



Is psychic distance still relevant for internationalization decisions?

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Abstract

Psychic distance has been considered for decades as one of the main drivers of companies' internationalization decisions. However, changes in the competitive environment caused by the accelerated diffusion of information technologies and increased global integration has led us to reconsider whether this concept remains useful to managers. This study aimed to identify the determinants of psychic distance and the strength of their influence in decision-making during the internationalization process of firms. Following Brewer's (2007) work, which analyzed the key concepts and ideas about psychic distance from 1996 to 2006, we extended the analyzed period, considering published articles from 2007 up to 2014. From the composition of both periods, we set up the main factors updated. Additionally, we conducted a survey with 35 companies in order to validate research findings. Results show that, as economic factors gain more relevance in market analysis, cultural factors have significantly lost importance as the key drivers of internationalization decisions.

Keywords: Psychic distance; Internationalization strategy; Brazil; Emergent country.

Introduction

In the early 1990s, Brazil and other emerging markets became an open economy, intensifying their participation in international trade. From this, executives in different kinds of companies started to realize the effects and benefits of globalization. This fact has promoted a strong movement of companies in searching for new foreign

markets and promoting the expansion of international alternatives. The internationalization path followed by such companies, however, no longer fits into the classical theories used to predict their strategic moves.

Theoretical explanations of the internationalization process of firms usually adopt either an economic or a behavioral approach (Andersen, 1993). From an economic perspective, some theories stand out, such as: monopolistic advantage (i.e. Hymer, 1976); internalization (i.e. Buckley and Casson, 1976; Hennart, 1982); product life-cycle management (i.e. Vernon, 1966) and the theory of the eclectic paradigm (i.e. Dunning, 1988). Under the behavioral approach, Uppsala model is the most prominent. The Uppsala model states that companies enter international markets gradually, establishing operations incrementally as they develop new knowledge about them (Johanson and Wiedersheim-Paul, 1975). This theoretical strand also takes into account the concept of psychic distance in determining a firm's choice of the countries in which it will start to internationalize (Johanson and Vahlne, 2009, 1977).

The idea of psychic distance was first brought by Beckerman (1956), and later studied by several other authors (i.e. Johanson and Wiedersheim-Paul, 1975; Johanson and Vahlne, 1977; Wiedersheim-Paul, Olson and Welch, 1978). They argue that psychic distance is the result of both contextual and intrinsic factors, which make the company perceive greater risk and uncertainty in countries that exhibit too many cultural differences relative to the domestic market (Beckerman, 1956; Johanson and Vahlne, 1977). According to Johanson and Wiedersheim-Paul (1975), because of the perceived differences, psychic distance hinders the flow of information between the company and the foreign market leading managers to prefer closer markets when initiating international expansion.

Nevertheless, recent developments in communication technology, together with the intensification of global integration, has transformed the way companies analyze foreign markets (Coviello, Kano and Liesch, 2017). Such changes have challenged traditional theories and called for some post hoc formulations. For example, Johanson and Vahlne (2009), when revisiting the Uppsala model, have corroborated with Madsen and Servais's (1997) findings that the order in which companies enter foreign markets no longer correlates with psychic distance. Vahlne and Johanson (2013) have updated the way they see the influence of psychic distance by saying that it may be relevant on the micro-level but its real impact over internationalization decisions will be indirect.

Based on the above, the present research examined the question whether and to what extent this concept can also be applied currently. We sought to identify if managers still perceive the differences between the countries as barriers to the entry of foreign companies in the market or if it is no longer seen as an obstacle. In addition, this study aimed to identify which are the determinant factors of psychic distance that can still influence the executive decision-making on the foreign market in which the company intends to operate.

For this we used Brewer's study (2007), which analyzed the key concepts and ideas about psychic distance from 1996 to 2006. The grounding was expanded by repeating the study for the period 2007 to 2014. From composition of these two periods the main factors updated for the two periods were defined. We proceeded to a survey in a sample of Brazilian companies to analyze the perception of managers about the validity of such factors.

Results show that the location factor is still considered by most companies at the start of the process of internationalization, and the legal environment does not arise as a barrier in choosing the country of destination for exports. In the economic dimension, companies have shown the market does not need to be similar to the Brazilian market. However, the cultural issue significantly lost its importance as a key driver of psychic distance.

Theoretical Framework

We spliced the conceptual developments in two parts. First, we revised the fundamentals concepts about psychic distance. Second, we discussed the Brewer's study (2007) and we present our updated approach based on his study.

Internationalization and psychic distance

According to Hakanson and Both (2010), the concept of psychic distance was introduced by Beckerman (1956), to highlight the importance of perception in the formation of foreign trade relations. As Conway and Swift (2000) pointed out, the influence of psychic distance for international business has been developed since the 1970s by Johanson and Wiedersheim-Paul (1975), Johanson and Vahlne (1977) and Wiedersheim-Paul, Olson and Welch (1978). The first definition adopted by Johanson and Wiedersheim-Paul (1975), considered psychic distance to influence a company's decision of entering a new foreign market because of its potential to inhibit or hinder the flow of information between the firm and the market.

Since it deals with perception, the mechanism through which psychic distance operates is by filtering the way data is interpreted, as it is affected by personal experiences and the values of each individual (Swift, 1999). Consequently, contextual and personal characteristics will define psychic distance at an individual level. Table 1 shows the factors influencing the emergence of psychic distance between companies and individuals from different countries.

Table 1 – Factors influencing the degree of psychic distance

Factors	Authors
Language, culture, political systems, level of education, level of industrial development and geographical distance	Johanson and Wiedersheim-Paul (1975)
Language, culture, political systems, level of education, level of industrial development and business practices	Johanson and Vahlne (1977)
Cultural affinity degree (language, business habits, legal environment, cultural environment, etc.), degree of mutual trust and degree of experience of individuals	Hallén and Wiedersheim-Paul (1993)

Source: the authors.

Brewer's conceptual framework

Brewer (2007) conducted a review of studies published between 1996 and 2006 (Table 2) on psychic distance and brought together the main ideas published in that period. After Brewer's analysis (2007), the concept of psychic distance has been revised and widened in studies by different authors. As already mentioned, according to Johanson and Vahlne (2009) the correlation between the order in which a company enters into foreign markets and the psychic distance weakened, because businesses and individuals have acquired more knowledge about foreign environments generating greater confidence to deal with the consequences of psychic distance.

Table 2 - Research Psychological Distance between 1996 and 2006

Authors/ Year	Concept / Identification Factors
O'Grady and Lane (1996)	Degree of uncertainty resulting on a foreign market of cultural differences and other business difficulties of a company
Lee (1998)	Difference between the country of origin and the destination country in terms of language, business practices, legal and political systems and marketing infrastructure
Fletcher and Bohn (1998)	Cultural distance (cultural differences)
Swift (1999)	A combination of cultural distance, more distrust, more social distance
Stottinger and Schlegelmilch (2000)	The perceived strangeness of international markets, cultural proximity
Conway and Swift (2000)	As the standards and values of the two companies, differ because of their different national identities
Dow (2000)	Communication difficulties arise from large geographic distances, time differences, language differences, culture, laws and business practices
Kim and Rhee (2001)	The uncertainty of the firm on the foreign market resulting from cultural differences that represent barriers to learning about the market
Evans and Mavondo (2002)	The distance between the domestic and the foreign market, a result of the perception of cultural differences and business
Child; Ng; Wong (2002)	Differences in language, culture, political systems, level of education and level of development
Chetty and Campbell-Hunt (2004)	Country of origin of the differences in language, culture, political system, business practices, industrial development and education system
Pedersen and Petersen (2004)	As specific market foreign operation is different from existing and well
Hassel and Cunningham (2004)	A combination of geographical distance and cultural differences
Dow and Karunaratna (2006)	Differences in culture, language, religion, education and political systems

Source: Adapted from Brewer (2007).

Psychic distance may not have a direct influence, but it maintains its importance, as it impacts the process of building trustful relations between parties as well as the company's learning process as a whole. Hakanson (2014) associated the weakening of psychic distance to improvements in the media and information exchange that occurred in recent decades. Considering that, Table 3 presents the concepts covered in studies between the years 2007 and 2014 considering the same logic of Brewer's (2007) study.

Table 3 - Research Psychological Distance between 2007 and 2014

Authors / Year	Concept / Factors Identified
Silva et al., (2007)	The psychic distance is as individual phenomenon, the firm, or national
Brewer (2007)	Emphasis on the ease with which managers can develop knowledge of country markets rather than a narrow view of the differences between countries
Ojala; Tyrvaäinen (2009)	Language proficiency of importance, the international experience of the destination country, and the motivations and interests of managers towards the destination country
Johanson and Vahlne (2009)	The influence of psychic distance has weakened, but still impacts on developing relationships and learning process
Hakanson and Ambos (2010)	Perceptions on psychic distance are formed from environmental stimuli, particularly the amount and type of information that a person has about a foreign country (geographical distance, language and level of economic development)
Schweizer, Vahlne, and Johanson (2010)	The psychic distance makes it difficult to operate in the international than in the domestic market. The entrepreneur needs time and effort to build international networks
Freeman, et al. (2012)	Explores the interaction between psychic distance and the size of the market. Greater commitment of resources depend on each type of company (Born globals, new entrants and old entrants)
Hakanson; Dow (2012)	The psychic distance is related to the cost and difficulty of transfer and interpretation of the information necessary to make international transactions
Gerschewski (2013)	Emphasized the importance of the values of managers and how they perceive international markets, as well as objective data, such as language differences

Hakanson (2014)	The psychic distance is more important for trade in customized goods than for commodities, but reducing due to the advancement of communication technologies
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Source: the authors

Following the studies outlined in Table 3, it is possible to reinforce Hakanson's (2014) position that there is a weakening in the influence that psychic distance has on businesses. It is also possible to note that the concept of psychic distance is more related to an individual perception rather than something specifically attached to a company or a country. Accordingly, it's the attitudes and experiences of managers that guide the internationalization of the company; that is, the choice of the country is closely linked to the perception of the decision maker, his or her experience and any other kind of previously acquired knowledge they may have (Reid, 1981; Magnani, 2018).

In Table 4, the main concepts developed by the authors in studies conducted between 1996 and 2014 were grouped according to the dimensions considered most relevant for the analysis of psychic distance. Altogether, combining both groups, it was possible to identify nine dimensions according to the focus of each study.

Table 4 - Dimensions of psychic distance

Dimension	Emphasis	Analysis of Authors A	Authors
Location	First country export destination	The company begins exporting to neighboring countries	Johanson and Wiedersheim-Paul (1975)
	Geographical distance influences the choice of the country	The greater the difference between the countries, the higher the level of the firm's uncertainty	Johanson and Wiedersheim-Paul (1975)
Legal / Policy	The influence of legal and political differences	Difference between the country of origin and destination of the legal and political	Lee (1998)
Economic	Similarity between the country and abroad	Companies begin the internationalization of similar markets and after moving to countries with higher differences	Petersen and Pedersen, 1996
	The fate of the economic development	One of the main factors is the level of economic development of the country	Hakanson and Ambos (2010)
Cultural	The cultural differences between countries	Cultural affinity is important to estimate the needs and requirements of the others	Swift (1999)
	The difficulties caused by cultural differences	The cultural factor hinders access to information and new opportunities	Hemais (2005)
	The difficulty caused by culture	Culture can be a bridge or a barrier to foreign markets	Swift (1999)
	The difficulty caused by the difference in language.	The language makes it difficult to access information	Hemais (2005)
	The relationship with customers is more difficult	It takes time and effort to build these networks	Schweizer et al., (2010)
	The influence of perceived differences between countries	The influence of psychic distance has weakened, but still impacts the relationships and learning	Johanson and Vahlne (2009)
Operation	Chosen method for market entering (Export Indirect or Direct, representative, agent, branch)	Companies choose to start their internationalization through agents rather than branches	Johanson and Wiedersheim-Paul (1975)
		The low psychic distance make easier the exportation, due to the lower level of risk	Hemais (2005)
Knowledge	Experience of individuals with foreign markets	The experience element influence in shaping the attitudes of individuals	Conway; Swift (2000)
	Difficulty of managers to develop knowledge about the country	Familiarity with markets is the key element	Brewer (2007); Hakanson and Dow (2012)
	The differences make it difficult to transfer the information	Psychic distance is related to the cost and difficulty of transfer and interpretation of information	Hakanson and Dow (2012)

	Experience in negotiating with the first country makes another market	After entering a foreign market, the psychic distance is reduced by increasing knowledge and transactions	Andersen (1993)
Relationship	The networking of individuals in the destination country	The psychic distance impacts relationships and learning	Johanson and Vahlne (2009)
		The entrepreneur needs time and effort to build international networks	Schweizer et al., (2010)
Technology	The technologies (TIC) help the relationship	The importance of psychic distance decreased with the advancement of technologies	Hakanson (2014)
Financial	Financial ratio costs discourage the export	The psychic distance is related to the costs	Hakanson and Dow (2012)

Source: the authors

The first dimension was named location and it relates to how strongly geographical distance influences a company's choice of a country as a destination for its first exports. Second dimension refers to the legal and political environments interfering with the company's perception of the easiness of doing business at a certain country due to regulations and political forces. The economic situation of the foreign country is also presented as an important dimension in the company's decisions concerning which countries to export, this is why it was considered as a separate dimension.

Cultural differences are highlighted by some authors in slightly different manners, therefore several factors have been identified within this same dimension, which involves language, the level relationship with the foreign customer and the interference of these differences in the process. Otherwise, the dimension called operation shows with which commitment level companies are entering the market. In the Knowledge dimension, we sought to analyze how the companies are dealing with the flow of information when trading and how experience can help in this process. The influence of networks of individuals involved in the internationalization process is seen in the relationship dimension. On the other hand, the technological dimension evaluates if the evolution of this sector has contributed to reduce the perception of psychic distance or its influence. Finally, the financial dimension considers as a main driver of psychic distance the perceived costs companies attach to develop international operations in a new unknown country.

Methodology

Two different and complementary research methods were used in this study. First, a thorough bibliographic research was performed in order to recognize and characterize different theoretical approaches to the concept of psychic distance. The results of this exploratory phase, as shown in the literature review section, were used to elaborate the questionnaire to be applied in the descriptive phase. This phase consisted of a survey applied to a sample of Brazilian companies working at different stages of internationalization, with the intent to measure and quantifies the research constructs identified in the literature.

The questionnaire consisted of a combination of closed questions using 5 points Likert scale. As previously mentioned, questions and statements were prepared based on what is exposed in Table 4. The questionnaire went through a pre-test with 10 professionals working in the field of international trade. Considering the difficulties point-

ed out by some of the pretest participants, three questions were changed, in order to make these questions clearer to the respondents. A total of 505 exporting companies within our geographical scope were identified through an official list available at the Ministry of Industry and Foreign Trade's website. These exporting companies belong to a geographical region in south of Brazil called Serra Gaucha.

Serra Gaucha is an important and distinguished geographical area in Brazil due to the predominance of Italian and German immigration, what caused it to have distinctive cultural traits (especially in business practices) in relation to the rest of the country. The economic activity of this region includes viticulture and wine production, furniture, footwear, cutlery, textiles, semi-jewels and metalworking, all of them with high exporting capacity. It is also considered the second major metalworking pole in Brazil.

The questionnaire was sent to the main exports companies (300) by the informed e-mail address or the space available on the site. The questionnaire was addressed to people who participated in the beginning of the internationalization process of the companies. Participation was reinforced by phone calls. At the end, a total of 35 valid responses were made available.

Data was submitted to descriptive statistical analysis, together with cross-tabulation. First, as usual, we made a general analysis of the variables using measures of centrality. Subsequently, closed questions were evaluated individually and, finally, the analysis of cross-tabulation of the variables most important to search was made using IBM SPSS version 21 program.

Results

A total of 37 questionnaires were received, two of which were discarded because of missing values and incorrect information, totaling 35 valid responses. A profile of the participant companies is depicted in Table 5.

Although the questionnaire was made available for companies located in the 47 municipalities of Serra Gaucha, the greatest amount of respondents was composed by companies from Caxias do Sul and Bento Gonçalves, which together totaled 80% of the respondents. This is in line with the distribution of exporting companies in the region, once these two cities account for 73% of the whole exporting activity in Serra Gaucha.

Table 5 - Sample profile

Factor	Alternative	Frequency	Percent
City	Caxias do Sul	19	54,3
	Bento Gonçalves	9	25,7
	Farroupilha	2	5,7
	Garibaldi	2	5,7
	Flores da Cunha	1	2,9
	Nova Petrópolis	1	2,9
	Serafina Correa	1	2,9
Industrial Sector	Industrials	16	45,7
	Furniture	8	22,9
	Imports/Exports	3	8,6
	Beverages Industry	3	8,6
	Plastics	2	5,7
	Electronics	1	2,9
	Glasses	1	2,9
Employees	Textiles	1	2,9
	Micro - up to 09	4	11,4
	Small - from 10 to 49	4	11,4

	Medium - from 50 to 99	4	11,4
	Large - More than 100	21	60
	Not Informed	3	5,6
Foundation	1915 - 1944	2	5,8
	1935 - 1954	1	2,9
	1955 - 1974	10	28,8
	1975 - 1994	10	28,8
	1995 - 2014	12	34,4
Beginning of Internationalization	1980 - 1989	4	11,6
	1990 - 1999	6	17,3
	2000 - 2009	21	60,1
	2010 - 2014	3	8,6
	Not Informed	1	2,9

Source: research data 2015

The most representative sectors in the survey were the metalworking industry and furniture with, respectively, 45.7% and 22.9% of the respondents. The sectors of Imports/ Exports, Beverages, Plastic Injection, Electronic, Glasses and Textile together totaled 31.6% of the responses. As for the year of foundation, most companies were founded between years 1995 and 2014, corresponding to an amount of 34.4%. A total of 28.8% of the respondent companies were founded during the period from 1955 to 1974, the same amount as in the period from 1975 to 1994. The beginning of internationalization in these companies was more significant in the years between 2000 and 2009, when 60% of them started their ventures abroad. Table 6 presents a descriptive statistical analysis of the results for each one of the research constructs.

Table 6 - Descriptive Statistics

Dimension	Question	Mean	Sd
Knowledge	Experience in negotiations with the first country facilitated negotiations with the (s) country (s) below	3,94	1,093
Technological	The communication and information technology reduced barriers to creation of the business relationship.	3,86	1,167
Relationship	Individuals involved at the beginning of the internationalization process had contacts in the destination country that facilitated the commercial relationship.	3,66	1,259
Cultural	The creation of a business relationship with foreign customers was more difficult than with the domestic market.	3,51	1,095
Knowledge	Individuals involved at the beginning of the internationalization process had experience with other external markets, facilitating commercial development.	3,51	1,401
Economic	The destination country's economic development has influenced the choice of the same.	3,26	1,197
Location	The geographical proximity influenced the choice of the country.	3,26	1,615
Cultural	The chosen country's culture is similar to Brazilian culture.	3,2	1,232
Economic	The chosen country's business market is similar to the Brazilian market.	3,06	0,998
Legal / Policy	The similarities related to the legal and political environment influence the choice of destination country.	3	1,085
Financial	The costs for developing a business relationship with the foreign country customers discouraged export to new markets.	2,57	1,195
Knowledge	Because of the perceived differences, managers had difficulty developing knowledge about the country.	2,51	1,147
Knowledge	The perceived differences between countries made it difficult to transfer and interpretation of the information necessary for the business relationship development.	2,46	1,067
Cultural	Cultural differences between Brazil and the country chosen hindered trade relations.	2,29	1,045
Cultural	The language difference made it difficult trade relations.	2,09	1,197

Cultural	The perceived differences between countries discouraged export to new markets.	1,97	1,043
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Source: research data 2015

The statements with the highest agreement rates are linked to the dimensions Knowledge, Technology and Relationship. The statement with the highest mean is related to how strongly negotiations with the first exporting country influenced subsequent internationalization steps. From this, it is possible to understand the importance addressed to the initial contacts overseas to the continuation of the internationalization process within the respondent companies. Despite the differences between countries, data suggest that a good performance in the first market chosen for exporting makes the company better prepared to expand its international operations.

Respondents also stressed the importance of technology in business. The agreement rates with the statement “communication and information technology reduced barriers to creation of the business relationship” achieved 77,2% of the answers. This can be explained by the insurgence of new information media and the way it has made communication an instant process and at low cost, what makes it possible to contact customers at any time, reducing the need for personal visits and making negotiations more agile and less expensive.

The importance of the network of professional relationships involved in the internationalization process is emphasized in the statement “individuals involved at the beginning of the internationalization process had contacts in the destination country that facilitated the commercial relationship” which has achieved the third highest average. Throughout these results, it is possible to infer that the establishment of new networks, for the participant companies, facilitates access to information and opens doors in the foreign country to the exporter.

As already expected, statements with the lowest agreement levels refer to the cultural dimension. When asked about the difficulty imposed by cultural differences between domestic and foreign operations, respondents considered that, despite acknowledged differences, culture has a minor influence to the development of trade relations. Language, for instance, was considered a factor with low impact, which did not create perceptible difficulties for international relations. In the lowest average claim, respondents confirmed that the perceived differences between the countries did not discourage companies to seek expansion into new foreign markets.

Descriptive analysis of the measurements

Regarding location, nearby countries were preferred to initiate the internationalization process by the majority of participant companies, as 62.8% chose countries located in South America for their first exports. Argentina was the initial country for 28.6% of the respondent companies, followed by Chile, Mexico and Paraguay, each one with 11.4%. Other countries Colombia, Portugal, Guatemala, Uruguay and the United States were chosen as a first destination by 5.7% of the respondents. The choice for these countries suggests that geographical proximity also influences the choice of the target market and facilitates the development of trade relations.

Table 7 shows the responses for each statement on the dimensions of psychic distance listed in Table 4. The encoding serves Likert scale of five points with CT

(agree), CP (partially agree), I (indifferent), DP (disagree partially) and DT (strongly disagree). As % shows the number of respondents who indicated the level of agreement. The symbol ID is the identifier claim questioned.

Table 7: responses to the degree of agreement

ID	Factors of psychic distance	Level of agreement				
		CT	CP	I	DP	DT
		%	%	%	%	%
4	Influence of geographical proximity in choosing the country	31,4	22,9	11,4	8,6	25,7
5	Influence of the legal and political environment	2,9	37,1	28,6	20,0	11,4
6	Similarity between the markets of the countries	2,9	37,1	28,6	25,7	5,7
7	Influence of the country's economic development	17,1	25,7	31,4	17,1	8,6
8	Cultural similarity between countries	14,3	28,6	34,3	8,6	14,3
9	Difficulties generated by cultural differences	0,0	14,3	28,6	28,6	28,6
10	Difficulty generated by the language difference	2,9	14,3	14,3	25,7	42,9
11	Difficulty in relation to the foreign customer	20,0	31,4	34,3	8,6	5,7
12	Differences discouraged the expansion of exports	0,0	11,4	17,1	28,6	42,9
15	Individuals already had experience with other markets	31,4	28,6	11,4	17,1	11,4
16	The managers had no difficulty developing knowledge	5,7	14,3	25,7	34,3	20
17	Difficulty in transferring and interpretation of information	5,7	8,6	28,6	40,0	17,1
18	The experience gained in the first trading facilitated the next	31,4	31,4	20	0,0	5,7
19	Individuals already had contacts in foreign countries	28,6	40,0	5,7	20,0	5,7
20	The influence of technology in reducing barriers	37,1	31,4	14,3	14,3	2,9
21	The costs have discouraged the pursuit of expansion	5,7	17,1	28,6	25,7	22,9

Source: Research data 2015.

The highest levels of agreement were with the assertions related to previous contacts in foreign markets (ID #15) and the influence of technology in reducing barriers (ID #20). This is in line with the main assumptions of this article, related to the relevance of networks and technology to market choice. Both of them were followed by the statement "experience gained in the first trading facilitated the next". Corroborating the answers presented in this item, Table 8 shows the percentage of companies that were able to operate in other countries after its first international experience.

Table 8 - The Company's expansion to other countries, beyond the first

Alternative	Frequency	Percent	P. cumulative
Yes	31	88,6	88,6
No	4	11,4	100

Source: Research data 2015.

After the first international experience, 88% of companies sought to expand exports to other countries. Also related to this item was the way that companies have chosen to enter the foreign market (Table 9). It was identified that the main method used is direct export, being used by 57% of responding companies.

The setting up of subsidiaries in foreign markets is the method least used to start international relations, only 5% of companies have opted for it, probably because of the associated risks and costs.

Table 9 - Method used to enter the foreign market.

Method	Frequency	Percent	P. cumulative
Direct Export	20	57,1	57,1
Representative / Agent	10	28,6	85,7
Indirect Export	3	8,6	94,3
Branch	2	5,7	100
Total	35	100	-

Source: Research data 2015.

In the knowledge dimension, were evaluated issues related to the experiences and attitudes of individuals who have participated in the internationalization process of the company (ID: 15). The data shows that 60% of companies relied on professionals who have had previous experience with the foreign market. Among the respondent companies, 28.5% did not have professionals with experience.

For ID: 16 which examined the claim that managers did not have difficulties to develop knowledge of the foreign country, 54.3% disagreed with the statement, showing that managers have struggled to develop knowledge of the foreign country. Only 20% of companies felt that there were no difficulties in this regard.

Already ID: 17 which dealt difficulty in transferring and interpreting information during the development of the business relationship with foreign customers, 85.7% of respondents said they did not face difficulties in transferring and interpreting information during the negotiation with the customer, already who disagreed with the statement or felt indifferent factor. Only 14.3% of companies faced difficulties in this regard.

Companies that expanded exports to other countries after the first experience responded as the experience gained in the first trading if facilitated the next (ID: 18). In this item, 71% of companies have expanded their exports felt the experience in negotiating with the first country chosen facilitated this process with the other countries. Only 5.7% of companies felt that this experience did not influence the other negotiations.

The ID 19 found the size relationship questioning how existing contacts before the start of exports between individuals and the country chosen there. The data show that 68.6% of the individuals involved in the development of the first exports of the companies already had contacts in foreign country. While 25.7% started exports without contact.

The influence of the technological dimension, which has undergone major advances in recent times, is demonstrated by ID: 20. For 68% of the companies surveyed, the technology facilitated the relationship with the foreign customer, reducing the barriers imposed by distance and differences among countries. However, 14.3% considered this an indifferent factor for the negotiation and, in addition, other 17.2% thought that the technology did not interfere in the negotiations.

Finally, ID: 21 present the results as the disincentive of the costs involved in exporting the initiative of the companies to seek new markets. Most companies considered that the costs involved in the first international trading did not discourage the search for expansion to other countries, 48.6% of companies disagreed with the statement and 28.6% said they were indifferent. But 22.8% of

companies decreased or lost interest in the international market because of this factor.

Analysis foundation (year) versus time to internationalize

It has been hypothesized by many authors (i.e. Madsen and Servais, 1997; Moen, 2002; Johanson and Vahlne, 2009) that the internationalization process of firms which entered foreign markets after the 1980's can be accelerated by the establishment of networks of companies and by the use of new information technologies. In such cases, companies may leapfrog some of the internationalization stages or choose as first destinations countries with higher levels of psychic distance (Johanson and Vahlne, 2009). Therefore, it becomes interesting to examine if this assertion holds true for the analyzed cases. Figure 1 shows the results of a comparison of each one of the companies' year of foundation with the time it took for them to initiate the internationalization process.

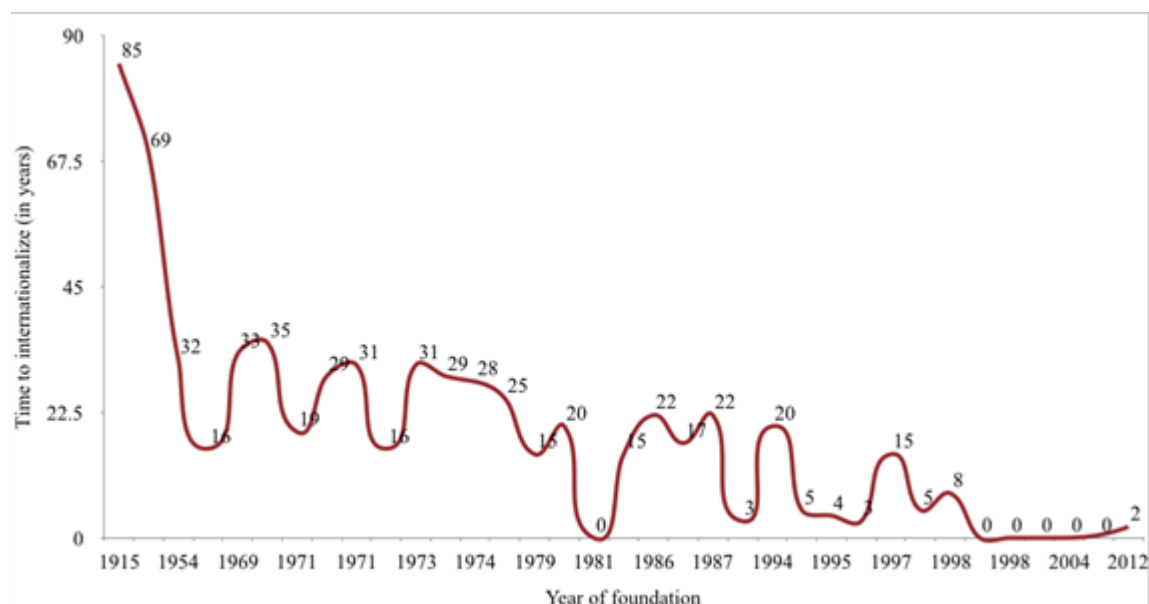


Figure 1 - Foundation of the company x Time to internationalize (in years)

Source: Research data 2015.

By Figure 1, it can be noted that the time between the foundation of the company and the beginning of operations in international markets has declined over the years. Companies founded between 1915 and 1980 took, on average, 32.06 years to start the exporting process, while companies founded between 1981 and 2012 worked exclusively in the domestic market on average 7.42 years before internationalizing. Of the 19 companies founded between 1981 and 2012, six started exporting in the same year of foundation.

Table 10 compares the year of internationalization of the company with the country chosen as the destination of the first exports.

Table 10 – Year Internationalization x Chosen Country

First Country	Year of Internationalization	
	Entre 1981 e 1999	Entre 2000 e 2014
Argentina	5	5
Chile	2	2
Peru	0	1
Switzerland	0	1
Colombia	0	2
Portugal	0	2
México	1	2
Paraguay	1	3
Guatemala	1	1
Japan	0	1
Uruguay	0	2
USA	0	2

Source: Research data 2015.

As shown in Table 10, most companies that started the export process from 1981 to 1999 chose South American countries, totaling 80% of respondents, only 20% selected countries in other regions. However, after the year 2000, the index of companies that sought to customers in countries outside South America has increased to 50%. Argentina and Chile were the main countries chosen by the companies during the period 1981 to 2014.

Discussions of results

Through the data obtained in the research, it has been identified that several factors considered in previous research no longer have the same importance for the companies studied, but there are some aspects that still influence the behavior of companies and individuals who go through this process.

The first dimension considered for the study of psychic distance was the location. As noted by the authors Johanson and Wiedersheim-Paul (1975), companies begin to export to neighboring countries due to lack of knowledge about foreign markets and try to reduce the degree of uncertainty. The survey obtained data confirmed the interest of companies from neighboring countries, since 54% of companies said that geographical proximity has influenced the choice of the country and among the companies surveyed, 65.7% opted for countries in South America, and the fate that appeared most often is Argentina, which borders Brazil.

The legal and political dimensions were mentioned by Lee (1998) as a key driver of psychic distance. However, 60% of companies in the survey disagreed with this importance or considered this irrelevant factor. This shows that companies do not see the legal and political issues as stumbling blocks to start an international business relationship, because the choice of the country is not subject to them.

We evaluated two aspects of the economic dimension. First, it was questioned whether companies consider the chosen foreign country business market similar to the Brazilian market, where 40% of companies have agreed to this similarity. This shows that the idea companies seek similar markets to later leave for other markets mentioned by Petersen and Pedersen (1996) and Stottinger and Schlegelmilch (1998, cited in Brewer, 2007), is not shared by the companies studied, although the other 60% disagreed or were indifferent to this factor. As for Hakanson and Ambos (2010) the country's economic development would be an important factor in reducing the psychic

distance in business, however this was also a low relevance factor for them, therefore, and 57.1% of respondents disagreed or were indifferent to this issue. These results indicate that the economic dimension is still considered by companies, yet has no influence on the determination of the country of destination of the first exports.

Heavily treated by several authors, the cultural dimension has also undergone major changes over time. Swift (1999), the cultural affinity was an important factor for the company could understand the needs and requirements of others. In this study, 42.9% of companies agreed that the first international relationship was with a country of culture similar to Brazilian, but 34.3% of companies have proved indifferent to this factor. After being asked about the similarity or not between the cultures, the participants had to respond if cultural differences led to difficulties in the process, with only 14.3% of the companies agreed with that statement. This result contradicts Hemais (2005) ideas, which indicated the cultural factor hindered access to information and discouraged companies in the search for new opportunities, and also Swift (1999), which considered that cultural differences could generate a feeling from distance. Hemais (2005) considered that the language difference made it difficult to access to information, however, in the survey, 68% of companies said this factor was not a hindrance to international trade.

Also in cultural dimension, Schweizer et al., (2010) said the relationship with the foreign customer would be more difficult than the relationship with the local client, due to the need for more time and effort to build this network. According to the results, 51.4% of companies agree with this difficulty, but 34.3% were indifferent to this factor and 14.3% disagree with their truth. To Johanson and Vahlne (2009), the influence of psychic distance in choosing the foreign country decreased, but still exists. The research questioned whether companies felt discouraged to seek new foreign markets when faced with differences between Brazil and the first country chosen for exports. As a result, 71.4% of companies disagreed with this statement, demonstrating that the differences were not a barrier to the development of the business relationship. As can be seen from the results of the research, cultural differences have already been exceeded by most companies, no longer seen as a barrier to internationalization.

As for the operation of export processes, Johanson and Wiedersheim-Paul (1975) stated that companies chose to begin the internationalization through agents, to decrease the risk of commitment of resources, as Hemais (2005), considered that the export was the best method, because of low risk. In the survey, most companies supported the idea of Hemais (2005), since they opted for direct export, however, the second most cited method was the use of an agent or representative, chosen by 28.6% of companies.

The knowledge dimension addressed the issue experience, which, for Conway and Swift (2000), is an influential factor for attitudes of individuals. Among the companies surveyed, 60% of individuals who participated in the process of internationalization already had experience with other international markets. To Brewer (2007), one of the factors that influence the degree of perceived psychic distance between countries is the ease with which managers develop knowledge about other markets, the familiarity they feel in that situation.

Hakanson and Dow (2012) linked the psychic distance to the difficulties in the transfer and interpretation of information necessary to the business relationship de-

velopment. But in the survey, 85.7% of companies said they have faced difficulties in transferring and interpreting information during the negotiations with the foreign customer. According to Andersen (1993), the psychic distance is reduced in countries where the company chooses to expand exports, as the experience of the first country increases its knowledge. This statement is in accordance with the answers of 71% of the companies that sought new international markets, confirming the importance of the experience acquired in the first market.

In the Relationship dimension it was asked whether individuals who participated in the first export business processes had previous contacts with the destination country, and 68.6% of them have already had some contact that helped develop the business relationship. This result shows that these companies had minor difficulties in the internationalization process, because to Johanson and Vahlne (2009) psychic distance impacts on developing existing relationships and contacts help in this process. In this dimension, the survey showed that most companies could count on the help of a network of relationships existing already assisting in the development of the relationship with the foreign customer.

The technology, which is constantly evolving, was also considered as an important dimension, because for Hakanson (2014), this factor is diminishing the importance of psychic distance as an impediment to international trade. In response to the survey, 68.6% of the companies agreed on the importance of technology in reducing international barriers. This shows that most companies are benefiting from technological developments in international trade, however, also shows that an important part is still indifferent to this change.

Finally, about the financial dimension, Hakanson and Dow (2012) stated that the psychic distance is also linked to the costs that companies will face when dealing with foreign customers. Unlike Hakanson and Dow's (2012) statement costs did not discourage 48.6% of companies seeking new international markets to act. In addition, 28.6% of companies have proved indifferent to this factor. This shows that companies are no longer impressed with the costs incurred in international trading.

Conclusions

The psychic distance has been studied for decades, but with the social and technological changes that have occurred in the corporate world, how the concept applies currently has changed. The ease of communication and access to information broadens and enhances the company's vision beyond the local market

Through bibliographical research, the main dimensions that can meet the causative factors of psychic distance were identified: Location; Legal / Political; Economic; Cultural; Operation; Knowledge; Relationships; Technological; Financial. The results showed that the location factor is still considered by most companies that start their internationalization process, they see in neighboring countries the best option to enter the foreign market. The legal and political environment is considered by companies, however, does not arise as a barrier in choosing the country of destination for exports. In the Economic dimension, companies have shown that the market does not need to be similar to the Brazilian market to draw the attention of the same, as well as the economic development of the country, which does not prevent companies to see good opportunities abroad. Nevertheless, the cultural issue significantly lost its importance

as a key driver of psychic distance. Most companies do not consider that cultural differences hinder international negotiations, not even the language difference has big implications for the exchange of information. These differences are not discouraging companies in the search for new opportunities in the international market or preventing the development of the relationship with customers.

The choice of companies for entry in foreign markets through direct export shows that they are willing to commit to this new market and develop the knowledge to act on it. Most companies that start the process of internationalization has professionals with experience in foreign markets, however, managers are still facing some difficulties in obtaining the necessary knowledge about the foreign country. But it is the experience of the first country that facilitates the entry into new markets. Another factor that helps companies in the internationalization process are the contact networks already established by managers, these contacts facilitate entry into the foreign country with greater security. Allied to this, the technological dimension also makes the most simple and fast process.

Even the costs faced during the development of this process have discouraged companies to continue operating in the foreign market. Moreover, throughout the years, companies have greatly reduced the time between its founding and entering the international market. In addition to companies starting international negotiations earlier, they still are expanding their vision at the time of choosing the country of destination of exports, not avoiding the most distant countries geographically. The size of the company does not limit or promote their search for opportunities abroad, because they seek different markets not sticking only to the countries geographically and psychically close.

The study is limited to companies located in the city of Caxias do Sul and regional areas in Rio Grande do Sul, and the respondents were professionals who were willing to participate. Another limitation was found in the number of responses and the sectors that have answers.

As a suggestion for future studies, it should be extended the search application area, analyzing the same factors, however, reaching a larger number of cities and may also cover the entire state of Rio Grande do Sul or expand to the national level. Another suggestion is to apply this study, focusing only on one sector companies, reaching a considerable number of respondents, it would be possible to know in depth the opinions and experiences specifically for companies in the chosen line of business.

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