 
firm’s internationalisation.

The objectives of the research then were to investigate the elements of 
psychic distance as perceived by executives responsible for exporting, 
attempt to rank the countries under consideration according to psychic 
distance and to determine any correlations between psychic distance and 
personal and organisational characteristics and experiences.

The personal characteristics include such things as age and foreign market 
orientation which consists of ability to speak foreign languages, 
experience of living and working abroad and knowledge of foreign markets 
through business associations.
Organisational characteristics include the size of the company, its turnover from exports, the number of countries exported to and the length of time that exporting has been carried out.

It is recognised that psychic distance is only one of many elements which may affect a firm's internationalisation. Other factors may relate to the particular product market in which it operates and its associated market structure, geographical distance, the prevailing economic climate and the history and ambition of the firm.

3.2 Methods of Data Collection

Initially, a pilot survey was carried out to determine and explore the elements of psychic distance and also to ascertain whether the questions being asked would be understood in the intended context by the respondents. A larger survey was then carried out based on the findings of the pilot survey. The most suitable technique for exploring the elements of psychic distance was considered to be through the use of in-depth interviews using a pilot questionnaire followed by a more comprehensive questionnaire for the main survey which would be used to obtain both factual information about the company and also personal attitudes and perceptions. Respondents were defined as those executives having responsibility for deciding on strategic choice of export markets and for committing resources to export marketing.

3.3 Sample Selection

In order that the elements of psychic distance could be studied effectively, a single product group to work within was required to control as many variables as possible. This product group ideally had to satisfy a number of criteria as far as possible. Factors such as a high level of concentration of potential customers in one country or the presence of extreme power held by a few customers in several countries would begin to dominate the selection of foreign markets and would hinder the useful analysis of psychic distance. It was therefore necessary to select a product group with a market in almost every country and where the influence of the market in one country was only of limited effect in other countries. The product group also required the potential for high added value products with a high level of technology and product quality ensuring that the option of exporting could be constrained by factors other than the cost of exporting. It was also felt desirable to have a product group with an international market place where there was a spread of companies ranging from those with almost no export experience to, in some cases, those with substantial export experience.

It was felt that the Medical Equipment Industry fulfilled these criteria as far as possible and it was therefore selected as the product group for the study of psychic distance in the internationalisation process of the firm.

In 1988 the UK market for medical equipment amounted to about £1bn, compared to £1.5bn in France and Italy and £3.0bn in West Germany.

The list of the UK manufacturers of medical equipment was taken from the 1989 edition of KOMPASS under the numerical categories 38-91.0 to 38-99.0.

It was decided that a census survey of UK medical equipment manufacturers would be carried out as there were only about 200 manufacturers of medical equipment in the UK. The companies with which to conduct the pilot questionnaires could, therefore, be chosen according to convenience of access and within the financial constraints that were present.

Initially, ten companies were contacted firstly by telephone for a contact name and then by letter informing them of the research intentions and with a view to subsequent contact by telephone in the near future. Six of the companies contacted were able and willing to provide an interview.

From the literature that was available on the topic of psychic distance, a pilot questionnaire was produced. The objective of this questionnaire was to provide a guideline for discussion on the elements, other than those financial, considered important in the selection of foreign markets. The discussion could then be considered in context with the company and individual data that was collected. It was also used to gauge the level of understanding and interest generally felt in the questions and to assist in designing the questionnaire in a form conducive to easy completion which would result in a high a response rate as possible.
The pilot questionnaire was amended according to the responses from the pilot study to produce a final questionnaire which was mailed to 210 companies, addressed to the export marketing manager, throughout the United Kingdom and 48 usable response were received giving a response rate of 23%.

3.4 Sample Summary

From the 48 replies that were usable, a summary table has been produced to illustrate the cross-section of responding companies (Table 1) and Table 2 shows the degree of internationalisation of the responding companies in terms of number of export markets served and exports as a proportion of total company turnover. The data contained in these tables has been used to test for the influence of organisational characteristics on the perceptions of individuals, the results of which are discussed later.

Table 1: Characteristics of Responding Companies

<table>
<thead>
<tr>
<th>Company Turnover (£m)</th>
<th>US Public</th>
<th>US Private</th>
<th>UK Public</th>
<th>UK Private</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-2</td>
<td>-</td>
<td>-</td>
<td>2</td>
<td>10</td>
<td>12</td>
</tr>
<tr>
<td>2-5</td>
<td>1</td>
<td>1</td>
<td>3</td>
<td>9</td>
<td>14</td>
</tr>
<tr>
<td>6-10</td>
<td>-</td>
<td>-</td>
<td>7</td>
<td>1</td>
<td>8</td>
</tr>
<tr>
<td>10-20</td>
<td>2</td>
<td>-</td>
<td>4</td>
<td>2</td>
<td>8</td>
</tr>
<tr>
<td>20+</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>2</td>
<td>6</td>
</tr>
<tr>
<td>Totals</td>
<td>4</td>
<td>2</td>
<td>18</td>
<td>24</td>
<td>48</td>
</tr>
</tbody>
</table>

Table 1 shows that the responding companies are fairly well spread across the divisions in terms of turnover and ownership. The structure of the population as a whole is not known and it is, therefore, not possible to indicate how representative these responding companies are. However, the information contained in Table 1 can be used to test for any correlations between the company details and the perceptions of the individuals within those companies.

Table 2: Cross-tabulation of the Internationalisation of the Responding Companies

<table>
<thead>
<tr>
<th>Number of Export Markets</th>
<th>0</th>
<th>1-5</th>
<th>6-10</th>
<th>11-20</th>
<th>20+</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exports as a percentage of 0%</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0</td>
</tr>
<tr>
<td>1-20%</td>
<td>4</td>
<td>2</td>
<td>5</td>
<td>2</td>
<td>13</td>
<td></td>
</tr>
<tr>
<td>21-50%</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>9</td>
<td>15</td>
<td></td>
</tr>
<tr>
<td>51-80%</td>
<td>-</td>
<td>2</td>
<td>2</td>
<td>11</td>
<td>13</td>
<td></td>
</tr>
<tr>
<td>81-100%</td>
<td>1</td>
<td>2</td>
<td>-</td>
<td>2</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>Totals</td>
<td>6</td>
<td>8</td>
<td>10</td>
<td>24</td>
<td>48</td>
<td></td>
</tr>
</tbody>
</table>

It can be seen from Table 2 that the UK medical equipment industry is highly internationalised, with all respondents having experience of exporting and half of the respondent companies exporting to over 20 foreign markets.

Although, as we have noted the respondent companies supplied a very wide range of foreign markets, respondents were only asked for their perceptions and evaluations of six export markets as this was found, through the pilot interviews, to be the maximum number a respondent was prepared to deal with. Thus the following analysis focusses on six countries which are individually important to the UK industry and which together account for over 60% of the industry's exports.

Table 3 shows the wide variety of export markets that are serviced by the UK manufacturers; the figures indicate the frequency that each country appeared as one of the three major export markets for each of the responding companies.
Table 3: Major Export Markets of the Sample Companies

<table>
<thead>
<tr>
<th>Country/Region</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>West Germany</td>
<td>15</td>
</tr>
<tr>
<td>United States</td>
<td>14</td>
</tr>
<tr>
<td>Canada</td>
<td>7</td>
</tr>
<tr>
<td>Western Europe</td>
<td>7</td>
</tr>
<tr>
<td>Far East</td>
<td>7</td>
</tr>
<tr>
<td>Australia</td>
<td>7</td>
</tr>
<tr>
<td>Italy</td>
<td>7</td>
</tr>
<tr>
<td>Sweden</td>
<td>6</td>
</tr>
<tr>
<td>France</td>
<td>6</td>
</tr>
<tr>
<td>Japan</td>
<td>5</td>
</tr>
<tr>
<td>Eire</td>
<td>4</td>
</tr>
<tr>
<td>South Africa</td>
<td>4</td>
</tr>
<tr>
<td>Middle East</td>
<td>3</td>
</tr>
<tr>
<td>Scandinavia</td>
<td>3</td>
</tr>
<tr>
<td>Holland</td>
<td>3</td>
</tr>
<tr>
<td>Saudi Arabia</td>
<td>3</td>
</tr>
<tr>
<td>Africa</td>
<td>2</td>
</tr>
<tr>
<td>Pakistan</td>
<td>2</td>
</tr>
<tr>
<td>Turkey</td>
<td>2</td>
</tr>
<tr>
<td>Iraq</td>
<td>2</td>
</tr>
<tr>
<td>India</td>
<td>2</td>
</tr>
<tr>
<td>Singapore</td>
<td>2</td>
</tr>
<tr>
<td>Egypt</td>
<td>2</td>
</tr>
<tr>
<td>Belgium</td>
<td>1</td>
</tr>
<tr>
<td>Rest of the World (excl. Europe)</td>
<td>1</td>
</tr>
<tr>
<td>Mauritus</td>
<td>1</td>
</tr>
<tr>
<td>Malaysia</td>
<td>1</td>
</tr>
<tr>
<td>Gambia</td>
<td>1</td>
</tr>
<tr>
<td>Spain</td>
<td>1</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>1</td>
</tr>
<tr>
<td>Kuwait</td>
<td>1</td>
</tr>
<tr>
<td>Mexico</td>
<td>1</td>
</tr>
<tr>
<td>Switzerland</td>
<td>1</td>
</tr>
<tr>
<td>Libya</td>
<td>1</td>
</tr>
<tr>
<td>South-east Asia</td>
<td>1</td>
</tr>
<tr>
<td>Asia</td>
<td>1</td>
</tr>
<tr>
<td>Malta</td>
<td>1</td>
</tr>
<tr>
<td>Eastern Europe</td>
<td>1</td>
</tr>
<tr>
<td>Iran</td>
<td>1</td>
</tr>
</tbody>
</table>

4. RESEARCH RESULTS

4.1 Elements of Psychic Distance

Over twenty 'elements' of psychic distance were identified from the literature survey and these were all 'tested' for relevance in the in-depth pilot interviews. Fifteen factors were then chosen for inclusion in the field research. All fifteen elements proved both relevant and important to the 48 respondents who completed the postal questionnaire. These fifteen elements are:

- Linguistic barriers
- Problems of written communication
- Cultural differences
- Trade barriers
- Price adaptability (need for)
- Product adaptability
- Delivery adaptability
- Openness of market
- Differences in business practice
- Knowledge of competition
- Market attractiveness/structure
- Market accessibility
- Nationalism
- Availability of market information
- Closeness to market/geographic distance

It should be noted that no attempt was made to rank these factors in any order of importance; the focus of the analysis was to determine which, if any, of the factors were more significant in relation to specific country export markets.

Nor do we claim that this list of elements of psychic distance is definitive although we would argue that they represent the most important variables for this industry and in relation to the countries examined in depth i.e. Sweden, USA, Japan, Italy, France and West Germany.

4.2 Psychic Distance by Export Market

4.2.1 Country Profiles

An organisation, regardless of its size, is a collection of individuals, whose perceptions will affect the future course of that organisation. At
the same time, however, those individual perceptions are influenced by the organisation's characteristics and experiences. The analysis of these perceptions concerning psychic distance enabled a country mapping to be drawn. For this to be achieved the replies to the questionnaire were scored 1-3 with the mean score for each factor being plotted for each country market as shown in Figure 1. In this diagram, the lower the value for each factor, the lower is the contribution to the total measure of psychic distance for that country.

It should be noted that the value for each factor should be represented by bar charts as illustrated in Figure 2 for the French market. Each point is a mean of all of the respondents' perceptions and the standard deviation about this mean could be of significance. However, for clarity and ease of comparison, the values for each factor have been joined together to produce a country mapping, although the points are not necessarily related in any way.
It is clear from Figure 1 that respondents had strongly different evaluations of each export market on very many of the P.D. elements although there are some commonalities of groupings on certain elements such as openness of market and business practices. However, there are some results which enable the countries to be grouped together, where the levels of perception on the element of psychic distance are similar. This has been completed simply by observations and the results are shown in Table 4. This shows that in the majority of cases Japan is perceived as 'unique' with the other five markets varying according to the factor being considered. In general the German and United States markets are frequently perceived as similarly distant but there is little common level of perception amongst the other three countries.
Table 4: Country Groupings According to Elements of Psychic Distance

<table>
<thead>
<tr>
<th>Elements of Psychic Distance</th>
<th>Group 1</th>
<th>Group 2</th>
<th>Group 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Importance of linguistic ability:</td>
<td>F</td>
<td>I,D,I,US,US</td>
<td>S</td>
</tr>
<tr>
<td>Written communications difficulties:</td>
<td>J,F</td>
<td>I,D</td>
<td>S,US</td>
</tr>
<tr>
<td>Cultural differences</td>
<td>J</td>
<td>F</td>
<td>D,1,US,S</td>
</tr>
<tr>
<td>Trade barriers</td>
<td>J</td>
<td>F,US</td>
<td>I,D,S</td>
</tr>
<tr>
<td>Price adaptability</td>
<td>J</td>
<td>I,US,F,D,S</td>
<td></td>
</tr>
<tr>
<td>Product adaptability</td>
<td>J,D,US</td>
<td>F,S,I</td>
<td></td>
</tr>
<tr>
<td>Delivery adaptability</td>
<td>J,D,US</td>
<td>F,S,I</td>
<td></td>
</tr>
<tr>
<td>Openness of market</td>
<td>J</td>
<td>F,US</td>
<td>S,1,D</td>
</tr>
<tr>
<td>Business practice differences</td>
<td>J</td>
<td>F,US,I</td>
<td>D,S</td>
</tr>
<tr>
<td>Knowledge of competition</td>
<td>J</td>
<td>I,F,S,US,D</td>
<td></td>
</tr>
<tr>
<td>Market attractiveness</td>
<td>S,1,J</td>
<td>F</td>
<td>D,US</td>
</tr>
<tr>
<td>Market accessibility</td>
<td>J</td>
<td>F</td>
<td>I,US,S,D</td>
</tr>
<tr>
<td>National commercial connections</td>
<td>J</td>
<td>S,1,F</td>
<td>D,US</td>
</tr>
<tr>
<td>Market information availability</td>
<td>J</td>
<td>I,F,S</td>
<td>D,US</td>
</tr>
<tr>
<td>Closeness to market</td>
<td>J</td>
<td>S,1</td>
<td>F,US,D</td>
</tr>
</tbody>
</table>

Before examining these differences and similarities for selected elements it is worthwhile, we believe, to try to arrive at some overall measure of psychic distance perceived for each country.

4.2.2 An Overall Measure of Psychic Distance

Whilst Figure 1 gives a profile of how each of the six countries are evaluated on each of the fifteen P.D. elements it is rather difficult to derive a measure of overall distance of each country.

At attempt to arrive at this over measure for each country has been made by adding up each country's relative position for each element of psychic distance, scoring 6 for the greatest contribution to psychic distance and 1 for the least, thus giving an overall ranking of countries according to their perceived psychic distance. This produces the rankings shown in Table 5.

The validity of this process is open to dispute as each element of psychic distance has been given, by implication, equal weighting. It also assumes that the factors that have been considered, as a result of the literature on the subject of psychic distance and the pilot studies, are the correct factors and that all the important elements of psychic distance have been included. Some of the elements considered in the questionnaire could be described as market characteristics rather than elements of psychic distance and so are difficult to interpret in terms of their overall contribution to psychic distance. Examples of these elements would be the perceptions on the importance of adaptability in each of the markets.

Table 5: Country Mappings According to Elements of Psychic Distance

<table>
<thead>
<tr>
<th>Country</th>
<th>Relative Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>West Germany</td>
<td>37</td>
</tr>
<tr>
<td>Sweden</td>
<td>38</td>
</tr>
<tr>
<td>United States</td>
<td>42</td>
</tr>
<tr>
<td>Italy</td>
<td>54</td>
</tr>
<tr>
<td>France</td>
<td>65</td>
</tr>
<tr>
<td>Japan</td>
<td>86</td>
</tr>
</tbody>
</table>

Given these reservations, the relative scores shown in Table 5 indicate important differences in overall perception regarding the six export markets, with not, unexpectedly, Japan being seen to be very much more distant than West Germany, Sweden or the United States. Japan's 'unique' position on this issue has, of course, been remarked upon on numerous occasions. Thus, although this particular finding is not unexpected, the
degree of difference does emerge clearly from the results both in terms of overall P.D and in terms of the individual elements.

Figure 3 indicates how respondents rate the degree to which Psychic Distance causes problems to them: Japanese culture, not surprisingly, creates significantly more problems than the other countries, although France is also seen as difficult to deal with. Sweden, however, is perceived as creating almost no problems at all.

Figure 3: Mean Response to the Question - "What Level of Problems do Cultural Differences Cause"?

Scoring: "No problems" = 1; "Some problems" = 2; "Great Problems" = 3

<table>
<thead>
<tr>
<th>Country</th>
<th>1.0</th>
<th>1.2</th>
<th>1.4</th>
<th>1.6</th>
<th>1.8</th>
<th>2.0</th>
<th>2.2</th>
<th>2.4</th>
<th>2.6</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td></td>
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<td>Italy</td>
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<td>West Germany</td>
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<td>United States</td>
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<td>Sweden</td>
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<tr>
<td>France</td>
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<td></td>
</tr>
</tbody>
</table>

4.3 Psychic Distance and Experience

Johanson & Vahlne (1977) and Johanson & Wiedersheim-Paul (1975) have emphasised the importance of experience of a foreign market in terms of the learning effects and associated changes in perception of psychic distance.

The perceptions mapped in Figure 1 should, therefore, be examined in relation to the experiences of individual respondents. Defining 'experience' is, of course, difficult, whilst measuring it is even more fraught with methodological problems.

In this research we identified three types of experience - business visits, holiday/social visits and experience of dealing with/doing business with the country. Table 6 shows the experience of respondents on each of these for the six foreign markets.

In terms of business experience, it is noticeable that the spread of experience across Italy, France, West Germany, Sweden and the US is very even and does not correspond with the spread in the value of trade with each of these countries. Also, the level of business experience of the Japanese market is considerably lower than for the other five countries even though the UK exports a higher value of goods to Japan than to Italy or Sweden. This could indicate a source of non-response error or it could illustrate the differences in the type of trade carried out with these countries. It may be that the trade with Japan is carried out by a few large companies exporting high value goods and therefore few people, across the industry, would be gaining experience of business with Japan.
Experience of foreign holidays in Italy, West Germany and the US is again similar but experience of Sweden and Japan is very low. France is, by a considerable margin, the country with the most holiday contact, an observation which may affect the understand of, and perceptions on, that country. Apart from France, it is surprising that at least 44% of respondents who are responsible or influential in the export decision making within their company have never been on holiday in any of these countries.

Equally significant is the fact that a third of the respondents speak no foreign languages and the lack of ability at a technical level means that negotiations would often have to be carried out through a translator or in English.

Only 30% of the respondents have lived abroad at least three months although some of the respondents had lived in several different countries. However, as the number having lived in the countries considered in this study is so low, it would be surprising if experience of having lived abroad actually affected their perceptions on any of the six countries.

Using the data contained in Table 6 it is possible to examine the perceptions with regard to these experiences to determine the effect that they may have on the individual’s perceptions.

### 4.3.1 Personal Experience and Closeness to Market

Figure 1 shows that in terms of “closeness to the market” variable, West Germany is perceived to be the closest, followed by the United States and France, then Italy and Sweden and finally, and by a considerable margin Japan. The measured values are shown in Figure 4.
Figure 4: Mean Response to the Question - "How Close to each Market do You Feel?"

Scoring: "Very Close" = 1; "Moderately Close" = 2; "Distant" = 3

<table>
<thead>
<tr>
<th>Country</th>
<th>1.0</th>
<th>1.2</th>
<th>1.4</th>
<th>1.6</th>
<th>1.8</th>
<th>2.0</th>
<th>2.2</th>
<th>2.4</th>
<th>2.6</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td></td>
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<td>Italy</td>
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<tr>
<td>West Germany</td>
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<td>United States</td>
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<td>Sweden</td>
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<td>France</td>
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<td></td>
</tr>
</tbody>
</table>

To attempt to explain these findings, the perceptions on closeness to the markets were correlated with personal experiences. The findings appear in Table 7 where the values represent the correlation coefficient between the two variables, namely whether there is an association between the two. The figures in brackets are obtained from the level of significance of the correlation coefficient from zero and indicate the strength of the association between the two variables. In other words, the figures in brackets indicate the probability of obtaining a more extreme correlation given the null hypothesis that there is no correlation between the perceptions on distance and the personal experiences.

<table>
<thead>
<tr>
<th>Perceived closeness with</th>
<th>J</th>
<th>It</th>
<th>WG</th>
<th>US</th>
<th>Sw</th>
<th>Fr</th>
</tr>
</thead>
<tbody>
<tr>
<td>. . Whether business has been conducted with the country</td>
<td>-.33</td>
<td>-.44</td>
<td>-.42</td>
<td>-.37</td>
<td>-.47</td>
<td>-.48</td>
</tr>
<tr>
<td></td>
<td>(.05)</td>
<td>(.002)</td>
<td>(.01)</td>
<td>(.002)</td>
<td>(.002)</td>
<td>(.002)</td>
</tr>
<tr>
<td>. . Number of business visits to that country</td>
<td>-.61</td>
<td>-.51</td>
<td>-.42</td>
<td>-.44</td>
<td>-.44</td>
<td>-.39</td>
</tr>
<tr>
<td></td>
<td>(.002)</td>
<td>(.002)</td>
<td>(.01)</td>
<td>(.002)</td>
<td>(.002)</td>
<td>(.01)</td>
</tr>
<tr>
<td>. . Number of holiday visits to that country</td>
<td>-.35</td>
<td>-.30</td>
<td>.04</td>
<td>-.30</td>
<td>-.21</td>
<td>-.18</td>
</tr>
<tr>
<td></td>
<td>(.05)</td>
<td>(.05)</td>
<td>(.05)</td>
<td>(.05)</td>
<td>(.05)</td>
<td>(.05)</td>
</tr>
<tr>
<td>. . Ability to speak a foreign language at a social level</td>
<td>-.30</td>
<td>-.47</td>
<td>-.18</td>
<td>-.48</td>
<td>-.19</td>
<td>-.20</td>
</tr>
<tr>
<td></td>
<td>(.05)</td>
<td>(.002)</td>
<td>(.002)</td>
<td>(.002)</td>
<td>(.20)</td>
<td>(.20)</td>
</tr>
<tr>
<td>. . Ability to speak a foreign language at a technical level</td>
<td>-.27</td>
<td>-.28</td>
<td>-.15</td>
<td>-.32</td>
<td>-.28</td>
<td>-.31</td>
</tr>
<tr>
<td></td>
<td>(.10)</td>
<td>(.10)</td>
<td>(.05)</td>
<td>(.10)</td>
<td>(.10)</td>
<td>(.05)</td>
</tr>
</tbody>
</table>

From Table 7 it can be seen that the areas of greatest correlation are experience of having carried out business with the country in question and the number of business visits to that country. However, the figures for Japan on these two areas should be considered knowing that only 50% of the respondents have actually had experience of business with Japan and only 27% have ever been on business visits to that country. In terms of the correlation with numbers of business visits, the figure for Japan indicates that this is a major factor affecting the perceived closeness to the market place whereas for France, the lowest of all the six countries, it would suggest that because of the generally greater level of contact with that country, factors other than the number of business visits affect the perception of closeness to the market.

With regard to holiday visits, it can be seen that for Japan, Italy, US and Sweden this plays a significant part in determining the perceived closeness, although it should be noted that as so few respondents have been on holiday to either Sweden or Japan, the validity of this finding is dubious. However, at least 50% of the respondents have been on holiday to Italy and the United States and the strength of the correlation suggests
that this may be significant in shaping the level of perceived closeness to the market. For West Germany and France, the number of holiday visits has a small if not negligible role in determining the perception of closeness to the market. This latter point could be explained by the fact that if the general level of contact and knowledge between the respondents and the country is high, then factors such as holiday visits will have a relatively lesser effect on the perception of closeness.

The ability to speak a foreign language shows some correlation in the perceptions of closeness although the perceptions on closeness to the German market have the lowest correlation with social or technical language, even though German is the second most commonly spoken language amongst the respondents. However, it appears that those respondents who are linguists appear closer to the foreign markets even though they may not speak the national language of that country. The ability to learn a foreign language may imply an ability on behalf of the individual to appreciate different nationalities and to accommodate any differences that may exist.

4.4 Experience and Cultural Differences

As discussed in the first section of this paper, cultural differences between countries lie at the heart of psychic distance. It is, therefore, worthwhile to single out this particular element for further analysis. The concept of culture is complex and subsumed within it are issues of language, religion, life styles and many others.

Figure 5 illustrates the mean responses on the questions relating to cultural differences between countries. It is interesting to note that least distance exists with Sweden, with the UK being seen as similar to Italy and only a little different from the French market. This reflects the long trading history between the UK and Sweden and Sweden's great abilities in the English language.

Again, not surprisingly, Japan is considered to be the most problematic market for exporters, whilst France is also seen to be quite different and difficult to deal with.

The number of export markets served strongly correlates with the perceived closeness to the market. This could reflect a generally broader outlook to the international market place and also that the greater the number of export markets, the greater the likelihood that the six countries under consideration will be amongst those. In this instance, the value for the French market varies considerably from the remaining five countries, determined by possibly individual experiences rather than organisational activities.

4.3.2 Internationalisation and Closeness to Market

As many of the perceptions on closeness to the markets correlated strongly with personal experiences, it was decided to test for correlation between these experiences and organisational structure. The results of these tests are shown in Table 8.

Table 8: Perceived Closeness to Markets with Organisational Characteristics

<table>
<thead>
<tr>
<th>Perceived Closeness</th>
<th>J</th>
<th>It</th>
<th>US</th>
<th>Sw</th>
<th>Fr</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of foreign markets served</td>
<td>-0.40</td>
<td>-0.41</td>
<td>-0.38</td>
<td>-0.40</td>
<td>-0.35</td>
</tr>
<tr>
<td>Exports as percentage of total turnover</td>
<td>-0.44</td>
<td>-0.13</td>
<td>-0.15</td>
<td>-0.02</td>
<td>-0.29</td>
</tr>
</tbody>
</table>

(The figures represent the correlation between the two variables; those in brackets are the probability of obtaining a more extreme result given the null hypothesis that there is no association between the two variables.)
Figure 5: Mean Response to the Question "What Level of Problems do Cultural Differences Cause?"

Scoring: "No problems" = 1; "Some problems" = 2; "Great problems" = 3

<table>
<thead>
<tr>
<th>Country</th>
<th>1.0</th>
<th>1.2</th>
<th>1.4</th>
<th>1.6</th>
<th>1.8</th>
<th>2.0</th>
<th>2.2</th>
<th>2.4</th>
<th>2.6</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td></td>
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<tr>
<td>Italy</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>West Germany</td>
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<td>United States</td>
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<td>France</td>
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</tbody>
</table>

Table 10 shows results obtained for correlating perceptions on problems associated with cultural differences with various personal and organisational characteristics and experiences.

Table 10: Perceptions on Culturally Related Problems

<table>
<thead>
<tr>
<th>Perceptions on culturally related problems with ...</th>
<th>J</th>
<th>I</th>
<th>W</th>
<th>U</th>
<th>S</th>
<th>F</th>
</tr>
</thead>
<tbody>
<tr>
<td>.. Whether business has been conducted with the country</td>
<td>-.19</td>
<td>-.24</td>
<td>-.09</td>
<td>-.04</td>
<td>-.31</td>
<td>-.14</td>
</tr>
<tr>
<td>conducted with the country (,.20) (,.10) (,.05)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>.. Number of business visits</td>
<td>-.16</td>
<td>.15</td>
<td>.18</td>
<td>.06</td>
<td>.01</td>
<td>.16</td>
</tr>
<tr>
<td>.. Number of holiday visits</td>
<td>.00</td>
<td>.09</td>
<td>.15</td>
<td>.17</td>
<td>-.17</td>
<td>.07</td>
</tr>
<tr>
<td>.. Age of respondents</td>
<td>-.16</td>
<td>.13</td>
<td>.01</td>
<td>.12</td>
<td>.17</td>
<td>.02</td>
</tr>
<tr>
<td>.. Ability to speak foreign language at social level</td>
<td>.33</td>
<td>.02</td>
<td>.12</td>
<td>.02</td>
<td>-.07</td>
<td>-.04</td>
</tr>
<tr>
<td>.. No of foreign markets</td>
<td>.15</td>
<td>-.13</td>
<td>-.10</td>
<td>.08</td>
<td>-.14</td>
<td>.06</td>
</tr>
<tr>
<td>.. Company turnover</td>
<td>-.13</td>
<td>-.02</td>
<td>-.10</td>
<td>-.19</td>
<td>-.23</td>
<td>.19</td>
</tr>
</tbody>
</table>

(Figures indicated correlations between variables and figures in brackets indicate probability of getting a more extreme result given the null hypothesis that there is no correlation between the two variables)

For all six countries, the problem caused by cultural differences are seen to be reduced with experience of doing business with that country. This could be due to either a learning of the culture and realisation that cultural differences are not as great as would be at first expected.

The above results are rather inconclusive, possibly indicating that the question addressing culture as a whole was too broad and that cultural problems are better examined individually in attempting to measure psychic distance. This has been done on the questions concerning the importance of business practices in the next section.

However, perhaps in conflict with the above is the strong correlation between the ability to speak a foreign language at a social level and the cultural problems associated with Japan. This means that those who do speak a foreign language generally consider cultural differences to cause greater problems than those who do not speak a foreign language. This could largely be due to a greater awareness of the cultural differences in a foreign country created when studying a foreign language, particularly for a country where the language is so unrelated to English, as in Japan. As the language is so different from English and the market is so geographically distant the opportunities for contact between the two countries are largely restricted to forms of media such as television. Therefore, it is often difficult for those with limited foreign contact to perceive the problems of culture as they are often overcome by the media. It may then be that only those with experience of foreign cultures and of Japan in particular can appreciate the problems caused by cultural differences.

4.5 Experience and Business Practices

A specific issue of culture which the pilot interviews reveal as being of particular importance is that of business practices. Figure 6 shows that Japanese business practices are considered to be very different from the UK’s with France, the US and Italy being grouped together followed by West Germany and Sweden. Figure 6 illustrates these measurements and Table 11 shows results from correlating personal and organisational characteristics and experiences with perceptions on differences in business practices.
In most cases the "internationalisation" of the respondents produced a negative correlation, showing that as a company becomes more international its employees perceive business practices abroad as being more similar to the UK or perhaps just more familiar. This illustrates a combination of both a learning process and the fact that perceptions may not always be accurate and suggests that as a company enters into exporting its employees becomes more orientated to the problems associated with exporting until a stage is reached when they are not seen as such large problems. This change in perceptions relies on interaction between the two parties concerned and a development of the atmosphere that exists between the two parties.

4.5 Summary of Findings on the Changes in Perceptions

Table 12 shows the change in the perceptions of each country, where a significant difference was noticed, as greater experience of business with each country is obtained.

Table 12 : Relationship of Experience and Perceptions

<table>
<thead>
<tr>
<th>Country</th>
<th>Japan</th>
<th>Italy</th>
<th>WG</th>
<th>US</th>
<th>Sw</th>
<th>Fr</th>
</tr>
</thead>
<tbody>
<tr>
<td>Closeness</td>
<td>Closer</td>
<td>Closer</td>
<td>Closer</td>
<td>Closer</td>
<td>Closer</td>
<td>Closer</td>
</tr>
<tr>
<td>Importance of linguistic ability</td>
<td>Less</td>
<td>Greater</td>
<td>Less</td>
<td>-</td>
<td>Less</td>
<td>-</td>
</tr>
<tr>
<td>Cultural problems</td>
<td>Less</td>
<td>-</td>
<td>Greater</td>
<td>Less</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Importance of price adaptability</td>
<td>Less</td>
<td>Less</td>
<td>Less</td>
<td>Less</td>
<td>Less</td>
<td>Less</td>
</tr>
<tr>
<td>Importance of product adaptability</td>
<td>-</td>
<td>Less</td>
<td>Less</td>
<td>Greater</td>
<td>Less</td>
<td>-</td>
</tr>
<tr>
<td>Importance of delivery adaptability</td>
<td>Less</td>
<td>Greater</td>
<td>Greater</td>
<td>Greater</td>
<td>Greater</td>
<td>-</td>
</tr>
<tr>
<td>Business practice differences</td>
<td>Less</td>
<td>-</td>
<td>Less</td>
<td>Less</td>
<td>Less</td>
<td>-</td>
</tr>
<tr>
<td>Level of trade barriers</td>
<td>Less</td>
<td>Greater</td>
<td>Greater</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Table 11 clearly illustrates that experience of doing business with these countries lead to a recognition that business practices are more similar to UK practices than would be considered with no experience. For West Germany and Italy the learning continues to have an effect with the number of business visits, but for Japan, for example, the low number of respondents actually having visited Japan on business makes the analysis difficult and fairly meaningless.
Those with experience of the US market see product and delivery adaptability to be more important than those with no experience and they consider themselves closer to the market, envisage few problems with written communications, view price adaptability as less important and consider that there are fewer differences in business practices.

Perceptions on the Swedish market change very much in line with those on Japan in that as experience is gained in the Swedish market, the psychic distance is reduced and that market is considered easier to work with than was first expected. In contrast with Japan, however, the Swedish market is considered generally close to the UK market and experience of this market amongst the respondents is as high as that of Italy and the US.

In regard to France problems of written communication or the perceived importance of price adaptability become less pronounced, and those with experience feel closer to the market. However, for the remaining factors the results are inconclusive and show no definite trends in perceptions.

5. CONCLUSIONS

From the analysis it is clear that the country, which is perceived as most distant, of the six considered in this study, is Japan followed in order by France, Italy, the United States, Sweden and finally West Germany. Japan is also the market of which the respondents have the least knowledge and experience, whilst France is the second most distant country but the respondents have more knowledge and experience of this country than any other and French is the most common language spoken amongst the respondents.

Psychological closeness to a market is directly related to market knowledge and cultural awareness. Psychological proximity may mean that the individual will be more willing to consider a market for possible export prior to considering the economic risks and returns of dealing with that export market. However, the findings of the pilot studies and the subsequent data analysis, suggest that this is not always true and that in some cases experience of a country and the acquisition of knowledge about that country may result in greater perceived psychological distance between the exporter and that country. This was particularly true of the French market where a realisation of the cultural problems and differences in business practices only occurred as exporting developed.

According to the elements considered in this study, the overall measure of inter-country psychic distance and how it changes with experience, varies from country to country. The level of psychic distance and the patterns of change could be described as a function of several variables, with each country having its own function. The variables within this function could be defined as cultural differences and associated perceived risk.

Psychic distances (Country a = F (perceived cultural differences (a), perceived risk (a))

The main dimensions of cultural differences are seen to be language, business practices and attitudes. The perceived risk for each country consists of the consequences associated with an unwanted outcome and the uncertainty of the outcome. The consequences are related to personal and organisational impacts and outcomes. The level of uncertainty will depend on the level of market knowledge in terms of size, structure and operation. It has been found that the individual's experiences and abilities influence both the perceived cultural differences and the level of perceived risk.

The findings from the research have shown that in many cases the perceptions about culture and risk change as a result of foreign market experience both within the organisational and individual setting. Individual experience in terms of foreign travel and linguistic ability, the organisation's development into more foreign markets, all affect the perceptions of the individuals within that organisation. In general, companies which are more internationalised have managers who are psychologically closer to the markets than organisations which are less internationalised. However, company size, in terms of turnover and number of employees, has a less immediate impact on the perceptions of individuals. In addition to this, it should be remembered that two people, given the same information, will probably still form different perceptions as the perceived levels of uncertainty are an individual characteristics.
Examples of the changes that were found include:

1. the reduction in perceived cultural problems with greater experience of conducting business with Japan
2. a reduction in the perceived importance of linguistic ability when dealing with Sweden with the accumulation of experience of that country.
3. the greater level of trade barriers that exporters perceive between the UK and West Germany as more experience is gained in that market.

Perceptions are also related to the individuals' different abilities. For example, the linguists amongst the respondents perceiving a greater level of cultural problems with Japan than non-linguists. The age of the respondents and experience of having lived abroad, although not necessarily in any of the six countries considered in the study, was found to have an insignificant effect on their perceptions.

The change in psychic distance as experience of a particular market is gained will affect the balance between inter-country psychic distance and inter-firm psychic distance, with greater emphasis being placed on the latter as more experience of a market is gained. As this occurs, the relative importance of the constituent factors of psychic distance changes. At first, cultural and national differences will predominate but as business relationships are established and interaction between buying and selling parties occurs, differences at a firm level become more important. The effects of the change may be restricted by the use of agents and sales subsidiaries, a fact which is related to the complexity of the product and constraints on foreign market selection that may exist.

The suggestion that the level of psychic distance and the patterns of change of that distance could be described as a function of several variables, with each country having its own function, may in fact be the most significant conclusion of this particular study.

REFERENCES


Torre-de la, J. 'Marketing Factors in Manufactured Exports from Developing Countries', in L T Wells (ed) The Product Life-Cycle and International Trade.


Doc 1.34/Dk 6