

MAPPING THE CONCEPTUAL DOMAIN OF THE PSYCHIC DISTANCE CONSTRUCT

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Abstract

Researchers have often used psychic distance to explain international business decisions taken by firms. Psychic distance is seen as a multidimensional construct composed of several dimensions. This paper investigates the conceptual domain of the psychic distance construct in order to understand its components (constructs and indicators) and its underlying structure. After mapping the theoretical domain of the construct, the paper offers a set of competing structural models that could be used to empirically test the construct.

Keywords: psychic distance, cultural distance, business distance

1. Introduction

The lack of a clear conceptualization of a construct in the social sciences may have severe impact on the quality of empirical work and undermine serious efforts to understand relationships among complex phenomena (Churchill, 1979). The fragmentation of the research work, as well as the abstract nature of the constructs with which a social scientist is confronted, often makes it difficult to grasp the essence of the social phenomenon and to develop valid and reliable measures. Also, in many cases a thorough assessment of the theoretical domain of a construct is not available to researchers. In fact, it is strongly recommended that before developing measures of a construct, careful delimitation of its conceptual domain must be performed, including “the abstract relationships that exist among hypothetical constructs” (DeVellis, 2003, p.7).

The concept of psychic distance is a good example of a construct with wide acceptance and use, whose theoretical frontiers have not been to this point satisfactorily mapped. Recently, Sousa and Bradley (2006, p.50) suggested that the concept is “poorly understood”, and Brewer (2007, p.45) raised “serious questions about how the concept has been incorporated into research in recent years”.

This paper aimed at exploring the conceptual domain of the psychic distance construct. To achieve this objective, we first thoroughly reviewed the literature on the subject in order to identify conceptualizations of the construct and to extract its core elements. Second, we sorted the variables used by several authors to measure the construct, selecting those variables that seem to be associated to its conceptual domain, and organizing them in hypothetical dimensions. Third, we present two competitive models of psychic distance, and examined possible complex relationships between psychic distance and other constructs.

2. Definitions of Psychic Distance

The job of delineating the scope of a construct should start with “a general definition of the construct” (Spector, 1992, p.14). Definitions try to apprehend the essential nature of a construct and can therefore be useful in mapping its conceptual domain. A careful literature

review should be the basis for such endeavor. If a construct is “popular” there is a good chance of finding different conceptualizations in the literature (Spector, 1992, p.15). These conceptualizations may differ in their scope and depth, and they can even be in conflict. In any case, the examination of several definitions of a construct may shed some light into its different dimensions, and serve as a starting point to map its conceptual domain.

The concept of psychic distance in the literature has changed over time (Evans and Mavondo, 2002a). The term ‘psychic distance’ was apparently first used by Beckerman (1956), who hypothesized the existence of a behavioral factor influencing the ways by which suppliers in a given country would see their customers as “closer” than the actual geographic or economic distance. He believed that factors such as the easiness or difficulty of understanding the foreign language, the availability of air transportation to the specific location, or the existence of previously established relationships might alter such perception. Linnemann (1966) examined the concept and elaborated on issues such as risk perception, informational imperfections, and cultural barriers, in addition to language.

The construct only became widely known in the field of international business with the Uppsala Internationalization Process Model, which used psychic distance to explain why firms would move gradually to international markets. According to Uppsala scholars (Johanson and Vahlne, 1977; Johanson and Wiedersheim-Paul, 1975), a firm would first move to markets that were more similar to the domestic market, and only later in their international development would approach psychically-distant markets. This would happen because managers are risk averse, and would only accept the higher risks of operating in more different environments as the firm acquires knowledge and experience in markets that are similar. Johanson and Wiedersheim-Paul (1975, p.307) conceptualized PD as the sum of “factors preventing or disturbing the flow of information between firms and market”, and Hallén and Wiedersheim-Paul (1979/1993, p.293) as “a measure of the difficulty a seller has to perceive or estimate the needs of a buyer or the corresponding difficulty a buyer experiences in perceiving the seller’s offer”. Many other authors, although not belonging to the Uppsala School, offered definitions that are consistent with the Uppsala IP model, such as Ford (1984, p.102), who defined PD as “the extent to which the norms and values of the two companies differ because of their separate national characteristics”; Clark and Pugh (2001, p. 286) who described it as “factors preventing or disturbing the flow of information between the firm and target nations, including linguistic, institutional, cultural and political factors”; or Celaya and Swift (2006, p.231), who saw PD as the “degree/extent of difference that the people from one culture perceive between themselves and the people of another culture”. Other authors called the attention to the uncertainty aspect implicit in the construct, such as Kogut and Singh’s (1988, p.413) definition of PD as “the degree to which a firm is uncertain of the characteristics of a foreign market”. Vahlne and Nordström (1992, p.3) considered earlier definitions of PD “too narrow”, and added a learning component to the definition: “factors preventing or disturbing firm’s learning about and understanding of a foreign environment”. Following a similar reasoning, Brewer (2007, p.47) conceptualized PD as “the inverse of the availability of market information” and suggested the concept should be operationalized by “the level of familiarity between the firm and country market”.

Certain authors have included in their definitions of PD a business distance component. O’Grady and Lane (1996, p.330), for example, defined it as “a firm’s degree of uncertainty about a foreign market resulting from cultural differences and other business difficulties that present barriers to learning and operating there”. They pointed out that the construct encompasses more dimensions than simply cultural differences, insisting that “business factors, such as legal and competitive environments” (p.328) should be included in the construct’s conceptual domain. Fletcher and Bohn (1998, p.49) also stated that the construct

should be conceptualized from a business distance perspective: “...this willingness (or lack thereof) to undertake business in specific overseas markets”; and Evans, Treadgold and Mavondo (2000a, p. 377-378) conceptualized the construct as “the distance between the home market and a foreign market resulting from the perception and understanding of cultural and business differences”.

Table 1 presents the elements identified in different definitions of the psychic distance construct in the literature.

Table 1 – Elements Extracted from Definitions of the Psychic Distance Construct in the Literature

Elements	Studies (chronological order)
Element 1 – Sum of factors or summary construct...	
Summary construct/degree	Reid (1986); Kogut and Singh (1988); Shoham, Rose and Albaum (1995); O’Grady and Lane (1996); Celaya and Swift (2006); Baack and Baack (2006).
Sum/aggregation (of factors)	Vahlne and Wiedersheim-Paul (1973); Johanson and Wiedersheim-Paul (1975); Hallén and Wiedersheim-Paul (1979/1993); Vahlne and Nordström (1992); Swift (1999); Clark and Pugh (2001); Arenius (2005).
Element 2 – ...including/of...	
factors/barriers preventing or disturbing the flow of information/learning;	Linnemann (1966); Vahlne and Wiedersheim-Paul (1973); Johanson and Wiedersheim-Paul (1975); Vahlne and Nordström (1992); O’Grady and Lane (1996); Clark and Pugh (2001); Arenius (2005); Brewer (2007).
perceived differences/ dissimilarities	Hallén and Wiedersheim-Paul (1984); Reid (1986); Shoham, Rose and Albaum (1995); Evans, Treadgold and Mavondo (2000a); Evans and Mavondo (2002a); Celaya and Swift (2006).
perceptions of risk/uncertainty	Linnemann (1966); Kogut and Singh (1988); O’Grady and Lane (1996).
Element 3 - ... resulting from ...	
geographic distance	Johanson and Wiedersheim-Paul (1975)
cultural differences / differences in values/problems of communication	Johanson and Wiedersheim-Paul (1975); Hallén and Wiedersheim-Paul (1979/1993); Reid (1986); O’Grady and Lane (1996); Evans, Treadgold and Mavondo (2000a); Clark and Pugh (2001); Evans and Mavondo (2002a); Arenius (2005)
language differences	Johanson and Wiedersheim-Paul (1975); Hallén and Wiedersheim-Paul (1979/1993); Reid (1986); Clark and Pugh (2001); Evans and Mavondo (2002a); Arenius (2005)
social differences	Johanson and Wiedersheim-Paul (1975)
differences in the political system	Hallén and Wiedersheim-Paul (1979/1993); Clark and Pugh (2001); Evans and Mavondo (2002a)
differences in the economic system	Evans and Mavondo (2002a)
differences in the legal environment	Reid (1986); Evans and Mavondo (2002a)
institutional differences	Clark and Pugh (2001)
differences in the level of education	Hallén and Wiedersheim-Paul (1979/1993)
differences in industrial development	Hallén and Wiedersheim-Paul (1979/1993)
differences in business practices	Reid (1986); O’Grady and Lane (1996); Fletcher and Bohn (1998); Evans, Treadgold and Mavondo (2000a); Evans and Mavondo (2002a, 2002b); Arenius (2005); Baack and Baack (2006)
differences in market structure/ market characteristics	Kogut and Singh (1988); Evans and Mavondo (2002a);
differences between the seller’s offer and the buyer’s needs	Hallén and Wiedersheim-Paul (1984)

Element 4 - ...between...	
country of origin and country of destination	Johanson and Wiedersheim-Paul (1975); Lee (1998)
domestic market and foreign market	Shoham, Rose and Albaum (1995); Evans and Mavondo (2002a);
firm and foreign market/ suppliers and customers/ sellers and buyers	Vahlne and Wiedersheim-Paul (1973); Hallén and Wiedersheim-Paul (1979/1993); Hallén and Wiedersheim-Paul (1984); Kogut and Singh (1988); Vahlne and Nordström (1992); O'Grady and Lane (1996); Arenius (2005)
firm and country of destination	Clark and Pugh (2001); Brewer (2007)
people from one culture and from another	Baack and Baack (2006)

Regarding Element 1 in the definitions of psychic distance (Table 1), there is no agreement in the literature as to whether PD is a sum or aggregation of factors or a summary construct.

As pointed out by Stöttinger and Schlegelmilch (1998, 2000), the use of a global measure of the construct is anchored in the principles of *Gestalt* psychology. According to this theory, the perception of the whole cannot be described by the sum of its parts. Therefore, the individual perception of psychic distance is not the result of evaluating and weighting various factors of dissimilarity, but rather a holistic view of how similar or different another country is from one's own. Reid (1986) was apparently the first author to refer to PD as a summary construct. Other researchers (e.g. Dichtl, Leibold, Köglmayr, and Müller, 1984; Dichtl, Köglmayr, and Müller, 1990; Shoham, Rose and Albaum, 1995; Stöttinger and Schlegelmilch, 1998) followed Reid, and used overall measures that tried to capture the hypothesized summary character of the construct. Nevertheless, Stöttinger and Schlegelmilch (2000, p.172), referring to the disappointing results in their research, questioned whether the construct deserved its fame, and suggested that if additional research efforts proved fruitless, "the idea of psychic distance as a summary construct would need to be dropped".

On the other side, those who suggested that the construct should be seen as a "sum of factors" have measured PD using several indicators extracted from the literature, often combining them in one or more indexes. This vision is shared by Uppsala scholars and their followers. In support of this methodological choice, Evans, Treadgold, and Mavondo (2000b, p.165) claimed that "the key factors that combine to create psychic distance *must* be measured" for the advancement of research in the area. The view of PD as an "aggregation" of factors suggests the use of multi-item measures, which are generally considered superior measures of an abstract construct than single-item measures. This is because the combination of several items permits (i) to "average out" their specificity; (ii) to get "finer distinctions" between respondents; and (iii) to increase reliability and to reduce measurement error, when compared to single-item measures (Churchill, 1979, p.66).

As to Element 2 (Table 1), conceptual differences are less drastic. Some authors point out to factors or barriers disturbing or preventing the flow of information between markets, others only indicate the existence of differences or dissimilarities, and others point out to the resulting impact of such factors on the level of perceived risk, uncertainty or learning. Nevertheless, these different conceptualizations may impact the choice of a reflective or a formative model to represent the specific construct (dimension).

Element 3 (Table 1) includes partial lists of factors representing areas of perceived differences. A more complete list of factors extracted from the literature, associated to the different dimensions of PD, is provided in the following section of this article.

Finally, Element 4 (Table 1) presents different levels of conceptualization of PD: national level (between countries, cultural groups, or markets), organizational level (between firms and markets, or between firm and its customers), or individual level (between people from

different cultures). The choice of level of analysis also has critical implications in terms of measurement. These differences are not, however, irreconcilable (see, for example, Souza and Bradley, 2006).

Table 2 summarizes this discussion.

Table 2 – Core Elements of the Psychic Distance Construct

Nature	Sources	Factors	Level
Summary construct Sum of factors	Perceived barriers Perceived differences Perceived risk/uncertainty	Geographic distance Macroenvironment Culture Language Business distance	National Organizational Individual

3. Dimensions of Psychic Distance

In addition to exploring the definitions of PD, it is necessary to develop a “reasonably exhaustive list” of its dimensions, including related constructs and indicators, and deciding “what is and what is not included in the domain” (Churchill, 1979, p.67). As stated by Spector (1992, p.15), a construct “cannot be described in a vacuum; it must exist within a network of relations between it and other constructs”.

If one considers the different conceptualizations in the literature, the following four dimensions (or constructs) have to be considered in their relationship with the psychic distance construct: (i) a physical dimension (geographic distance); (ii) a cultural dimension (culture as a whole or considered in terms of its constituent elements, such as cultural values, language, or religion); (iii) a macro-environmental dimension (including factors such as the economic, political and legal systems); and (iv) a business dimension. A thorough search in the literature provided additional indicators associated to these dimensions.

3.1. The physical dimension

The use of geographic distance as a proxy or a dimension of PD has been both defended and criticized by various authors. The original proponents of the Uppsala model have used this dimension, providing a theoretical rationale for its use. In their view, geographic distance could be used as a surrogate for PD because distance limited the access and thus the ability to learn about other markets (Johanson and Wiedersheim-Paul, 1975). Other authors (e.g. Grosse and Trevino, 1996; Brewer, 2007) have included geographic distance in the psychic distance construct’s domain. Stöttinger and Schlegelmilch (1998) provided an interesting measure of PD by combining magnitude scaling and geographic distance.

Yet Beckerman (1956, p.32) considered economic distance a different construct. For him, economic distance included “the cost of transversing distance rather than the actual mileage involved”, which could be measured differently depending on whether one would consider the closest points between the two countries, the geometric centers of the countries, or even their centers of gravity (based on some sort of weighting mechanisms). Klein and Roth (1990, p.29) considered physical distance as a ‘hard’ dimension and ‘psychic distance as a ‘soft’ dimension of the same phenomenon (the “gap between buyers and sellers”). Clark and Pugh (2001) also did not consider geographic distance as a dimension of the psychic distance construct, but as a different although relevant concept impacting foreign market entry. Dow (2000, p.54) suggested that progress in telecommunications and transportation “dramatically reduced the impact of geographic distance” and therefore its use should be “severely thrown

into doubt”. After testing the two constructs, he concluded that “they represent largely distinct relationships” (p.58). Examining the literature on cultural distance, Shenkar (2001) proposed that geographic distance should be used as a moderator or a mediator of the impact of cultural distance. Dow and Karunaratna (2006) used time zones as a proxy for geographic distance, including it as a control variable in their measurement model of PD.

Another variable of the physical environment was proposed by Souza and Bradley (2005, 2006), who suggested the use of the individual perception of differences in climatic conditions as a measure of PD.

Table 3 – Variables related to the Physical Dimension of Psychic Distance

Variables	Studies
Geographic distance	Johanson and Wiedersheim-Paul (1975); Grosse and Trevino (1996); Brewer (2007)
Differences in climatic conditions	Souza and Bradley (2005, 2006)

3.2. The cultural dimension

The constructs of psychic distance and cultural distance have been sometimes used in the literature interchangeably, or as proxies of each other (e.g. Barkema, Shenkar, Vermeulen and Bell, 1997; Benito and Grispsrud, 1992; Eriksson, Majkgard, and Sharma, 2000; Fletcher and Bohn, 1998; Lee, 1998; Luostarinen, 1980), and sometimes as partially overlapping, or partially different (e.g. Vahlne and Nordström, 1992; Clark and Pugh, 2001; Sousa and Bradley, 2006). Several researchers pointed out, however, that construct equivalence is theoretically incorrect. Clark and Pugh (2001), for example, remarked that to reinterpret cultural distance as psychic distance would not abide to the original propositions of Uppsala scholars, for whom the cultural dimension was only part of the PD construct. Dow and Karunaratna (2006) argued that cultural distance is only one component of PD. Brewer (2007) claimed that there is no conclusive evidence that culture is even a central element of PD.

According to Evans, Treadgold and Mavondo (2000a), the distinction between cultural and psychic distance can be made taking into consideration the ways by which these two constructs have been operationalized in the literature: cultural distance using Hofstede’s cultural dimensions, and psychic distance, considering differences in factors such as the political, economic, and legal environment, business practices, etc. Dow (2000) empirically tested the use of cultural distance only, and of more complete measures of PD, and found that the first had lower predictive validity than the more complete measure.

Definitions of cultural distance in the literature are quite homogeneous (when excluded those that consider cultural distance as equivalent to PD). In general, researchers see cultural distance as a collective (shared) phenomenon, defining it as “the degree of difference of the cultural cluster to which the target foreign country belongs from the cultural cluster to which the home country belongs” (Clark and Pugh, 2001, p.296); “the degree to which cultural values in one country are different from those in another country” (Sousa and Bradley, 2006, p.52); or as “the extent to which members are from the same national or cultural background” (Benbunan-Fich, Hiltz and Ocker, 2006, p.284). The constituent elements of cultural distance are summarized in Table 4.

Table 4 – Elements Extracted from Definitions of Cultural Distance in the Literature

Elements	Studies (chronological order)
Element 1 – Degree ...	
degree/ extent	Folta and Ferrier (2000); Clark and Pugh (2001); Raza, Singh and Dutt (2002); Sousa and Bradley (2006);

	Benbunan-Fich, Hiltz and Ocker (2006); Drogendijk and Slangen (2006)
Element 2 – ...of...	
perceived difference/dissimilarity	Lee (1998); Clark and Pugh (2001); Folta and Ferrier (2000); Drogendijk and Slangen (2006); Sousa and Bradley (2006)
perceived similarity/same cultural formation	Raza, Singh e Dutt (2002); Benbunan-Fich, Hiltz and Ocker (2006)
Element 3 - ... in...	
cultural values/ cultural background	Folta and Ferrier (2000); Clark and Pugh (2001); Raza, Singh and Dutt (2002); Benbunan-Fich, Hiltz and Ocker (2006); Drogendijk and Slangen (2006); Sousa and Bradley (2006)
Element 4 - ...between...	
countries/ countries of origin and destination/ country of origin and foreign country	Luostarinen (1980); Benito and Gripsrud (1992); Barkema, Shenkar, Vermeulen and Bell (1997); Lee (1998); Folta and Ferrier (2000); Drogendijk and Slangen (2006); Sousa and Bradley (2006)
cultural clusters	Clark and Pugh (2001)

These elements suggest that cultural distance is also conceptualized as a summary construct (Element 1), even if most operationalizations treat the construct as a composite index of cultural dimensions. It is seen as the result of perceived differences or similarities (Element 2) of cultural values (Element 3) between countries or cultural groups (Element 4). Table 5 synthesizes the core elements of cultural distance definitions.

Table 5 – Core Elements of the Cultural Distance Construct

Nature	Sources	Factors	Level
Summary construct	Perceived differences/ dissimilarities	Cultural values	National

Besides cultural values, other variables such as language, personality variables, work ethic, and religion have also been used as proxies of cultural distance. Table 6 presents these variables and the studies that used them.

Table 6 - Variables related to the Cultural Dimension of Psychic Distance

Variables	Studies (chronological order)
Hofstede's cultural dimensions (individualism; uncertainty avoidance; masculinity; power distance)	Kogut and Singh (1988); Benito and Gripsrud (1992); Grosse and Trevino (1996); O'Grady and Lane (1996); Barkema, Bell and Pennings (1996); Barkema, Shenkar, Vermeulen, and Bell (1997); Morosini, Shane and Singh (1998); Brouthers and Brouthers (2001); Drogendijk and Slangen (2006)
Hofstede and Bond's cultural dimensions (Hofstede's dimensions plus long-term orientation)	Fletcher and Bohn (1998); Evans and Mavondo (2002); Dow and Karunaratna (2006); Brewer (2007)
Schwartz's cultural dimensions (conservatism, intellectual autonomy, affective autonomy, hierarchy, egalitarian commitment, mastery, and harmony)	Mezias et al (2002); Souza and Bradley (2006); Drogendijk and Slangen (2006)
Jackson's Personality scales (achievement, aggression, tolerance and risk-taking)	O'Grady and Lane (1996)
Protestant work ethic	O'Grady and Lane (1996)

Language	Beckerman (1956); Linnemann (1966); Vahlne and Wiedersheim-Paul (1977); Reid (1986); Klein and Roth (1990); Clark and Pugh (2001); Evans and Mavondo (2002); Dow and Karunaratna (2006); Sousa and Bradley (2005, 2006); Brewer (2007)
Religion	Dow and Karunaratna (2006)

3.3. The macro-environmental dimension

Several authors have considered variables of the macro-environment as components of the psychic distance construct. They are typically referred to as differences between the specific variable in the home country and the host country or the country of destination. Table 7 lists these variables.

Table 7 – Variables Related to the Macro-environmental Dimension of Psychic Distance

Variables	Studies (chronological order)
Economic system	Klein and Roth (1990); Evans and Mavondo (2002a); Dow and Karunaratna (2006); Rocha, Silva and Carneiro (2007)
Level of economic development	Vahlne and Wiedersheim-Paul (1973, 1977); Hallén and Wiedersheim-Paul (1979/1983); Brewer (2007)
Level of industrial development	Dow and Karunaratna (2006)
Political system	Hallén and Wiedersheim-Paul (1979/1983); Clark and Pugh (2001); Evans and Mavondo (2002a); Dow and Karunaratna (2006)
Political ties	Brewer (2007)
Legal/regulatory system	Reid (1986); Klein and Roth (1990); Evans and Mavondo (2002a); Rocha, Silva and Carneiro (2007)
Institutional factors	Clark and Pugh (2001)
Social system	Johanson and Wiedersheim-Paul (1975)
Level of education	Vahlne and Wiedersheim-Paul (1973, 1977); Hallén and Wiedersheim-Paul (1979/1983); Dow and Karunaratna (2006); Souza and Bradley (2005, 2006)
Infrastructure of communications	Klein and Roth (1990)
Commercial ties	Vahlne and Wiedersheim-Paul (1977); Brewer (2007)

It should be noted that not all studies that used these variables considered them as part of the psychic distance construct. For example, Clark and Pugh (2001) used market size (measured by the GDP) and affluence (measured by the GDP per capita) but did not consider them as part of the construct.

Another relevant issue refers to the use of objective indicators versus subjective indicators to measure these variables. The use of objective indicators has been severely criticized (e.g. Stöttinger and Schlegelmilch, 1998), with the argument that the relevant indicators are not what the difference is, but how people perceive it. Those that defend the use of objective indicators claim that they are actually the reason why PD occurs.

3.4. The business dimension

The fourth facet of PD is related to various aspects of how business is conducted in each country. Table 8 summarizes the variables used in the literature.

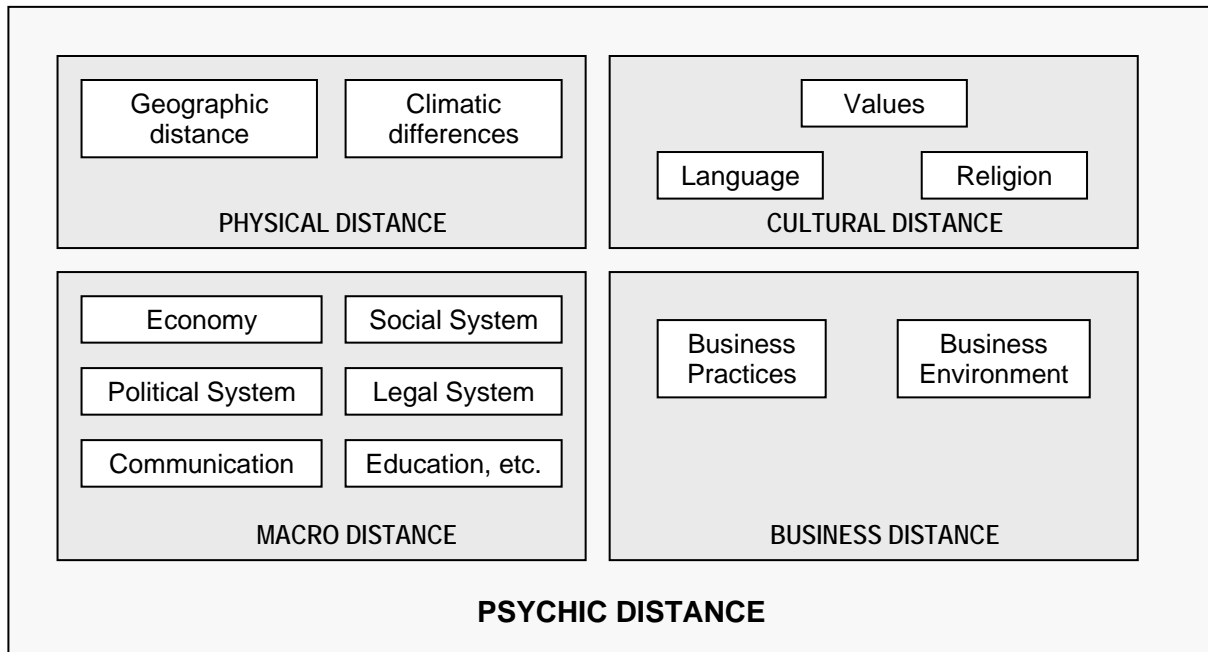
Table 8 – Variables related to the Business Dimension of Psychic Distance

Variables	Studies (chronological order)
Business routines and practices	Reid (1986); Klein and Roth (1990); Evans and Mavondo (2002); Rocha, Silva and Carneiro (2007)
Business language	Vahlne and Wiedersheim-Paul (1977)
Market maturity/ market structure	Evans and Mavondo (2002); Rocha, Silva and Carneiro (2007)
Retail structure/ channels of distribution	Evans and Mavondo (2002); Rocha, Silva and Carneiro (2007)
Media availability	Rocha, Silva and Carneiro (2007)
Consumer buying power	Sousa and Bradley (2005, 2006)

To simplify, and considering the lack of a more exhaustive list of business differences that may be associated to PD, the above-cited variables can be grouped in two categories: differences in business practices and differences in the business environment.

4. The Conceptual Domain of Psychic Distance

The conceptual domain of the psychic distance construct supports the idea of a multidimensional construct (Figure 1). The list of variables extracted from the literature associated to each dimension is not exhaustive. Also, there has been little exploratory research in order to identify which variables are actually accessed by managers when considering how close or how far a country is psychically. Most studies used variables adopted by previous researchers.

Figure 1 – The Conceptual Domain of the Psychic Distance Construct

Most authors have not addressed all dimensions of the construct in their research. More often authors have used the cultural dimension of psychic distance, followed by variables associated to the macro-environmental dimension, and by indicators of business distance. The least used dimension is physical distance. Typically, conceptual structures from previous studies did not include other constructs (although there are a few exceptions, such as Evans and Mavondo, 2002a).

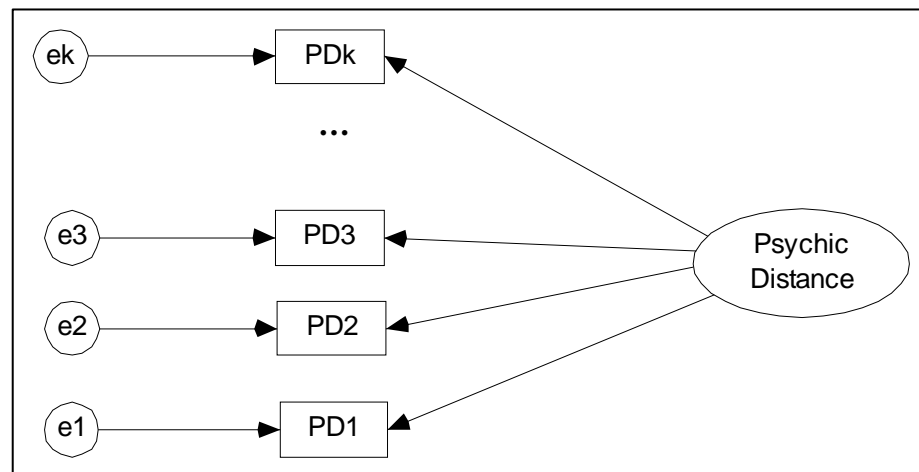
However, in order to adequately test the construct, it is necessary to specify different theoretically-based models representing the relationships between the various dimensions of the construct and between these dimensions and their observable variables.

5. Structural Models of Psychic Distance

Several competing structural models can be hypothesized to describe the relationships among dimensions, indicators, and the focal construct. These structures should represent not only the hierarchical arrangements of the constructs, but also the nature of the relationships between indicators and constructs, and among constructs.

Model 1 is a unidimensional measurement model (Figure 2). It is the most commonly tested conceptual structure in previous studies.

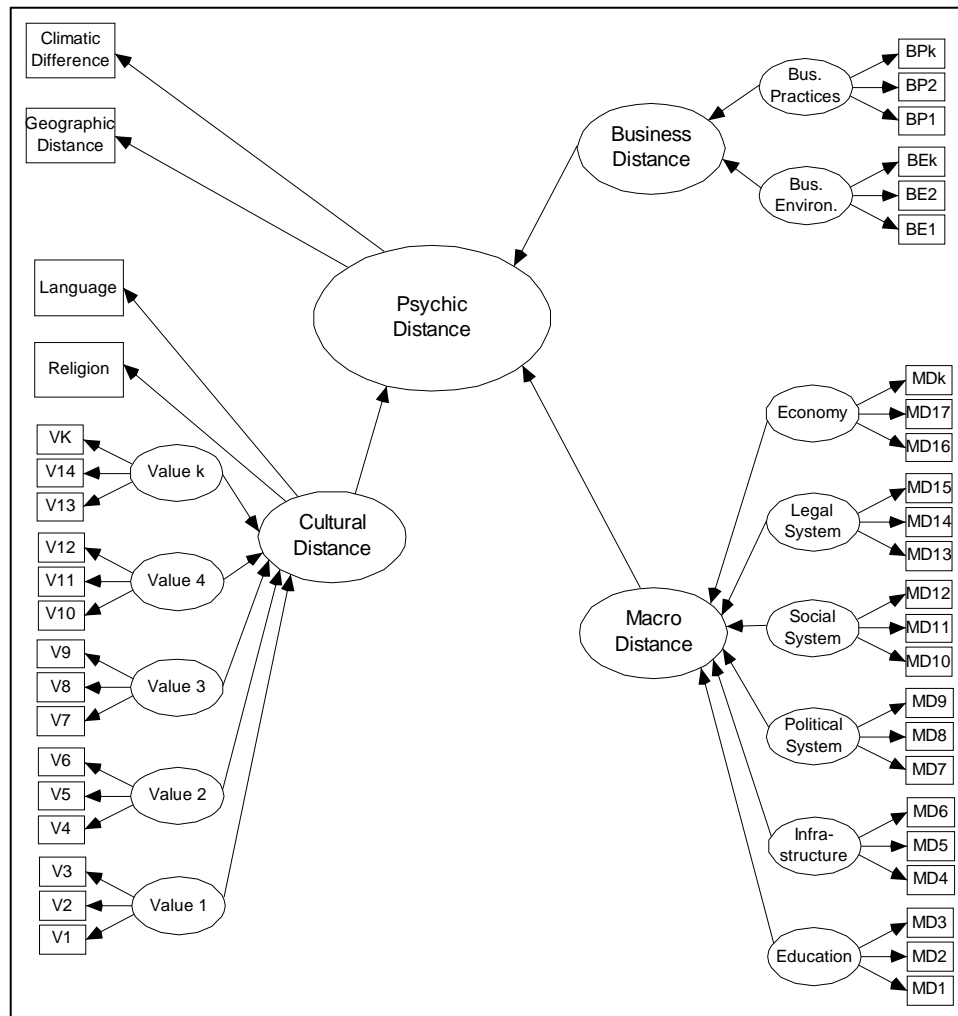
Figure 2 – Model 1 – Unidimensional Model



Another competing model (Model 2), which is also consistent with the literature, is portrayed in Figure 3. Model 2 shows a more complex structure.

The two variables previously identified as a “physical dimension” appear as observable indicators of PD. Other two variables (language and religion) are indicators of cultural distance, together with other constructs representing cultural values. For simplification, we have in some cases considered three items as indicators of each construct, but the actual number of possible indicators, as previously discussed, may be much larger. We have not included the errors in Figure 3.

Figure 3 – Model 2 – Multidimensional Third-Order Structural Model



These two models are plausible structural representations of the psychic distance construct, although model 2 is difficult to test. The models do not intend to cover all the possible representations of PD, but to suggest that more than one model is supported by the literature.

6. Final Considerations

This paper intended to contribute to the understanding of the conceptual domain of psychic distance and its underlying dimensions. We have mapped several components (latent constructs and observable variables) of psychic distance and have speculated on their nature. These competing models are only some of the possible representations of the construct.

In the Social Sciences, constructs are often “theoretical abstractions, with no known objective reality”, such as “unobservable cognitive states, either individual...or shared” (Spector, 1992, p.13). This is precisely the case of the psychic distance construct, a complex, multidimensional, perceptual phenomenon that has individual and shared dimensions. To this point, the construct has only been imperfectly conceptualized and measured using measurement models that did not fully encompass its domain.

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